



## BA 380S – MANAGERIAL ECONOMICS -- MACRO

FALL 2017

<b>Professor</b>	Sanford J Leeds
<b>Office</b>	GSB 5.164
<b>Office Hours</b>	Listed below (times vary)
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<b>Course Web Page</b>	via Canvas

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### 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, explanations as to why the United States is experiencing slow growth, the Federal Reserve and monetary policy, the Fed's dual mandate, fiscal policy (taxation, spending and debt), and trade (and foreign exchange). Then, we will end Macroeconomics by discussing two important topics that are currently in the news: the cost of education / student debt, and income inequality.

### Materials

**Required:** Macroeconomics Packet (Leeds 2017) – Available on Canvas – this packet contains nine units of material; each unit contains an outline and slides

**Optional:** Modern Principles of Economics (3<sup>rd</sup> ed.), by Tyler Cowen and Alex Tabarrok (2014) (Available on Amazon)

**Supplemental** – on Canvas, there will be additional notes, papers, articles and speeches posted. You are NOT responsible for any of this supplemental material. Rather, it may help you if you want to gain a deeper understanding of a particular subject.

### Prerequisite

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

**Office Hours**

<b>Monday</b>	<b>Aug. 14</b>	<b>5:00 – 6:30 PM</b>
<b>Tuesday</b>	<b>Aug. 15</b>	<b>5:00 – 6:30 PM</b>
<b>Monday</b>	<b>Aug. 21</b>	<b>2:00 – 4:00 PM</b>
<b>Wednesday</b>	<b>Aug. 23</b>	<b>1:00 – 4:00 PM</b>
<b>Monday</b>	<b>Aug. 28</b>	<b>1:15 – 3:15 PM</b>
<b>Tuesday</b>	<b>Aug. 29</b>	<b>3:30 – 5:30 PM</b>
<b>Wednesday</b>	<b>Aug. 30</b>	<b>5:00 – 6:30 PM</b>
<b>Thursday</b>	<b>Aug. 31</b>	<b>5:00 – 6:30 PM</b>
<b>Tuesday</b>	<b>Sep. 5</b>	<b>5:00 – 6:30 PM</b>
<b>Wednesday</b>	<b>Sep. 6</b>	<b>5:00 – 6:30 PM</b>
<b>Thursday</b>	<b>Sep. 7</b>	<b>5:00 – 6:30 PM</b>
<b>Monday</b>	<b>Sep. 11</b>	<b>5:00 – 6:30 PM</b>
<b>Tuesday</b>	<b>Sep. 12</b>	<b>5:00 – 6:30 PM</b>
<b>Wednesday</b>	<b>Sep. 13</b>	<b>5:00 – 6:30 PM</b>
<b>Thursday</b>	<b>Sep. 14</b>	<b>5:00 – 6:30 PM</b>
<b>Monday</b>	<b>Sep. 18</b>	<b>5:00 – 6:30 PM</b>
<b>Tuesday</b>	<b>Sep. 19</b>	<b>5:00 – 6:30 PM</b>
<b>Wednesday</b>	<b>Sep. 20</b>	<b>5:00 – 6:30 PM</b>
<b>Thursday</b>	<b>Sep. 21</b>	<b>5:00 – 6:30 PM</b>
<b>Friday</b>	<b>Sep. 22</b>	<b>9:00 – 11:30 AM; 1:00 – 3:30 PM</b>
<b>Sunday</b>	<b>Sep. 24</b>	<b>1:00 – 5:00 PM</b>

## Course Grading

While Managerial Economics includes both macroeconomics and microeconomics (with different faculty), you will receive only 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.

In order to be eligible to participate in the ranking system and pass this class, **you must pass each portion of the class (Macro and Micro)** with a grade of C or higher. If a student fails one portion of the class and is allowed to remedy that portion, he/she will receive a final course grade lower than the grade given to any student who passed both parts of the class.

