

EW MBA201B – Macroeconomics in the Global Economy

6.00-7.30pm & 8.15-9.30pm in Chou N370

Section 1A (Blue, Wednesdays)
Section 2A (Gold, Thursdays)

Professor James A. Wilcox

Office Hours: Sundays, 2.30-4.00pm via Zoom,
during dinner breaks (7.30-8.15pm) on Wednesdays and Thursdays,
and by appointment

E-mail:

[REDACTED]

Skype:

[REDACTED]

Haas Phone

[REDACTED]

Faculty Office:

[REDACTED]

Faculty Assistant:

[REDACTED]

GSI:

Livia Alfonsi

[REDACTED]

GSI Review Sessions

Sundays, 11.30-1.00pm via Zoom

GSI Office Hours:

by appointment

Class site on bCourses:

[REDACTED]

Recommended Textbook:

Macroeconomics (12th edition), Robert J. Gordon, Pearson Addison
Wesley, 2012.

Course Description

MBA students have direct demand and derived demand for understanding macroeconomics. Better understanding makes reading, hearing, and talking about countries' ups and downs, why and why nots, consumers and businesses, near and far more satisfying and more useful. They learn to spot and explain the big and the little effects that macroeconomics have on their businesses—whether directly affecting their sales or costs, or indirectly through macroeconomics' effects on their suppliers' and their customers' businesses. They also gain insights into the big and the little effects that macroeconomics can have on their own cash flows and balance sheets.

So, what does make rates go up and down? And, by a little or a lot? And when? And, which rates? Interest, inflation, unemployment, foreign exchange, quarter-to-quarter GDP growth, long-run economic growth, mortgage, retail sales growth, and so on.

We will explore why these and other macroeconomic variables move, or don't, or will soon--or later. We will see how some fluctuations get amplified--and others are dampened--by macroeconomic actions and reactions. We will explore how consumer and business practices—and even forecasts of future conditions—affect current conditions of macroeconomics. We will analyze how monetary, fiscal, and international-trade policies affect, and are affected by, macroeconomics. We will see examples of past events, current predicaments, and forecasts for the future that we can explain. To do so, we use some new tools, tools that build upon what you already know—and what you already do---both as producers and as consumers!

We will also identify some important, current puzzles—and there are some really big ones these days.

Textbooks: Old and New, New and Used, Domestic and International

Note: For Spring 2017, 2018, and 2019, my sections of EW MBA Macro also used our textbook: Macroeconomics (12th edition). Thus, there may be lots of used copies available from those students—if they can bear to part with them.

Long Library should have a few copies of our textbook on 2-hour reserve.

And, there are several other ways to access the textbook. New copies of the textbook can be purchased at the campus bookstore or from the publisher, Pearson, and via Amazon. The most-recent version of the Gordon textbook is the 12th edition. Here is a link to MyPearsonStore: <http://www.mypearsonstore.com/bookstore/macroeconomics-plus-new-myeconlab-with-pearson-etext-9780132925990>.

We expect that the campus bookstore will have some new and used copies of the textbook before January 1. There, used copies likely cost ≈\$210.00 and new copies likely cost ≈\$265.00, while the new, paper, rental textbooks likely cost ≈\$210. In mid-December 2019, used copies of the textbook were available via Amazon for ≈\$50; new copies were ≈\$260.

Alternatively, we understand that the 12th edition of the textbook can be rented via Amazon for ≈\$33 and via the MyPearsonStore website for ≈\$60. For ≈\$125, Pearson includes the e-book and access to its learning-assistance website for the textbook via

www.myeconlab.com. For ≈\$200, via Pearson students can purchase a loose-leaf, paper version of the textbook, plus access both to the e-book.

