



BA 380S – MANAGERIAL ECONOMICS

FALL 2015

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Course Web Page	via Canvas	via Canvas

Course Objectives

In all of our MBA programs, we teach the core Economics class as a combination of Macroeconomics (five weeks) and Microeconomics (nine weeks). This class will follow that schedule.

The goal of the Macroeconomics portion of this class is to give you a practical understanding of the economy. When you leave this class, you should have enough knowledge that you will be able to follow the economy, answer questions about the economy, and understand the significance of economic news. This portion of the class is intended to be extremely practical.

The topics that we will cover in Macroeconomics will include GDP, the Fed, the Fed's dual mandate, fiscal policy (taxation and spending), and trade (and foreign exchange). Then, we will end Macroeconomics by discussing three important topics that are currently in the news: Social Security, cost of education / student debt, and income inequality.

The goal of the Microeconomics portion of the class is to develop an understanding of various practical microeconomic concepts that will make you more effective as a manager. This is not a class for economics majors -- rather, it is a class that will enable you to become conversant with economists and to make better use of the information they provide.

In this portion of the class we will cover topics such as the basic market model, demand estimation, price sensitivity, market structure and profitability, competitive strategy and topics in labor economics. Along the way we will apply these ideas to current issues of the day.

Materials

Macroeconomics

All materials (papers, taped lectures, notes) will be posted on Canvas.
There is nothing to buy for this portion of the class.

Microeconomics

We will have a textbook (TBA) to be purchased; all other materials (readings, problems, etc.) will be posted on Canvas.

Prerequisite

This class is only open to students enrolled in the full-time MBA program.

Course Grading

While Managerial Economics includes both macroeconomics and microeconomics (with different faculty), you will receive one grade in December. You will be ranked in each portion of the class. Then, your ranks will be combined (on a weighted basis) to determine your final rank. Macroeconomics will count as 1/3 of your final grade and Microeconomics will be 2/3 of your final grade.

Your grade in the Macroeconomics portion of the course will be determined as follows:

Final Exam:	80%
Group Project:	20%

Your grade in the Microeconomics portion of this course will be determined as follows:

Midterm Exam:	40%
Final Exam:	40%
Group Project:	20%

Our goal is to have a final grade distribution that is close to the following:

- A (4.0) – 25%
- A- (3.67) – 20%
- B+ (3.33) – 15%
- B (3.0) – 35%
- B- or lower – 5%

This distribution is a target, not a guarantee. Grades of C or lower will be given if appropriate. Also note that grades may be adjusted downward based on violations of the Professionalism Policy or the Honor Code, both of which are described below.

It is particularly important to us that you arrive on time, stay for the entire class, keep your laptops closed, do not use cellphones (or i-pads or any other electronic device), don't text or email during class, and respect your peers. As the semester progresses, you will realize that we will hold you to a very high standard, but we will hold ourselves (and how this class is presented) to an even higher one. Our goal is for this to be a great experience and a great environment for everyone.

Description of Requirements

Macroeconomics

Your **exam** will be held on Wednesday, September 23rd from 6 PM – 8 PM. The exam will consist of objective questions (multiple choice and true/false) and short answer questions (some of which could be quantitative). You will be told the exact breakdown of the exam during our last week of class (the week of September 14 – 18).

I do not release old exams (and in this class, I don't have any old exams). I have found that releasing old exams is problematic because (1) it results in people studying "to the exam" rather than studying to learn; and (2) students inevitably feel that old exams are easier than the current exam. In addition, I do not allow students to keep their exams. This maintains the fairness of exams, since you know that no one has seen old exams. You will have ample opportunity to review your exam. If you ask any of my past students what my tests look like or what material is tested, I consider this to be a violation of the Honor Code.

