MBA 703: ECONOMIC POLICIES AND IMPACT ON GLOBAL OUTCOMES  
SPRING 2019

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Office Hours: 2:00 – 3:00 p.m. on Tuesday & Thursday  
Or by appointment

CATALOG DESCRIPTION  
Economic analysis of markets and government intervention that addresses the sustainability of fiscal, monetary and exchange rate policy and their short- and long-run impact on the global environment.

TEXTBOOK  

PURPOSE  
The course will develop your analytical ability (1) to understand the connective linkages of macroeconomic markets, (2) to analyze the current macroeconomic environment and (3) to assess the effectiveness and sustainability of macroeconomic policies (e.g. fiscal, monetary, and exchange rate).

The course will utilize aggregated markets such as the output, labor, credit/loanable funds, reserve, money and foreign exchange markets to analyze the effect of changes in monetary, fiscal and exchange policy in the context of the domestic and global economy. The lectures, discussions, readings and assignments will help to develop your ability to analyze the current economic environment, evaluate current government policies, and assess the risk facing businesses and households. Historical case studies will be employed as an important teaching tool to explain the current global economic environment.

SOURCES OF ECONOMIC DATA and ANALYSIS  
See government agencies such as CBO.gov, BEA.gov, Federalreserve.gov, BLS.gov and other sources. For domestic and international data go to the St. Louis Federal Reserve Bank (FRED) database and for international data go to the United Nations Human Development Report 2016, http://hdr.undp.org. For unique social, political, and analysis related to growth and development go to TED Talks and listen to various presentations “Talks” by Hans Rosling (list on last page of this syllabus).

FACULTY STUDENT GUIDELINES  

ATTENDANCE  
Attendance and class participation is expected. If you miss class, you are responsible for the class material. You may record the class.

BAD WEATHER POLICY  
The cancellation of class due to weather or other event may be made up by extending class time or having a make-up class period. If a test is cancelled, then be prepared to take the test the very next class period.

ACADEMIC HONOR CODE  
Students are responsible for being familiar with the UNCG policy on cheating, plagiarism, misuse of academic resources, falsification and facilitation of dishonest conduct. Procedures and penalties related to these and other policy violations are found at:  
https://drive.google.com/file/d/0B0rFGGhJvbDHUExSZmFFaWFmbb00/view  
http://www.uncg.edu/handbook/academic-integrity-policy/. Any violation of the Honor Policy may result in a failure for the assignment and subsequently the course. **Reminder: Copying and pasting from a website without footnoting the source is plagiarism.**
LEARNING OBJECTIVES FOR MBA 703
Students should be able:

1. To use the tools of supply and demand to analyze shifts in the aggregate macro markets.
2. To use the tools of supply and demand to provide analysis of intended and unintended outcomes from government intervention in the market place.
3. To discuss the macroeconomic environment with regard to nominal and real GDP, nominal and real interest rates, economic growth rates, price indexes, deflation and inflation; unemployment and employment; the federal budget deficit and the national debt; the current and capital accounts and its status as a debtor or creditor nation.
4. To analyze labor market issues with regard to employment and unemployment.
5. To identify the sources of economic growth for developed and developing countries with regard to public policy (savings, investment and taxation) that could increase the rate of potential (long-term) real GDP growth.
6. To analyze the effect of short-run fluctuations in the growth rate of real GDP and prices from supply (demand) shocks and to recommend appropriate policy changes.
7. To describe how exchange rates changes correct trade disequilibrium and why financial flows can disrupt the equilibration mechanism and cause trade imbalances to worsen.
8. To analyze the effect of changes in expansionary and contractionary monetary policy on economic activity with regard to employment, real GDP and inflation.
9. To discuss the short- and long-term effects on interest rates, inflation rates, and output growth from overly expansionary monetary policy in the late 1970s and Volcker’s fight against inflation from 1979-1982.
10. To analyze monetary policy according to Taylor’s rule with reference to the interest rate targeting of the 1970s, 1990s and 2000s and the resulting boom and bust cycle.
11. To analyze the effects on economic activity and economic growth from fiscal policy and deficit spending with reference to the non-sustainability of current policy.
12. To analyze the effect of the 1980s budget deficits and monetary policy on real interest rates, the current account deficit, the value of the dollar, and the US as creditor or debtor nations.
13. To analyze the adjustment process of the Bretton Woods international financial system and to use the analysis to explain why fixed exchange rates are non-sustainable.

REQUIREMENTS and GRADES
There will be two mid-terms (25% each), a final exam (35%) and 3-5 short papers (15%). Tentative exam dates are late February and early April. The final exam will be the week of May 6. No make-up tests are given. The weight of a missed test (assuming a valid excuse) will be added to the final exam. Otherwise the missed test grade is zero. During the semester there will be paper assignments to summarize and discuss an article from the business press dealing with a relevant topic. The article will be posted on canvas at least 10 days before the paper is due. Incompletes are not an option. The grading scale is:

A: 93 – 100%   A-: 90-92%
B+: 88 – 89%   B: 83 – 87%   B-: 80 – 82%
C+: 78 – 79%   C: 70 – 77%
F: Less than 70%

EXTRA CREDIT
No extra credit is provided at the end of the course. There is an opportunity to bolster your grade with a special extra credit assignment due the first day of class. This opportunity is explained later in this syllabus.

