

CEU Business School



BUSI 513R Business Economics II: Macroeconomics (1,5 credit) Fall 2014/15

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| Instructor: | prof Maria FINDRIK PhD (See last page for bio sketch) |
| Class meets: | 05., 19. September, 03. October, 07., 21. November, 05. December 2014 |
| Classroom: | Room 101 |
| Office: | Room 215 |
| Tel: | +36 -1 - 887 5056 |
| E-mail: | findrikm@ceubusiness.org |
| Office hours: | on Mondays 16.00-17.00 p.m |
| Academic Program Coordinator: | Melinda Nagy (nagyme@ceubusiness.org) |
| Student Services Mgrs : | Aniko Juhasz (juhasza@ceubusiness.org) |

1. PREREQUISITIES

To complete Microeconomics course successfully.

2. POLICY ON ADMITTING NON-MBA STUDENTS

It is the general policy of the Business School to admit students from other units of CEU, provided that the prospective student meets the course prerequisites stated above. In the unlikely case that the number of non-MBAs registering for this course exceeds the maximum number, priorities will be

1. Length and type of work experience
2. Whether the course is highly useful for the MA or Ph.D. thesis or specialization
3. In the order in which students have registered

3. REQUIRED TEXT AND READINGS

**Basic: R. Frank – B. Bernanke: Principles of Economics. McGraw - Hill Irwin.
5th edition/e-Book**

Additional readings:

- Economic and financial press (The Financial Times, The Economist, the Wall Street Journal, Newsweek)
- Readings to be assigned later in accordance with the latest developments

4. COURSE OBJECTIVES

This is a core and introductory course for MBA students at all distinguished schools. The main goal of the course is to introduce students to the macroeconomic environment in which economic players make decisions.

Economics consists of two parts, Macro – and Microeconomics.

Macroeconomics is about sustainable economic growth and macroeconomic equilibrium. We will analyze both the aggregate supply (the gross output) and the demand (consumption, investment, planned expenditure) and how different factors affect the macroeconomic equilibrium. Special attention will be paid to how governments can influence the performance and the sustainable equilibrium of the economy (government spending, taxes, economic policy, regulations, etc.). We will try to analyze what can or can not be regulated by fiscal and monetarist policy. We will also focus on internationalization and globalization. At last we will give an overview about the current economic crisis and the lessons learnt

- It helps you not only understand but apply knowledge, information and techniques to analyze the criteria of sustainable economic growth.
- Helps you develop useful analytical and statistical methods that will enable you to tackle national and business strategy issues
- In all, you will understand how economists think and why can be more than one rational answer to the same macroeconomic question.

5. MAIN TOPICS

- Circular flow in the economy.
- Economic output and the (SNA) indices to measure it.
- Inflation and unemployment.
- The role of the money in the economy. Money market. The Central Bank. LM curve.
- The demand side of the economy. Consumption, Investment and Government purchases. The IS curve.
- Economic cycles. Stabilizing the economy. Fiscal and monetarist policy.
- Sustainable economic growth. Globalization: risk and challenges.
- The current crisis: reasons and lessons learnt.

6. INTENDED LEARNING OUTCOMES

| <i>Core Learning Area</i> | <i>Learning Outcome (or Educational Objective)</i> |
|--|--|
| <i>Interpersonal Communication Skills</i> | You will learn to argue on the basic macroeconomic issues and decisions that should be made in any society in order to grow sustainable. |
| <i>Technology Skills</i> | You will be challenged to use the latest technology and sources during your studies |
| <i>Cultural Sensitivity and Diversity</i> | Comparing the different models, policies you will develop cultural sensitivity, the understanding of others. |
| <i>Quantitative Reasoning</i> | You will be able to analyze and quantify how different factors affect the economic growth and equilibrium. |
| <i>Critical Thinking</i> | Strong analytical skills to evaluate how different macro policies affect growth, distribution, society, welfare. |
| <i>Ethics and Social Responsibility</i> | You will be able to develop ethical and social responsibility needed from managers, decision makers, NGOs. |
| <i>Management Knowledge and Skills</i> | You will develop new skills and know how required from responsible managers, consultant or investor. |

7. HOW THE CLASS SESSIONS WILL BE CONDUCTED

Classes will be conducted in an informal and open manner, meaning that the instructor will present the topic inviting comments and questions from the students. After the instructors' presentation students will be required to present a case study or a workout example on the topics of the previous session. It will be followed by a brief discussion. Students are welcome for consultations. Our philosophy is: lessons and consultations are the time to ask and control yourself.

