Syllabus

Macroeconomics

EMBA 637
Winter A 2006

Professor Margaret C. Levenstein
(734) 615-9088 or MaggieL@umich.edu
https://ctools.umich.edu/portal/site/1121101996294-20539350

Course objectives

Fluctuations in the level of economic activity and the rate of economic growth, as well other macroeconomic variables such as prices and exchange rates, create challenges and opportunities for businesses. This class will help you to understand both what causes these fluctuations and how firms and policymakers can respond to them.

Readings

We will use two books for this class:


All other required readings are on the course tools web site https://ctools.umich.edu/portal/site/cc9ffa30-ef5b-4d77-80ed-25d05db4fbe6 and in your course pack.
Course Requirements

There are 2 problem set assignments. You should complete the problem sets with your team. Each problem set is worth 100 points.

Each team will also write a three page “memo to the boss,” using the tools developed in the course to explain the likely implications of a particular macroeconomic topic for the company. In consultation with me, each team should choose an article from a business periodical (e.g. *Economist Magazine*, *Business Week*, *Wall Street Journal*, *Financial Times*) that discusses a topic relevant to the class. Drawing on the article and what you have learned in class, your memo should summarize the topic, evaluate the implications for the business, and explain any confusion that your firm might have from relying just on the popular press for its understanding of the topic. Possible topics include: oil price increases, the revaluation of the yuan, the fall in the value of the dollar, the US trade deficit, the US budget deficit, the possibility of a bubble in real estate prices, IMF policy in a particular country, the implications of the recent Hong Kong WTO ministerial meeting, the flattening or inversion of the term structure of interest rates.

There will be a final exam at the end of the class.

Class attendance and participation are important. Active participation by all students is necessary for a successful class, and therefore, for a successful grade. Cell phones must be turned off during class. Checking email and surfing the web during class are not permitted and will adversely affect your grade.

If you think you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of the course, the assignments, the in-class activities, and the way I teach may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. I will treat information you provide as private and confidential.

The course grade will be determined as follows:

<table>
<thead>
<tr>
<th></th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem Sets</td>
<td>200</td>
</tr>
<tr>
<td>Memo</td>
<td>90</td>
</tr>
<tr>
<td>Memo topic</td>
<td>10</td>
</tr>
<tr>
<td>Final</td>
<td>650</td>
</tr>
<tr>
<td>Participation</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>1000</td>
</tr>
</tbody>
</table>
Outline of Classes

Please note that this schedule may change over the semester depending on the pace that works best for the class.

Pre-work (Jan 8-12)
Lecture 1 DVD: Introduction to Macroeconomics
Lecture 2 DVD: Measuring Macroeconomic Performance
Reading Gordon, ch. 1-2, pp. 3-22, 25-39, 45-49

January Residency (Jan 13-14)
Lecture 3 Keynesian Cross Model of National Income
Reading Gordon, ch. 3, pp. 57-70
Lecture 4 The Multiplier
Reading Gordon, ch. 3, pp. 70-77, 91-93
Lecture 5 Fiscal Policy and the Business Cycle
Reading Course Pack/Web Site:
Lecture 6 Interest Rates and Economic Growth: the IS Curve
Reading Gordon, ch. 3, pp. 78-86
Course Pack/Web Site:

Online Week 1 (Jan 16-22)
Lecture 7 DVD: The Demand and Supply of Money
Lecture 8 DVD: The Money Market and Monetary Policy: the LM Curve
Movie DVD: It’s a Wonderful Life (especially the bank run scene)
Reading Gordon, ch. 4, pp. 101-104 and ch. 13 pp. 417-424, 428-432
Assignment Problem set #1 due Jan 22

Pre-work (Feb 5-9)
Lecture 9 DVD: ISLM Model of National Income
Reading  Gordon, ch. 4, pp. 94-101,104-121  
Paul Krugman, *The Return of Depression Economics*  
(Norton 1999)

**February Residency** (Feb 10-11)

Lecture 10  Balance of Payments  
Reading  Gordon, ch. 6, pp. 154-161  
Web Site:  
“US International Transactions: Third Quarter 2005”  
“Decline in the U.S. Current Account Balance Since 1991”  
*Economic and Budget Issues Brief* Congressional Budget Office Aug. 6, 2004

Lecture 11  Exchange Rates and Exchange Rate Systems  
Reading  Gordon, ch. 6, pp. 161-177

Lecture 12  Macro Policy in an Open Economy  
Reading  Gordon, ch. 6, pp. 178-190  
“The paradox of thrift: excess savings are storing up trouble for the world economy” Martin Wolf, *Financial Times* (13 June 2005)

Lecture 13  International Financial Architecture and Policy  
*Assignment*  Memo topic due February 11

**Online Week 2** (Feb 13-19)

Lecture 14  DVD: Long Term Economic Growth  
Reading  Gordon, ch. 10, pp. 319-325; Ch. 11, pp. 349-362, 368-376  
*Assignment*  Problem set #2 due February 14 (Tuesday at midnight)  
Memo due February 16 (Thursday at midnight)  
*Final Exam*  Two hour exam available February 17-19