



WORKING PROFESSIONALS MBA -- DALLAS
BA F184S: MANAGERIAL MACROECONOMICS
UNIQUE NOS. 70790 & 70800

SYLLABUS

SUMMER 2020

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Course Objectives

This is a 1 credit course in macroeconomics. In Macroeconomics, we study the economies of nations, and the policies that are implemented the influence the economies of nations, as well as international trade. This course is intended to survey the major macroeconomic issues and policies and help you become fluent in these areas. This will provide the foundations that you need to understand some of these phenomena and make informed decisions related to managing your firm in a complex global environment.

Macroeconomics is fundamentally different than microeconomics. In macroeconomics, there are different “schools of thought” that compete with each other in terms of their explanations of how the economy functions and what policies, if any, should be implemented in response to economic fluctuations, for example. In a course as short as this one, we will avoid most of these disagreements (although they will come up in discussion), and we will focus on empirical evidence and the models that are useful in explaining certain aspects of economic policy or performance. Although the models and policy prescriptions of macroeconomists are often colored by ideology, the resulting discourse based on these ideologies is often fruitless. So, this class will anchor itself firmly in models for which there is and empirical justification, and we will avoid discussions of ideology unless they are material to understanding the topic at hand.

Of course, in the current environment, everything has changed. We have had near simultaneous supply and demand shocks to the global economy, which is something that we have never seen before. Everything has gone topsy-turvy. Our models are mostly useless for understanding “black swan” events like this, but there are still insights that we can rely upon. Even measurement has been affected, with measures of macroeconomic variables like inflation becoming unreliable. We’ll address all of this and more. And if we don’t have time in class, I am happy to have extracurricular sessions for those that are interested in the current economic situation.

Leadership and this Course

The Texas MBA program is designed to develop influential business leaders. The MBA Program has identified four fundamental and broad pillars of leadership: knowledge and understanding, communication and collaboration, responsibility and integrity, and a worldview of business and society.

In this course, you will enhance your knowledge and understanding of economics and how economic forces impact managerial decision making. Through class discussion, informal study groups and projects, and a formal examination you will enhance your communication and collaboration skills.

Materials

For the macroeconomics portion of the course, you are recommended to read David A Moss, *A Concise Guide to Macroeconomics*, 2nd ed. This book is not entirely satisfactory. It was written for MBA students, but it suffers from what I perceive to be poor organization and oversimplification. However, using a traditional macroeconomics text for a class like this is impossible, since models are developed that take weeks class time, and then those models are used to explain all the other aspects of macroeconomics. That is not feasible in a course like ours.

Other than this, the slides, videos and our class discussions will provide the material you need to know, supplemented by articles and other pieces that I will post on Canvas for you.

As noted above, traditional economics textbooks such as those used for undergraduate courses are not suitable for a course like this. Those textbooks are designed for 3-credit courses, and use notation and ideas that is built up from the beginning of the book. It is often difficult to just open the book to the topic that you are interested in and understand the treatment, because the treatment is often based on material covered earlier in the book. Having said that, there is certainly something to be gained from these other sources if you are interested in using them. Here are a few suggestions (it is not necessary to get the most recent edition, although the most recent edition will have the most up-to-date treatment of contemporary events).

Principles of Macroeconomics texts (Freshman/Sophomore level)

- Mankiw, *Principles of Macroeconomics* (currently in 8th edition)
- Acemoglu, List and Laibson. *Macroeconomics*
- Parkin, *Macroeconomics* (currently in 12th edition)

Macroeconomic Theory (Upper Division – more math and sometimes calculus)

- Mankiw, *Macroeconomics* (currently in 9th edition)
- Abel, Bernanke and Croushore, *Macroeconomics* (currently in 9th edition)
- Dornbusch, Fisher and Startz, *Macroeconomics* (currently in 12th edition)

Video Prequels

We will “flip the classroom” for certain topics, and so there will be 4 “video prequels” posted for this course that should be viewed prior to the class in which they will be discussed. These videos cover foundational material that we will build on in our class discussion. The first three are preparation for our first class, so please make sure to view those prior to then (or else you will be left behind in the subsequent class discussion).

