

# **ECO 6716**

## **INTERNATIONAL MACROECONOMICS**

**Fall 2018**

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**PURPOSE:** Macroeconomics is concerned with the determination of a country's output, inflation, interest rates, exchange rates, & trade balance. This course adopts a highly international perspective, considering the international linkages arising from capital & trade flows as well as a comparison of macroeconomic policies and performance across countries. In addition, the course examines the effects of macroeconomic events on the international business environment. By the end of this course, you should be able to understand the coverage of international macroeconomics presented in print & on TV. Useful sources of macroeconomic news include publications like *The Economist*, *The Wall Street Journal*, *The New York Times*, & *Business Week* & TV shows on CNBC and Bloomberg.

**ASSURANCE OF LEARNING** Each program at the Warrington College of Business Administration has developed goals and objectives. The **MBA** program goals and objectives that apply to this course are from MBA Learning Goal 5; Program graduates will be competent across business disciplines. Specifically

- 5A. Students will apply the essential elements of core business principles to analyze and solve problems in the business environment.
- 5B. Students will apply essential elements of core business principles to construct and implement decision-making processes in the business environment.

**PREREQUISITES:** Students should have some familiarity with economic terminology & the analysis of supply and demand as presented in ECP 5705

**GRADING:** Grades will be based on 4 online quizzes worth 20 points total, 4 group problem sets worth 40 points total, a midterm worth 100 points, a group in-class case study worth 10 points, and a noncumulative final worth 100 points. All tests are closed book and closed notes. Problem sets will be posted early in the week following our meeting & will be due the week before our next meeting. Please submit these in an email attachment in word or excel (not pdf) format. Online quizzes will be due before each test and are taken online using CANVAS. Current UF grading policies for assigning grade points can be found at <http://www.registrar.ufl.edu/catalog/policies/regulationgrades.html>.

**CLASS MATERIALS:** My tests are based on my lectures; you should have received a binder with note shells for the lectures prior to the first class. The lectures are based on material from *Macroeconomics* (7th edition) by Olivier Blanchard. Alternatively, used 4<sup>th</sup>, 5<sup>th</sup>, or 6<sup>th</sup> editions are just as good as the 7<sup>th</sup> and are frequently available at a lower price. However, you should be careful to not buy a used 1<sup>st</sup> through 3<sup>rd</sup> edition because they use different graphs for the material covered in the last half of the course. Finally, you should have received a copy of the **Porsche AG (A)** case study.

**TENTATIVE SCHEDULE:** In the schedule that follows, the timing is approximate. Numbers in parentheses identify corresponding PowerPoint files.

| <b>Date</b>   | <b>Topic</b>   |
|---------------|--|
| 08/25 – 08/26 | Intro (01), The Goods Market (02), Money Market & Inflation (03)   |
| 09/16         | Problem Set 1  |
| 09/21 – 09/23 | The IS-LM Model (04), The Medium Run & the Long Run (05) Inflation and Interest Rates (06), Stock Prices (07), & Openness in Goods & Financial Markets (08)  |
| 10/14         | Problem Set 2  |
| 10/19 – 10/21 | <b>Online Quizzes due for 1-7. Midterm</b> covering the material through Stock Prices (07).<br>The Goods Market in an Open Economy (09), Flexible Exchange Rate IS/LM (10). Porsche Case (11) - skim the case and come to class prepared to discuss the posted questions. European Monetary Union (12) |
| 11/11         | Problem set 3  |
| 11/16 - 11/18 | Latin American Economic Reform 1 (13), Fixed Exchange Rate IS/LM (14), Devaluations & Currency Crises (15), Latin American Economic Reform 2 (16), Globalization (17), & Currency Crises Case (passed out in class and done as a group in class exercise)  |
| 12/09         | Problem Set 4  |
| 12/14         | <b>Online Quizzes due for 8-17, Final</b> covering Openness (08) through Globalization (17)  |

