

Ron Baiman, Ph.D.
MBA/MSA 510
Winter Quarter 2016

Benedictine University MBA/MSA Programs

MBA_MSA 510 Economics

Winter 2016

Ron P. Baiman, Ph.D.

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Office Hours: Wed. 2:00 – 3:00 pm; Thurs. 1:30 – 6:30 pm or by appointment

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Course Description: Fundamental concepts of macroeconomics including demand and cost, and measurements of and determination of economic performance such as GDP, inflation, and unemployment, are studied. Other topics include the causes of instability in the economy and corrective measures such as fiscal and monetary policy, money and banking, and the Federal Reserve System.

Topics: Economic history, history of economic thought, national income accounting (GDP), unemployment, inflation, Classical and Keynesian models, government spending and taxation, financial markets, money and monetary policy, aggregate supply and demand, stabilization policy in a global economy, international trade and finance, the economics of developing nations, and modern economic systems.

Prerequisites: There are no prerequisites for this course.

Important Note: This course is required for the MBA degree. For students admitted to the MBA program for the Fall 2002 term and after, you must pass this foundation course with a grade of B or better to meet graduation requirements.

Learning Objectives and assessment:

Upon completion of this course, each student will be able to:

- Analyze the important economic issues and problems facing the nation today.
- Critically analyze the various economic theories that explain how the macro-economy works.
- Utilize analytical tools and policies needed to confront the vital national economic issues and problems.
- Think critically and become more adept at using logical reasoning.

Required Texts and Materials

Tom Riddell, Jean Shackelford, Geoffrey Schneider, and Steve Stamos. Economics: A Tool for Critically Understanding Society. 9th Edition. Boston, MA: Addison-Wesley/Pearson, 2011. ISBN: 978-0-13-136849-1

Supplemental Materials

Your understanding of economics will be enhanced by closely paying attention to economic events and government reports. This means that you should read about economic policy in newspapers and magazines.

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You can also get a lot of information from the internet. There are many useful sites listed in your textbook. Some of these sites, such as EconData, Bureau of Economic Analysis, National Economic Research & Data Services, and the Bureau of Economic Analysis (www.bea.org) should be visited often.

Other helpful sites include:

- Board of Governors, Federal Reserve www.federalreserve.gov
- FRB Chicago www.frbchi.org
- FRB San Francisco www.frbsf.org

This site includes information on great economists.

See me if you want to visit other FRB sites.

Reference Materials

In addition to the materials and websites listed above, you may find these other materials helpful:

- The New York Times
- The Wall Street Journal
- Business Week
- Barons
- *The Age of the Economist*, Daniel R. Fusfeld, Ed.
- *The Worldly Philosophers*, Robert Heilbroner, Ed.
- *Capital in the Twenty-First Century*, Thomas Piketty
- *The Morality of Radical Economics: Ghost Curve Ideology and the Value Neutral Aspect of Neoclassical Economics*, Ron Baiman (2016 forthcoming)

Course Requirements

Midterm Exam	40% of final grade
Final Exam	40% of final grade
Presentation	10% of final grade
Bloomberg Exercise	10% of final grade
Participation	<u>See Below</u>
	100%

Midterm Exam: The midterm will be given during the fifth week of class. It will cover chapters 1-5 and 13 in the text (40% of the grade).

Final Exam: The final will be given during the tenth week. It covers chapters 14-20 of the text and deficit linkages and comparative advantage D2L and class hand-outs. (40% of the grade).

Presentation: You will be asked to give a very short 5-10 minute talk summarizing and reflecting on an economic issue of your choice that is relevant to your work or private life based on a published reading selection of your choosing. If you are having a hard time selecting a topic, you may wish to choose a section of a chapter of the most widely read, reviewed, and talked about “economic book of the century”: Thomas Piketty’s *Capital in*

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the Twenty First Century parts of which I will put up on D2L. Alternatively you may wish to present a chapter or more of a draft version of: *The Morality of Radical Economics: Ghost Curve Ideology and the Value Neutral Aspect of Neoclassical Economics*, Ron Baiman (forthcoming) that I will also upload to D2L (10% of the grade).

