

Professor Joseph J. Seneca
Seminar in Public Policy: Macroeconomic Foundations of Public Policy
Spring Term, 2005, Course 34: 833 680
Edward J. Bloustein School of Planning and Public Policy

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 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 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. Our efforts to understand both the theory and the measurements complement each other and will also 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), and many others.

We will use our time evenly between these two purposes. Each member of the seminar will select an area of the economy and its related public policies to monitor and report on each week. A list of these areas, data sources, websites, and available material is attached. . In the first half of each class, 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 macroeconomic forces operating in the U.S. and the world economies. A list of the chapter readings by class dates is attached. In addition, I will send you an email on a daily basis of current news articles and related questions about the macro economy and related public policy issues.

For the second half of each class, seminar participants will discuss the current status of their area and the public policy implications that follow. Each student will make this presentation every other week and provide a brief written summary of their area(s) along with the verbal presentation.

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 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 free, of course, to propose other areas but the area needs to involve the performance, measurement, and public policy issues of the macroeconomic economy. 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 class. The macroeconomic literature is readily available from ECONLIT, an electronic literature reference base, from the Rutgers University Libraries. I will send you instructions on how to use this powerful search tool.

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, 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 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/ or the home page of the BLS, 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 drives political debate. It is a measure that is most important to individuals, elected officials, and the national parties. Employment is 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. A large range of policy issues are related to employment and labor markets such as education,

science and technology, workforce training and education, and protectionism (outsourcing).

4. Prices. There are a large number of economic measures of prices. Prices of consumer goods, prices of detailed categories of goods and services (e.g., health care, energy, housing, etc.), prices of producer goods, commodity prices, prices of imported goods, price indices for GDP, price indices that account for quality changes, and so on. Concern about inflation focuses significant attention 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, 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 important 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. A host of major public policy issues emanate from international trade including tariffs and quotas, outsourcing, exchange rates, and globalization.
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, 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 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, 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. Federal Reserve policy is connected to monetary issues including the management of interest rates and the expansion and contraction of the money supply.
 11. Foreign Exchange Rates. The euro is near an all time high against the dollar but the value in dollars of the Chinese currency has been unchanged over the past year. The U.S. trade deficit is at record levels. Exchange rates have profound implications for international trade and domestic macro economic 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 status of the Federal Budget and fiscal 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, 2004. 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 (9 March) and a paper due at the end of the course (4 May) summarizing your economic reporting area(s) and the implications for a specific public policy that you select as your focus. Grades will be determined by participation in the weekly discussions, the bi- weekly presentation of your area, the mid term exam, and the term paper.

Week 1	19 January	Chapter 4	The Realm of Macroeconomics
Week 2	26 January	Chapters 5 and 6	Goals of Policy and Growth
Week 3	2 February	Chapter 7	Aggregate Demand
Week 4	9 February	Chapter 8	Demand Side
Week 5	16 February	Chapter 9	Supply Side
Week 6	23 February	Chapter 10	Fiscal Policy
Week 7	2 March	Chapter 11	Money and Banks
Week 8	9 March	Mid term Exam	In Class
Week 9	23 March	Chapter 12	Monetary Policy
Week 10	30 March	Chapter 13	Monetary vs Fiscal Policy
Week 11	6 April	Chapter 14	Policy and Growth
Week 12	13 April	Chapter 16	International Trade
Week 13	20 April	Chapter 17	International Monetary Sys.
Week 14	27 April	Chapter 18	Exchange Rates

Term paper due: Wednesday, 4 May 2004