8. MY POLICY ON THE AVAILABILITY OF LECTURE NOTES

I am going to use slides in classes that will be put and made available for students in my common access folder on Q drive.

9. POLICY ON CLASS ATTENDANCE

Regular and punctual attendance at every class session is a requirement of all degree programs at CEU Business School. Each class covers material not found in the readings. Furthermore, participation in class discussions is an important part of the learning experience for all students as well as a factor in grading. Class participation grade will take into account the quantity and quality of in class comments, presentation skills, class attendance, observing assignment deadlines and contribution to the team effort.

If illness or another unusual circumstance requires missing a class, please do your best to inform me (or, if I cannot be reached, the Program Coordinator) in advance. A grade of “AF” (Administrative Fail) may be assigned for failure to regularly attend a course, to drop the course in time, or to complete requirements on time. . This is a general CEU regulation that the Business School also follows. The “AF” grade earns no credit, 0 points, and affects your GPA in the same way as a regular “F” grade.

10. CLASS PARTICIPATION

Each student is asked to take part actively in and contribute to class discussions. Class participation grade will take into account the quantity and quality of in class comments, presentation skills, class attendance, observing assignment deadlines and contribution to the team effort.

11. GRADING

Students can earn altogether **100 points**. About composition of the grade see below:

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| • Final written exam | 40 points |
| • Class participation | 20 points |
| • <u>Written assignment</u> | <u>40 points</u> |
| TOTAL | 100 points |

12. ACADEMIC INTEGRITY

The Business School expects all students to adhere to the fundamental principles of academic integrity in any and all behaviours associated with their course work and otherwise, as stated in the CEU Honor Code. (See Student Handbook). Attempted cheating of all forms is treated extremely seriously and can result in dismissal from the School and University.

13. LIBRARY AND INTERNET LIBRARY RESOURCES

The CEU Library, at Nador St. 9, has the largest collection of English-language materials in the social sciences and humanities in Central Europe: 180,000 monographs and 30,000 volumes of periodicals, working papers, dissertations and so on. CEU faculty and students have access to 30,000 electronic journals, searchable via the Journal Search tool on the library catalogue page (<http://goya.ceu.hu/>; the icon is in the upper right corner).

CEU Business School core faculty, students and staff are automatically eligible for full membership in the Library, after registering at the Circulation Desk. (To use the Library, adjunct faculty should first obtain a pass at the B School Academic Office Rm 311.)

The CEU Library has 5,000 business-related titles, supplemented by leading electronic databases, accessible through <http://www.library.ceu.hu/databases.html> (Click on the icons and then click on the tag next to "connect to".) The Ebsco Host Business Source Complete contains 3,700 periodicals in full text, many monographs, some case studies, and videos of the Harvard Faculty Seminar Series. *Emerald Management Journals* collection has a portfolio of 175 journals in management, marketing, econ and finance.

New business databases include *OneSource*, the most comprehensive company & executive information. *Global Market Information Database* has comprehensive data and reports across industries, countries and type of consumers. *Thomson One Banker* provides data on internationally quoted companies, international stock exchange indices, private equity, and financial deals. *Science Direct* is an extensive full-text database covering authoritative titles from the core scientific literature. *The Company Dossier* in Lexis Nexis Academic allows users to browse in-depth company profiles and industry reports. Core statistical databases include IFS, GFS Online, OECD Main Economic Indicators, National Accounts Statistics, and Tax Statistics. *Econlit* at the CSA/Proquest platform provides bibliographic coverage of a wide range of economics-related literature.

Business dailies and weeklies can be accessed through the library. **Business Eastern Europe** by EIU is a weekly briefing on operating a business in Eastern Europe. **Country Reports** also by EIU provide in-depth economic, political and business analysis and short-term market outlooks. Electronic versions of *The WSJ* are in PressDisplay. *The Economist* is included by EbscoHost. For *The Fin. Times online*, see Journal Search.