Bloomberg Data Analysis Exercise: You will be asked to collect and analyze, in a short paper, a data set of economic or business data of your choice using the Bloomberg Business Software available in the trading lab. You will have to collect the data in the trading lab which will be open late (until 6 PM) on weekdays and on select Saturday mornings (to be announced). Lab staff will be available for assistance. The Bloomberg data analysis paper will be due at the end of the course.

Class Participation: The class is enhanced if each student is willing to contribute his or her opinions and share these with the rest of the class. Though not officially part of the grade calculation, participation *will be considered* in borderline cases when determining final course grades. If you need to miss a class, please contact the instructor before the class. You should not have more than two absences. More than two absences could result in a lowered grade.

Grading Criteria

The grading criteria for the class are as follows:

- A = 90-100 Excellent
- B = 80-89.9 Good
- C = 70-79.9 Average
- D = 60-69.9 Passing but below average
- F = <59.9 Failing

Incompletes are to be issued sparingly and only to students in good academic standing (GPA is 3.0 or above). The student must currently be doing at least “C” work in the class. The student must have a clearly defined plan for completing the work within an acceptable amount of time. Incompletes that remain on the record for 180 days after the end of the term will automatically become “Fs.”

Grading Guidelines

Grade of “A” (Excellent): To receive an A in this class, students must consistently demonstrate excellent performance. On assignments, “A” students demonstrate unusually sharp insight into the material, articulate their ideas clearly and comprehensively, and integrate ideas previously learned in the course or in other disciplines. In class, “A” students demonstrate outstanding preparation for and enthusiastic participation in discussions and activities. The work of an “A” student consistently goes above and beyond what is required and is of such nature that it could be put on reserve for all students to review and emulate as the ideal.

Grade of “B” (Good): The receive a B in this class, students must consistently perform at a level to considered good to very good. On assignments, “B” students demonstrate good comprehension of the subject matter and communicate their ideas well. In class, “B” students demonstrate good preparation, and they adequately participate in discussions. The work of a “B” student usually reveals a high quality of performance and represents solid work.

Grade of “C” (Average): To receive a “C” in this class, a student must consistently perform at an adequate, or average, level; or, perhaps fluctuate between average and good work. On assignments, “C” students demonstrate a satisfactory understanding of the material, and communication of ideas is at an acceptable level. In class, “C” students demonstrate average preparation, and they participate in discussion, although with less enthusiasm and consistency than an “A” or “B” student. The work of a “C” student usually meets all the requirements, but only on an adequate level.

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Grade of "D" (Passing, but below average): To receive a "D" in this class, a student must consistently perform at a below average level. On assignments, "D" students have difficulty understanding the material and cannot clearly communicate their ideas. In class, "D" students may not attend or are frequently unprepared for class and rarely show any enthusiasm for participation in discussions. The work of a "D" student is passing by a slim margin, but is unacceptable if continued.

Grade of “F” (Failing): To receive an “F” in this class, a student must consistently produce work that is unacceptable, either in quantity or quality. On assignments, “F” students cannot clearly communicate and understanding of the material or do so in a consistently insufficient manner. In class, “F” students do not attend or are not prepared and do not contribute in any manner to discussions. The work of an “F” student is insufficient to gain credit for the course.

Student Responsibilities

- Students who are not enrolled in class (either for credit or audit) cannot attend the class and cannot receive credit for the course.
- Students cannot submit additional work after grades have been submitted to alter their grade (except in cases of temporary grades such as I, X, IP).
- Students on academic probation are not eligible for a grade of I – Incomplete.

