

Political Science 4050  
National Public Policy  
Spring 2007  
MW 2:00-3:15  
Political Science Seminar Room

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## **Objectives**

This course focuses on federal economic policy. This course is designed to acquaint you with economic data tracked by government and business, the federal policies that affect the economy, and contemporary economic policy choices confronting the federal government. My goal is not simply to provide you a background in economic policy, but also to improve three skills: (1) locating data on economic performance, (2) interpreting information about the economy as reported in the media, and (3) writing. We conclude the class with a program evaluation project that reinforces the same skills.

## **Requirements**

You are required to prepare three short papers, a longer project paper, and complete a final exam to pass this course. The shorter papers should be about five pages in length. The final is comprehensive and will be closely linked to the papers prepared for class. Each paper is 15% of your final grade. The final exam is 25% of your final grade. The project paper is 30% of your final grade. The project paper abstract is due before spring break and each member of the class will make a brief presentation (15 minutes) about the program they evaluate in the last two weeks of the term.

## **Books**

You should purchase the following books:

Blinder, Alan S. 1998. *Central Banking in Theory and Practice*. Cambridge: The MIT Press.

Blinder, Alan S and Janet L. Yellen. 2001. *The Fabulous Decade: Macroeconomic Lessons from the 1990s*. New York: The Century Foundation

Kettl, Donald F. 2003. *Deficit Politics: The Search for Balance in American Politics* (Second edition). New York: Pearson Education (Longman Classics in Political Science)

The Economist. 2003. *Guide to Economic Indicators* (Fifth edition). New York: Bloomberg Press.

Web sites for other required reading will be available on WebCT. We will review several documents from 2007 federal budget. (If the 2008 budget is released by the second week of class, we will use the 2008 budget.)

*Budget of the United States Government, Fiscal Year 2007*  
(<http://www.whitehouse.gov/omb/budget/fy2007>)

Powerpoint slides summarizing each class will be available on WebCT.

### **Measuring and monitoring performance of the American economy**

January 8. Politics and economic policy  
[economic policy objectives, economic policy instruments, Philips curve, automatic stabilization, inequality of income and wealth, political business cycle]

January 10. Measuring economic performance [cyclical indicators and GDP]  
Reading the financial market news. See:  
<http://markets.usatoday.com/custom/usatoday-com/html-markets.asp>  
Tracking release of economic data. See:  
<http://www.bloomberg.com/markets/ecalendar/>  
Read Economic Indicators, pp. 28-57 and daily financial market news

January 15. MLK Day

January 17. Jobs, prices, and inflation  
Read Economic Indicators, pp. 58-69 and pp. 186-219  
*Discuss assignment #1 (See WebCT for details).*  
Using FRED to locate economic data (<http://research.stlouisfed.org/fred2/>)  
Review current economic forecasts on OMB website

January 22. Classical and Keynesian approaches to the economy  
[investment and savings]  
Read Kettl, Chapter 2 (pp. 21-30) and Economics Indicators, pp. 95-106

### **Fiscal Policy**

January 24. Why budget deficits matter  
[national debt, deficits].  
Read Kettl, Chapter 1 (pp. 1-4), Chapter 2 (pp. 31-42), Chapter 5 (pp.120-8) and Economic Indicators, pp. 70-83  
*Assignment #1 due in class (economic projections).*

January 29 and 31. Components of the federal budget  
[Entitlements and entitlement reform, defense, discretionary spending]  
Read Kettl, Chapter 3 (pp. 45-66)  
Skim 2004 Green Book summary of entitlement programs (including Medicare, Medicaid and Social Security) (<http://waysandmeans.house.gov/Documents.asp?section=813>)  
Also read [excerpts](#) from testimony of the Comptroller General of the United States to the Senate Budget Committee on February 8, 2005.  
*Discuss Assignment #2 on Wednesday, January 31*

February 5 and 7. Taxes  
[tax structure, tax principles, tax reform, Reagan tax cut, Bush tax cut]  
Read Kettl, Chapter 3 (pp. 67-76)

February 12. Budget process and reform  
[Appropriations process, 1974 budget reforms, Gramm Rudman Hollings, PAYGO, Constitutional Amendment]  
Read Kettl, Chapter pp. 105-120, 4-13, and 136-54

February 14. Balancing the budget  
*Assignment #2 due in class on Wednesday (balancing the budget)*

## **Monetary policy**

February 19 and 21. What is monetary policy?  
Read “Policymaking” and “Policy tools” on the website of the Board of Governors of the Federal Reserve System (<http://www.federalreserve.gov/policy.htm>)  
Read “The Structure of the Federal Reserve System” (<http://www.federalreserve.gov/pubs/frseries/frseri.htm>)  
Read Economic Indicators, pp. 164-185  
Read Blinder, Chapter 1

February 26 and 28. Rules versus discretion  
Read Blinder, Chapter 2  
*Project paper abstract due on February 28th*

## **Spring Break**

March 12 and 15. Central bank reform  
Read Blinder, Chapter 3  
*Assignment #3 due in class on Wednesday (target federal funds rate)*

## **Program Evaluation**

March 19 and 21. Using PART data and OMB budget detail.  
See links to reading on WebCT

## **The Fabulous Decade?**

March 26 and 28. Economic challenges in the early 1990s  
[budget deficits, recession, job losses, declining real wages, savings and loan crisis and bailout]  
Read Blinder and Yellen, Chapters 1-6

April 2 and 4. The economic boom in the late 1990s and challenges since 2000 [interest rates, PAYGO, productivity, recession, terrorism, budget surplus]  
Read Blinder and Yellen, Chapters 7-11

## **Presentations**

April 9 and 11. Class presentations.

*Project paper rough draft due on April 11<sup>th</sup>*

April 16 and 18. Class presentations.

## **Final examination week**

Monday, April 23<sup>rd</sup> 2:45-4:45 FINAL EXAM

*Project paper due by 5:00 PM on Wednesday, April 25<sup>th</sup>*