The **project** is to put together a slide deck titled "50 Interesting Ideas About the Economy". Your slide deck should be comprised of 50 slides (plus a cover slide). Each slide should contain a chart or table about the economy. The ideas do not have to be connected. For example, you could have a slide about the Fed followed by a slide about GDP, followed by a slide about healthcare costs, followed by another slide about the Fed. In other words, you just need to have fifty independent ideas.

Please realize that the slide deck is not a summary of the economy or an economic forecast. Rather, the goal is simply to show some interesting ideas. You might show information about oil, retirement accounts, inflation, GDP, productivity, labor markets, or any other relevant topic. Your deck should not have more than five slides on any one topic. In other words, I do not want to receive a slide deck that is all about oil or energy.

Each slide should have enough commentary so that someone understands why this idea is important. Twenty percent of your slides should be created by you (rather than copied from a source). In order to create these slides, you should use the FRED database on the St. Louis Fed's website. The remainder of your charts and tables can be copied from other sources (e.g., The Wall Street Journal, Financial Times, The New York Times, Barron's, The Economist, Fed speeches or papers, government reports, white papers, academic papers, or any other reputable source). All of the slides must contain the source and date (on the slide) and they must all be current (from August 1 through September 18).

Your project will be done with your assigned group. Each group should turn in one slide deck as a PDF. Each team member's name should be on the cover slide. You will be given instructions concerning how to submit the PDF on Canvas. **Please do not send it to my email box.** The project is due on Friday, September 18th at 5 PM.

These projects will be graded based on how interesting the ideas are. Your slide deck will be shared with the rest of the first-year class. My goal in assigning this project is to give you the incentive to keep up with the news and to learn. In addition, we can learn a lot from each other if we share our ideas. **If each member of your team creates two slides per week, you'll be done.**

Microeconomics

We will have a **midterm exam** and a **final exam**, each consisting of objective questions, short answer questions, and computational problems. Each of these exams will only cover the material from that part of the course, and the particulars in terms of format and topics will be discussed in greater detail as we get closer to the exam dates. I will suggest (from the text) or provide some practice problems prior to each exam, though I caution you not to rely exclusively on specific practice problems. Exams will be taken and assessed on an individual basis.

We will also have a **final project** which will consist of an analysis of the competitive landscape and growth potential of an industry of your choosing. The approach to the project will become more clear as we progress through the microeconomics portion of the class, and we will discuss the details of the project in terms of my expectations, grading, etc. as we get closer to the due date at the end of the semester. Projects will be submitted and assessed on a team basis.

How to Prepare for Class and the Exams

Macroeconomics

Prior to class, you will have an assignment (listed below). There will always be some reading and there may also be a taped lecture. The taped lectures and readings are designed to give you the base knowledge that you will need for class.

In class, I will ask a series of questions in order to help us progress through the material. I am not concerned with whether your answer is right or wrong. I ask questions because I want you to think. This helps you to understand why an idea is important (as opposed to me just lecturing). It is important that everyone contributes and tries to participate and that no one person contributes too much. If you already know a lot of this material, doesn't hesitate to contribute. But, I don't want class to be a conversation between me and one member of the class.

This class is different than my usual finance classes (where we have problem sets). This class does not lend itself to that. This class requires you to read and take notes. It is crucial that you find a way to make notes about the key ideas from each assigned reading. That way, you will be able to put all of the information together to prepare for the exam. The exam will contain questions about each of the readings. **It's crucial that you keep up with the workload. You're not going to be able to do all of the readings immediately before the exam.** I recommend that you spend your time reading and reviewing. Your approach should be that you are preparing for a meeting (on Sep. 23) in which your client is going to ask you all about the economy. I believe that time management skills will play a huge role in your success in this class (as well as your success after graduation).

Microeconomics

All I ask is that you come to class each day with an open mind, a solid work ethic, and an eagerness to learn. If there is a particular reading or current issue I want to discuss with you in class, I will do my best to notify you ahead of time. Questions, comments and discussion about relevant topics and applications are always welcome, time permitting. I strongly encourage you to be diligent about taking notes in class, as the topics we cover in class will form the universe of information from which exam questions are drawn.