To ensure a comprehensive and authentic education, the student is responsible for planning his/her academic program and progress, and for evidencing academic performance with honesty and integrity. Intended learning cannot be evidenced if one misrepresents the work of others as his/her own. The University encourages students to assist one another (e.g. tutoring, group projects); the student is accountable for work submitted to meet his/her requirements.

Academic honesty is expected and required in all academic work. Each student shall be honest in her or her academic work and shall support the honesty of others as stated in the Benedictine University Academic Honesty Policy (<http://www.ben.edu/ahp>) and in the current graduate catalogue, <http://www.ben.edu/graduatecatalog/policies02.pdf>.

In accordance with the policy of academic honesty, activities such as, but not limited to which are prohibited, include:

- Giving or receiving unauthorized aid on a quiz or examination
- Taking an exam or doing homework assigned for another student, or arranging to have it done
- Plagiarism (submitting the work and/or ideas of others without giving proper credit)
- Falsifying data or other results
- Using material, information or sources specifically and legitimately restricted by the instructor
- Sabotaging the work of others
- Altering academic records

Evidence of the following behaviors will be construed as violations of academic honesty and will result in a failing grade for that assignment: submitting identical assignments, exams, answers, journal entries or other deliverables; sourcing identical citations, data, tables or quotations; conversations among students during in-class examinations.

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The search for truth and the dissemination of knowledge are the central missions of a university. Benedictine University pursues these missions in an environment guided by our Roman Catholic tradition and our Benedictine heritage. Integrity and honesty are therefore expected of all members, administration and staff. Actions such as cheating, plagiarism, collusion, fabrication, forgery, falsification, destruction, multiple submission, solicitation and misrepresentation, are violations of these expectations and constitute unacceptable behavior in the University community. The penalties for such actions can range from a private verbal warning, all the way to expulsion from the University. The University's Academic Honesty Policy is available at <http://www.ben.edu/AHP> and students are expected to read it.

Attendance

A student is required to contact their instructor in advance if they are going to miss a class session. Although student attendance at all class meetings is mandatory, it is understood that there may be extenuating circumstances that may prevent a student from attending class. Students who miss 9 contact hours or more class will not receive credit for the course. Such a student will be administratively withdrawn from the course and will be assigned a grade of "F". Students who are administratively withdrawn because of absences will be required to retake the course at a later date. Students will not receive a refund and must take the course at the tuition rate in effect at the time of the subsequent course enrollment.

Academic Accommodations for Religious Obligations

A student whose religious obligation conflicts with a course requirement may request an academic accommodation from the instructor. Students must make such requests in writing by the end of the first week of the class.

Library Resources

As a student at Benedictine University, you have access to the library. The Benedictine Library website explains available resources as well as the special services for non-traditional students. The Benedictine University Library provides students free use of RefWorks, a wonderful tool for bibliographic citations and proper reference use: <http://owl.ben.edu/resources/library/tutorials/index.htm>. Reference librarians are professionals who can assist you in learning highly efficient, effective research skills and sourcing, so you are encouraged to meet with them. Conference rooms may be reserved for team meetings. You are encouraged to tour the library while on campus.

Technology Requirement

The MBA Program requires, as a minimum, basic skills in word processing and spreadsheet development. Students are expected to maintain active e-mail for communication, and effectively use technology to support oral presentations.

Access to the University computer network and to the University email system is gained through the use of Login Ids. Each person's Login ID is unique and access is controlled by a password of your choosing. Please see <http://www.ben.edu/ithome/faqs.asp> for instructions on obtaining your login Ids and email address.

Policy on University Closings

A variety of conditions may disrupt normally scheduled classes. These include university closures due to severe weather, building issues (loss of power, water, etc.), and health related issues, such as flu.

For severe weather, contact the Benedictine University emergency information line at (630) 829-6622 or check www.emergencyclosings.com or www.cancellations.com. In addition, radio stations WBBM 780 AM and WGN 720 AM announce closings. You are encouraged to review the University's Emergency Response and Recovery Plan at http://www.ben.edu/campus_resources/emergencyinfo/index.cfm.

