

Global and Macroeconomic Environment for Business

EMBA 708

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Spring 2008

Text: *A Concise Guide to Macroeconomics: What Managers, Executives, and Students Need to Know* by David A. Moss, (M, in course outline) Harvard Business School Press, 2007. You should read the text before the first class, only 141 pages. Then I recommend rereading the entire text before sessions 2 and 3. I also provide Tutorials I and II and Reading I to VIII for the various sections covered in the class. Also, before the first session, you should read Tutorial I and Reading I (Sections A, B, and C).

Teaching

Philosophy: My philosophy flows from three assumptions about the teaching and learning process. First, the instructor must invest sufficient time to develop an up-to-date, comprehensive, challenging, and accessible course. To fulfill this obligation, the instructor must keep current in the developments in the field, both in research findings and teaching methods. Second, the student must invest sufficient time to learn and absorb the course content. To fulfill this obligation, the student must commit to attend class on a consistent basis, to finish all reading and assignments in a timely manner, and to complete all graded course requirements on time. Third, university students must shoulder the burden for fulfilling their end of the bargain. That is, the instructor must assume that the students are adults, responsible for their own actions and behavior.

Learning

Objectives: Students who successfully complete this course will know how the basic macroeconomic variables are measured and how to use basic demand and supply analysis to consider monetary and fiscal policy questions. Those supply and demand models include three different, but interrelated markets – flow-of-funds (loanable funds), output, and foreign exchange markets. The output market analyses will consider both short-run stabilization and long-run growth issues. Further, we consider how a corporate Treasurer can manage foreign exchange risk from global operations.

Office Hours: By appointment and MW 1:30-3:00 PM

WebCampus: This course is a WebCampus course. I will post the course outline, readings, tutorials, memo assignments, other handouts, and so on at the WebCampus site. You can access this site 24/7, except for scheduled maintenance on the system and unexpected downtimes due to technical glitches.

Evaluation: The course evaluation for each student involves three separate components. First, each student must write a memo briefly outlining responses to questions posed before session 1 and session 2. You will submit memos electronically through

WebCampus. The first memo is due before the first class. Second, each student will prepare answers to the take-exams #1 and #2. Finally, student groups shall prepare a briefing for the Board of Directors of a multinational corporation concerning the current economic situation in the home country, each group on a different country, and the U.S. as well as the outlook for those country's macroeconomies over the near term. The briefing will include a written document with executive summary and a 30-minute presentation to the rest of the class on March 29. While I prefer to maintain flexibility in the weights assigned to the components in the final course grade, I will weight the component parts as follows: 25%, memos on readings; 50%, take home exams; and 25%, group briefings.

Briefings: The briefings should contain the following basic format. First, the briefing should review the situation in the macroeconomies of the home country and the U.S. over the last 12 to 24 months. This review should discuss such macroeconomic variables such as real GDP growth, unemployment, inflation, interest rates, the trade balance, exchange rate movements, and so on. Second, the briefing should report the recent adjustments, if any, in fiscal and monetary policy stances. Third, the briefing should elaborate on expected future changes, if any, in fiscal and monetary policy stances. Finally, given expectations about fiscal and monetary policy stances and the current state of the macroeconomies, the briefing should offer an opinion about near-term future developments in the home and U.S. macroeconomics.

Academic

Dishonesty: Academic dishonesty (e.g., cheating and plagiarism) will not be tolerated. At the instructor's discretion, a student suspected of academic dishonesty may receive an F for the course and be expelled from the class. Additional penalties, up to expulsion from the University, are possible.

Copyright and

Fair Use: The University requires all members of the University Community to familiarize themselves with and to follow copyright and fair use requirements. You are individually and solely responsible for violations of copyright and fair use laws. The University will neither protect nor defend you nor assume any responsibility for employee or student violations of fair use laws. Violations of copyright laws could subject you to federal and state civil penalties and criminal liability as well as disciplinary action under University policies. To help familiarize yourself with copyright and fair use policies, the University encourages you to visit and familiarize yourself with its copyright web page at: <http://www.unlv.edu/committees/copyright>.

Disabilities: If you have a documented disability that may require assistance, you will need to contact the Disability Resource Center (DRC) for coordination in your academic accommodations. Disabilities Services is located within Learning Enhancement Services (LES), in the Reynolds Student Services Complex, Suite 137. The phone number is 895-0866 or TDD 895-0652. The e-mail address is drcsssc@cmail.nevada.edu.