## Topics & Associated Text Material

| PPT File | Topic                      | 4 <sup>th</sup> edition Text     | 5 <sup>th</sup> edition Text               | 6 <sup>th</sup> edition Text                    | 7 <sup>th</sup> edition Text                    |
|----------|----------------------------|----------------------------------|--|---|---|
| 01       | Intro                      | 2 (pp. 3-15)                     | 1 (pp. 3-17)<br>2 (pp.20-26)               | 1 (pp. 3-15)<br>2 (pp. 20-25, 33-34)            | 1 (pp. 4-16)<br>2 (pp. 2-26, 35-36)             |
| 02       | Goods Market               | 3 (pp. 4-52, 55-61) <sup>1</sup> | 3 (pp. 43-50, 53-56, & 58-59) <sup>1</sup> | 3 (pp. 43-50, 53-56, & 58-60) <sup>1</sup>      | 3 (pp. 47-54, 57-60, & 62-64) <sup>1</sup>      |
| 03       | Money Market & Inflation   | 4 (pp. 65-76)                    | 4 (pp. 63-72)                              | 4 (pp. 63-72)                                   | 4 (pp. 67-76)                                   |
| 04       | IS/LM                      | 5 (pp. 89-110) & Handout         | 5 (pp. 85-102) & Handout                   | 5 (pp. 85-102) & Handout                        | 5 (pp. 89-104) & Handout                        |
| 05       | Medium & Long Run          | Handout                          | Handout                                    | Handout   | Handout   |
| 06       | Inflation & Interest Rates | 14 (pp. 291-295, 306-308)        | 14 (pp. 291-295, 300-303)                  | 14 (pp. 291-296, 300-305)                       | 6 (pp. 112-116)                                 |
| 07       | Stock Prices               | 15 (pp. 322-329)                 | 15(pp. 322-330)                            | 15 (pp. 322-333)                                | 14 (pp. 298-307)                                |
| 08       | Openness                   | 18 (pp. 375-392)                 | 18 (pp. 377-394)                           | 18 (pp. 379-396)                                | 17 (pp. 349-365)                                |
| 09       | Open Econ. Goods Market    | 19 (pp. 395-397) <sup>2</sup>    | 19 (pp. 397-399) <sup>2</sup>              | 19 (pp. 399-401, 409-411, 413-414) <sup>2</sup> | 18 (pp. 369-371, 379-381, 384-385) <sup>2</sup> |
| 10       | Flexible Exch. Rate IS/LM  | 20 (pp. 421-428) & Handout       | 20 (pp. 421-430) & Handout                 | 20 (pp. 423-435) & Handout                      | 19 (pp. 391-403) & Handout                      |
| 11       | Porsche                    | Case & Handout                   | Case & Handout                             | Case & Handout                                  | Case & Handout                                  |
| 12       | EMU                        |                                  | 21 (pp. 455-458)                           | 21 (pp. 459-462)                                | 20 (pp. 422-427)                                |
| 14       | Fixed Exch. Rate IS/LM     | 20 (pp. 428-436) & Handouts      | 20 (pp. 430-437) & Handouts                | 20 (pp. 435-439) & Handouts                     | 20 (pp. 413-418) & Handouts                     |

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1 Skip the ZZ/45° graph

2 Skip the ZZ/AA graph

**WEBSITES:** There are several useful websites that you may want to access.

The Economist is the premier international business news weekly; many articles are free to the general public. <http://www.economist.com/> If the article you want is not free; you can access it through the UF library databases.

EIU Viewswire provides current business intelligence on 203 countries and can be accessed through the UF library databases. This site has articles describing economic and political trends; it also has a “Data tool” you can use to get data.

UF Library Databases – these can be accessed directly from any computer logged on to the UF network. Go to the Smathers library site <http://www.uflib.ufl.edu/> and from the yellow tabs at the top, select “Databases”. Enter “EIU Viewswire” or “Economist” or some other database identifier. Alternatively if you are not on campus, find and select the green tab on the left “Off-Campus Access” for proxy server or VPN access.

Commanding Heights – website for the (2001) PBS miniseries. You can watch the entire show (small format) over the internet.

<http://www.pbs.org/wgbh/commandingheights/hi/index.html>

The DVD version is no longer in production

FRED II – data base for US macroeconomic data provided by the Federal Reserve bank of Saint Louis

<http://research.stlouisfed.org/fred2/>

World Data Bank- international database (macroeconomics, health, education, demographics) provided by the World Bank

<http://databank.worldbank.org/ddp/home.do>