Attendance Policy

It is our belief that we all have a responsibility to maximize the value of this class. This means that we all need to be prepared, attendance is mandatory, we all must be on time, and we must be psychologically present (which means no electronic devices). If you are absent (or late) more than twice, your final grade will be lowered by one “level” for each occurrence. For example, imagine that your tests and projects qualify you for a course grade of A-. But, you missed one class and were late for two others. Two of those three occurrences are excused. The other one will result in your grade being dropped to B+. As a second example, imagine that you were late three times and absent twice. Your A- would be lowered by three levels to a B-. Again, it is never our goal to lower grades. But, we have to weigh having rules like this (which we don't like) versus having one person disrupt our class repeatedly. You can see where we come out on this...

Key Dates

- Friday, September 18 (5p) – Macroeconomics Project Due (submit through Canvas)
- Wednesday, September 23 (6p–8p) – Macroeconomics Final Exam
- Week of October 26 (day/time TBA) – Microeconomics Midterm Exam
- Friday, December 4 (5p) – Microeconomics Project Due (submit through Canvas)
- Friday, December 11 (9a–12p) – Microeconomics Final Exam

Class #	Prep
1 – GDP	Unit 1 Taped Lecture
2 – GDP	<p data-bbox="537 279 1520 352">US Economic Prospects: Secular Stagnation, Hysteresis, and the Zero Lower Bound, by Lawrence H. Summers (2014)</p> <p data-bbox="537 405 1438 478">Credit Growth and Economic Activity After the Great Recession, James McAndrews, April 16, 2015</p>
3 – The Fed	<p data-bbox="537 489 789 520">Unit 2 Taped Lecture</p> <p data-bbox="537 573 1433 646">Ultra Easy Monetary Policy and the Law of Unintended Consequences, William White (August 2012)</p> <p data-bbox="537 699 1162 730">The following two readings are background readings:</p> <p data-bbox="537 783 1146 814">Money in the Modern Economy: An Introduction</p> <p data-bbox="537 825 1170 909">By Michael McLeay, Amar Radia and Ryland Thomas Bank of England Quarterly Bulletin 2014 (Q1)</p> <p data-bbox="537 951 1049 982">Money Creation in the Modern Economy</p> <p data-bbox="537 993 1170 1077">By Michael McLeay, Amar Radia and Ryland Thomas Bank of England Quarterly Bulletin 2014 (Q1)</p>
4 – Dual Mandate	<p data-bbox="537 1087 789 1119">Unit 3 Taped Lecture</p> <p data-bbox="537 1171 1114 1203">Monetary Policy Since the Onset of the Crisis</p> <p data-bbox="537 1213 959 1245">Ben S. Bernanke (August 31, 2012)</p>
5 – Fiscal Policy – Taxation	<p data-bbox="537 1255 789 1287">Unit 4 Taped Lecture</p> <p data-bbox="537 1339 1528 1413">The Corporate Income Tax System: Overview and Options for Reform, by Mark P. Keightly and Molly F. Sherlock, Congressional Research Service (Dec. 1, 2014)</p>
6 – Fiscal Policy – Spending	<p data-bbox="537 1423 789 1455">Unit 5 Taped Lecture</p> <p data-bbox="537 1507 1458 1623">The Sustainability of the Federal Budget Deficit: Market Confidence and Economic Effects, Mark Labonte, Congressional Research Service (Dec. 14, 2012)</p> <p data-bbox="537 1675 1520 1749">Fiscal Policy in the Great Recession and Lessons From the Past, by Fernando M. Martin (Federal Reserve Bank of St. Louis Economic Synopses, 2012)</p>
7 – Trade and Foreign Exchange	<p data-bbox="537 1770 1097 1801">Notes on Trade and Foreign Exchange (Leeds)</p> <p data-bbox="537 1854 1471 1927">Monetary Policy in the United States and in Developing Countries, Stanley Fischer – June 30, 2015</p>

