

Professor Joseph J. Seneca
Seminar in Public Policy
Spring Term, 2004
34: 833 680
Edward J. Bloustein School

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 macro economy operates. To this end, we will study the theoretical foundations of macro economics using a basic text co-authored by one of the country's foremost economists, 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 second purpose of the seminar is to acquire sophistication in understanding the wide range of economic measurements of the performance of the macro economy on a weekly, monthly, quarterly, and annual basis. Obviously, our efforts to understand both the theory and the measurements complement each other and will result in a broad and deep comprehension of the U.S. and world economies today and the choices that emerge on both the macro and micro levels of policy. The policy dimensions of our study will include taxation and expenditures, interest rates and money supply, international trade (e.g., tariffs, quotas), employment (e.g. workforce training, immigration, minimum wage), state and local government fiscal issues, agriculture (e.g., crop subsidies), environment, natural resources, the national debt, price changes (e.g., cost of living adjustments).

We will use our time evenly between these two purposes. Each member of the seminar will select areas of the economy to monitor and report on each week. A list of these areas, data sources, websites, and available material is attached. For the first half of each class, seminar participants will brief and discuss with the group the current data, the trends of the selected economic indicators. Each participant will provide a brief written evaluation to our group of the current status of their area(s) along with a verbal presentation. In the second half, we will work through a text chapter on the macro economy in order to understand how the data we are monitoring and discussing are determined by the interaction of the macro economic forces operating in the U.S. and the world economies. A list of the chapter readings by class dates is also attached.

I believe our seminar can be a lively learning community that thrives on group participation and discussion. It requires your weekly attendance and positive engagement with our group and the material of the course. It will reward your efforts with, I hope, a deep and broad participatory learning experience. I very much look forward to working and learning with you.

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Macroeconomic Indicators: Sources and Materials.

Students will select one or more areas below to monitor and report on regularly. Please review these areas 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 free, of course, to propose other areas. The major sources of 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 several classes.

1. Gross Domestic Product. The key aggregate indicator of the economy with all of its components measured. 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, the home page for the BEA and 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 in 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/ or the home page of the BLS, www.bls.gov. Estimates are provided for the manufacturing sector, the business sector and the nonfarm business sector.
3. Employment. The most visible and visceral of economic indicators and the one that drives political debate and decision, especially in a presidential election year and the measure most important to individuals. Measured monthly by the Bureau of Labor Statistics via both a household survey and a survey of employers. Access 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.
4. Prices. There are a large number of economic measures of prices. Prices of consumer goods, prices of detailed categories of goods and services, prices of producer goods, commodity prices, price indices for GDP, price indices that account for quality changes, and so on. Concern about inflation (and more recently about deflation) focuses significant attention on the rate of change in prices. Important policy issues emerge with respect to federal policy but also state and local policies tied to price level changes and the impact on budgets and

- purchasing power. The Consumer Price Index and related measures are provided monthly by the Bureau of Labor Statistics. Access the home page, www.bls.gov, click on “inflation and consumer spending”, and 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. Price indices for imports and exports are available at www.bls.gov/mxp. The GDP data cited in number 1 above also contain price index data.
5. International Trade. The best single source of data for trade flows of exports and imports is the monthly release by the Bureau of Economic Analysis available from the home page, 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 total and by country. It also provides trade data by state. For international financial flow (available quarterly), click on Balance of Payments. Annual summary data are special analyses are also available on the same site.
 6. Consumer spending. This accounts for nearly two-thirds of GDP. The GDP accounts listed in number 1 above provide detailed data on expenditures by category of good and service. In addition, monthly personal outlays are available from the Bureau of Economic Analysis, 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 and 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/ 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. See also, www.census.gov/newresconst for new residential construction. 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. 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 which uses the National Association’s data. Access this via 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; click on “mortgage and market data.”
 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 with 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, 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.
10. Monetary Data. 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, 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.
11. Foreign Exchange Rates. The euro is at an all time high against the dollar but the value in dollars of the Chinese currency is unchanged over the year. The U.S. trade deficit is at record levels. Exchange rates have profound implications for international trade and domestic macro policy. 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. See the GDP accounts in number 1 above for quarterly data. For the Federal Budget status and forecasts see the Congressional Budget Office reports and data via www.cbo.gov/.

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The assigned text for the Seminar is William J. Baumol and Alan S. Blinder, Macroeconomics Principles and Policy, 9th Edition, Thomson, Southwestern, 2003. Students are also encouraged to read the daily business pages of The New York Times or The Wall Street Journal. Student subscriptions to the Wall Street Journal, including the on-line edition are available (15 weeks).

There will be an in-class, mid term exam (10 March) and a paper due at the end of the course (5 May) summarizing your economic reporting area(s). Grades will be determined by participation in the weekly discussions and presentations of your area, the mid term exam, and the summary paper.

Week 1	21 January	Chapter 4	The Realm of Macroeconomics
Week 2	28 January	Chapters 5 and 6	Goals of Policy and Growth
Week 3	4 February	Chapter 7	Aggregate Demand
Week 4	11 February	Chapter 8	Demand Side
Week 5	18 February	Chapter 9	Supply Side
Week 6	25 February	Chapter 10	Fiscal Policy
Week 7	3 March	Chapter 11	Money and Banks
Week 8	10 March	Mid term Exam	In Class
Week 9	24 March	Chapter 12	Monetary Policy
Week 10	31 March	Chapter 13	Monetary vs Fiscal Policy
Week 11	7 April	Chapter 14	Policy and Growth
Week 12	14 April	Chapter 16	International Trade
Week 13	21 April	Chapter 17	International Monetary Sys.
Week 14	28 April	Chapter 18	Exchange Rates

Summary paper due: Wednesday, 5 May 2004