

Syllabus

ITRN 503-004

Investment and Macroeconomics for International Commerce

Course Outline:

The course is broadly divided into two halves. The first half is an introduction to Macroeconomic Theory and Policy. This part of the course introduces you to important concepts and analytical tools frequently used by economists to tackle a range macroeconomic issues that are relevant to businesses, governments and households. The second part of the course provides a more in-depth understanding of important international financial issues and policy challenges that confront the world economy. It covers issues such as balance of payments, exchange rates and currency crises.

Unlike narrow discipline-oriented courses that only focus on analytics, this course consciously links the analytics to real world ongoing and policy issues and conundrums. Since this is a graduate level course with only one lecture per week, significant degree self-study, reading and initiative is expected. The course is fairly intensive and students are expected to have fully read the assigned textbook readings before class.

Lecturer: Rabin Hattari
Room TBD
E-mail: rhattari@gmu.edu

Lecture Time: Tuesday, 4:30pm – 7:00pm

Lecture Venue: TBD

Office Hours: TBD, or by appointment.
(Do not leave phone messages; best to e-mail me).

Readings: Required Text: P. Krugman and R. Wells (2005). *Macroeconomics*, Worth. (KW)

Recommended Text: K.A. Reinert (2005). *Windows on the World Economy: An Introduction to International Economics*, South-Western Thomson. (KR)

Assessment: In-class Quiz 1 (5%)
Mid-term (35%). Closed book.
In Class Quiz 2 (5%)
Final Exam (35%). Closed book.
One country Assignment (20%).

SPP Policy on Plagiarism:

The profession of scholarship and the intellectual life of a university as well as the field of public policy inquiry depend fundamentally on a foundation of trust. Thus any act of plagiarism strikes at the heart of the meaning of the university and the purpose of the School of Public Policy. It constitutes a serious breach of professional ethics and it is unacceptable.

Plagiarism is the use of another's words or ideas presented as one's own. It includes, among other things, the use of specific words, ideas, or frameworks that are the product of another's work. Honesty and thoroughness in citing sources is essential to professional accountability and personal responsibility. Appropriate citation is necessary so that arguments, evidence, and claims can be critically examined.

Plagiarism is wrong because of the injustice it does to the person whose ideas are stolen. But it is also wrong because it constitutes lying to one's professional colleagues. From a prudential perspective, it is short-sighted and self-defeating, and it can ruin a professional career.

The faculty of the School of Public Policy takes plagiarism seriously and has adopted a zero tolerance policy. Any plagiarized assignment will receive an automatic grade of "F." This may lead to failure for the course, resulting in dismissal from the University. This dismissal will be noted on the student's transcript. For foreign students who are on a university-sponsored visa (e.g. F-1, J-1 or J-2), dismissal also results in the revocation of their visa.

To help enforce the SPP policy on plagiarism, all written work submitted in partial fulfillment of course or degree requirements must be available in electronic form so that it can be compared with electronic databases, as well as submitted to commercial services to which the School subscribes. Faculty may at any time submit student's work without prior permission from the student. Individual instructors may require that written work be submitted in electronic as well as printed form. The SPP policy on plagiarism is supplementary to the George Mason University Honor Code; it is not intended to replace it or substitute for it. (<http://www.gmu.edu/facstaff/handbook/aD.html>)

Special Needs:

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

Course Outline*

Time	Topic	Readings (Always follow the readings in the lecture notes)
Week 1	Course Preliminaries and Introduction to Macroeconomics	KW: Chapter 6.
Weeks 2 and 3	Identities, Concepts, Definitions, Business Cycle and Growth	KW: Chapters 7 & 8, 15 and Listed Readings.
Weeks 4 and 5	Introduction to Aggregate Supply (AS) and Aggregate Demand (AD) Models	KW: Chapter 10 and Listed Readings.
Week 6	Quiz 1 and Application to AS-AD: Fiscal Policy and Monetary Policy	KW: Chapters 12, 14 & 17 and Listed Readings.
Week 7	Mid-Term	
Week 8	Mid-term Recess	
Weeks 9 and 10	Application to AS-AD: Fiscal Policy and Monetary Policy	KW: Chapters 9, 12, 14 & 17 and Listed Readings.
Week 11	International Capital Flows, Monetary Policy and the Yield Curve	KW: Chapters 9, 19 (until p.468) and Listed Readings.
Weeks 12 and 13	Quiz 2 and Introduction to Exchange Rates, Balance of Payments (BoP): Identities, Concepts, Definitions	KW: Chapter 19 and Listed Readings.
Week 14	Review	
Week 15	Final Exam and Assignment due	

