

Economic Analysis for International and Public Affairs II – U6401
Andrea Bubula SIPA – Columbia University

Teaching Team

Name		Email	Office Hours
Andrea Bubula Office: IAB 1312 Telephone: (212) 854-5518	Instructor	ab510@columbia.edu	M: 1pm-3pm W: 1pm-3pm Th: 1pm-2pm
Laetitia Bosio	TA	lb2651@columbia.edu	Th: 5pm to 7pm
Kevin Hong	TA	kch2115@columbia.edu	M: 5pm to 7pm
Sandeep Rai	TA	skr2129@columbia.edu	F: 4pm to 6pm
Azra Pravdic	TA	ap2815@columbia.edu	Tu: 2pm to 4pm
Sasha Vartelskaya	TA	av2395@columbia.edu	F: 11am to 1pm
Nell Abernathy	DRA	nla2110@columbia.edu	Th: 2pm to 4pm
Mark Viehman	DRA	mww2103@columbia.edu	M: 3pm to 5pm
Ronghua Wang	DRA	rw2368@columbia.edu	Tu: 4pm to 6pm
Mathias Zeller	DRA	mz2258@columbia.edu	M: 11am to 1pm
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Gauri Anad	Tutor	ga2282@columbia.edu	By Appointment

Teaching Schedule

Section 1 Lectures M W 9:15am-10:45am, 403 IAB	Section 1 Recitation Th: 11:00am-12:30pm, 410 IAB or F: 9:00am-10:30am, 411 IAB	Laetitia Kevin
Section 2 Lectures M W 11:00am-12:30pm, 411 IAB	Section 2 Recitation Th: 2:10pm-3:40pm, 413 IAB or F: 2:10pm-3:40pm, 404 IAB	Laetitia Azra
Section 5 Lectures M W 4:10pm-5:40pm, 403 IAB	Section 5 Recitation Th: 4:10pm-5:40pm, 403 IAB or Th: 6:10pm-7:40pm, 413 IAB	Sandeep Sasha
Section 3 Lectures Tu Th 9:15am-10:45am, 403 IAB	Section 3 Recitation Th: 12:30pm-2:00pm, 403 IAB or F: 2:10pm-3:40pm, 409 IAB	Sandeep Sasha
Section 4 Lectures Tu Th 11:00am-12:30pm, 403 IAB	Section 4 Recitation F: 12:30pm-2:00pm, 403 IAB or F: 4:10pm-5:40pm, 403 IAB	Azra Kevin

Course Description

This course continues the one-year sequence initiated with U6400 and focuses on macroeconomics. The goal of this course is to provide you with an analytical framework to examine and critically interpret observed economic events and policies in the global economy. We will build from microeconomic principles to clarify the causal links between macroeconomic aggregates. The subject matter will always refer to concrete situations with a particular focus on the causes and effects of the current global financial crisis. Homework and exams are opportunities to put into practice what is learned in class. In these applications you are expected to solve word problems, critically analyze actual data organized in tables or graph, or comment excerpts found in economic news. In addition to validating the practical relevance of the course, these applications supply a learning tool by themselves because they provide additional factual knowledge. The controversial nature of macroeconomics and macroeconomic policies will be central.

Textbook

The textbook used as a general reference for this class is *Macroeconomics* 7th Edition by Abel, Bernanke, and Croushore (ABC), Addison Wesley. Previous editions by Abel and Bernanke are equally good.

Requirements

You are required to attend all lectures, complete homework assignments, take two midterms and a final exam.

The grade for the course is a weighted average of four grades: attendance, participation and punctuality (5%), homework assignments (20%), exams (27.5% to the highest grade, 22.5% to the lowest grade and 25% to the grade in the middle). Failure to take an exam will result in a failing grade for the class. *Grades will be curved according to the overall performance of the five sections.* Free-riding in your homework group will be penalized.

Cheating will not be tolerated and will be severely punished.

Having access to the answer keys of assignments and exams from previous years is considered cheating.

Exam dates

The first midterm exam will be given on Friday, February 25. The second midterm exam will be given on Friday, April 8th. The final exam will be given on Friday, May 6th. **Inform me by January 28 if you cannot be present at an exam.**

Problem Sets

There will be ten problem sets, which will be made available on Courseworks. The schedule of the problem sets is the following:

Problem Set	Available	Due
1	January 26	February 2
2	February 2	February 9
3	February 9	February 16
4	February 14	February 21
5	March 2	March 9
6	March 9	March 23
7	March 23	March 30
8	March 28	April 4
9	April 13	April 20
10	April 20	April 27

Groups of up to **four** students may submit homework assignments together. Group members can be from any section of the course. Hand in only one homework paper for each group. Please remember to write the names of all the group members on the first page of your answers to the problem set. Graded homework will be returned to the folder of the first student listed on the homework.

Recitations

There will be ten recitations. While attending recitations will be extremely useful, recitations are not mandatory.

Recitation	Dates
1	January 27 or January 28
2	February 3 or February 4
3	February 10 or February 11
4	February 17 or February 18
5	March 3 or March 4
6	March 10 or March 11
7	March 24 or March 25
8	March 31 or April 1
9	April 14 or April 15
10	April 21 or April 22

Course Outline (subject to change)**Topic 1: Introduction to GDP. The Labor Market****Lecture 1: Jan. 18 and Jan. 19**

Introduction to GDP. (Ch. 2, secs 2.1 and 2.2 up to page 30).