In the case of a University class cancellation, students are expected to immediately check their D2L announcement board for instructions. Faculty are required to provide students with alternate activities so that the learning experience continues and so that the required course learning objectives required in the class are met. Activities can may include: a discussion board activity throughout the week, additional content-specific videos to review and discuss, participation in a topic-specific blog, live chat sessions, etc. Students are required to participate in these additional activities. Failure to participate will count as a missed class. Additional or other procedures may be implemented by the University in the event of an extended closing.

FERPA Information

The Family Education Rights and Privacy Act, also known as the Buckley Amendment, addresses the issue of student privacy. Although there are many regulations that must be adhered to, FERPA permits some flexibility with regard to how it is administered. Through the enactment of FERPA in 1974, guidelines were established prohibiting institutions from releasing student information to anyone without expressed written permission from the student. This means we cannot discuss student's schedules, grades or other specific information related to the student with spouses, family members or friends.

A student may provide for release of identifiable, non-directory information to a third party by signing a "Confidential Release Authorization" form. The form is available in Benedictine Central, the Academic Resource Center (ARC), or under forms in "Advising Matters".

For more information regarding FERPA please see

<http://www.ben.edu/ferpa/index.cfm> .

Electronic Devices Policy

One aspect of being a member of a community of scholars is to show respect for others by creating and maintaining an environment that is conducive to learning. Due to the distraction that can occur with ringing cell phones or other electronic devices we ask that you set your cell phone/electronic device to mute/silence BEFORE each class.

Furthermore, if you use your cell phone, BlackBerry, PDA or other electronic device is used in any manner during a test or quiz, the student will receive a zero for that test or

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quiz. This policy also applies to pagers, iPODS, BlackBerrys, PDA's, Treos, Bluetooths, MP3 players and all other electronic communication and/or data storage devices. Students are prohibited from taping the lecture unless the Instructor has given expressed permission. Videotaping lectures is strictly prohibited

Information Technology Info

Access to the University computer network and to the University email system is gained through the use of Login Ids. Each person's Login ID is unique and access is controlled by a password of your choosing. <http://www1.ben.edu/it/index.asp>

Special Needs

If you have a documented learning, psychological, or physical disability, you may be eligible for reasonable academic accommodations or services. To request accommodations or services, contact Jennifer Golminas at 630-829-6512 or in the Krasa Student Center, room 012 to arrange proper documentation for equal access to educational and campus services. All students are expected to fulfill essential course requirements. The University will not waive any essential skill or requirement of a course or a degree program.

Mission Statement

Benedictine University dedicated itself to the education of undergraduate and graduate students from diverse ethnic, racial and religious backgrounds. As an academic community committed to liberal arts and professional education, distinguished and guided by its Roman Catholic tradition and Benedictine heritage, the University prepares its students for a lifetime as active, informed and responsible citizens and leaders in the world community.

WEEK ONE: ECONOMIC METHODOLOGIES AND ECONOMIC SYSTEMS

Objectives

Upon completion of this class, each student will be able to:

- Describe the methods of economics and economists
- The Differences between conservative, liberal and radical economic ideologies
- Understand the concept of economic surplus and how economic systems have changed over the course of human history
- Identify key characteristics of Feudalism and Capitalism
- Review the history of the emergence of capitalism from feudalism
- Review the development of property in England

Assignments

The following assignments are to be completed prior to this class:

- Read Chapters 1-2 of the text

- Write up short answers to Review Questions 1 and 5 on p. 16; and 1, 2, 3, 4, 7, 8 and 9, on p. 32.

Chapter 1 describes the scope and methods of economics. From this chapter you will learn that economists begin with different paradigms and therefore disagree about what to study in economics and how to study it. For example economists have quite different assumptions about the purpose of economics: should it limit itself to understanding how the present system works? Or, should economists emphasize ways in which the system could be changed? For convenience, three perspectives are identified: conservative, liberal, and radical. You will learn the basic assumptions of each perspective and the names of important individual associated with each school of thought.

