

G512
Macroeconomics for Managers
IUPU at Columbus

Section: 5917 Summers I & 2, 2009

Meeting time: Thursday 6:00 to 8:40 P.M.
May 14 through July 2

Text books:

Macroeconomics, 2nd edition, by Roger E. A. Farmer
Southwestern publisher, ISBN: 9780324069716, 2002

College Course Pak, (bound package of Harvard case studies)
G 511&G512: Microeconomics and Macroeconomics for Managers,
Tichenor Publishing, Spring 2009, ISBN: 9781427541666
(please note that students should already possess the College Course Pak
From G 511)

Instructor: Joe Moore, Ph.D.

Phones: cell 812-599-1204 work 812-265-2580 ext. 4123
 home: 812-866-4832
e-mail: home ljmoore48@roadrunner.com work ljmoore@ivytech.edu
 OnCourse: ljmoore@iupuc.edu
fax: 812-265-4028 (work number) 812-866-8069 (home)

Course Description: This course develops a framework to analyze the external economic environment and to understand the major factors that cause macroeconomic change. The effects of monetary, fiscal, and trade policies in the U.S. will be examined with an awareness of the interdependency between world economies. Emphasis will be placed on integrating the implications of macroeconomic policy to the firm's capital decisions. Will promote the understanding and application of various quantitative measures.

Course Objectives: upon successful completion of this course, the student will be able to:

1. Describe the different measures of aggregative economic performance including GDP, unemployment, CPI, and IPD.
2. Explain the Neoclassical model of aggregative economics and what it implies for measured macroeconomic activity.
3. Discuss how Keynesian theory differs from Neoclassical theory.
4. Explain the nature and potential outcomes of various fiscal policies.

5. Explain how various monetary policies will impact the economy.
6. Describe how the Federal Reserve Bank affects monetary policy in the U.S.
7. Discuss how Federal Reserve policies impact capital formation by businesses.
8. Explain the theory of comparative advantage and the basis for international trade.
9. Describe the process by which currency valuations occur in both a fixed and floating exchange rate regime.
10. Discuss current policy issues surrounding international trade and the Balance of Payments.

Introduction

Economics has been known as the Dismal Science since the late 1700's. Perhaps it is because few people enjoy the study of Macroeconomics, or perhaps it is that even fewer are able to fully grasp the complexity of Macroeconomic theory. However, Macroeconomic theory describes the dynamic world in which business must operate daily: interest rates, unemployment, inflation, taxes, stock and bond prices, exchange rates, balance of payments issues are all influenced, if not controlled, by Macroeconomic forces. Further, these Macroeconomic forces are usually created by the policies of the Federal Government.

Hence, if we are to understand the environment in which business operates, we must study Macroeconomic theory. This course is designed to make the study of theory more relevant for the student by utilizing real-world case-studies to make Macroeconomic theory a "hands-on" approach. In this manner, this course is designed to provide the student with the tools necessary to become a more effective manager in an ever-changing business climate.

How to Prepare a Case for Class Presentation

Economic theory does not exist in isolation. It arises from a mixture of history, politics, and tradition. This course will examine real world cases from the United States and other nations as a means for the student to apply economic theory and measure the actual outcomes. Thus, there are several questions the student will always need to ask of himself or herself to be prepared for a case analysis.

The student should always look at the specific country and its history, culture, demographics, and geography. Does its history bind the people together or split

them apart? What are the traditional relationships between the government, business, and citizens?

The second step is to define a country's policy goals. Which are of the highest priority? Common Macroeconomic goals are low unemployment, low inflation, trade surplus, high savings and investment, income equality, and exchange rate stability. Are the nation's current goals consistent with its recent history?

Thirdly, the student must use whatever quantitative data is available. What are the level and trend of GDP components, taxes, government spending, money supply, interest rates, inflation rates, exchange rate, and imports and exports? Is the country's actual performance consistent with its goals?

Fourthly, the student should define the country's policy problem and list the benefits and costs of each potential solution policy? How will each solution affect the quantitative variables? Is the solution political feasible?

Finally, the student will advance a solution to the country's problem, justifying it on the basis of benefits and costs it imparts to the nation. Is the policy consistent with the country's goals in the long run?

