Global and Macroeconomic Environment for Business
EMBA 708
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Fall 2014

Texts:  
Global and Macroeconomic Environment for Business by Stephen M. Miller, (SMM, in course outline) 2014, also posted on WebCampus.  
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  

Teaching Philosophy: My philosophy flows from two 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 to measure the basic macroeconomic variables and how to use basic demand and supply analysis to consider monetary and fiscal policy questions. Those supply and demand analyses consider three different, but interrelated markets – flow-of-funds (loanable funds or credit), output (real GDP), and foreign exchange markets. The output market analysis will include both short-run stabilization (monetary and fiscal policy) and long-run growth issues. Further, we investigate how a corporate Treasurer can address foreign exchange and interest rate risk from global operations (financing cash-flow timing issues).

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, randomly assigned student groups will 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 with an electronic slide show to the rest of the class on October 3. 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, 10%; memo #1; 30%; memo #2; 30%; 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 and its growth, unemployment, inflation, interest rates, the trade balance, exchange rate movements, and so on as well as the industry environment within the foreign country that your corporation plans to enter. 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.

Incomplete Grades:
The instructor can grant an incomplete grade (I) when a student satisfactorily completes all course work up to the withdrawal date of that semester/session but for reason(s) beyond the student’s control, and acceptable to the instructor, cannot complete the last part of the course, and the instructor believes that the student can finish the course without repeating it. A student who receives an I is responsible for making up whatever work was lacking at the end of the semester. If the student does not complete course requirements within the time indicated, the student receives a grade of F and the GPA will be adjusted accordingly. Students who are fulfilling an I do not register for the course but make individual arrangements with the instructor who assigned the I grade.

Academic Misconduct: Academic integrity is a legitimate concern for every member of the campus community; all share in upholding the fundamental values of honesty, trust, respect, fairness, responsibility, and professionalism. By choosing to join the UNLV community, students accept the expectations of the Academic Misconduct Policy and are encouraged when faced with choices to always take the ethical path. Students enrolling in UNLV assume the obligation to conduct themselves in a manner compatible with UNLV’s function as an educational institution. An example of academic misconduct is plagiarism. Plagiarism is using the words or ideas of another, from the Internet or any source, without proper citation of the
sources. See the Student Academic Misconduct Policy (approved December 9, 2005) located at:
http://studentconduct.unlv.edu/misconduct/policy.html.

Copyright and Fair Use: The University requires all members of the University Community to familiarize themselves with the 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. Additional information can be found at:
http://www.unlv.edu/committees/copyright/.

Disabilities: The Disability Resource Center (DRC) determines accommodations that are “reasonable” in promoting the equal access of a student reporting a disability to the general UNLV learning experience. Faculty will only provide students course adjustment after having received an “Academic Accommodation Plan” from the DRC. UNLV complies with the provisions set forth in Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990. The DRC is located in the Student Services Complex (SSC-A), Room 143, phone (702) 895-0866, fax (702) 895-0651. For additional information, please visit:
http://drc.unlv.edu/.

Religious Holidays Policy: Any student missing work because of observance of religious holidays will receive an opportunity during that semester to make up missed work. The make-up will apply to the religious holiday absence only. It is the student's responsibility to notify the instructor no later than the last day of late registration of his or her intention to participate in religious holidays, which do not fall on state holidays or periods of class recess. This policy shall not apply in the event that administering the test or examination at an alternate time would impose an undue hardship on the instructor or the university which could have been avoided. For additional information, please visit:

Tutoring: The Academic Success Center (ASC) provides tutoring and academic assistance for all UNLV students taking UNLV courses. Students are encouraged to stop by the ASC to learn more about subjects offered, tutoring times and other academic resources. The ASC is located across from the Student Services Complex (SSC). Students may learn more about tutoring services by calling (702) 895-3177 or visiting the tutoring web site at the following internet address:
http://academicsuccess.unlv.edu/tutoring/.
UNLV Writing Center: One-on-one or small group assistance with writing is available free of charge to UNLV students at the Writing Center, located in CDC-3-301. Although walk-in consultations are sometimes available, students with appointments will receive priority assistance. Appointments may be made in person or by calling 895-3908. The student’s Rebel ID Card, a copy of the assignment (if possible), and two copies of any writing to be reviewed are requested for the consultation. More information can be found at: http://writingcenter.unlv.edu/

Rebelmail: By policy, faculty and staff should e-mail students’ Rebelmail accounts only. Rebelmail is UNLV’s official e-mail system for students. It is one of the primary ways students receive official university communication such as information about deadlines, major campus events, and announcements. All UNLV students receive a Rebelmail account after they have been admitted to the university. Students’ e-mail prefixes are listed on class rosters. The suffix is always @unlv.nevada.edu.