Course Outline

	Topics Covered	Assigned Readings
Session 1 February 16	Overview of Course <ul style="list-style-type: none"> • Introduction to Demand and Supply Measurement Issues <ul style="list-style-type: none"> • GDP (nominal and real, actual and trend) <ul style="list-style-type: none"> ○ Productivity ○ Standard of Living • Balance of Payments <ul style="list-style-type: none"> ○ Current Account ○ Financial and Capital Account ○ Official Transactions • Employment and Unemployment (actual and trend) 	M: Chapters 1, 2, 3, 4, 5, 6, and 7. Tutorial I and Reading I (Sections A, B, and C).
Session 2 February 29	Measurement Issues (continued) <ul style="list-style-type: none"> • Money <ul style="list-style-type: none"> ○ Private Banks and Multiple Expansion of Money ○ Central Bank and Monetary Policy • Three Prices of Money <ul style="list-style-type: none"> ○ Price Level and Inflation Rate (actual and expected) ○ Interest Rate (nominal and real) ○ Exchange rate (nominal and real) <ul style="list-style-type: none"> ▪ Purchasing Power Parity ▪ Interest Rate Parity • Flow of Funds <ul style="list-style-type: none"> ○ Investors (Borrowers) ○ Savers (Lenders) 	M: Chapters 1, 2, 3, 4, 5, 6, and 7. Reading I (Sections D, E, and F).
Session 3 March 1	Flow of Funds and Investment and Saving: Loanable Funds Market (Market #1) <ul style="list-style-type: none"> • Loanable Funds Market • Interest Rate Determination • Fiscal Policy • Net International Financial Flows Macroeconomy: Short-Run Analysis <ul style="list-style-type: none"> • Aggregate Demand and Aggregate Supply: Output Market (Market #2) <ul style="list-style-type: none"> ○ Aggregate Demand (AD) ○ Short-Run Aggregate Supply (SRAS) ○ Price Level Determination ○ Fiscal and Monetary Policy ○ Foreign Effects Take-Home Exam #1	M: Chapters 1, 2, 3, 4, 5, 6, and 7. Reading II and Reading III.

<p>Session 4 March 14</p>	<p>Macroeconomy: Short-Run Analysis (continued)</p> <ul style="list-style-type: none"> • Phillips Curve <ul style="list-style-type: none"> ○ Inflation Rate Determination ○ Fiscal and Monetary Policy <p>Macroeconomy: Long-Run Analysis</p> <ul style="list-style-type: none"> • Phillips Curve (Extension to Long Run) <ul style="list-style-type: none"> ○ Natural Rate of Unemployment ○ Fiscal and Monetary Policy • Aggregate Demand and Aggregate Supply (Extension to Long Run) (Market #2) <ul style="list-style-type: none"> ○ Long-Run Aggregate Supply (Natural Level of Output) (LRAS) 	<p>Reading IV and Reading V.</p>
<p>Session 5 March 15</p>	<p>Macroeconomy: Long-Run Analysis (continued)</p> <ul style="list-style-type: none"> • Aggregate Demand and Aggregate Supply (Extension to Long Run) <ul style="list-style-type: none"> ○ Fiscal and Monetary Policy ○ Foreign Effects <p>Balance of Payments Equilibrium: Foreign Exchange Market (Market #3)</p> <ul style="list-style-type: none"> • Fixed and Flexible Exchange Rates • Purchasing Power Parity (PPP) -- Long Run • Interest Rate Parity (IRP) – Short Run <p>International Cash Management</p> <ul style="list-style-type: none"> • Managing Exchange Rate Risk • Managing Interest Rate Risk <p>Take-Home Exam #2</p>	<p>Reading VI. Tutorial II.</p>
<p>Session 6 March 28</p>	<p>Economic Growth</p> <ul style="list-style-type: none"> • Sources of Growth <ul style="list-style-type: none"> ○ Labor ○ Physical Capital ○ Efficiency of Labor and Physical Capital ○ Growth Accounting • Productivity <ul style="list-style-type: none"> ○ Labor Productivity ○ Total Factor Productivity • Inflation <ul style="list-style-type: none"> ○ Quantity Theory of Money 	<p>Reading VII.</p>
<p>Session 7 March 29</p>	<p>Briefings of Boards of Directors Monetary Policy as Game (Bonus)</p> <p>Course Summary and Take Aways</p>	