From Chapter 2 you will gain an historical perspective on the development of economic systems. Tracing the rise of capitalism from its origins in Western European feudalism will provide you with an understanding of how economic systems perform their tasks of: what to produce, how to produce it, and how to distribute production.

WEEK TWO: HISTORY OF ECONOMIC THOUGHT, MODERN ECONOMIC HISTORY, AND ECONOMICS AND VALUES

Objectives

Upon completion of this class, each student will be able to:

- Understand key aspects of classical liberalism and the thought of Adam Smith including the role of the division of labor
- Understand key aspects of the socialist critique of capitalism and the thought of Karl Marx including his historical materialist analysis of the development of capitalism
- Review the sources of early U.S. economic development, the Great Depression, and the recent performance of the U.S. economy
- Understand the supportive and critical views of “Laissez-Faire” economics held by Schumpeter, Veblen, and Keynes.
- Gain an understanding of the links between moral values and economic theory and policy through a participatory group exercise.

Assignments

The following assignments are to be completed prior to this class:

- Read Chapters 3-5 of the text
- Write up short answers to Review Questions 2, 4, and 5, on p. 46-7; 1, 9, 10 and 11, on p. 62-3; and 1, 2 and 3, on p. 80.

In Chapter 3 you will learn about the concept of property as an economic institution and the role that it played in the history of capitalism. We will review how property emerged as an outcome of political struggle. You will also gain an understanding of Adam Smith’s analysis of the division of labor and its applicability to modern economics. Finally, we will discuss the role of property rights and the division of labor on the distribution of income.

In Chapter 4 you will gain an understanding of the socialist critique of capitalism and the complexity of the thought of Karl Marx, and how it differs from conventional ways of

thinking about the economy. We will discuss characterizations of Marx's thought in relation to his actual writing and key trends that he identified in the capitalist system that led him to political activism.

In Chapter 5 you will learn about the growing capitalist system of the nineteenth century and the economic ideologies that it invoked. We will discuss the "laissez-faire" school of thought that believed that capitalism was a "self-adjusting" system, and Joseph Schumpeter's positive view of capitalism as a system of "creative destruction". We also discuss Thorstein Veblen's 19th century "institutionalist" critique and the post-WWII "Keynesian" critique of "laissez-faire".

Finally, you will engage in a "Design Your Utopia" group participation exercise focused on the link between economics and values.

WEEK THREE: "DEMAND AND COST" and "SUPPLY AND DEMAND"

Objectives

Upon completion of this class, each student will be able to:

- Be able to graph and understand the workings of a "Production Possibilities Curve" (PPC) and calculate "Opportunity Costs" from it.
- Understand what "Capital Goods" are and how they impact production
- Be able to graph and understand how prices and quantities demanded and supplied are determined in the "Demand and Cost Model" (DCM) alternative model, and why prices generally are not determined by "scarcity" and "Opportunity Costs" in the macroeconomy.
- Be able to graph and understand the "Supply and Demand Model" (SDM) and the limited parts of the economy to which it may apply.
- Understand the factual problems with SDM noted by "Post-Keynesian" and "Radical" economists: why the "supply curve" or "ghost curve" does not generally exist; prices are set by "mark-ups" over costs and "quantity adjustment" is more likely than "price adjustment".

Assignments

- Read Chapters 6, 7 p. 104 – 125, of the Text and Chap. 5 of Baiman (2016) on D2L.
- Write up short answers to Review Questions 9 and 10, on p. 103; 8 on p. 132 using the DCM model ; and questions to be handed out and posted on D2L.