In addition to the above, generic, requirements, the following specific questions must also be answered in the class presentation:

1. Given the history behind this particular problem for your nation, has this type of problem occurred before or after this episode?
2. Using Classical or Keynesian theory (or both) and graphs, explain the nature of your nation's phenomenon.
3. Examine both Monetary and Fiscal policies for you nation, using graphs where possible. Are they part of the problem?
4. Discuss the extent to which international forces influence you nation's situation. If international economic forces are a major influence, what is your nation doing/could do to "neutralize" this impact?
5. Given the situation, monetary/fiscal policies, and international forces currently present, what does macroeconomic theory (Keynesian, Classical, or both) suggest the equilibrium result to be? How does this compare to the actual outcome?

Grading

The case method approach to learning is an effective tool because it is "hands-on" learning. The student does not just sit back, take notes, and then regurgitate the

information on a test. But to be an effective educational tool, case study must be truly “hands-on”: each student must actively participate in class discussion.

The final grade is determined on a class presentation of a case (40%), and two exams- - a mid-term and a final (30% each). Grade distribution is based on the following scale:

- A: 90% or higher total score
- B: 80 to 89%
- C: 70 to 79%
- D: 60 to 69%
- F: below 60%

The student should note that although you have proven yourself to be an exceptional student by being admitted to graduate school, each course’s grade must be earned. High grades are not entitlements to graduate students.

Academic Dishonesty

Dishonesty of any kind with respect to examinations, course assignments, alteration of records, or illegal possession of examinations shall be considered cheating. It is the responsibility of the student not only to abstain from cheating, but in addition, to avoid the appearance of cheating and to guard against making it possible for others to cheat. Any student who helps another student cheat is as guilty as the student he/she assists. The student should do everything possible to induce respect for the examination process and for honesty in the performance of assigned tasks in or out of class.

Modern times have introduced great confusion concerning plagiarism. Access to the web has made quoting original sources very easy, but many students seem to overlook the basic dictum: if it is someone else’s work, cite them. There is nothing wrong with writing another’s words as long as the student gives the original author credit for those words.

Students with Special Needs

Students needing accommodations, such as note taking, extended test time, interpreters, special seating, etc., because of disability, will need to register with Adaptive Educational Services and complete the appropriate forms issued by AES before accommodations will be given. The AES office is located in the Student Services Area (CC 156). You can also reach the office by calling 812-348-7271. This process needs to be completed within the first two weeks of class to assure that services will be provided.

Weekly Assignments

<u>Class and date</u>	<u>Topic and Assigned Readings</u>
Class 1 - - May 14	<u>Introduction to the Macroeconomy</u> Farmer Text: Chapters 1, 2 & 3 Harvard Readings: page 83, “National Income Accounting”; and pg 91, “Constructing a Nation”
Class 2 - - May 21	<u>Classical Macroeconomic Thinking</u> Farmer: Chapters 4, 5 & 6 Harvard Readings: page 117: “The Second Bank of the U.S.”; and page 135: The German Hyperinflation of 1923”
Class 3 - - May 28	<u>The Keynesian Revolution</u> Farmer: chapters 7 & 8
Class 4 - - June 4	<u>Keynesian Theory Continued</u> Farmer: chapters 9, 11 & 12
*****Receive Mid-term*****	
Class 5 - - June 11	<u>The Neoclassical Model</u> Farmer: chapters 10 & 13 Handouts: ”Introduction to Neoclassical Macroeconomic Theory”, and “Completing the Neoclassical Model”.

*****Turn in Mid-term*****

Class 6 - - June 18

Macroeconomic Policy & Growth

Farmer: chapters 14, 15 & 16

Class 7 - -June 25

Macroeconomic Policy. Growth. & Perspective

Farmer: Chapters 17, 18 & 19

Harvard Readings: # 12, page 419. "Confronting
The Third Industrial Revolution"

***** Receive Final *****

Class 8 - - July 2

In-Class Presentations (from Harvard Readings)

page 153, "Kinyuseisaku: Monetary Policy in
Japan"

page 189, "China: Building 'Capitalism with
Socialist Characteristics'"

page 217, "India on the Move"

page 247, "Mexico: the Unfinished Agenda"

page 279, "Brazil Under Lula: Off the Yellow BRIC Road"

page 305, "The 2001 Crises in Argentina: an
IMF Sponsored Default"

page 325, "Saudi Arabia: Getting the House in Order"

page 351, "Ghana: National Economic Strategy"

page 385. "Rwanda: National Economic Transformation"

***** Turn in Final Exam *****

Assignments and dates may be changed at the discretion of the
instructor with appropriate notification to the students