Jan. 20: No Class (please read section 2.4 on your own)

Lecture 2: Jan. 24 and Jan. 25

The Labor Market. Labor Supply (Ch. 3, secs. 3.1 and 3.3). Please review your notes on labor supply from last semester. Taxes and labor supply. Review your notes on the income effect and the substitution effect from last semester.

Lecture 3: Jan. 26 and Jan. 27

The Labor Market. Labor Demand and Equilibrium (Ch. 3, secs. 3.2 and 3.4). The effects of migration in countries of origin and in destination countries.

Lecture 4: Jan. 31 and Feb. 1

Unemployment in the long run (Ch. 3, secs. 3.5 and 3.6). Okun's law. Why is GDP growing and unemployment stays the same? We may introduce topic 2.

Topic 2: The Relation Between Income and Wealth. The Balance of Payments**Lecture 5: Feb. 2 and Feb. 3**

The expenditure approach to measuring GDP (please read section 2.2 from page 30 to page 33 before coming to class). Interest rates (Ch. 2, sec. 2.5). Saving and wealth (Ch. 2, sec. 2.3, Ch. 5, secs. 5.1 and 5.2).

Lecture 6: Feb. 7 and Feb. 8

The microfoundations of personal consumption expenditures and private saving (Ch. 4, sec. 4.1 excluding fiscal policy). Appendix 4.a. Review your notes on the income effect and the substitution effect from last semester.

Lecture 7: Feb. 9 and Feb. 10

Fiscal Policy (the fiscal policy part from sec. 4.1) and investment (sec. 4.2).

Lecture 8: Feb. 14 and Feb. 15

Equilibrium in closed and open economies (in small and large economies) (Ch. 4, sec. 4.3, Ch. 5, secs. 5.3 and 5.4). The global saving glut in the years prior the global crisis.

Lecture 9: Feb. 16 and Feb. 17

The effects of a cut in taxes on private saving, government deficit, national saving and foreign borrowing. Fiscal sustainability after the crisis.

Review Lecture: Feb. 21 and Feb. 22

Putting everything together

Topic 3: Money and the Asset Market**Lecture 10: Feb. 23 and Feb. 24 (I could move this lecture to the Monday after the midterm exam).**

Money and money supply. (Ch. 7, secs. 7.1, 7.2, Ch. 14, secs. 14.1 and 14.2 up to page 544).
The Federal Reserve during the crisis.

Midterm Exam I: Friday Feb. 25 (covering Topics 1 and 2)

Lecture 11: Feb. 28 and Mar. 1

Money demand and money neutrality (Ch. 7, secs. 7.3 and 7.4).

Lecture 12: Mar. 2 and Mar. 3

Money growth, inflation and seigniorage (Ch. 7, sec. 7.5 and Ch. 15, sec. 15.4).

Lecture 13: Mar. 7 and Mar. 8 (If I move Lecture 10 to Feb 28, I could skip this lecture)

The term structure and risk structure of interest rates (notes). Please review your notes on uncertainty from last semester. Or, I could focus on the banking sector.

Topic 4: Introduction to Business Cycle Theory**Lecture 14: Mar. 9 and Mar. 10**

Dating the Business Cycle. The FE and the IS curves (Ch. 8, secs. 8.1 to 8.4, Ch. 9, secs. 9.1 and 9.2).

Week of March 14: Spring Break**Lecture 15: Mar. 21 and Mar. 22**

The LM curve (Ch. 9, sec. 9.3). General Equilibrium (Ch. 9, sec. 9.4). The Aggregate Demand and Aggregate Supply (Ch. 9, sec. 9.6)

Lecture 16: Mar. 23 and Mar. 24

The short-run and long-run effects of shifts in the LM. Examples.

Lecture 17: Mar. 28 and Mar. 29

The short-run and long-run effects of shifts in the IS. Examples.

Lecture 18: Mar. 30 and Mar. 31

The Business Cycle according to Keynesians and Classical.

Review Lecture: Apr. 4 and Apr. 5

Putting everything together

Lecture 19: Apr. 6 and Apr. 7

The Phillips curve. Inflation and unemployment; Is there a trade off? (Chapter 12)

Midterm Exam II: Friday, April 8 (covering Topics 3 and 4, excluding lecture 19)

Topic 5: The Open Economy

Lecture 20: Apr. 11 and Apr. 12

Nominal exchange rates. The link between exchange rates and interest rates. Interest Parity Conditions (Notes).

Lecture 21: Apr. 13 and Apr. 14

Purchasing power parity and the real exchange rate. The Balassa Samuelson effect (Notes).

Lecture 22: Apr. 18 and Apr. 19

The Open-Economy IS-LM in floating exchange rate regimes (Notes).

Lecture 23: Apr. 20 and Apr. 21

The Open-Economy IS-LM in fixed exchange rate regimes. (Notes). Currency Crises. (Notes)

Lecture 24: Apr. 25 and Apr. 26

Current Policy Challenges part 1: The global recovery, monetary policy, fiscal policy and exchange rate policy after the crisis.

Lecture 25: Apr. 27 and Apr. 28

Current Policy Challenges part 2: This lecture terminates lecture 24.

Final Exam: May 6

While the final exam will primarily focus on what analyzed over lectures 19 to 25, it will also cover Topics 3 and 4.