Though these basic concepts and models appear to be rather abstract and simple, they are, as we shall see later in the course, fundamental to informing and framing views of how the macroeconomy works. Unfortunately even the best introductory economics texts (such as the text we are using) do not offer an alternative to PPF and SDM ideology, but these critiques and alternatives to "Neoclassical" (mainstream) economic thinking are (in my view) critically important to understand.

WEEK FOUR: MEASURING EMPLOYMENT, INFLATION, AND PRODUCTION

Objectives

Upon completion of this class, each student will be able to:

- Be able to understand economic growth, unemployment, and inflation.
- Understand the measurement of Gross Domestic Product (GDP).
- Identify the five basic types of unemployment: frictional, seasonal, structural, cyclical, and hidden.
- Understand how the Consumer Price Index (CPI) is measured.
- Distinguish between monetary and fiscal policy.
- Discuss recent U.S. macroeconomic history.
- Define detailed national income accounting categories.
- Understand value added accounting, the difference between real and nominal GDP, and problems with GDP accounting.

Assignments

- Read Chapter 13 of the Text.
- Write up short answers to Review Questions and Problems to be handed out and put on D2L.

This is a long chapter that introduces key macroeconomic variables including unemployment, inflation, and GDP. In this chapter you will learn how unemployment is measured in the United States, some of the problems associated with this measurement technique, and the costs of unemployment. We will also discuss inflation and some of the recent controversies about the CPI. A critical part of the chapter is the detailed study of important categories of “national income accounting”. We will highlight the difference between real and nominal GDP, the importance of value-added GDP measurement, and what is and is not counted in the GDP. Finally we will overview recent key events in recent U.S. macroeconomic history to provide an overall context for our study.

WEEK FIVE: MIDTERM EXAM

Midterm Exam, on Chap’s 1-5, 6, 7 and 13 of the text and supplemental readings, instructor and student power-point presentations, and assigned problems.

WEEK SIX: CLASSICAL AND KEYNESIAN MACROECONOMICS AND FISCAL POLICY

Objectives

Upon completion of this class, each student will be able to:

- Understand the Classical Model including the Quantity Theory of Money, the goods and labor markets in Classical Economics, “Say’s Law”, and the Classical Credit Market and the flaws in the Classical system and how they played out in the Great Depression.
- Review the Keynesian theory of consumption including the Marginal Propensities to Consume and to Save and understand how to find a macroeconomic equilibrium in

simple Keynesian Model, including the macroeconomic impacts of government spending, and tax and income, or “fiscal” policies.

- Learn how taxing and spending can be used to correct recessionary and inflationary gaps and discuss potential problems of fiscal policy including lags and lumps, and pro-cyclical tax and spending policies, including how to calculate the multiplier and understand its use in macroeconomic policy in a “closed” and “open” economy.
- Discuss cyclical and structural federal deficits and their impact on the macro-economy, and the linkage between federal, private, and trade, deficits.

Assignments

The following assignments are to be completed prior to this class:

- Read Chapters 14 and 15 of the text.
- Review class hand-out on the “deficit linkages” macroeconomic identity.
- Write up answers to Review Questions 8, 10, 11, 12, 13, 14, 15, 16, 18, and 19 on p. 347-8; 1 (a, b, and c), 2, 6, and 7 on p. 370; and Sample Questions for Chapters 14 and 15 handed out and on D2L.

In Chapter 14 you will learn about the historical development macroeconomic theory from the classics (Smith, Ricardo, Say) to Keynes. We will review the three main elements in the classical scheme: the quantity theory of money, the goods and labor markets, and Say’s law. This will help you understand the emergence of the Keynesian model. We will discuss in detail the major determinants of aggregate demand—consumption expenditures, investment, government expenditures and net exports. Equilibrium will occur where leakages are equal to injections. Finally, you will learn how to find the impact of changes in private investment or government spending on macroeconomic equilibrium in the four sector Keynesian model.