ADDED REQUESTS and REQUIREMENTS
You must put your name and your course numbers (MBA 703) on every assignment submitted for a grade. Please print and staple so the paper can be returned with comments.
COURSE OUTLINE: MBA 703
SPRING 2019

Class 1: Introduction - Economic Growth and Development
   Read Chapter 9 Section 4: (Chapter 9.4) To be read with the Rosling assignment
   Ch 1: The Economic Way of Thinking
   Ch 2: Globalization. The Circular Flow Model of Economic Activity
   Ch 3: More on Economic Growth (Section 3.1, 3.2, 3.3)

EXTRA CREDIT OPPORTUNITY: Assignment for the 1st Class is explained on the last two pages of this syllabus. Maximum value is 4 points on final grade average.

Class 2: Supply and Demand
   Ch 4.1 Demand: Fig 4.1 and 4.2
   Ch 4.2 Supply: Fig 4.3 and 4.4
   Ch 4.3 Market Equilibrium and the Automatic Adjustment Process Fig 4.5 and 4.6
      Factors that Shift the Supply and Demand Fig 4.7 and 4.8
      Shifts in the Curve (Schedule) and Movements along the Schedule
      Double Shifts Figure in Supply and Demand: Fig 4.9 and 4.10
   Ch 4.4 Price Rigidities: Floors e.g. Minimum Wage: Fig 4.11 and 4.12
      Price Ceilings Fig 4.13 and 4.14
      Sticky Prices

Class 3: Measuring GDP
   Ch 5.1 Income and Expenditure Approaches
   Ch 5.2 Real GDP
   Define GDP by the four categories of expenditures. (Know their abbreviations)
   How is inventory treated in the measurement of GDP?
   Exercise: Calculating nominal real GDP, actual GDP and the price level
   Exercise: Draw a time series diagram of nominal and real GDP for the 1990-2014 period,
   Ch 5.3 The Uses and Limitations of GDP. The Business Cycle: Potential and Actual Real GDP
   Exercise: Calculate Potential GDP and the Output Gap in a Time Series Diagram
   Exercise: Go to the NBER website: http://www.nber.org/cycles.html
      Analyze the data. What do you discover?

Class 4: Jobs, Labor market and Unemployment
   Ch 6.1 Labor Market Indicators: Definitions and Formula
   Ch 6.2 U Rate, LFPR, and Alternative Labor Market Measures
   Ch 6.3 Unemployment and Full Employment
   Ch 8 (pp. 192-193) Economic Schools of Thought
   Ch 8.1 More on Potential Real GDP
   Ch 8.2 Natural Rate of Unemployment and Potential GDP

Class 5: Chapter 13.1: Aggregate Supply
   Chapter 13.2: Aggregate Demand
   Ch 8.1 More on Potential GDP
   Ch 8.2 More on The Natural Rate of Unemployment (Sticky or Rigid Wages)

Class 6: TEST I

   The CPI and the Cost of Living
   Ch 7.1 The CPI
   Ch 7.2 The CPI and Other Price Level Measures
   Ch 7.3 Nominal and Real Values
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Class 7: Economic Growth
   Ch 9.1 Growth Rates and the Rule of 70
   Ch 9.2 Labor Productivity Growth
      Capital Accumulation and Diminishing Returns
      Expansion of Human Capital and the Discovery of New Technology
   Ch 9.3 Growth Theories
   Ch 9.4 Achieving Faster Growth: Preconditions and Policies

Class 8: Finance, Savings and Investment
   Ch 10.1 Financial Institutions and Markets
   Ch 10.2 The Loanable Funds Market
   Ch 10.3 Government in the Loanable Funds Market
      Crowding Out (pp. 261-262)

Class 9: The Monetary System
   Ch 11.1 What is Money?
   Ch 11.2 The Banking System
   Ch 11.3 The Federal Reserve System
   Ch 11.4 Regulating the Quantity of Money

The role of the Fed and the fractional reserve banking system in the creation and destruction of money through the open market purchase or sale of government bonds is demonstrated (pp. 287 – 290). The influence that the public and the banking system can have on the money multiplier is discussed through the history of the Great Depression and the 2008 Financial Crisis.

Paul Volker’s contribution to macroeconomic history and the policy changes that were enacted under his leadership to fight the high inflation of the early 1980’s. The legacy of former Fed Chair Ben Bernanke.

Class 10: Monetary Policy
   17.1 How the Fed Conducts Monetary Policy:
   17.2 Monetary Policy Transmission
      The Fed Fights Recession (pp. 440-441)
      The Fed Fights Inflation (pp. 442-443)
   17.3 Monetary Policy Rules
      Exercise: Should the Federal Reserve have a policy rule?

