COURSE OBJECTIVES: Students are expected to be able to analyze macroeconomic developments and to understand and discuss the economic outlook and related phenomena such as inflation, unemployment, exchange rates, gdp growth and to assess how policy instruments are likely to affect their evolution. Students should be better equipped to read the financial press and discuss macroeconomics with clients, colleagues and government officials. They will hopefully be able to improve their business decision-making by taking macroeconomic events into account and better understanding the environment in which they operate.

COURSE MATERIAL: ABC textbook (recent edition will suffice) needs to read PRIOR TO CLASS to maximize the benefit of the lectures and discussion. Case studies and assigned readings ARE NOT OPTIONAL and students should be prepared for a quick quiz on the assigned material in any class. Check blackboard for assigned readings but purchase the case studies ahead of time. Reading the Financial Times is strongly encouraged.

COURSE ASSIGNMENTS AND GRADING SYSTEM: There will be two quizzes, each worth 20%, on April 2nd and on April 23rd, to test your comprehension of basic terms and concepts. Keeping up to date in your assignments is important for these exercises. The final examination covering the entire course will count 60% towards your ultimate grade and will be given during exam week (with day and time to be announced).
COURSE RULES AND CLASS DECORUM: Attendance is not optional and you will be asked to sign in and avoid absences. Normal university rules apply and the MBA Program's recommended grade point distribution will be approximated. Class interruptions for clarification or debate are encouraged. Students are advised that much of the analysis will revolve around basic graphs, so handwritten notes may be preferable to laptop notes. Cellphones are to be turned off and obvious use of laptops for communication rather than classroom activities may result in expulsion. A short break will be planned during each class.

CLASS ONE: TUESDAY MARCH 19

PREREQUISITE READINGS: ABC Chapters 1, 2

CONTENT OF LECTURE:

What is macroeconomics all about and how has it changed in recent years? What determines economic growth and why should we care about economic fluctuations. What are the core concepts that will help us understand the macro-economy in closed and open economies. What do we need to know about national income accounting? What determines employment and prices? Why do we care about monetary and fiscal policy and who is in charge of what levers of economic management. Does did the recent recession teach us about the conduct of macroeconomic policy?

CLASS TWO: TUESDAY MARCH 26

PREREQUISITE READINGS: ABC Chapters 4, 5

CONTENT OF LECTURE:

We will be analyzing the various components of aggregate demand and theories explaining consumption, savings, investment, and exports. How is equilibrium achieved in the goods market in either a closed or an open economy? Why are the U.S. and China interesting cases in the open economy case? Determining equilibrium in the money market, discussion of the yield curve, and the basic role of the central bank. We will cover the basics of fiscal policy, such as the multiplier and the counter-cyclical role of government. We will focus on the basic tools of macroeconomic management. Under what circumstances will these tools work and what did we learn from recent experience?
CLASS THREE: TUESDAY APRIL 2

QUIZ #1: TERMS AND CONCEPTS OF MACROECONOMICS (30 MINUTES)

PREREQUISITE READINGS: ABC Chapters 9, 15 and HBS Case 9-709-037 (Bush Tax Cuts)

CONTENT OF LECTURE:

We derive the IS-LM framework to help us assess the impact of exogenous shocks of various kinds and the potential effectiveness of alternative policy mixes. What are the effects of exogenous shocks as they influence the level of income and the interest rate? Students will become familiar with the mechanics of macroeconomic analysis. Using fiscal policy interventions of the recent past, we examine what worked or didn’t work and assess why and what lesson we take away about policy. The merits or limitations of Keynesian policies will be discussed, and the role of government analyzed.

CLASS FOUR: TUESDAY APRIL 9

PREREQUISITE READINGS: ABC Chapter 14 and HBS Cases 9-709-036 and 9-709-045 (The US Sub-prime Crisis)

LECTURE CONTENT:

The fundamentals of monetary policy and the role of the Fed and other central banks are detailed. What does the recent financial crisis in the U. S. teach us about financial market regulation, bank intervention and the basic conduct of monetary policy. What has been the experience with Quantitative Easing? What are the international implications of US monetary policy? What do we know about transmission channels of shocks? U-tube video on QE to be viewed.

CLASS FIVE: TUESDAY APRIL 16

PREREQUISITE READINGS: ABC Chapter 13 and reread Chapter 5 and HBS Case 9-70-004
We examine equilibrium in the open macro-economy and composition of the balance of payments. The specifics of the current account and the capital account and fixed versus flexible exchange rate systems. The basics of exchange rate determination and the role of capital flows will be covered, the role of contagion in magnifying financial crises with focus on East Asia 1997 examined, and crisis management and the role of the IMF discussed. What causes financial crises and what halts them? What options do central banks have in policymaking? What do we learn from the cases of Mexico, Argentina and Korea?

CLASS SIX: TUESDAY APRIL 23

PREREQUISITE READINGS: ABC Chapter 12, Reinhart and Rogoff, “This Time Is Different” and selected Notes from DC think-tanks on macro policy

A SHORT QUIZ (30 MINUTES) WILL TEST NEW TERMS AND CONCEPTS LEARNED.

CLASS CONTENT AND DISCUSSION TOPICS:

The effectiveness and incidence of macroeconomic policies will be discussed. What options does the U. S. face in the conduct of policy? Is Keynesian policy no longer relevant? What do we know about expenditure and tax incidence and the distribution of income. What should be the proper role of the Fed and of fiscal policy? We will analyze current macro-financial debates and a look at impact of macroeconomic policies on societies. What do we know about adjustment to imbalances at home and abroad. How do capital flows alter the conduct of monetary and fiscal policy? What are the drivers of long-term growth?

CLASS SEVEN: TUESDAY APRIL 30

PREREQUISITE READINGS: Reinhart and Rogoff, “Financial Crises are An Equal Opportunity Menace, “ and selected articles form the FT on global macro-financial debates

CLASS CONTENT AND DISCUSSION TOPICS:
How can countries coordinate their economic policies and what happens if they don’t? How is macro-policy different in developing or emerging market economies? What are the tools of international financial regulation? What’s all this talk about “currency wars”? One key question is whether capital controls be employed by countries with appreciating currencies? What about Tobin Taxes more generally? Who can coordinate global macro-economic management and how should it be done? How do policymakers address macroeconomic vulnerabilities?

SHORT REVIEW OF KEY APPROACHES TO MACROECONOMIC ANALYSIS IN PREPARATION FOR THE FINAL EXAM.

TUESDAY MAY 7 FINAL EXAM