In Chapter 15 you will learn how to use the Keynesian model to analyze fiscal policy. You understand how to calculate the simple multiplier effects of spending and taxation and be able to show how these policies work in the Keynesian diagram. You will also about the challenges of fiscal policy including the possibility of deficits. Finally, we will discuss the importance of deficits and the macroeconomic deficit linkages identity.

WEEK SEVEN: MONEY AND MONETARY POLICY

Objectives

Upon completion of this class, each student will be able to:

- Understand how the Federal Reserve is structured review the recent history of financial regulation and learn what money is and where demand for money and supply of money come from.
- Work through examples of how the banking system creates and destroys money.
- Calculate the money multiplier and list the factors that will cause the multiplier to be less than maximum and the process by which the Federal Reserve influences the money supply including the relationship between bond prices and interest rates and how changes in interest rates affect the economy, and learn about the recent history of monetary policy and the 2007 financial collapse and bail-out.

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Assignments

The following assignments are to be completed prior to this class:

- Read Chapters 16 of the text
- Write up short answers to Review Questions 1, 2, 4, 6, and 11 on p. 412-3 and sample problems posted on D2L.

In Chapter 16 you will learn about the demand for money, the supply of money, the role of the Federal Reserve and banks.

WEEK EIGHT: GROWTH AND STABILIZATION

Objectives

Upon completion of this class, each student will be able to:

- Understand what “Aggregate Demand”/“Aggregate Cost”, and Wage Share/Capacity Utilization, curves are supposed to represent and how these curves are related to DCM models and to “demand-side” versus “supply-side” macroeconomic debates.
- Understand the Philips curve and the possibility of a trade-off between unemployment and inflation, review the potential impacts of unemployment and inflation, understand different approaches to “stabilization” or keeping unemployment and inflation low, and evaluate alternative policy positions on current economic growth and stabilization.
- Review the Goodwin “predator-prey” business cycle model and the Taylor/Piketty “fundamental laws,” and their relationship to inequality and long run secular stagnation in the developed economies.

Assignments

The following assignments are to be completed prior to this class:

- Read Chapters 17-18 of the text
- Write up short answers to: Question 1 on p. 438, Review Questions 1 and 6 on p. 446.

In Chapter 17 you learn about the debates over the short-run and long-run aggregate supply curves and the “Non-Accelerating Inflation Rate of Unemployment” (NAIRU).

In Chapter 18 you will learn about the problems of stabilization policy, or efforts to maintain a macroeconomic environment of low unemployment and low-inflation.

WEEK NINE: INTERNATIONAL TRADE AND FINANCE

Objectives

Upon completion of this class, each student will be able to:

- Understand the potential benefits of international trade
- Know the benefits and costs of “managed” versus “free” trade.
- Understand the basics of international trade and finance accounting
- Trace the relationship between currency exchange rates and international trade and finance.
- Have some knowledge of the modern history of International trade and its impact on the U.S. economy.

Assignments

The following assignments are to be completed prior to this class:

- Read Chapters 19-20 of the text
- Review class-handouts on Ricardo’s theory of “comparative advantage”.
- Write up short answers to Review Questions 2 and 8 on p.495; 1 on p. 516; and sample problems handed out and posted on D2L.

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In Chapter 19 you will learn about the standard theory of international trade including comparative advantage and terms of trade, and critiques of these theories.

We will discuss the arguments for and against “free trade” focusing on current policies (theory vs. reality) and the U.S. and global economies. We will also review the recent history of international trade agreements and European integration and discuss their economic impacts.

In Chapter 20 you will learn about international financial accounting including: the Balance of Trade, the Current Account, the Capital Account, the Financial Account, and the overall Balance of Payments. We will discuss the standard theory of the link between exchange rates and the balance of payments. Finally we will discuss the recent history of international finance including the Bretton Woods period, the role of the International Monetary Fund (IMF), and the future of the international financial system.

WEEK TEN: FINAL EXAM

- Final exam on chapters 14-20 of text, power points, class handouts and assigned problems.
- Turn in summary of presentation.