- *This outline is subject to some alterations during the course of the semester.*

Required Readings

Week 1

Math refresher:

<http://www.stat.wisc.edu/~ifischer/calculus.pdf>

Week 2

Bergheim, Stefan, “Measures of Well-Being: There is more to it than GDP,” Deutsche Bank Research, 2006.

http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD000000000202587.pdf

Bernanke, Ben S., “The Benefits of Price Stability,” Speech at the Center for Economic Policy Studies, 2006.

<http://www.federalreserve.gov/boardDocs/Speeches/2006/200602242/default.htm>

Bosworth, Barry and Jack Triplett, “Numbers Matter,” The Brookings Institution, 2000.

<http://www.brookings.edu/comm/policybriefs/pb63.pdf>

Callen, Tim, “PPP Versus the Market: Which Weight Matters?,” Finance and Development. 44, 2007.

<http://www.imf.org/external/pubs/ft/fandd/2007/03/basics.htm>

Ferguson, Roger W., “A Retrospective on Business-Cycle Recoveries: Are “Jobless” Recoveries the New Norm?,” Remarks at the Exchequer Club of Washington Luncheon, 2004.

<http://www.federalreserve.gov/BOARDDOCS/SPEECHES/2004/20040721/default.htm>

Mishkin, Fredric S., “Headline versus Core Inflation in the Conduct of Monetary Policy,” Remarks at the Business Cycles, International Transmission and Macroeconomic Policies Conference, Montreal, Canada, 2007.

<http://www.federalreserve.gov/newsevents/speech/mishkin20071020a.htm>

Week 3

Bergheim, Stefan, “Japan 2020 – The Decline in Trend Growth is Home-Made: Falling Labour Input and Sluggish Opening Slow Growth,” Deutsche Bank Research, 2006.

http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD000000000202702.pdf

Bies, Susan Schmidt, “Productivity and Economic Outlook,” Remarks before the Tech Council of Maryland’s Financial Executive Forum, 2006.

<http://www.federalreserve.gov/newsevents/speech/Bies20060118a.htm>

Elwell, Craig K., “Long-Term Growth of the U.S. Economy: Significance, Determinants, and Policy,” CRS Report for Congress, May 2006.
<http://italy.usembassy.gov/pdf/other/RL32987.pdf>

Graf, Bernhard and March Schattenberg, “Stronger Productivity Growth in the US: Largely a Statistical Artefact,” Current Issues, Deutsche Bank Research, 2005.
http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD000000000183114.pdf

Kohn, Donald L., “The Aging Workforce,” Testimony before the Special Committee on Ageing, US Senate, 2007.
<http://www.federalreserve.gov/newsevents/testimony/Kohn20070228a.htm>

Mishkin, Frederic, “Estimating Potential Output,” May 24, 2007
<http://www.federalreserve.gov/newsevents/speech/Mishkin20070524a.htm>

Weeks 4 and 5

Bernanke, Ben S., “Energy and the Economy,” Remarks before the Economic Club of Chicago, 2006.
<http://www.federalreserve.gov/newsevents/speech/bernanke20060615a.htm>

Bernanke, Ben S., “Globalization and Monetary Policy,” Stanford University, March 2007 (second part).
<http://www.federalreserve.gov/newsevents/speech/Bernanke20070302a.htm>