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

Final Exam:	80%
Homework:	20%

Our goal is to have a final grade distribution (for the entire course) 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% (or less)

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 me that you arrive on time, stay for the entire class, and respect your peers. Cell phones are not allowed in class. Laptops and tablets will be allowed in class (although I don't recommend this). However, in order to use a laptop or tablet, you must agree to use this device during class time only for the purpose of taking notes or viewing slides. In other words, you agree to not use the internet during class.** As the semester progresses, you will realize that I will hold you to a very high standard, but I will hold myself (and how this class is presented) to an even higher one. My 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 Monday, September 25<sup>th</sup> from 5 PM – 7 PM in UTC 2.102A. The exam will consist of objective questions (multiple choice and true/false) and quantitative questions. Most likely, the exam will be approximately 75% qualitative and 25% quantitative. You will be told the exact breakdown of the exam during our last week of class.

I do not release 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 about what material is tested, I consider this to be a violation of the Honor Code.

The homework assignment will cover the majority of quantitative concepts covered during the semester. The assignment will be done with your group. You may not discuss the assignment with anyone outside of your group. The assignment will be distributed by September 7<sup>th</sup> and it will be due on Thursday, September 21<sup>st</sup> at noon. Please submit one hard copy for the entire group and please write each group member’s name on the homework. Please do not email the homework to me. Late assignments will not be accepted. On the evening of September 21<sup>st</sup>, I will send you the answer key so that you can use it to study for the exam. I will not be offering assistance as you prepare the homework. Unless there is a typo or problem with the homework, I want you to do it with your group (without my assistance). Struggling to decide on the right answer is how we learn. I am, however, always happy to help you in any way or with any of the subject matter – we just will not be addressing the specific homework problems before they are submitted.

## ***How to Prepare for Class and the Exams***

**Prior to class, you will have an assignment (listed in the table below).** The key to success in this class will be to do your reading assignment before class (so that you understand what we're discussing) and then to review the material several times after class. You should be making notes, summarizing ideas and numbers and making sure that you understand how this all fits together. I have intentionally not given you many assignments (just one group homework) because you need to spend time with the packet. If you don't read the packet several times, this will be a particularly difficult exam.

In class, I will sometimes ask questions about the material (particularly what you were assigned to read). The idea is to help you to think about the material. Often times, there won't be a right or wrong answer. 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, don't hesitate to contribute. At the same time, 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 many 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 the packet. That way, you will be able to put all of the information together to prepare for the exam. The exam will contain questions from everything in the packet (what you were assigned to read and what we discuss in class). **It's crucial that you keep up with the workload.** I recommend that you spend your time reading and reviewing. Your approach should be that you are preparing for a meeting (on Sep. 25<sup>th</sup>) in which your client is going to question you about the economy. This class is extremely practical and should help to prepare you for that conversation.

I believe that time management skills will play a huge role in your success in this class (as well as your success after graduation).

### **Attendance Policy -- Macro**

It is my 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 should be on time, and we should also be psychologically present (rather than surfing the web or checking texts). If you are absent (or late) more than once during the Macro portion of our class (which only consists of eleven meetings), your final grade will be lowered by one "level" for each occurrence. For example, imagine that your tests and projects qualify you for an overall course grade of A-. But, in the Macro portion of the class, you missed one class and were late for two others. The first occurrence is excused. The other two 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 four levels to a C+. Again, it is never my goal to lower grades. But, I have to weigh having rules like this (which I don't like) versus having one person disrupt our class repeatedly. You can see where I come out on this...

**Macro****NOTE: each packet unit starts with page 1**

<b>Date</b>	<b>Packet Unit</b>	<b>Topic</b>	<b>Read Before Class (Packet)</b>	<b>In-Class (Packet)</b>
Aug. 14/15	1	The Current State of the Economy	Assessment of Current Economic Conditions and Implications for U.S. Monetary Policy, Robert S. Kaplan, July 2017	pp. 1 - 7
Aug. 21/22 and 23/24	2	GDP	pp. 1 - 9	pp. 10 - 14
On your own	3	Current Issues With Growth	pp. 1 - 11	
Aug. 28/29 and 30/31	4	Background Information to Understand Monetary Policy	pp. 4 - 10	pp. 1 - 3
Aug. 30/31 and Sep. 5/6	5	The Federal Reserve and Monetary Policy	pp. 1 - 4	pp. 5 - 12
Sep. 7/8	6	The Dual Mandate	pp. 1 - 12	pp. 12 - 15
Sep. 11/12 and 13/14	7	Fiscal Policy	pp. 1 - 25	pp. 26 - 28
Sep. 18/19	8	Exchange Rates	pp. 1 - 12	pp. 13 - 14
Sep. 20/21	9	Cost of Education / Student Debt, and Income Inequality	pp. 1 - 5	pp. 6 - 10