Because we think that they would cost far more of your time relative to the money savings, we recommend against using either editions earlier than the 12th and or “international editions.” Prior editions don’t contain more recent examples and events, like the housing and mortgage bubbles or the Global Financial Crisis. International editions of the Gordon textbook can be of two types: those produced by the book’s publisher and those produced by others. We don’t know how much different they are from the “domestic” edition. We understand that the international editions, naturally enough, have materials at the end of chapters (such as questions and problems) that differ from the U.S. edition. Other than that, the international edition might be quite similar to the domestic edition.

bCourses

We will generally communicate outside of class via bCourses. Typically a day or two before our classes, we will post class slides on bCourses. We will use bCourses to provide current articles, handouts for class, any additional materials, homework questions and answers, study guides before the midterm exam and an answer guide after the exam, and so on.

Also, we will use bCourses to administer brief, in-class quizzes. (More on this below.)

Class Slides

On bCourses, a pdf file with the slides for each class will be posted for the upcoming class, typically no later than the night before each class. We will notify students via email when the pdf file of the class slides is available, typically with the same pdf attached. To each class, we will bring a paper copy of the class slides for each student, as well as any relevant hand-outs.

The class slides are not intended to be a complete substitute for taking notes, reading assignments, or classes. The slides are intended to provide students with a quite-detailed class outline, one that is accurate and shows connections clearly to the textbook. Consistent with educational research, most MBA students do find that adding their own notes during class helps them better understand and retain facts, concepts, reasoning, and class discussions generally.

We will not cover all of the slides that are posted and handed out at each class. One reason that we do include uncovered slides is they typically provide a good preview of the topics of next week’s class. Another reason is that some slides are based on our forecasts of what related topics might arise during class discussions.

We will post revised files if they need corrections. We do not post files after class with items that we developed or discussed during class, such as graphs, equations, text of class discussions or questions or answers, additional examples or explanations, and so on.

In-Class and Between Classes

Haas EWMBA students have agreed to “Be Distraction-Free”. This means keeping phones silent and not using phones, laptops, tablets, and other devices, except for instructor-

directed purposes. Therefore, to provide the most positives and fewest negatives to the greatest number of students in our class, to the extent possible:

1. Please refrain from entering or leaving the room while class is in session.
2. Please do not use any devices (phones, tablets, laptops, etc.) while class is in session.

Dinner breaks are great times for students to text, email, surf, chitchat, Snapchat, WeChat, or even feed le chat. (Sorry....) I will be available each night of class during the 7.30-8.15pm “dinner break.”

Contacts: Email, Telephone, Zoom, etc.

We endeavor to answer emailed questions usefully and quickly. For some questions, especially administrative one, and at some times, email works really well. When it is likely useful to many students, we usually post and/or email the entire class with the information.

But, email is usually very inefficient, even confusing, for asking and answering careful and complete questions and for follow-ups, replies, elaborations, and so on. Fortunately, we have quick, easy solutions: phoning, Zoom, Skyping, etc. We can often answer and help much better and faster that way—and are glad to do so.

Course Components and Grading

<u>Course Component</u>	<u>%</u>
1. Quizzes	25 (5% each, based on best 5 of 6 scores)
2. Midterm exam	15
3. Class participation	10
4. Macroeconomics Project	<u>50</u>
Country/Industry	36
Business Application	14
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Total	100

Quizzes

Students should bring a device to class to take quizzes via bCourses. We will have quizzes during six classes: Weeks 2, 3, 4, 6, 7, and 8. There will be no quiz during Week 5, when the midterm exam is held. For practice only, we will have quizzes during Week 1. We set the time limits, e.g. 10 minutes, and activation and deactivation times in advance within bCourses. As explained in our recent “Welcome to Macro” letter, we advise doing the Week 0 Practice Quiz well before our first class meeting in Week 1.

We calculate quiz scores for the course from each student’s five-highest (of six) scores, i.e. we will drop each student’s lowest (standardized) quiz score, whether it resulted from bad luck, absence, deciding not to take the quiz, illness, travel, or any other reason.

For each of the six classes with quizzes, we will give two quizzes, one at the beginning of class (which will not be graded) and one near the end of class (which will be graded). Each quiz is very likely to have five questions in multiple-choice format, so that answers can be easily clicked—and graded. The questions in each ending quiz will address the same topics that the beginning quiz addressed.

