All public policies require a growing and prosperous private economy in order to provide the resources needed to achieve their social purposes. The goals of our seminar are twofold. First, we want to gain a sophisticated understanding of how the macroeconomic economy operates and how public policies affect it and are affected by it. To this end, we will study the theoretical foundations of macroeconomics using a basic text co-authored by one of the country’s foremost macroeconomists, Alan Blinder, who served as Vice Chairman of the Federal Reserve Board and was a member of the Council of Economic Advisors to President Clinton. His co-author, William Baumol, is a distinguished economist and a member of the National Academy of Science. The current macroeconomic conditions both in the United States and throughout the world are enormously difficult and challenging.

The second purpose of the seminar is to acquire sophistication in understanding the wide range of economic measurements of the macro economy. Our efforts to understand both the theory and the measurement of the macro economy complement each other and can result in a broad and deep comprehension of the U.S. and world economies today and the choices that confront public policy. The public policy dimensions of our study will include taxation and government expenditures, interest rates and money supply, credit market stabilization, housing, international trade (e.g., exchange rates, tariffs, quotas), employment (e.g., workforce training, immigration, minimum wage), state and local government fiscal issues, environment and natural resources, the national debt, and inflation and deflation.

There is no more interesting time to study macroeconomics as the world and the nation struggle to emerge from a deeply distressed financial system and a punishing global recession. We will examine the many policies implemented in the U.S. and throughout the world aimed at avoiding a financial panic and stopping and reversing the recession. These financial and countercyclical economic policies began in 2008 and continue now.

We will use our time evenly between our two purposes. Each member of the seminar will select an area of the economy and its related public policies to monitor and report on a recurring basis in class. A list of suggested areas, data sources, websites, and available material is attached. In the first half of each class, we will work through a chapter in our text in order to understand how the measurements we are monitoring are determined by the macroeconomic forces operating in the U.S. and the world economies. A syllabus with a list of the chapter readings by class date is attached. In addition, you will receive emails on a regular basis of current articles with related questions about the macro economy and public policy issues to answer and discuss.
For the second half of each class, seminar participants will provide a briefing on the current status of their area and the public policy implications. **Each student will make this presentation every third week and will provide a brief written summary handout of the material to our class along with the verbal presentation.**

Students will select a public policy issue related to their area and prepare a term research paper (20 pages) due Monday, **3 May.** A proposal for the research paper topic along with an initial bibliography is due Friday, **12 February.** A first draft of the paper is due Friday, **2 April.** There will be a mid term in-class exam on Wednesday **10 March.** Please be aware of these dates and plan your work accordingly.

Our seminar can be a lively learning community that thrives on group participation and discussion. **It requires your attendance at each and every class and positive engagement with our group and the material of the course.** Your efforts will be rewarded with, I hope, a deep and broad participatory learning experience. I very much look forward to working and learning with you.
Macroeconomic Areas and Indicators: Sources and Materials

Students will select one or more areas and the related public policy issues to monitor and report on regularly. Please review these areas below and the related indicators and let me know by email, or by meeting with me, which you would like select as your responsibility. You are also encouraged, of course, to propose other areas, but the area needs to involve the performance, measurement, and public policy issues of the macroeconomic economy. All of the areas below can also be defined for the macro economy of other countries and students can select the equivalent areas and measurements for any country or group of countries.

The major sources of U.S. data for each area are given below, but you should pursue other related material and sources. We will discuss the content of a typical presentation during our first class. The macroeconomic literature is readily accessible from EconLit, an electronic literature reference base, from the Rutgers University Libraries. Instructions on how to use this powerful search tool will be provided.

1. **Gross Domestic Product (GDP).** The key aggregate indicator of the economy with all of its components as measured by the Bureau of Economic Analysis of the U.S. Department of Commerce. Price indices, corporate profits, and personal income data by component are also provided. Data are released for each quarter of the year in three phases - - an advance estimate, a preliminary estimate and a final figure. Access [www.bea.gov](http://www.bea.gov), the home page for the BEA, to obtain the current and past GDP data. This web site is a source of a rich array of other economic data. See also the *Survey of Current Business* for tables and data. This is available from the BEA web site and electronically via the Rutgers University Libraries.