Self-Study Modules

We have an additional asynchronous delivery requirement of 4 hours to replace the four hours of additional lost class time. During the two-week gap between classes, you will have two Self-Study Module. Instead of more videos, these will be written to guide you through the concepts and data. These will cover monetary and fiscal policy, which are really the core topics we discuss in this class. When we meet for our last work, we will extend this discussion into the policies implemented in response to the current crisis.

Course Requirements and Grading

Your grade for this portion of the course will be determined as follows:

Participation	10%
Homework Problems	20%
Final Exam	<u>70%</u>
	100% of the course grade

The final grade distribution for the course will correspond closely to that recommended by the MBA Policy Committee (except in unusual circumstances).

Description of Requirements

Participation

Participation points should be a slam dunk. Come prepared to participate in class discussion and in experiments, and you will get full credit. Non-attendance, non-participation or disruptive behavior will result in lost participation points. We will have a 15 to 20-minute break in the middle of each session. Please note that this is not sufficient time to go buy

dinner anywhere on or near campus. If you are unable to make it through the class without eating, please come prepared.

Homework

Homework will be due twice on Monday mornings. Due dates are shown on the course schedule. There will be another homework assigned at the third session that will not be turned in or graded, but will provide necessary preparation and practice for the exam. All homework will be graded using the following rubric:

Each problem subsection is worth either 5 or 10 points, but questions will not be graded for content to give you an incentive to try them (exam problems will be based on these, note). Here is the general “grading scale” that will be applied to each problem (with obvious discretion given to the TA) for the 10-point portions (just divide by 2 for the 5-point scale):

- *10 points. Attempted everything. Took the problem seriously and attempted to solve using methods from class or textbook.*
- *8 points. Attempted everything, but didn't complete or didn't really take the time to use the correct methods.*
- *6 points. Attempted everything, but did not really attempt to complete the problem or used the wrong methods entirely.*
- *1 – 5 points. TA discretion. If you really did an incomplete job, or didn't take the problem seriously, the TAs will use their own judgment.*
- *0 points. Did not answer or just wrote gibberish just to get something turned in.*

You are free to discuss homework with your study group, but each student should submit their own assignment on due dates.

Homework should be completed neatly and professionally. Handwritten answers are fine so long as everything is neat and legible. Please show all your work in deriving your answer and explain your answers.

The Final Exam

The final exam will be a take-home exam. The exam will be open-everything, but, of course, grading will reflect your ability to discuss the concepts and theories that we discussed in class. I will post last-year's exam on Canvas for review. The take home exam will be due Monday, August 3. Once you begin the exam, you will have three hours to complete it, so make sure to set some time aside in one block to do that. If you take longer than 3 hours, your exam is “late” and you will be docked 10%. This is to be fair to those that completed the exam in a timely fashion and reward them accordingly. Having said all this, the exam is not designed to take 3 hours, and you should have plenty of time to complete it. The time limit will help to assure compliance with any concerns over academic dishonesty.

The exam is “open book” and will be structured similarly to homework questions. No communication with anyone! Obviously, I have to depend on your compliance with the UT Honor Code, but it is often fairly easy to tell if a student turns in something that is not their own work. In this class, the stakes are not high enough to take that risk. I can't stop you from non-compliance, of course, but any suspicions will have to be dealt with.

McCombs Classroom Professionalism Policy

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas MBA experience hinges on this.

You should treat the Texas MBA classroom as you would a corporate boardroom.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

The Texas MBA classroom experience is enhanced when:

- **Students arrive on time.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.
- **Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.

- **Students are fully prepared for each class.** Much of the learning in the Texas MBA program takes place during classroom discussions. When students are not prepared, they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- **Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- **Students do not confuse the classroom for the cafeteria.** The classroom (boardroom) is not the place to eat your breakfast tacos, wraps, sweet potato fries, or otherwise set up for a picnic. Please plan accordingly. Recognizing that back-to-back classes sometimes take place over the lunch hour, energy bars and similar snacks are permitted. Please be respectful of your fellow students and faculty in your choices.
- **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited.
- **Students attend the class section to which they are registered.** Learning is enhanced when class sizes are optimized. Limits are set to ensure a quality experience. When section hopping takes place some classes become too large and it becomes difficult to contribute. When they are too small, the breadth of experience and opinion suffers.
- **Technology is used to enhance the class experience.** When students are surfing the web, responding to e-mail, messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged. Faculty office hours are spent going over class material with students who chose not to pay attention, rather than truly adding value by helping students who want a better understanding of the material or want to explore the issues in more depth. Students with real needs may not be able to obtain adequate help if faculty time is spent repeating what was said in class. There are often cases where learning is enhanced by the use of technology in class. Faculty will let you know when it is appropriate.
- **Phones and wireless devices are turned off.** We've all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