	Financing the U.S. Trade Deficit , James K. Jackson, Congressional Research Service, July 17, 2015
8 – Social Security	Notes on Social Security (Leeds)
9 – Cost of Education and Student Debt	Student Debt and Higher Education Financing: A Public Finance Perspective , James McAndrews, (NY Fed) – Feb. 5, 2015 Community Development and Human Capital By Loretta J. Mester – June 19, 2015
10 – Income Inequality	Perspectives on Inequality and Opportunity from the Survey of Consumer Finances , Janet Yellen (October 17, 2014)
11 – Catch Up	

Please Note: in addition to the readings listed above, we will add several Fed speeches to the reading list. You should expect four more speeches to be added to our reading list in order to stay current.

The Microeconomics schedule is forthcoming, and will be posted in a few weeks as an update to this syllabus.

OUR COMMENTS ABOUT THE PROFESSIONALISM POLICY: We will expect you to comply with the Professionalism Policy and you should expect us to comply with it. We firmly believe that professional behavior (being on time, staying for the full class, no laptops) is crucial to a culture of learning. Additionally, this simple professionalism will do nothing to stop us from laughing in class and enjoying the learning process.

McCombs Classroom Professionalism Policy

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas MBA experience hinges on this.

You should treat the Texas MBA classroom as you would a corporate boardroom.

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.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.
- **Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.
- **Students are fully prepared for each class.** Much of the learning in the Texas MBA program takes place during classroom discussions. When students are not prepared, they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- **Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- **Students do not confuse the classroom for the cafeteria.** The classroom (boardroom) is not the place to eat your breakfast tacos, wraps, sweet potato fries, or otherwise set up for a picnic. Please plan accordingly. Recognizing that back-to-back classes sometimes take place over the lunch hour, energy bars and similar snacks are permitted. Please be respectful of your fellow students and faculty in your choices.
- **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited.
- **Students attend the class section to which they are registered.** Learning is enhanced when class sizes are optimized. Limits are set to ensure a quality experience. When section hopping takes place some classes become too large and it becomes difficult to contribute. When they are too small, the breadth of experience and opinion suffers.
- **Technology is used to enhance the class experience.** When students are surfing the web, responding to e-mail, instant messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged. Faculty office hours are spent going over class material with students who chose not to pay attention, rather than truly adding value by helping students who want a better understanding of the material or want to explore the issues in more depth. Students with real needs may not be able to obtain adequate help if faculty time is spent repeating what was said in class. There are often cases where learning is enhanced by the use of technology in class. Faculty will let you know when it is appropriate.
- **Phones and wireless devices are turned off.** We've all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

Remember, you are competing for the best faculty McCombs has to offer. Your professionalism and activity in class contributes to your success in attracting the best faculty to this program.

Academic Dishonesty

We 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 the final pages of this syllabus. As the instructors for this course, we agree to observe all the faculty responsibilities described therein. As a Texas MBA student, you agree to observe all of the student responsibilities of the Honor Code. If the application of the Honor System to this class and its assignments is unclear in any way, it is your responsibility to ask us for clarification.

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 <http://deanofstudents.utexas.edu/ssd/index.php>. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or via e-mail if you have any questions.

Honor Code Purpose

Academic honor, trust and integrity are fundamental to The University of Texas at Austin McCombs School of Business community. They contribute directly to the quality of your education and reach far beyond the campus to your overall standing within the business community. The University of Texas at Austin McCombs School of Business Honor System promotes academic honor, trust and integrity throughout the Graduate School of Business. The Honor System relies upon The University of Texas Student Standards of Conduct (Chapter 11 of the Institutional Rules on Student Service and Activities) for enforcement, but promotes ideals that are higher than merely enforceable standards. Every student is responsible for understanding and abiding by the provisions of the Honor System and the University of Texas Student Standards of Conduct. The University expects all students to obey the law, show respect for other members of the university community, perform contractual obligations, maintain absolute integrity and the highest standard of individual honor in scholastic work, and observe the highest standards of conduct. Ignorance of the Honor System or The University of Texas Student Standards of Conduct is not an acceptable excuse for violations under any circumstances.