Class 11: TEST II

   Ch 13.1 Aggregate Supply
   Ch 13.2 Aggregate Demand
   Ch 13.3 Explaining Economic Trends and Fluctuations (Revisiting the Business Cycle – Class 3)
      Recessionary Gap and Inflationary Gap (p. 3410)
      Demand-Pull Inflation (p. 344); Cost-Push Inflation (p.345)

Class 12: Fiscal Policy
   Ch 16.1 Federal Budget
      The Fiscal Policy Challenge (pp. 406-407)
      The Simpson-Bowles proposal
   Ch 16.2 Fiscal Stimulus
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Class 13: International Finance
   19.1 Financing International Trade
   Balance of Payment Accounts
   19.2 The Exchange Rate
   Purchasing Power Parity (p.496)
   Why exchange rates are volatile. (p.496)

Class 14: The 2008 Financial Crisis
   Causes and consequences of the 2008 Financial Crisis
   Did the Fed Save Us? P. 434

Class 15: Review

**EXTRA CREDIT ASSIGNMENT for the first class – Economic Growth and Development**

The assignment for the first class is to choose, analyze and present some of the vast economic, social, education, and health data found at the GAPMINDER Web site for several different countries. You are responsible for your home country, plus the United States plus one other Asian country of your choice and one European country of your choice. US students will choose one Asian, one European and one African country in additional to the USA.

Read Chapter 9.4 in the textbook to gain some background regarding economic growth and development. Listen to several of the Hans Rosling videos found on the TED web site. Go to the Gapminder web site and choose some data that may pertain to economic growth and development. Present the data in graphical form. For example, place Income per person on the vertical axis and chose some data for the horizontal axis which could include the Corruption Perception Index, the math achievement of its 4th grade student, malnutrition, child survival rate, employment rates, etc. There are many more other possibilities. Show the movement of the country over time given the availability of the data.

You also should conduct a brief political/historic/economic analysis for your home country over the last century. You should investigate factors that contributed or retarded economic growth and development. What is the level of rent-seeking behavior in your country? What about crony capitalism? This part of the analysis should only be done for your home country. This is an open-ended assignment so there is no right answer.

Questions you should address include: What is the role of government and markets in the economic system in 1916? Has it changed over the past 100 years? What is the level of economic freedom and respect for property rights? How much corruption is in the country? What is the level of protection of domestic industry by policy and tariffs? How developed is the country’s education system with regard to literacy of men and women? How have the life expectancy and the level of health changed? Did the Great Depression and World War II have a profound effect on your country? Did your country suffer from a revolution or a military coup that changed the economic allocation of scarce resources? Or has there been a shift in the political/economic system? Did your country have a hyperinflation episode? What happened and why? Not all of
these questions will be necessarily pertinent for your country. You will want to develop your own additional list of issues and questions. You may want to think about a time line of events and changes that provide some insight into the “preconditions for growth” (see the textbook Ch. 9.4), policies, and other factors that influence growth.

Hans Rosling


The following is a list of his video presentation which is found by Googling Rosling TED Talks

TED 2006 The best stats you've ever seen 8.3M views Jun 2006, 19:50

TED 2007 New insights on poverty 2.6M views Jun 2007, 18:57

TED 2009 HIV — new facts and stunning data visuals 669K views May 2009, 10:02

TED @ STATE Let my dataset change your mindset 989K views Aug 2009

TED India Asia's rise — how and when 1.4M views Nov 2009, 15:50

Global population growth, box by box 1.8M views Jul 2010

The good news of the decade? 553K views Oct 2010

The magic washing machine 1.8M views Mar 2011, 9:15 13:20

Why you should listen? Even the most worldly and well-traveled among us will have their perspectives shifted by Hans Rosling. A professor of global health at Sweden's Karolinska Institute, his current work focuses on dispelling common myths about the so-called developing world, which (he points out) is no longer worlds away from the West. In fact, most of the Third World is on the same trajectory toward health and prosperity, and many countries are moving twice as fast as the west did.

What sets Rosling apart isn't just his apt observations of broad social and economic trends, but the stunning way he presents them. Guaranteed: You've never seen data presented like this. By any logic, a presentation that tracks global health and poverty trends should be, in a word: boring. But in Rosling's hands, data sings. Trends come to life. And the big—usually hazy at best—snaps into sharp focus. Rosling developed the breakthrough software behind his visualizations through his nonprofit Gapminder.

Rosling's presentations are grounded in solid statistics (often drawn from United Nations data), illustrated by the visualization software he developed. The animations transform development statistics into moving bubbles and flowing curves that make global trends clear, intuitive and even playful. During his legendary presentations, Rosling takes this one step farther, narrating the animations with a sportscaster's flair.

Rosling began his wide-ranging career as a physician, spending many years in rural Africa tracking a rare paralytic disease (which he named konzo) and discovering its cause: hunger and badly processed cassava. He co-founded Médecins sans Frontières (Doctors without Borders) Sweden, wrote a textbook on global health, and as a professor at the Karolinska Institut in Stockholm initiated key international research collaborations.