News on economic and social developments in the Caucasus and Central Asia can be downloaded directly (not via the CEU Library): <http://www.icegec.hu/eng/index.htm>.

Help with Case Studies and Research Projects

Available on CEU Library reserve is a reference work that students preparing case-study assignments or undertaking individual or team research projects should find helpful, *Business Case Studies: Preparation, Teaching and Learning* (compiled, with contributions, by Susan Harmeling, Lead Case Writer, Harvard Business School, and Paul Marer, Professor, CEU Business School). This work, whose reference code is CM-GSB, can be found on the shelf marked Business School Readers, right behind the Circulation Desk, at the CEU Library on Nador utca.

The VPN access makes it easy to reach from outside of the CEU network the full version of UIS and all CEU Library databases and journals. (Visit <https://vpn.ceu.hu>, accept the security-certificate, and enter: **User name:** ceubs **Password:** Ceubusi987. The password is case sensitive, and to enter it, only the virtual keyboard appearing on the screen can be used. Once logged in, the "built in" browser can be used to access the respective sites: UIS: <https://infosys.ceu.hu>.

14. COURSE OUTLINE AND SESSION ASSIGNMENTS

The course is structured into 6 x 3 hour sessions, see below.

5 September: THE CIRCULAR FLOW IN THE ECONOMY. DETERMINANTS OF REAL GDP AND ECONOMIC GROWTH. ECONOMIC GROWTH AND LIVING STANDARD.

- The basics of the national economy: growth and equilibrium.
- The circular flow of goods and services and the income.
- The national output.
- Indices to measure national output: System of National Accounts: GDP, GNP, NDP, NNP
- What do the indices really measure?
- Exercises

Reading: R ch 15, ch 18

19 September: MACROECONOMIC EQUILIBRIUM: INFLATION AND UNEEMPLOYMENT.

- Human capital and labor market.
- Labor supply and labor demand. Unemployment.
- Unemployment rate, activity rate, participation rate.
- Measuring the price level and inflation.
- The cost of inflation.

Readings: R ch 17,

3 October: MONEY AND MODERN BANKING.

- Money and its functions.
- Modern banking: the two tier system.
- Savings and capital formation.
- Money market: Money supply. Measures of money.
- The demand for money.
- Equilibrium on the money market. LM curve.
- Financial markets and international capital flows.

Readings: R ch 16, ch 20

7 November: SHORT TERM ECONOMIC FLUCTUATIONS. SPENDING AND OUTPUT IN SHORT TERM.

- The economic cycle.
- The Classical model. The Keynesian model.

- Aggregate demand.
- Consumption.
- Investment.
- The multiplier
- The IS curve

Readings: R ch 21, ch 22

21 November: STABILIZING THE ECONOMY. SUSTAINABLE ECONOMIC GROWTH.

- The government in the circular flow.
- The government and the aggregate demand.
- The government budget.
- Deficit and fiscal stance.
- The IS - LM model.
- Monetary and fiscal policy.

Reading: R ch 24, ch 25

5 December: WRAP UP. KEY TAKE - AWAYS. FINAL (Written) TEST.

Deadline to submit final written country analysis: 13. December 2014. 8.00 p.m.

BRIEF BIO OF THE INSTRUCTOR

She graduated at the Budapest University of Economic Sciences and Public Administration. Since then has been teaching Macro- Micro – Comparative and Business Economics at different universities for graduate and postgraduate students. Her PhD dissertation earned from the Hungarian Academy of Sciences was entitled: The privatisation of the natural monopolies – the British case.

Her main research interest is: competitiveness and its factors. She published about 50 articles and 3 books on international competitiveness, different models of the market economies and privatization. From 1996-2001 she was the program director for executive MBA programs at Budapest University of Economic Sciences.. At CEU Business School Maria is head of the EEP (executive education) programs and member of MBA faculty, teaching Economics. She is the program director of the IMM (International Master in Management) exec. MBA program run by the consortium of four leading Bi Schools and ranked number 12 by The Financial Times (23 Oct 2006). In 2006, 2007 and 2008 Fall she was invited to teach a course as Adjunct faculty at Columbia University, New York. As of January 2011 Maria is an adjunct faculty at Purdue University School of Economics and Management.

