The purpose of this course is to introduce MBA students to aggregate economics (macroeconomics) with emphasis on the interdependence of sectors of an economy (nationally and internationally), aggregation concepts, the determination of national income, and fiscal and monetary economic policy. Macroeconomics is increasingly international given the economic interdependence among countries and globalization of trade and financial markets. In this course we will review and analyze current macroeconomic issues and events from the perspective of business and governmental policymakers, including: growth strategies and policies; labor market rules and organization; forecasting business cycles, interest rates and exchange rates; causes and effects of trade deficits; the effects of government expenditures, taxes, and deficits; the effects of alternative monetary and fiscal policies; deregulation and privatization; and the globalization of financial markets. These topics are integrated into theoretical frameworks that fall under seven distinct schools of macroeconomic thought: classical, Keynesian, neo-Keynesian synthesis, monetarists, new classical, supply side, and new Keynesian. Examples from the US and other countries (both developed and developing) will be used to illustrate the alternative models, enhance your knowledge of the national and world economy, and develop your skills in solving practical problems. For example, we can use these alternative macroeconomic models, and the assumptions underlying them, to understand the diametrically opposed views of the Bush administration tax cuts and their potential effects on growth and employment. Lectures will be complemented with short projects, analyses, and debates.
The course will proceed in the following order.

1. Review of microeconomics and needed mathematics.
2. Aggregate data, measurement of aggregate data, and national income accounts.
3. Budget deficits, trade deficits, and global capital flows.
5. Long-term interest rates, the yield curve, and hyperinflation.
6. ISLM.
7. Classical models.
8. Keynesian models.
10. Central banks and monetary policy.

References and reading materials for course:


*Foundations of Modern Macroeconomics* by Ben J. Heijdra and Frederick Van Der Ploeg, Oxford University Press, 2002.

Readings to be assigned will include articles from the *Wall Street Journal*, *Financial Times*, *The Economist*, Federal Reserve Bank, World Bank and IMF publications, current academic journals, and trade publications.

Evaluation

Your performance in this course will be evaluated through short analyses and other writing assignments, and debates. At this time I don’t see the need for exams, however, I reserve the possibility of adding an exam or two.
Potential Analysis and Debate Topics

As much as possible, topics covered will be tailored to the specific interests of the class. There are many potential topics in addition to the sample below.

- Will the Fed tighten or loosen monetary policy?
- Should energy markets be deregulated/privatized?
- How does health care policy affect the economy?
- What caused Asia's economic and currency crisis and its global contagion?
- Are we in a "new economy" where growth will be high and inflation will remain low?
- Can the economy maintain a relatively high growth rate and low unemployment rate without causing an increase in inflation?
- Should we worry about inflation or deflation?
- Output and inflation: are we measuring them appropriately?
- The mystery of vanishing productivity growth and its resurgence in the 1990s: truth or a statistical fluke?
- Is the stock market overvalued? Will it fall in 2004?
- Business cycle prospects for 2004: are we headed towards global deflation?
- Is a monetary union a good idea for Europe?
- The rising inequality in income and wealth: fact or fiction?
- Supply side economics: do tax rate cuts increase growth and revenues and reduce deficits?
- Should we privatize Social Security?
- The downsizing of America: fact or fiction?
- Should the dollar exchange rate be pegged to gold?
- Should the Fed attempt to push inflation down to zero?
- Fixed versus flexible exchange rate regime: which is best?
- US budget deficits: should we ignore them or control them?
- Fiscal deficits: do we need a balanced budget amendment?
- Do we need tax reform? Should capital gains tax be cut? Flat tax? Etc.
- Trade deficits: do they really matter?
- Competitiveness: are countries like corporations?