Academic Dishonesty

There is no tolerance for acts of academic dishonesty in this class. Such acts damage the reputation of the school and the degree and demean the honest efforts of the majority of students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

The responsibilities for both students and faculty with regard to the Honor System are described on <http://mba.mcombs.utexas.edu/students/academics/honor/index.asp> and on the final pages of this syllabus. As the instructor for this course, I agree to observe all the faculty responsibilities described therein. During Orientation, you signed the Honor Code Pledge. In doing so, you agreed to observe all of the student responsibilities of the Honor Code. If the application of the Honor System to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

As specific guidance for this course, you should consider the *writing* of all examinations to be an individual effort. Do not consult your classmates during the completion of this exam. Group *preparation* for examinations is acceptable and encouraged. Group projects are designed to encourage teamwork and collegiality. Take care not to plagiarize the work of others when preparing your group projects.

Students with Disabilities

Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) are housed in the Office of the Dean of Students, located on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at <http://deanofstudents.utexas.edu/ssd/index.php>. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or via e-mail if you have any questions.

Senate Bill 212 and Title IX Reporting Requirements

Under Senate Bill 212 (SB 212), the professor and TAs for this course are required to report for further

investigation any information concerning incidents of sexual harassment, sexual assault, dating violence, and stalking committed by or against a UT student or employee. Federal law and university policy also requires reporting incidents of sex- and gender-based discrimination and sexual misconduct (collectively known as Title IX incidents). This means we cannot keep confidential information about any such incidents that you share with us. If you need to talk with someone who can maintain confidentiality, please contact University Health Services (512-471-4955 or 512-475-6877) or the UT Counseling and Mental Health Center (512-471-3515 or 512-471-2255). We strongly urge you make use of these services for any needed support and that you report any Title IX incidents to the [Title IX Office](http://titleix.utexas.edu) (titleix.utexas.edu).

Course Schedule

Friday/Saturday, July 10/11

Video Prequels:

- National Income Accounting
- Measuring Labor Market Performance
- Price Indexes and Inflation

Moss Text:

- Chapters 1 (except *Exchange of Output Across Countries*: Loc 185 – Loc 290 in Kindle eBook), 3 and 5.

Session 1:

- Real and Nominal Variables
- Measuring and Comparing Macroeconomic Performance Across Countries and Time
- Understanding Business Cycles

Session 2:

- Measuring the Cost of Living
- Measuring Labor Market Performance
- Interest Rates

July 12 – 16

Self-Study Module: Fiscal Policy

- Government Spending, Deficit and Debt
- The Fiscal and Tax Multipliers
- Austerity

Moss Text: there is no suitable chapter on fiscal policy in the Moss text, which for some reason omits the discussion of how fiscal policy works that is contained in every other macroeconomics textbook ever published. Reading the Moss text, you will come away with the impression that the only thing that matters for fiscal policy is the expectations of the public. We will learn more than that.

July 19 – 23

Due Monday, July 20: Homework 1 (upload to Canvas), 8am.

Self-Study Module: Monetary Policy

- The Federal Reserve and the Money Supply
- The Money Multiplier
- The Monetary Transmission Mechanism
- Liquidity Traps

Moss Text:

- Chapters 2 and 4.

Friday/Saturday, July 24/25

Due Friday, July 24: Homework 2 (upload to Canvas), midnight.

Session 1:

- Liquidity Traps
- Quantitative Easing
- Fiscal and Monetary Policy in the Pandemic

Session 2:

- Exchange Rates, International Trade and International Capital Flows

Moss Text:

- Chapters 6 and 7.