ITRN 503: Macroeconomic Policy in the Global Economy

Draft

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Office hours: Wednesday 4:30–6:30 pm and by appointment also
Lectures: Thursday 4:30–7:10 pm; Founders Hall, Classroom 476

Course Description

This course covers the principal frameworks and concepts underpinning macroeconomics, focusing on their relevance to understand policy issues related to aggregate economic performance in the global economy. Our analysis will include topics such as growth and business cycles; monetary and fiscal policies; inflation and unemployment; balance of payments and exchange rates.

We will hold weekly lectures and there will be a group project presentation, an individual short written assignment, and two exams (a midterm and a final). The grading details are below (p. 2).

N.B.: This is a challenging course. If feasible, take ITRN 504: Microeconomics and Trade Policy or PUBP 720: Managerial Economics before you take ITRN 503.

Learning Outcomes

- Students will demonstrate knowledge of the analytical building blocks of macroeconomics.
- Students will know the major ideas from the main macroeconomic schools of thought, and their foundational approaches.
- Students will be able to analyze national accounting and balance of payments statistics, and make judgments about their validity.
- Students will understand the approaches and underlying assumptions of key macroeconomic models.
- Students will be able to critically assess the quality of macroeconomic analytical reports and the plausibility of emanating forecasts and policy implications.
- Students will be able to apply the skills developed in the course to analyze macroeconomic policies.
Required Reading

The main text will be *Macroeconomics* (5th edition) by Paul Krugman and Robin Wells (Worth Publishers, New York, 2018) – referred to as KW henceforth. Older editions have some of the same material but examples are dated. Also, there are improvements in exposition and changes in emphasis to reflect current macroeconomic issues.

We will also be using *An Introduction to International Economics: New Perspectives on the World Economy*, Cambridge University Press, by Kenneth Reinert (when covering open economy topics) – referred to as KR henceforth.

In addition, it is highly recommended that you keep abreast of current global economic affairs by reading the specialized media analyses. A useful source is the weekly:

  The Economist (This links routes you through the Libraries' proxy server)

Other sources of interest include two dailies: *The Financial Times* and *The Wall Street Journal*.

The textbook reading assignments specified in the course outline below will be complemented with articles dealing with current, recent and historical macroeconomic issues and policy examples in order to apply the analytical tools.

Also, over the course of the semester, we will have a couple of policy practitioner guest lecturers to illustrate in action the use of the analytical tools learned in class.

Course Requirements and Grading

Midterm exam – 25 percent
Cumulative final exam – 35 percent
Class project – 30 percent (Total per breakdown below)
  Short written piece – 20 percent
  Short group presentation – 10 percent
Class participation- 10 percent

Course Outline

*Week 1 (January 24): Introduction to Class: Economic Growth and Business Cycles*

  Chapters 1, 3 and 6 in KW

*Week 2 (January 31): The System of National Income Accounts*

  Chapter 7 in KW and 13 in KR
Week 3 (February 7): Schools of Thought in Macroeconomics
  Chapter 9 and 17 in KW

Week 4 (February 14): Keynesian Model
  Chapter 10 and 11 in KW

Week 5 (February 21): Aggregate Demand & Aggregate Supply (AD-AS)
  Chapter 12 in KW

Week 6 (February 28): Fiscal Policy (and Student Presentations)
  Chapter 13 in KW

Week 7 (March 7): Midterm Examination

Week 8 (March 14): Spring Break

Week 9 (March 21): Monetary Policy
  Chapter 14 in KW

Week 10 (March 28): Inflation & Unemployment
  Chapter 15 in KW

Week 11 (April 4): Inflation, Disinflation & Deflation (and Student Presentations)
  Chapter 16 in KW

Week 12 (April 11): Exchange Rate Determination & Purchasing Power Parity
  Chapter 18 in KW and 14 in KR

Week 13 (April 18): Flexible Exchange Rate Regimes (and Student Presentations)
  Chapter 15 in KR

Week 14 (April 25): Fixed Exchange Rates and Currency Crises
  Chapter 16 in KR

Week 15 (May 2): Final Exam
Some Ground Rules

- The use of phones, tablets or laptops in class is very strongly discouraged for the benefit of all, except in extenuating circumstances when a momentary absence is understandable. The scientific evidence shows that the use of electronics in the classroom impedes not only your own learning experience but that of your peers as well (see for example https://www.chronicle.com/article/The-Distracted-Classroom/239446).

- The GMU honor code will be fully enforced and cheating of any kind will not be tolerated in any coursework in order to ensure fairness and transparency. The full Mason honor code may be accessed at: https://oai.gmu.edu/mason-honor-code/full-honor-code-document.

Academic Accommodation for a Disability

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 703-993-2474. All academic accommodations must be arranged through the DRC.