

## **Macroeconomic Issues in International Management**

This course uses case studies to investigate the macroeconomic and international environment in which firms operate. The first section of the course reviews the basic tools of macroeconomic management (monetary, fiscal, and exchange rate policy) which were introduced over the summer. The second section evaluates different strategies of economic development, with topics ranging from trade and industrial policy to debt management and political freedom. The third section discusses recent crises in emerging markets in the 1990's and examines the causes of these crises as well as how best to address them and avoid them from reoccurring in the future. The final section of the course evaluates several challenges facing developed countries in the 1990's.

Before each class, you are expected to read the relevant case and review the study questions. The reading packet can be purchased in the basement of E52. Several short, additional articles on current events will also be distributed throughout the semester. If you would like further detail on the theory discussed in class, you should also review the "optional" reading, which is taken from Dornbusch, Fischer and Startz *Macroeconomics*, 1997 (and called DF&S below). It is on reserve in the library and available at the Coop, and provides an excellent resource for anyone interested in macro and/or international economics.

Copies of class handouts and any additional readings are available on the file cabinet just inside the doorway entering suite E52-440. The syllabus, overheads used in class, and any other pertinent material are available on my web page at:  
<http://web.mit.edu/kjforbes/www/CourseInformation.html>

Since this is a case-based class, 30% of your grade will depend on class participation. Another 30% will be based on a group paper, and the remaining 40% will be based on the final exam. The paper is due on October 15. The final exam will be closed book and will occur in class on Thursday, October 21.

### **Contact Information:**

|               |   |            |  |
|---------------|---|------------|--|
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## I. THE BASIC TOOLS OF MACROECONOMIC MANAGEMENT

- Thurs. Sept. 9            Paul Krugman: "A Country is Not a Company"  
*Optional: HBS Note: National Income Accounting*  
*Optional: HBS Note: The Balance of Payments*
- Tues. Sept. 14            HBS Case: The Reagan Plan  
*Optional: HBS Note: Fiscal Policy: Managing Aggregate Demand*  
*Optional: DF&S-Chps. 2 & 11*

## II. DEVELOPMENT STRATEGIES

- Thurs. Sept. 16            HBS Case: Japan D1: A Strategy for Economic Growth  
HBS Case: Singapore  
HBS Note: Accounting for Productivity Growth  
*Optional: DF&S-Chp. 3*
- Tues. Sept. 21            HBS Case: Reconstruction of Zambia (*note: out of order in reading packet*)  
HBS Note: Zambia 1995  
HBS Supplement: Reconstruction of Zambia
- Thurs. Sept. 23            HBS Case: Mexico A: From Stabilized Development to Debt Crisis  
*Optional: HBS Case: Mexico B: Escaping from the Debt Crisis*
- Fri. Sept. 24              Paper summary due: 1 or 2 paragraphs  
By 4:00pm in box outside my office (E52-446)

## III. EMERGING MARKET CRISES OF THE 1990'S

- Tues. Sept. 28            HBS Case: Mexico C: Reform and Crisis 1987-95  
HBS Case: World to Mexico: Get a Grip!  
*Optional: DF&S-Chps. 12 & 21*
- Thurs. Sept. 30            HBS Case: Asia's Financial Crisis--distributed in class  
*Optional: Paul Krugman: "Currency Crisis"*
- Tues. Oct. 5                Russia and Brazil; Contagion and the Role of the IMF  
Readings distributed in class

#### **IV. CHALLENGES FOR DEVELOPED COUNTRIES IN THE 1990'S**

- Thurs. Oct. 7            HBS Case: European Union
- Tues. Oct. 12           HBS Case: Unemployment in France: Priority Number One  
*Optional: DF&S-Chps. 6 & 7*
- Thurs. Oct. 14           HBS Case: Japan: "Free, Fair, and Global?"
- Fri. Oct. 15            Paper Due: 4:00pm in box outside my office (E52-446)

#### **V. REVIEW AND EXAM**

- Tues. Oct. 19           Review Session
- Thurs. Oct. 21           In Class Final Exam