Course Outline

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<th>Topics Covered</th>
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<td>Introduction to Demand and Supply</td>
<td>SMM: Chapters 1 and 2.</td>
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<tr>
<td>Macroeconomic Overview</td>
<td>GDP (nominal and real, actual and trend)</td>
<td>EGD: Chapters 1, 2, 4 (pp. 114-123), 5, and 6.</td>
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<td>Review of Current Situation</td>
<td>Productivity</td>
<td>HBS Cases: 9-797-092</td>
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<td>Outlook for Future</td>
<td>Standard of Living</td>
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<td>Measurement Issues</td>
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<tr>
<td>GDP (nominal and real, actual and trend)</td>
<td>Current Account</td>
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<tr>
<td>o Productivity</td>
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<td>o Standard of Living</td>
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<td>Measurement Issues</td>
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<th>Session 2 August 23</th>
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<td>Measurement Issues (continued)</td>
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<td>SMM: Chapters 2 and 3.</td>
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<td>o Private Banks and Multiple Expansion of Money</td>
<td>Three Prices of Money</td>
<td>EGD: Chapters 8 and 4 (pp. 123-128).</td>
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<td>o Central Bank and Monetary Policy</td>
<td>o Price Level and Inflation Rate (actual and expected)</td>
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<td>o Interest Rate (nominal and real)</td>
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| Session 2 (cont.) August 23 | Exchange rate (nominal and real)  
| | ▪ Purchasing Power Parity  
| | ▪ Interest Rate Parity  
| | Flow of Funds  
| | ▪ Investors (Borrowers)  
| | ▪ Savers (Lenders)  
| Take-Home Questions #1 |  
| Session 3 September 5 | Flow of Funds and Investment and Saving: Loanable Funds Market (Market #1)  
| | ▪ Loanable Funds Market  
| | ▪ Interest Rate Determination  
| | ▪ Fiscal Policy  
| | ▪ Net International Financial Flows  
| | 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  
| | SMM: Chapters 3 and 4.  
| | EGD: Chapters 7, 10, 11, 12, and 13.  
| | Take-home questions #1 due. |  
| Session 4 September 6 | 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)  
| | SMM: Chapter 5, 6, and 7  
| | EGD: Chapters 10, 11, 12, 13, and 14. |  
| Session 5 September 19 | Macroeconomy: Long-Run Analysis (continued)  
| | ▪ Aggregate Demand and Aggregate Supply (Extension to Long Run)  
| | SMM: Chapter 6, 7, and 8.  
| | EGD: Chapters 9, 11, 12, 13, and 14. |  

**Take-Home Questions #2**
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<tr>
<td>Session  5</td>
<td>September 19</td>
<td>Fiscal and Monetary Policy&lt;br&gt;Foreign Effects&lt;br&gt;Balance of Payments Equilibrium: Foreign Exchange Market (Market #3)&lt;br&gt;Fixed and Flexible Exchange Rates&lt;br&gt;Purchasing Power Parity (PPP) -- Long Run&lt;br&gt;Interest Rate Parity (IRP) – Short Run&lt;br&gt;International Cash Management&lt;br&gt;Managing Exchange Rate Risk&lt;br&gt;Managing Interest Rate Risk</td>
<td>Take-home questions #2 due.</td>
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<td>Session  6</td>
<td>September 20</td>
<td>International Cash Management (continued)&lt;br&gt;Managing Exchange Rate Risk&lt;br&gt;Managing Interest Rate Risk&lt;br&gt;Economic Growth&lt;br&gt;Sources of Growth&lt;br&gt;Labor&lt;br&gt;Physical Capital&lt;br&gt;Efficiency of Labor and Physical Capital&lt;br&gt;Growth Accounting&lt;br&gt;Productivity&lt;br&gt;Labor Productivity&lt;br&gt;Total Factor Productivity&lt;br&gt;Inflation&lt;br&gt;Quantity Theory of Money</td>
<td>SMM: Chapters 8 and 9.&lt;br&gt;EGD: Chapters 4 (pp. 106-114), 9, and 14.</td>
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<td>Session  7</td>
<td>October 3</td>
<td>Country Analyses for Boards of Directors&lt;br&gt;Monetary Policy as Game (Bonus)&lt;br&gt;Course Summary and Take Aways</td>
<td>Country analysis presentation given and report due.</td>
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