2. **Productivity and Cost.** Output per hour worked and related unit labor cost measures. Measured by the Bureau of Labor Statistics of the U.S. Department of Labor and released on a quarterly basis. Access [www.bls.gov/lpc/](http://www.bls.gov/lpc/) or the home page of the BLS, [www.bls.gov](http://www.bls.gov). Estimates are provided for the manufacturing sector, the business sector, and the non-farm business sector. This is a key measure for policies related to inflation, economic growth, and technological change.

3. **Employment.** The most visible and visceral of economic indicators and the one that frequently drives political debate. It is a measure that is most important to individuals, elected officials, and the national political parties. Employment is measured monthly by the Bureau of Labor Statistics via both a household survey and a survey of employers. Access these data via [www.bls.gov](http://www.bls.gov) and click on
“employment and unemployment”. Data are available by household characteristics (age, gender, race/ethnicity) as well as by type of business establishment. There is a rich archive of employment information available on this site including state and regional data. A large range of policy issues are related to employment and labor markets such as education, science and technology, minimum wage, workforce training and education, anti-poverty programs, and market protectionism (e.g., quotas, tariffs, outsourcing).

4. **Prices.** There are a large number of economic measures of prices. Prices of consumer goods, prices of specific categories of goods and services (e.g., food, health care, energy, housing, etc.), prices of producer goods, commodity prices, prices of imported goods, price indices for GDP, and price indices that account for quality changes, among others. Concern about inflation and deflation focuses on the rate of change in prices. The Consumer Price Index and related measures are provided monthly by the Bureau of Labor Statistics. Access the home page, [www.bls.gov](http://www.bls.gov), click on “inflation and consumer spending” and [www.bls.gov/cpi/](http://www.bls.gov/cpi/) for a rich array of detailed current and historical data. The producer price index is available at [www.bls.gov/ppi](http://www.bls.gov/ppi). Price indices for imports and exports are available at [www.bls.gov/mxp](http://www.bls.gov/mxp). The GDP data gathered by the BEA and cited in number 1 above also contain important price index data.

5. **International Trade.** The best single source of data for U.S. trade flows of exports and imports is the monthly release by the Bureau of Economic Analysis available from the home page, [www.bea.gov](http://www.bea.gov), click on Trade in Goods and Services heading. This source provides detailed data on exports and imports by category of goods and services, both in total and by country. It also provides trade data by state. For international financial flows (available quarterly), click on Balance of Payments. Annual summary data and special analyses are also available on this site. A host of major public policy issues emanate from international trade including tariffs and quotas, outsourcing, exchange rates, and globalization.

6. **Consumer spending.** In the U.S. economy, consumer spending accounts for approximately 70% of GDP. The GDP accounts listed in number 1 above provide detailed data on expenditures by various categories of goods and services. In addition, monthly personal outlays are available from the Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov), click on personal income and outlays. Retail sales data are available from the U.S. Department of Commerce home page, [www.commerce.gov](http://www.commerce.gov), click on Latest Economic Indicators and then on “Advanced Monthly Sales for Retail Trade and Food Services. Data on auto sales are available from Ward’s AutoInfoBank; access via, [www.wardsauto.com/waib/](http://www.wardsauto.com/waib/), click on key automotive data under “public features.”

7. **Housing.** Detailed data are available from the GDP accounts and also from the U.S. Department of Commerce, via [www.census.gov/newhomesales](http://www.census.gov/newhomesales). See also, [www.census.gov/newresconst](http://www.census.gov/newresconst) for new residential construction, and the BEA GDP
accounts for new residential investment. The National Association of Realtors has rich data sources on existing home sales, home prices, and other housing indicators. Access these data via [www.realtor.org](http://www.realtor.org). Click on “research” and then on the various housing data reports. Housing data for New Jersey is available from the New Jersey Association of Realtors. Access this via [www.njar.com/pubstats.shtml](http://www.njar.com/pubstats.shtml). The Mortgage Bankers Association provides regular data on mortgage applications, re-financings and mortgage rates. Access these data via [www.mbaa.org](http://www.mbaa.org); click on “mortgage and market data.” Another source of house price data (for the U.S. as a whole, individual states, and metropolitan statistical areas based on repeat sales of the same housing units and reported quarterly) is from the Office of Federal Housing Enterprise Oversight, [www.ofheo.gov](http://www.ofheo.gov). See also the Case-Shiller housing price index.