The effectiveness of the Honor System results solely from the wholehearted and uncompromising support of each member of the Graduate School of Business community. Each member must abide by the Honor System and must be intolerant of any violations. The system is only as effective as you make it.

The Honor Pledge

The University of Texas at Austin McCombs School of Business requires each enrolled student to adopt the Honor System. The Honor Pledge best describes the conduct promoted by the Honor System. It is as follows:

"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."

Faculty Involvement in the Honor System

The University of Texas at Austin McCombs School of Business Faculty's commitment to the Honor System is critical to its success. It is imperative that faculty make their expectations clear to all students. They must also respond to accusations of cheating or other misconduct by students in a timely, discrete and fair manner. We urge faculty members to promote awareness of the importance of integrity through in-class discussions and assignments throughout the semester.

Expectations Under the Honor System

Standards

If a student is uncertain about the standards of conduct in a particular setting, he or she should ask the relevant faculty member for clarification to ensure his or her conduct falls within the expected scope of honor, trust and integrity as promoted by the Honor System. This applies to all tests, papers and group and individual work. Questions about appropriate behavior during the job search should be addressed to a professional member of the Career Services Office. Below are some of the specific examples of violations of the Honor System.

Lying

Lying is any deliberate attempt to deceive another by stating an untruth, or by any direct form of communication to include the telling of a partial truth. Lying includes the use or omission of any information with the intent to deceive or mislead. Examples of lying include, but are not limited to, providing a false excuse for why a test was missed or presenting false information to a recruiter.

Stealing

Stealing is wrongfully taking, obtaining, withholding, defacing or destroying any person's money, personal property, article or service, under any circumstances. Examples of stealing include, but are not limited to, removing course material from the library or hiding it from others, removing material from another person's mail folder, securing for one's self unattended items such as calculators, books, book bags or other personal property. Another form of stealing is the duplication of copyrighted material beyond the reasonable bounds of "fair use." Defacing (e.g., "marking up" or highlighting) library books is also considered stealing, because, through a willful act, the value of another's property is decreased. (See the appendix for a detailed explanation of "fair use.")

Cheating

Cheating is wrongfully and unfairly acting out of self-interest for personal gain by seeking or accepting an unauthorized advantage over one's peers. Examples include, but are not limited to, obtaining questions or answers to tests or quizzes, and getting assistance on case write-ups or other projects beyond what is authorized by the assigning instructor. It is also cheating to accept the benefit(s) of another person's theft(s) even if not actively sought. For instance, if one continues to be attentive to an overhead conversation about a test or case write-up even if initial exposure to such information was accidental and beyond the control of the student in question, one is also cheating. If a student overhears a conversation or any information that any faculty member might reasonably wish to withhold from the student, the student should inform the faculty member(s) of the information and circumstance under which it was overheard.

Actions Required for Responding to Suspected and Known Violations

As stated, everyone must abide by the Honor System and be intolerant of violations. If you suspect a violation has occurred, you should first speak to the suspected violator in an attempt to determine if an infraction has taken place. If, after doing so, you still believe that a violation has occurred, you must tell the suspected violator that he or she must report himself or herself to the course professor or Associate Dean of the Graduate School of Business. If the individual fails to report himself or herself within 48 hours, it then becomes your obligation to report the infraction to the course professor or the Associate Dean of the Graduate School of Business. Remember that although you are not required by regulation to take any action, our Honor System is only as effective as you make it. If you remain silent when you suspect or know of a violation, you are approving of such dishonorable conduct as the community standard. You are thereby precipitating a repetition of such violations.
