Global and Macroeconomic Environment for Business
EMBA 708
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Summer 2012

Read the appropriate chapters from the texts before each class.

HBS Cases: The following Harvard Business School (HBS) cases were ordered for the class. HBS 9-797-092 Rev. May 2, 1997 ”Country Analysis: A Framework to Identify and Evaluate the National Business Environment;” and HBS 9-383-094 Rev. January 28, 1998 ”Note on Analyzing BGIE Data.”

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.

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 (I am in the office weekdays.)

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 four separate components. First, each student must come to class prepared and must contribute to the classroom discussion. Second, each student must write a memo briefly outlining responses
to take-home questions posed immediately after session 2 and session 4. These questions will include questions that look back at the material just covered and that look forward at the upcoming two sessions. You will submit memos electronically through WebCampus before session 3 and session 5. Finally, student groups shall prepare a briefing for the Board of Directors of a multinational corporation concerning the prospects for location of operations in a foreign country. The briefing will include a written document with executive summary and a 30-minute presentation to the rest of the class on September 2. 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 a first pass according the following system: classroom participation, 20%; memo #1; 25%; memo #2; 25%; and group briefing, 30%.

**Country Analysis:** The country analysis should contain the following basic format. First, the analysis should review the current macroeconomic situation of the country where your business plans to locate. This review should discuss important 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 opening operations in the host country.

**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 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 dresssc@ccmail.nevada.edu.
## Course Outline

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<tr>
<th>Session</th>
<th>Topics Covered</th>
<th>Assigned Readings</th>
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| **June 1**<br>**Session 1** | Overview of Course  
• Introduction to Demand and Supply  
Macroeconomic Overview  
• Review of Current Situation  
• Outlook for Future  
Measurement Issues  
• GDP (nominal and real, actual and trend)  
  o Productivity  
  o Standard of Living  
• Balance of Payments  
  o Current Account  
  o Financial and Capital Account  
  o Official Transactions  
• Employment and Unemployment (actual and trend) | M: Chapters 1 and 2.  
D: Chapters 1, 2, 4 (pp. 105-113), 5, and 6.  
HBS Cases: 9-797-092  
9-383-094 |
| **June 2**<br>**Session 2** | Measurement Issues (continued)  
• Money  
  o Private Banks and Multiple Expansion of Money  
  o Central Bank and Monetary Policy  
• Three Prices of Money  
  o Price Level and Inflation Rate (actual and expected)  
  o Interest Rate (nominal and real)  
  o Exchange rate (nominal and real)  
    ▪ Purchasing Power Parity  
    ▪ Interest Rate Parity  
• Flow of Funds  
  o Investors (Borrowers)  
  o Savers (Lenders) | M: Chapters 2 and 3.  
D: Chapters 8 and 4 (pp. 113-117). |
| **June 15**<br>**Session 3** | Flow of Funds and Investment and Saving: Loanable Funds Market (Market #1)  
• Loanable Funds Market  
• Interest Rate Determination  
• Fiscal Policy  
D: Chapters 7, 9, 10, and 11.  
Take-home questions #1 due. |
| Session 3 (cont.) | Financial Crisis  
- Securitization  
- Subprime Lending  
- Credit Default Swaps  
Macroeconomy: Short-Run Analysis  
- Aggregate Demand and Aggregate Supply:  
  Output Market *(Market #2)*  
  - Aggregate Demand (AD)  
  - Short-Run Aggregate Supply (SRAS)  
  - Price Level Determination  
  - Fiscal and Monetary Policy  
  - Foreign Effects  
|---|---|
| June 15 | Macroeconomy: Short-Run Analysis (continued)  
- Phillips Curve  
  - Inflation Rate Determination  
  - Fiscal and Monetary Policy  
Macroeconomy: Long-Run Analysis  
- Phillips Curve (Extension to Long Run)  
  - Natural Rate of Unemployment  
  - Fiscal and Monetary Policy  
- Aggregate Demand and Aggregate Supply (Extension to Long Run) *(Market #2)*  
  - Long-Run Aggregate Supply (Natural Level of Output) (LRAS)  

**Take-Home Questions #2**

| Session 4 | Macroeconomy: Short-Run Analysis (continued)  
- Phillips Curve  
  - Inflation Rate Determination  
  - Fiscal and Monetary Policy  
Macroeconomy: Long-Run Analysis  
- Phillips Curve (Extension to Long Run)  
  - Natural Rate of Unemployment  
  - Fiscal and Monetary Policy  
- Aggregate Demand and Aggregate Supply (Extension to Long Run) *(Market #2)*  
  - Long-Run Aggregate Supply (Natural Level of Output) (LRAS)  
|---|---|
| June 16 | M: Chapter 5, 6, and 7  
D: Chapters 9, 10, 11, and 12.  

| Session 5 | Macroeconomy: Long-Run Analysis (continued)  
- Aggregate Demand and Aggregate Supply (Extension to Long Run)  
  - Fiscal and Monetary Policy  
  - Foreign Effects  
Balance of Payments Equilibrium: Foreign Exchange Market *(Market #3)*  
- Fixed and Flexible Exchange Rates  
- Purchasing Power Parity (PPP) -- Long Run  
- Interest Rate Parity (IRP) – Short Run  
International Cash Management  
- Managing Exchange Rate Risk  
- Managing Interest Rate Risk  
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| June 22 | M: Chapter 6, 7, and 8.  
D: Chapters 12, 10, and 11.  
Take-home questions #2 due.  

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<th>Session</th>
<th>Topic</th>
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<td>International Cash Management (continued)</td>
<td>M: Chapters 8 and 9. D: Chapters 4 (pp. 98-105) and 12.</td>
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<td>June 23</td>
<td>• Managing Exchange Rate Risk</td>
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<td>Economic Growth</td>
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<td>• Sources of Growth</td>
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<td>• Inflation</td>
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<td>o Quantity Theory of Money</td>
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<td>7</td>
<td>Country Analyses for Boards of Directors</td>
<td>Country analysis report due.</td>
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<td>July 6</td>
<td>Monetary Policy as Game (Bonus)</td>
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<td>Course Summary and Take Aways</td>
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