Both the beginning and the ending quizzes are likely to consist of two questions about that week's (previously-provided) assigned, recent article (from the WSJ, the FT, BusinessWeek, etc.) and three questions that pertain to the topics in that class. The questions in the beginning quiz will be deliberately similar to the ending-quiz questions.

A goal of the beginning quiz is to stimulate students' thinking about topics not yet covered. A goal of the ending quiz is to stimulate recall about topics just covered during that class. Some questions may ask students to recall learning from prior classes too.

Why do we use this structure of prediction and recollection, or guess and recall? Why bother taking the beginning quiz, which doesn't count? Here are two reasons: questions and answers. By at least opening the quiz, you see questions that are similar to those in the ending quiz. Why really try to get the correct answers on the beginning quiz?

Research now shows that predicting, or seriously guessing, answers—when students cannot be reasonably expected to know the answers—leads to significantly better retention and understanding of facts, concepts, and reasoning. That is, they learn more for longer. Research shows convincingly that predicting and recalling (especially multiple times) translates into higher (ending) quiz scores and higher scores on exams many weeks later. Recalling (e.g., at the end of class in a quiz) similarly improves longer-term retention and understanding.

That learning will not affect a final exam score in this course (**since there is no final exam**). Our intention is to provide you with longer-lasting learning that will be useful sooner—for your macroeconomics project during Spring A—and useful later for your future endeavors and enjoyment.

We will activate a Week 0 practice quiz about January 1. We will notify students via email when that quiz is available. It does not count toward course grades. It is designed to familiarize students with taking our bCourses quizzes and to identify any logistical problems. This quiz has no time limit.

By the weekend following each week's quiz, we will notify students when correct answers, individual scores, and the class distribution of scores are available.

Midterm, But No Final, Exam

We will not have a final exam. We will have one midterm exam at the beginning of class for Week 5 (Feb. 5 & 6). The midterm will take no more than 45 minutes. After a brief, post-midterm-exam break, we will have our regular class meeting, as well as the usual dinner break.

I will be available in N370 for questions, clarifications, and review for about half an hour before the midterm exam, i.e., starting at about 5.30pm. The GSI and I will each have review sessions between our usual Sunday sessions and the days of the exams, as well as be available for appointments at other times. The EW MBA office handles any and all permissions and arrangements for a student's taking the midterm exam other than at 6.00pm in Week 5.

In-Class Participation

Participation is expected and almost always valuable to speakers and listeners. Participation consists of volunteering questions or answers, answering "cold-call" questions, and

adding observations. We encourage and reward the quantity and quality of participation. The wider the participation, the more informative and fair our discussions will be. Positive participation is active, relevant, proportionate, correct, and useful to class. Not being distracted nor being distracting is also a component of positive participation.

To facilitate participation and its grading, each student should sit in the same seat during each class with the student's nameplate visible. I will be in the same location each week, but I still have not been issued a nameplate. ☺

Of course, we do not explicitly plug numbers into a formula like the one below, but here is an example that illustrates how quantity and quality of class participation might be combined to get a student's "participation index" (PI):

$$PI = N + 1.77 \times (TC/N)$$

where N is the number of a given student's participations during the entire course, TC is the net sum of the qualities of all of the participations, and thus (TC/N) is the average quality of the student's participation. In this example, we arbitrarily, but perhaps sensibly, chose the weight on average quality to be 1.77 times as large as the weight on quantity, N . (To give you an idea how 1.77 is: It is approximately $(\pi)^{1/2}$.) Every additional participation makes N bigger. But, whether it raises one's PI depends... I leave it to those interested to calculate how much quality the next participation would require to raise one's current PI, i.e., the addition to TC from one more participation that would make $\partial PI / \partial N > 0$.

We intend that students attend all classes. Sometimes that just isn't feasible. In those cases, students should notify me as soon as is feasible that they will not attend. Note that all of our classes will be recorded and available for your viewing pleasure. Even if a student does attend, there are times when reviewing a recorded class might be helpful.

