



BA380S MANAGERIAL ECONOMICS
FIRST HALF: MACROECONOMICS
FALL 2013

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| Professor | Andres Donangelo |
| Office | GSB 6.308 |
| Office Hours | MW 1:30pm - 3:00pm |
| Phone | 232-6841 |
| E-Mail | andres.donangelo@mcombs.utexas.edu |
| Course Web Page | Blackboard |
| Time and Location | MW 8:00am - 9:30am, GSB 3.106 (MBA Cohort IV) MW 10:00am - 11:30am, GSB 3.106 (MBA Cohort III) TuTh 8:00am - 9:30am, GSB 3.106 (MBA Cohort I) TuTh 10:00am- 11:30am, GSB 3.106 (MBA Cohort II) MW 5:00pm - 6:30pm, CBA 4.328 (MSF) |
| TAs | Chao Bian (cbian@utexas.edu) Sophia Sun (Yue.Sun@phd.mcombs.utexas.edu) |
| TA Office Hours | W 1:00pm – 3:00pm, CBA 6.224 |

Course Objectives

The first half of Managerial Economics is designed to provide students with a framework to understand the macroeconomic environment. We will cover classic macroeconomic issues such as economic growth, business cycles, unemployment, money, inflation, interest rates, and fiscal and monetary policy. At the end of the course, we will use the framework to understand current macroeconomic developments. For instance, we will analyze the rapid growth of public deficits in the U.S. and the "liquidity trap" that has been forcing the Fed to use more exotic monetary policy tools such as quantitative easing.

The ultimate goal of the course is to develop your macroeconomic intuition. This intuition will enable you to make sense and navigate through future *unforeseen* economic developments. To achieve this goal, our course will include a fair amount of basic macroeconomic theory. This course will be more challenging than a less ambitious course that merely surveys past events. The take home value of a course that does not provide intuition through theory depreciates and becomes obsolete very quickly. The challenge of learning theory should be seen as a profitable investment in your human capital.

Leadership and this Course

The macroeconomic toolkit developed in this class will allow business leaders to better understand the economic environment. In the short run, a business leader must know how to react to changes in demand and investment opportunities arising from changes in expectations about prices, wages, interest rates, and exchange rates. A leader must also be able to make decisions that require an understanding of the drivers of long term growth across different economies. Moreover, a business leader must also understand the language and terminology used in economics. The toolkit developed in this class will also enable future business leaders to better communicate with economic journalists, policy makers, and regulators.

Course Materials

The required readings assigned to each lecture are indicated in the schedule at the end of this Syllabus. The two main course materials are listed below:

- 1) 8th edition of *Macroeconomics*, by Andrew Abel, Ben Bernanke, and Dean Croushore (ABC)
 - 7th edition is acceptable, but 6th and earlier editions are too outdated.
- 2) *Short-Run Fluctuations*, by David Romer (DR)
 - We will use Romer's alternative approach to studying monetary policy instead of the LM curve from ABC
 - Available for free at <http://elsa.berkeley.edu/~dromer/> (under "Papers Not Intended for Publication")

Discussion Board and E-Mail Policy

We will use a discussion forum for our communication outside the classroom. The discussion board is available on BlackBoard. My TAs and I will join the forum and be active participants and moderators. All questions and comments related to the course should be posted on the discussion board. Students are also encouraged to answer questions from other students when they feel comfortable doing so. The discussion forum is a more efficient and transparent communication channel than one-on-one e-mail exchanges. For this reason, my TAs and I will *only answer e-mails regarding personal matters*. All other e-mails will be kindly redirected to the discussion forum.

Course Requirements and Grading

Course Requirements

(i) Problem Sets (50%)

There will be a total of 6 problems sets in the course, but only the 5 highest scores will be considered towards your grade. Problem sets will be posted on BlackBoard on Thursday evenings and will be due the following Thursday evening. Students can form groups (I recommend up to four members, but I will accept larger preexisting groups). Students may join, leave, or change groups at any time. Each group should submit a single set of answers. Answers may be typed or hand written, but *should be converted into an electronic file in PDF format* and uploaded through BlackBoard.

(ii) Exam (50%)

There will be a single exam in this course. The exam will be conducted during the final exam week. The final exam is cumulative and covers all material discussed in class. The exam is closed-book but students may bring a double-sided letter-sized “cheat sheet”. A practice exam will be distributed during the last week of classes. To get a top grade in the exam, make sure to:

- 1) Be comfortable to answer logical variations of problem set questions.
- 2) Be able to explain all the examples given in the lecture slides to a colleague, using your own words.