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Relevant Textbook Chapters from “**Modern Principles: Macroeconomics**,” by Tyler Cowen and Alex Tabarrok

Unit 1: none

Unit 2: Chapters 6 – 8, 13

Unit 3: none

Unit 4: Chapter 15

Unit 5: Chapter 16

Unit 6: Chapters 11 – 12

Unit 7: Chapters 17 – 18

Unit 8: Chapter 2

Unit 9: none

### **Key Dates**

- Aug 24<sup>th</sup> – Aug. 28<sup>th</sup> – Listen to one hour Unit 3 lecture (and read the packet) – we do not cover this material in class. You should listen to this immediately after we finish Unit 2. This material will be covered on the exam.
- Thursday, September 7 – Macroeconomics Homework distributed by this date
- Thursday, September 21 (Noon) – Macroeconomics Homework Due (hard copy)
- Monday, September 25 (5 PM – 7 PM) – Macroeconomics Final Exam – UTC 2.102A

## The University of Texas at Austin McCombs School of Business



Sanford J. Leeds  
Distinguished Senior Lecturer  
Department of Finance

- MBA, University of Texas Graduate School of Business, 1995
- JD, University of Virginia School of Law, 1989
- B.S., University of Alabama, 1986

Sandy Leeds is a member of the Finance Department faculty at The University of Texas. He has been on the faculty for 16 years and served as President of The MBA Investment Fund, L.L.C. for 13 of those years. He teaches both graduate and undergraduate level courses, including Corporate Finance, Advanced Corporate Finance, Public Policy (Long-Term Issues in the Markets), Investments, Portfolio Management / Security Analysis, Macroeconomics, and Money and Capital Markets. He has a J.D. from The University of Virginia School of Law, an MBA from The University of Texas at Austin and a B.S. in Investment Management from The University of Alabama. He is a member of the Texas State Bar and holds the Chartered Financial Analyst designation.

Prior to joining the faculty, Sandy managed money for a private money management firm. He was one of four portfolio managers responsible for approximately \$1.6 billion of assets. He spent the majority of his time analyzing publicly traded companies. He also has extensive experience implementing option strategies.

In addition to money management experience, Sandy also has significant legal experience. He has conducted approximately 100 jury trials and 100 bench trials. He has participated in the regulation of the securities industry, conducting the hearing against most of the principals involved in the Sterling Foster case (a \$75 million fraud). He has also advised attorneys on financial related litigation involving options, hedge funds, and other matters.

Sandy is a frequent conference speaker, typically discussing the economy and the markets. He used to write a blog (LeedsonFinance) that attracted more than 10,000 subscribers. Recently, he joined Keith Brown and Frank Reilly as a co-author on the upcoming 11<sup>th</sup> edition of "Investment Analysis & Portfolio Management." This edition is scheduled to be released in the spring of 2018.

At UT, Sandy has received numerous teaching awards, including three school-wide awards: the Joe D. Beasley Teaching Award (for teaching in the graduate program), the CBA Foundation Advisory Council Award for Teaching Innovation, and the Jim Nolen Award for Excellence in Graduate Teaching. He has received recognition from his students with the "Outstanding MBA Professor Award" (selected by the full-time MBA students in multiple years, the Evening MBA students and the Dallas MBA students) and the "Outstanding MSF Professor Award" (in multiple years). In 2015, he was selected (at the University level) to be a Provost Teaching Fellow and then served on the steering committee of that organization. Within the Austin community, he served a three-year term on the Investment Committee for the Austin Community Foundation (managing \$100 million) and recently finished a term as the vice-Chair for the Board of Trustees at The Girls' School of Austin.

**COMMENTS ABOUT THE PROFESSIONALISM POLICY:** I will expect you to comply with the Professionalism Policy and you should expect me to comply with it. I firmly believe that professional behavior (being on time, staying for the full class, no cell phones) is crucial to a culture of learning. Importantly, acting professionally will not stop us from laughing in class and enjoying the learning process. It is my hope that this policy actually enhances our enjoyment of 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.

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