Macroeconomics Project

The macroeconomics project (MP) will be completed by each 5- or 6-person team assigned by Haas, e.g., Team 311, Team 404, ... I recommend that each team, in whole or in part, discuss with me what they propose to do for their MP. To sharpen the focus of projects and to make them more doable, satisfying and successful, I have often found it helpful to students to offer them my "1/3² solution": Take the project you envision, divide it by 3, and abandon 2 of the 3; Take the remaining project, divide it by 3, and then again abandon 2 of the 3. Rarely are projects too narrow. It is easy for them to be too large, shallow, or unfocused.

Each team is responsible for producing and presenting a two-part macroeconomics project. Each part consists of a write-up, a PPT file, and a presentation to our class. The write-ups and presentations of each team's macroeconomics project should demonstrate understanding of the lessons of our class that are relevant to the team's MP and how the team's macroeconomic analysis can be applied. The thrust of the write-ups and the presentations can be viewed as "what, when, and why." We want each team to do what is feasible and efficient, not herculean. We understand that you will not be able to quantify some things nearly as easily as others.

The first part of the MP is the team's analysis of some selected aspect(s) of some country's macroeconomy. Each team can choose which one country that it will analyze. An important practical task for each team is to restrict the focus of its analysis enough and, at the same time, focus on aspect(s) that are interesting enough to your classmates (and me).

Generally, choosing countries, pieces of their economies, or aspects of their government policies that are more interesting and important (domestically or globally), or even puzzling, make for more successful MPs. Such choices will also make the MP more interesting and fun for the team.

The analysis should be based on relevant, available data. It should provide some relevant background and analysis of relevant current conditions. It should also provide analysis of what you regard as likely to happen over the relevant upcoming periods (whether quarters, years, or decades), or of what you regard as a reasonable downside or upside risk.

The write-up for the first part of the MP, the macroeconomic analysis, can be up to 3,000 words, excluding tables, figures, and references (including sources). **It need not be that long.** The first part may contain up to three tables and five figures. The title page should include an Executive Summary of up to 150 words. The title page should list the student names and team (and in-team group) numbers, e.g., 311, 404, ...

The second part of the MP will analyze business applications of the first part of the MP. Each team should separately analyze how two of the team members' employers (whether corporate, public-sector, nonprofit, self, etc.) could reasonably and use the team's macroeconomic analysis (part 1) to benefit their organizations. In this part, the team should discuss which employers' business decisions would be affected by the first part of the MP, in which direction or magnitude, and why.

The write-up for the second part of the MP, the business applications, can be up to 1,000 words, excluding tables, figures, and references (including sources). **It need not be that long.** The second part may contain up to two tables and three figures. The title page should include an Executive Summary of up to 100 words. The title page should list the student names and team (and in-team group) numbers, e.g., 311, 404, ...

Each team will submit its two write-ups as separate Word files, in Times New Roman with font size 12, 1.5 line spacing, standard margins, with references (including data sources) and each table and figure on a separate page, following the end of the text. Tables and figures should be readily understandable. For example, axes should be labeled, units made clear, titles that provide some description of what appears below, and so on.

We will devote the last two weeks of class (Weeks 9 and 10) to teams' presentations of their macroeconomics projects. Each team (e.g., 411, 304, ...) will make two presentations during either its Week 9 or its Week 10 class: The first is their macroeconomic analysis; the second is their analysis of applications to two of their organizations.

Each team will decide which members will present the team's macroeconomic analysis. Right after that, the other members will present the team's business-application analysis. All members of each team will receive the same total score for their MP. Team scores will be adjusted appropriately for the number of members that teams have.

Each team can choose the number, style, and approach for its PPT slides.

MP Time Limits

We need strict time limits on presentations. Each team can take up to 15 minutes for its macroeconomic presentation and up to 5 minutes for its business-applications presentation.