Grading

You will get a numeric score at the end of the Macroeconomics half of Managerial Economics that will be averaged with that of the Microeconomics half. The overall course average across the two halves will determine your letter grade.

Classroom and Discussion Board Professionalism

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.
- Students display their name cards.
- Students do not confuse the classroom for the cafeteria.
- Students minimize unscheduled personal breaks.
- Students are fully prepared for each class.
- Students attend the class section to which they are registered.
- Students respect the views and opinions of their colleagues.
- Laptops are closed and put away.
- Phones and wireless devices are turned off.

The level of professionalism expected in the discussion forum is similar to that in the classroom. In particular, faculty, TAs, and students should follow the following etiquette rules:

- Forum participants should first search older posts before posting a new topic or question.
- Forum participants should use clear titles for the postings to help other participants easily find the topic.
- Forum participants should write in a clear, objective, and respectful manner.
- Forum participants are expected to be active *in a give and take manner*.

Academic Dishonesty

I have no tolerance for acts of academic dishonesty. 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>. 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.

The Honor Pledge

The University of Texas at Austin McCombs School of Business requires each enrolled student to adopt the Honor Pledge:

"I affirm that I belong to the honorable community of The University of Texas at Austin Graduate School of Business. I will not lie, cheat or steal, nor will I tolerate those who do. I pledge my full support to the Honor System. I agree to be bound at all times by the Honor System and understand that any violation may result in my dismissal from the Graduate School of Business."

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) is 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 the web address below. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or via e-mail if you have any questions.

<http://deanofstudents.utexas.edu/ssd/index.php>

Tentative Schedule and Required Readings¹

(last update: August 18)

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| 8/19 and 8/20 | Lecture 1: Course Overview Required readings: ABC Ch. 1 |
| 8/21 and 8/22 | Lecture 2: Measures and Definitions Required readings: ABC Ch. 2 and 3.5 ² |
| 8/22 | Problem Set 1 (due on 8/29) |
| 8/26 and 8/27 | Lecture 3: Labor Demand and Supply Required readings: ABC 3.1, 3.2, and Appendices A.1 to A.7 |
| 8/28 and 8/29 | Lecture 4: Equilibrium (LRAS curve) and Unemployment Required readings: ABC 3.2 to 3.4, 9.1, and 12.3 |
| 8/29 | Problem Set 2 (due on 9/5) |
| 9/2 | <i>(Labor Day, this lecture was moved to Friday 9/6.)</i> |
| 9/3 and 9/4 | Lecture 5: Economic Growth Required readings: ABC 6.1 and 6.2 |
| 9/5 and 9/6 | Lecture 6: Investment, Consumption, and Saving Required readings: ABC 4.1, 4.2, Appendix 4.A, and pgs 600-604 |
| 9/6 | Problem Set 3 (due on 9/13) (Note the different day of the week) |
| 9/9 and 9/10 | Lecture 7: IS curve and Business Cycles Required readings: ABC 4.3, 9.2 |
| 9/11 and 9/12 | Lecture 8: Money Demand and Supply Required readings: ABC 7.1, 7.3, 11.2, 12.4, 14.1, 14.2 |
| 9/12 | Problem Set 4 (due on 9/19) |

¹ ABC: Eight Edition of *Macroeconomics*, by Andrew Abel, Ben Bernanke, and Dean Croushore.

DR: *Short-Run Fluctuations*, by David Romer

² The notation “ABC 3.5” denotes “Section 5 in ABC Chapter 3”.

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| 9/16 and 9/17 | Lecture 9: Equilibrium and Monetary Policy (MP curve) Required readings: ABC 9.3, DR pgs 1-20 |
| 9/18 and 9/19 | Lecture 10: Aggregate Demand and Aggregate Supply Required readings: ABC 3.6, 12.1, 12.2, 12.4, pgs 570-572, DR pgs 54-76 |
| 9/19 | Problem Set 5 (due on 9/26) |
| 9/23 and 9/24 | Lecture 11: Open Economy Required readings: ABC 5.1 to 5.4, DR pgs 23-39 |
| 9/25 and 9/26 | Lecture 12: The Liquidity Trap Required readings: ABC pgs 561-565 DR pgs 90-126 |
| 9/26 | Problem Set 6 (due on 10/3) |
| 9/30 and 10/1 | Lecture 13: Government Deficits and Debt Required readings: ABC 15.1 to 15.3 |
| 10/2 and 10/3 | Lecture 14: Review |
| 10/3 | Problem Set 7 (not graded) |
| 10/7 to 10/11 | Exam (exact date TBD) |