Kohn, Donald L., “The Effects of Globalization on Inflation and Their Implications for Monetary Policy,” June 2006
<http://132.200.33.130/newsevents/speech/Kohn20060616a.htm>

tutor2u, Demand and Supply-side Shocks to an Economy
http://www.tutor2u.net/economics/content/topics/macroeconomy/economic_shocks.htm

Week 6

Bernanke, Ben S., “Long-term Fiscal Challenges and the Economy,” Testimony before the Committee on the Budget, US House of Representatives, 2007.
<http://www.federalreserve.gov/newsevents/testimony/Bernanke20070228a.htm>

Cashell, Brian W., “The Federal Government Debt: Its Size and Economic Significance,” CRS Report for Congress, 2007.
<http://www.au.af.mil/au/awc/awcgate/crs/rl31590.pdf>

Laffer, Arthur, B., “The Laffer Curve: Past, Present, and Future”, The Heritage Foundation, June 2004.
http://www.heritage.org/Research/Taxes/upload/64214_1.pdf

Walsh, Carl E., “The Role of Fiscal Policy,” FRBSF Economic Letter, 2002.
<http://www.frbsf.org/publications/economics/letter/2002/el2002-26.pdf>

Week 7

Bernanke, Ben, “Federal Reserve Board’s Semiannual Monetary Policy Report to the Congress,” Testimony before the Committee on Banking, Housing, and Urban Affairs, 2007.
<http://www.federalreserve.gov/newsevents/testimony/bernanke20070214a.htm>

Bernanke, Ben, “Housing, Housing Finance, and Monetary Policy,” Testimony before At the Federal Reserve Bank of Kansas City’s Economic Symposium, Jackson Hole, Wyoming, 2007.
<http://www.federalreserve.gov/newsevents/speech/Bernanke20070831a.htm>

Federal Reserve Bank of San Francisco, “US Monetary Policy: An Introduction,” 2004.
<http://www.frbsf.org/publications/federalreserve/monetary/MonetaryPolicy.pdf>

Greenspan, Alan, “Reflections on Central Banking,” Remarks at a Symposium Sponsored by the Federal Reserve Bank of Kansas City, 2005.
<http://www.federalreserve.gov/boarddocs/speeches/2005/20050826/default.htm>

Weeks 9 and 10

Benner, Kate, “Old Conundrum, New Twist: Inverted or Flat, the Yield Curve Points to a Weaker Federal Reserve, Not a Downturn”.
http://money.cnn.com/2005/07/12/markets/bondcenter/bond_yields/index.htm?cnn=yes.

Bernanke, Ben S., “Reflections on the Yield Curve and Monetary Policy,” Remarks before the Economic Club of New York, 2006.
<http://www.federalreserve.gov/newsevents/speech/bernanke20060320a.htm>

Bernanke, Ben S., “Globalization and Monetary Policy,” Stanford University, March 2007 (first part).
<http://www.federalreserve.gov/newsevents/speech/Bernanke20070302a.htm>

Wu, Tao, “Globalization’s Effect on Interest Rates and the Yield Curve,” Economic Letter – Insights from the Federal Reserve Bank of Dallas, 2006.
<http://www.dallasfed.org/research/eclett/2006/el0609.html>

Weeks 11 and 12

The Economist, “The Big Mac Index,” February 1, 2007.
http://www.economist.com/markets/indicators/displaystory.cfm?story_id=8649005

Heakal, Reema, “Understanding the Current Account,” Investopedia.
<http://www.investopedia.com/articles/03/061803.asp>

Neary, Peter. “Purchasing Power Parity,” May 2004.
<http://www.ucd.ie/economics/staff/pneary/pdf/ppp.pdf>

Pakko, Michael, R. and Patricia S. Pollard, “Burgernomics: A Big Mac Guide to PPP,”
The Ffederal Reserve Bank of St. Louis, November/December 2003.
<http://research.stlouisfed.org/publications/review/03/11/pakko.pdf>

Stein, Herbert, “Balance of Payments,” The Concise Encyclopedia of Economics.
<http://www.econlib.org/library/Enc/BalanceofPayments.html>