Course Syllabus -- MGP 202B
Business, Government and the International Economy
Summer 2005

Instructor:

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Course Objective:

Business managers need to understand the structure and behavior of the domestic and global economies in order to make sound business decisions. The same is true in our personal lives. Our job prospects, portfolio returns, standards of living and retirement security also depend on current and future macroeconomic conditions.

The objective of this course is to help you understand the macroeconomic environment in which we work and live.

- We will approach issues by analyzing the aggregate implications of the often interdependent decisions made by firms, households and governments.

- We will pay particular attention to the impact governments have on economic conditions, through their central banks, their taxing and spending decisions and their trade, regulatory, labor and other public policies. These choices can significantly affect the framework for decisions by the private sector.

- We will become familiar with a variety of economic data and data sources so that you will know the “facts” about economic performance as well as the theory.

Class Meets:

Saturdays, June 25 through September 3, from 9:00 am until noon.

Textbook:

Macroeconomics, 5th Edition, by Andrew B. Abel and Ben S. Bernanke, Pearson/Addison Wesley (abbreviated as A&B)
Course Outline:

   A&B Section 1.1, Chapter 2

2. Labor Markets – Employment, Unemployment, Wages and Productivity, Income Inequality  
   A&B Chapter 3

3. Consumption, Saving, Investment, the Price of Housing and the Global Balance of Payments  
   A&B Chapters 3 and 4

4. The Wealth of Nations – Sources of Economic Growth, the Role of Markets, the Role of Governments, Cross-Country Differences in Standards of Living  
   A&B Chapter 6

5. Asset Markets and Interest Rates -- Money Supply, Money Demand and the Influence of Central Banks  
   A&B Chapter 7, Sections 14.1 and 14.2

6. Understanding Business Cycles and Inflation Fluctuations, including the Great Depression of the 1930s and the Great Inflation of the 1970s  
   A&B Chapters 8 and 9

7. Stabilization Policy -- Managing the National Economy  
   A&B Chapter 12, Section 14.3

   A&B Chapter 13

   A&B Chapter 15

Additional Readings:

Additional, mostly short, readings from publications like The New York Times and The Wall Street Journal, will be assigned throughout the course. A few readings will be longer. They are not listed here because my goal for these readings is bring you the most up-to-the-minute materials on current issues relevant to course topics. I will post these readings on the class website by Wednesday of each week and indicate whether they are required or recommended. Be prepared to discuss required readings in class. Whenever possible, I will either include links to these readings or provide other means for accessing them electronically. An online subscription to The Wall Street Journal is included in the course pack. The New York Times, http://nytimes.com/, is available online for free.
Please check the class website for these materials and other course-related announcements. Here are some examples of the types of readings we will utilize:

http://online.wsj.com/article/0,,SB111766442624948635,00.html?mod=todays_us_page_one

“People are Talking…”, Robert J. Shiller, The Wall Street Journal, June 2, 2005 (on the subject of housing bubbles),
http://online.wsj.com/article/0,,SB11176623843548579,00.html?mod=opinion%5Fmain%5Fcommentaries

“Origins of the Great Inflation”, Alan Meltzer, Federal Reserve Bank of St. Louis Review, March/April 2005 (a somewhat longer article on the inflation surge of the 1970s, an example of an article on the recommended list),
http://research.stlouisfed.org/publications/review/05/03/part2/Meltzer.pdf

“U.S. Current Account Deficit: Causes and Consequences”, Roger Ferguson, Jr., April 2005 (speech by the current Federal Reserve Vice Chairman),

“The Future of Social Security”, Testimony of CBO Director Douglas Holtz-Eakin before the Special Committee on Aging, U.S. Senate, February, 2005,
http://cbo.gov/showdoc.cfm?index=6068&sequence=0

**Government Data and Economic Analysis Resources:**

The Federal Reserve Bank of St. Louis maintains a useful website of U.S. macroeconomic data: http://research.stlouisfed.org/fred2/. You can use it to download data in Microsoft Excel and text formats and view charts of data series.

The Bureau of Economic Analysis produces the national income accounts, international trade and other data available at: http://bea.gov/


The Federal Reserve System publishes a variety of financial and monetary data, as well as economic research produced by the Federal Reserve economists, all of which are available at: http://www.federalreserve.gov/rnd.htm.

The U.S. Census Bureau is a good source for data on population trends, income and poverty trends, business trends at: http://www.census.gov/.

The Congressional Budget Office publishes economic and fiscal forecasts and conducts longer-term studies of fiscal issues, notably on social security and health care, at: http://cbo.gov/.
Grading Policy and Exam Dates:

Your grade for this course will depend on your exam performance and the quality (not the quantity) of your class participation as follows:

- A 75 minute midterm exam will be given on July 23 (first half of class). This exam is optional, however you are strongly encouraged to take it. The midterm will count for 35% of your grade if and only if you do better on it than you do on the final exam.

- A two hour final exam will be given on September 3. The exam will be comprehensive, but will overweight the material after the midterm exam. If you do not take the midterm exam, or if you do better on the final than you do on the midterm, it will count for 85% of your grade.

- Quality of class participation will count for 15% of your grade.

Both the midterm and final exams will be a combination of multiple choice and short-answer questions. There will be no make-ups for either exam.

Office Hours and Other Individual Communications

I will be available after class for about an hour for individual meetings and discussions. If you are unable to see me at that time, please contact me by email. If needed, we can arrange a time for a telephone conversation during the week.

Please use email judiciously. Do not use email to ask for material that was covered in a missed lecture, to ask detailed questions that could better be addressed in class or during office hours, or to discuss administrative matters unless they are truly private.

Final Thoughts:

Note that this 10 week course is organized around nine topics. With a 75 minute midterm exam on July 23, this gives us some leeway to juggle topics over dates as needed. The topics present a fairly comprehensive review of the subject. As we go along, I will highlight the most important ideas for you to master for the exams. However, the syllabus and course outline are subject to change depending upon time and other constraints.

Please note that my lectures are meant to complement the material in the textbook and other readings, not regurgitate it. My goals for the lectures are to give you additional insights into the subject matter and to teach you to apply analytical tools in the textbook to current issues.

Let’s work together to ensure that the course is a worthwhile learning experience, interesting and fun! I look forward to seeing you every week in class.