8. **Nonresidential fixed investment.** This refers to business investment in plant, equipment, computers and software, and inventories. Data are available from the GDP accounts (see number 1 above). Nonresidential fixed investment constitutes about 12% of GDP and is a key factor in future growth and productivity. Sharp declines in business fixed investment were responsible for the recession of 2001 and the bursting of the technology bubble.

9. **Manufacturing.** Data on capacity utilization and industrial production are available from the Federal Reserve. Access these data via [www.federalreserve.gov/releases](http://www.federalreserve.gov/releases), click on G.17. Monthly data on shipments, inventories, and orders are available from the US Census Bureau via [www.census.gov/indicator/www/m3](http://www.census.gov/indicator/www/m3). Monthly data on the status of manufacturing sector are also reported by the Institute of Supply Managers, [www.ism.ws](http://www.ism.ws).

10. **Financial and Monetary Conditions.** Extensive data on the money supply, interest rates, and financial flows, including international financial information is available from the Federal Reserve Board. Access the data via [www.federalreserve.gov](http://www.federalreserve.gov), click on “economic research and data”. See also the Federal Reserve Bulletin tables and data. Also, see the Wall Street Journal and the business pages of the New York Times. Federal Reserve policy is connected to monetary issues including the management of interest rates and the expansion and contraction of the money supply. Since August 2007, the FED has been the key focus of policies that have been used to combat the credit market crisis.

11. **Foreign Exchange.** Exchange rates have profound implications for international trade and the U.S. domestic economy and the economies of major exporting and importing countries. Rates are also affected by the macroeconomic performance of each country in both and absolute and relative sense. See the Federal Reserve source above in number 9, click on Foreign Exchange rates under daily releases, series H10, and the Wall Street Journal and business pages of the New York Times.
12. **Government Expenditures.** This is a major component of GDP (approximately 18%) and consists of federal, state and local government consumption expenditures and investment. Federal fiscal policy (taxes and expenditures) has powerful implications for the economy, for the growth in GDP, and for the distribution of income. See the GDP accounts in number 1 above for quarterly data. For the status of the Federal Budget and fiscal forecasts see the Congressional Budget Office reports and data via [www.cbo.gov/](http://www.cbo.gov/).
SYLLABUS

Professor Joseph J. Seneca
Seminar in Public Policy; Edward J. Bloustein School
Spring Term, 2010; Course 34: 833 610
Class meets: Wednesday 9:50 a.m. to 12:30 p.m., Room 370
Email: Seneca@rci.rutgers.edu
Office: Room 388
Phone: 732-932-2993, X757
Office Hours: Wednesday 1:30 p.m. to 3:30 p.m., and by appointment.


There will be an in-class mid term exam (Wednesday, 10 March) and a paper due at the end of the course (Monday, 3 May) on the public policy issue you select related to your reporting area. Your grade will be determined by attendance, participation in the weekly discussions, your seminar presentations, the mid term exam, and the term paper.

Class Schedule and Reading:

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<td>Week 2</td>
<td>27 January</td>
<td>Chapters 6 and 7</td>
<td>Goals of Policy</td>
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<td>Week 3</td>
<td>3 February</td>
<td>Chapter 8</td>
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<td>Week 4</td>
<td>10 February</td>
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<td>Week 5</td>
<td>17 February</td>
<td>Chapter 10</td>
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<td>Week 6</td>
<td>24 February</td>
<td>Chapter 11</td>
<td>Fiscal Policy</td>
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<td>Week 7</td>
<td>3 March</td>
<td>Chapter 12</td>
<td>Money and Banking</td>
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<td>Week 8</td>
<td>10 March</td>
<td>Mid term Exam</td>
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<td>Week 9</td>
<td>24 March</td>
<td>Chapter 13</td>
<td>Monetary Policy</td>
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<td>Week 10</td>
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<td>Chapter 14</td>
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<td>Week 11</td>
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<td>Week 12</td>
<td>14 April</td>
<td>Chapter 17</td>
<td>International Trade</td>
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<td>Week 13</td>
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<tr>
<td>Week 14</td>
<td>28 April</td>
<td>Chapter 19</td>
<td>Exchange Rates</td>
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Term paper due dates:

Topic proposal and initial bibliography: Friday, 12 February.
First Draft: Friday, 2 April.
Final Paper: Monday, 3 May.