

EMBA 8400

Economic Foundations

Spring 2009

Course Objective

This is a practical course that will prepare students to better comprehend the current economic environment, where the forces of globalization interact with technology. Needless to say, understanding the economic consequences of these changes is critical to the success of the firm and its manager. Both economic theory and common sense will be used to demonstrate how business professionals can interpret information about the economy and use it in their working environment. The goal is for EMBA graduates to understand how things work in a modern economy by interpreting data signals and the interaction of different “micro” sectors that make up the “macro” or big picture. This is expected to help the executive make intelligent business decisions in the rapidly-changing business cycle environment. A secondary objective of the course is to provide students with the tools to critically evaluate articles in the popular financial press, such as *The Wall Street Journal*, *The Economist* and *Business Week*.

The first part of this course (first 2 lectures) establishes the important concepts from microeconomics that are essential for understanding the macroeconomic issues. The focus is on production functions, profit and cost structure, all of which are illustrated by an industry analysis exercise. The second part of the course (lecture 3 & 4) introduces basics of macroeconomics, which are demonstrated with the help of a simple macroeconomic forecasting model (lectures 5 & 6) developed specifically for this course. *The course ends with the group presentations on specific industry/firm scheduled on Saturday, April 18, 2009 (lecture 7). The Final Exam is a take home and is due on Wednesday, April 22, 2009.*

Professor Information

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Course Materials

Assigned chapters and articles should be read before coming to class each week.

Text book: *Principles of Economics*, by N. Gregory Mankiw, 4th Edition, 2007

Reading Packet: *Guide to the Macroeconomic Model* by Rajeev Dhawan (mimeo), plus relevant pieces published in magazines and newspapers such as *Business Week*, *Fortune*, *Economist*, *The Wall Street Journal*, etc.

Lecture Notes: Lecture Notes (PowerPoint slides) will be available on the course website: <http://www.rdhawan.com/emba>

Grading Policy:

Grades for this course will be based on a mid-term exam, group presentations and a final exam. The distribution of weights will be as follows:

40% Midterm* (in class on Friday, April 3, 2009)

[NO EARLY OR MAKEUP EXAM IS ALLOWED]

- Multiple choice and short answer questions (open book).

**Chapters & schedule:*

Friday, April 3, 2009. Chapters 1, 2, 4, 5, 6, 13, 14, 23, 24, and 26.

30% Group Presentations on a Selected Industry [Saturday, April 18, 2009]

- Details of the group presentation will be given out in Lecture 1 (Friday, March 7)
- In-class presentations on Lecture 7 (Saturday, April 18, 2009)

30% Final Exam (take home – due Wednesday, April 22, 2009)

[NO LATE EXAMS WILL BE ACCEPTED UNDER ANY CIRCUMSTANCES]

Macroeconomic Model Exercises

The model is introduced in Lecture 4 (Friday, April 3). Exercises based on real life experiments will be given in the following weeks

Academic Honesty: I will adhere to Georgia State University's policy on academic honesty as published in the Faculty Handbook and in On Campus: The Student Handbook. "Both the ideals of scholarship and the need for fairness require that all dishonest work be rejected as a basis for academic credit. They also require that students refrain from any and all forms of dishonorable or unethical conduct related to their academic work."

For details refer this link: <http://www.gsu.edu/~wwwfhb/sec409.html>

COURSE OUTLINE

MICROECONOMICS

LECTURE 1 (Saturday, March 7, 2009. From 1:15 A.M. to 5:30 P.M.)

Topic: Basics of Economics & Elasticity

- 10 Principles of economics (Ch.1)
- Review the concepts of fixed cost and opportunity cost (Ch. 1)
- Demand and Supply (Ch. 4)
- Concept of elasticity and their applications (Ch. 5)

Readings: Chapters: 1, 4, 5 and articles for the week

LECTURE 2 (Friday, March 20, 2009. From 8:00 A.M. to 12:15 P.M.)

Topic: Control on prices, Production & Profits

- Controls on prices (Ch. 6)
- Production functions & productivity (Ch. 2)
- Measurement of costs & profits (Ch. 13 & 14)
- Comparison of U.S. and Japanese automakers

Readings: Chapters: 2, 6, 13 & 14 and articles for the week

MACROECONOMICS

LECTURE 3 (Saturday, March 21, 2009. From 1:15 P.M. to 5:30 P.M.)

Topic: Basics of Macroeconomics - I

- Definition of GDP and basics of NIPA accounting (Ch. 23)
- Measurement of Business Cycles (lecture notes)
- How / where to get data and what does it means (lecture notes)
- Consumer price index & inflation (Ch. 24)
- Savings, Investment & Deficits (Ch. 26)

Readings: Chapters: 23, 24, 26 and articles for the week

THE MACROECONOMIC MODEL

LECTURE 4 (Friday, April 3, 2009. From 8:00 A.M. to 12:15 P.M.)

>> **Mid-term Exam** << **First 1 Hour and 15 minutes (Based on Lectures 1, 2 & 3)**
>> **Distribution of Final Exam** <<

Topic: *Basics of Macroeconomics – II*

- . Modern labor market behavior and movement of labor (Ch. 28 & Lecture notes)
- . Monetary System: meaning of money, Alan Greenspan, Money Multiplier (Ch. 29)
- . Money, Growth and Inflation (Ch. 30)

Readings: *Chapters: 28, 29, 30; Guide to Macro Model (mimeo) & articles for the week*

LECTURE 5 (Saturday, April 4, 2009. From 8:00 A.M. to 12:15 P.M.)

Topic: *Economic Forecasting I*

- . Basics principles of forecasting: What is it and why we need it (lecture notes)
- . Develop and analyze the basic model's behavioral sectors
- . **Macroeconomic Model – Demo**
 - *About*
 - *Instructions to use*
 - *Exercises*

Readings: *Guide to Macro Model (mimeo)*

LECTURE 6 (Friday, April 17, 2009. From 1:15 P.M. to 5:30 P.M.)

Topic: *Economic Forecasting II*

- . **Macroeconomic Model – Exercises**
- . Policy Experiments
 - *Inflation Policy*
 - *Fiscal-Stimulus Policy*
 - *Neutral-Budget*
 - *Stop and Go Experiment*
- . Additional Simulation exercises
- . Group Exercises using the macroeconomic model

Readings: *Guide to Macro Model (mimeo)*

LECTURE 7 (Saturday, April 18, 2009. From 1:15 P.M. to 5:30 P.M.)

>> **Group presentations in class** << 15 mins of group presentation, followed by 5 mins of Q&A.
>> **FINAL TAKE-HOME EXAM DUE ON WEDNESDAY, APRIL 22, 2009** <<