These time limits are “all-inclusive”—they include set-up or other tasks. Apart from those limits, we want to reserve some time for classmates to ask questions.

MP Due Dates

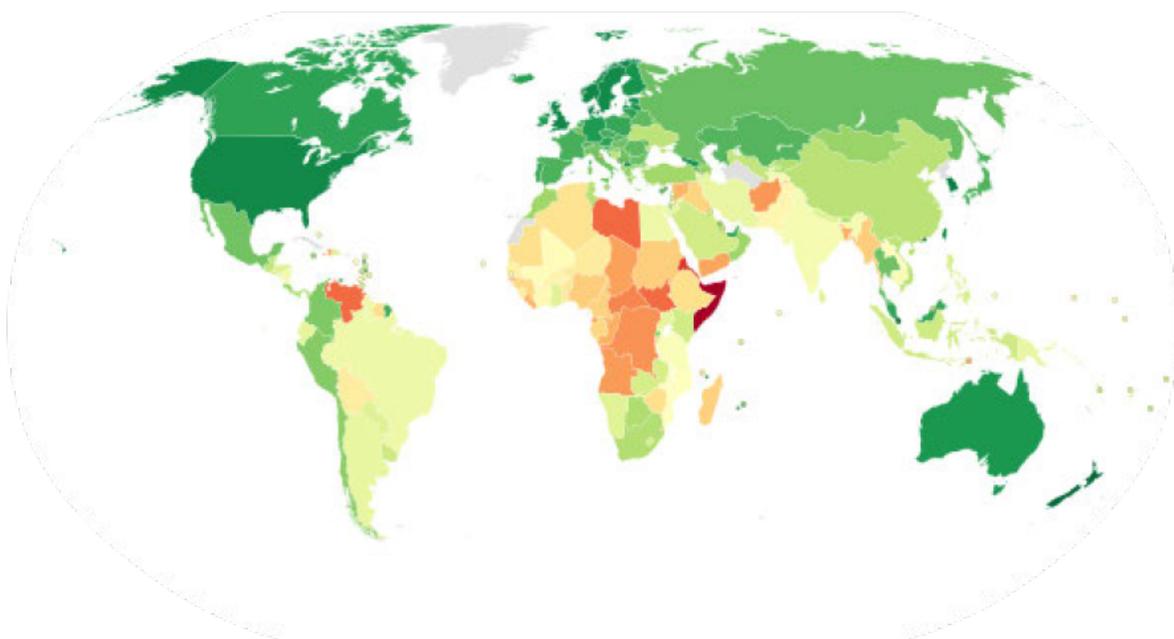
No later than Monday night of Week 8, Feb. 24, each team should email four files both to GSI Livia Alfonsi [REDACTED] and to my faculty assistant, [REDACTED] two, completed write-ups (as Word files) of the team’s analyses and two, completed PPT files that the team will use for its presentations. For each student, we will bring to class paper copies of the two PPT files being used that evening during Weeks 9 and 10. While we will load the PPT files onto a PC in Chou N370 before class, each team should bring back-up PPT files to class.

Some Sources of Reports and Data for MPs

Many national governments, central banks, finance ministries, large commercial and investment banks, and other organizations have useful data and/or analyses, sometimes including country reports. These organizations provide data and/or analyses for many countries:

- Organization for Economic Cooperation and Development (OECD)
- Economist Intelligence Unit (EIU)
- U.S. Central Intelligence Agency (CIA)
- International Monetary Fund (IMF)
- World Bank
- FRED (a U.S. Federal Reserve site with data from many sources)
- Global Competitiveness Report (annually)
- United Nations
- Bank for International Settlements (BIS)

For instance, this color-coded map is based on the 2017 World Bank’s “Doing Business Index”:



Here is the link to the homepage of the Financial Times: <https://www.ft.com/>. Via their yourname@haas.berkeley.edu accounts, students can sign up for a free subscription to the FT here: <https://registration.ft.com/corporate/signup/zs0Ie0yGLigV8>.

Links to the latest issues and back issues of The Wall Street Journal, The Economist, the New York Times, and Bloomberg BusinessWeek are here: http://guides.lib.berkeley.edu/business_news.

Homework Question and Problem Sets

Homework is neither graded nor counted. Nonetheless, to boost understanding of the material and to help students' assess themselves, for each week we will identify a short, useful homework set from the questions and problems at the ends of the textbook chapters. We will also provide an answer guide for the selected questions and problems.

Calculating Overall Course Scores and Letter Grades

We will base scores for each graded element on the standardized scores for each element. Scores are standardized across the approximately 130 students in the Blue and Gold cohorts. (We will use judgement and not explicitly the PI example above to assign class participation scores.) We will use the percentages above to calculate weighted averages of standardized scores. Subject to warranted adjustments, overall course scores will be used to assign letter grades for the courses.

In accordance with Haas policy, course letter grades will imply that the average of grade points will be no more than 3.45 (approximately B+ on the Berkeley 4-point scale). Course grades are likely to be approximately 15% A, 20% A-, 30% B+, 20% B, and 15% B- or lower.

Regrades

Requests for re-grades of any graded element should start with the GSI. Requests for re-grading must be submitted in writing to the GSI within one week of the graded element having been made available to the student. Only entire quizzes or exams will be re-graded; neither single questions nor parts of questions will be re-graded in isolation. Scores and grades may (and occasionally do) rise, fall, or stay the same upon re-grading.

Adds, Drops, and Final Exam Conflicts

Course add, drops, and final exam conflicts are all handled by the EWMBA office. Here is the form the office requires for exam conflicts:

<http://haas.berkeley.edu/EWMBA/academics/exception-request.html>

Academic Cohort Representatives

Bio Info

Jim is Professor of Finance and of Economic Analysis and Policy at Haas. His research addresses house prices and real estate activity; consumer attitudes and spending; and banking, interest rates, and monetary policy.

He served as Chief Economist at the U.S. Office of the Comptroller of the Currency, senior economist for monetary policy and macroeconomics at the President's Council of Economic Advisers, and economist at the Federal Reserve Board of Governors in Washington, DC. He served for several years as a Board member of a large, Bay Area credit union. He is a Visiting Scholar at the Federal Reserve Bank of San Francisco and a Fellow of the Wharton Financial Institutions Center.

Class Meetings and Textbook Reading Assignments

We will have ten class meetings. For the first eight weeks, Jan. 8&9 – Feb. 26&27, we will have regular class meetings. Since we will not have a final exam, we will devote the March 11&12 (Week 10, final exam week) and the preceding Week 9 (Mar. 4&5) classes to teams' presentations of their macroeconomics projects (MPs).

Students should be familiar with the relevant textbook assignments before class. We will adjust textbook assignments as the course proceeds. We will also use assigned articles as bases for quizzes and for class discussion. We will provide the articles via bCourses and email, links to them, or links to their sources.

<u>DATE</u>	<u>Bring device to class for quiz via bCourses</u>	<u>WEEK</u>	<u>TEXTBOOK CHAPTER</u>	<u>SECTIONS</u>
Jan. 8&9	Yes	1	1, 2, 3	1:1-4; 2: 1-8; 3: 1-3
Jan. 15&16	Yes	2	3-4	3: 4, 8-10; 4: 1-9
Jan. 22&23	Yes	3	5-6	5: 1-7; 6:1-5, 9
Jan. 29&30	Yes	4		
Feb. 5&6	No	5 Midterm Exam	7	7: 1-11
Feb.12& 13	Yes	6	9-10	9: 1-3, 6-11; 10: 1-4, 6-11
Feb. 19&20	Yes	7	11-12, 14	11: 1-2+; 12: 1-2, 4-6; 14: 1, 3, 6-7
Feb. 26&27	Yes	8	15-16	15: 1-2, 4-5, 8-10; 16: 1-9
Mar. 4&5	No	9	---	Team Presentations
Mar.11&12	No	10	---	Team Presentations