

**MGA 60003: Economics of Growth and Development**  
*Professor Lakshmi Iyer*  
**Fall 2019**

**GENERAL INFORMATION**

Class Time: Mondays and Wednesdays, 2.00-3.15pm in DeBartolo Hall 320.  
Office hours: Mondays 11.00-1.00 and Tuesdays 2.30-3.30pm (walk-in), in JNH 3054.  
You can also email me (liyer@nd.edu) to schedule an appointment at a different time.

Teaching Assistant: Belen Zanzuchi (mzanzuch@nd.edu)  
Office hours: Tuesdays and Thursdays 12.40-1.40pm in JNH B001B.

**COURSE OVERVIEW**

This course will provide an introduction to key concepts in modern macroeconomics and international economics. This is a required class for all MGA students, and requires no prior exposure to economics. The course will train students to interpret macroeconomic statistics and to understand how fiscal, monetary, trade and exchange rate policies affect the economy. We will discuss how countries can achieve long-run economic growth and how countries can harness the benefits of globalization while managing the risks. The objective is to make you an informed consumer of economic news and economic analysis. The course will help you to answer questions such as:

- What does “GDP grew by 2.1% in the last quarter” mean?
- Why do recessions occur? How can public policy mitigate the effects of recessions?
- Why are some countries rich and others poor?
- What are the pros and cons of free trade agreements?
- How can government actions and public policies affect growth and poverty reduction?
- Why do balance of payments crises occur? How should countries prevent such crises or respond to them?

**COURSE MATERIALS**

All class sessions will be taught using case studies. *All students are required to read the case studies prior to class, and actively engage in class discussion.*

Case studies can be purchased at: <https://hbsp.harvard.edu/import/652410>

Due to copyright restrictions, we are unable to place copies of the case studies on reserve at the library. Required readings other than case studies will be available on Sakai, as will all slides shown in class. For most class sessions, I will also list several supplementary readings (purely optional) for students who are interested in exploring specific topics in depth.

In addition to the case studies, *A Concise Guide to Macroeconomics* by David Moss is highly recommended as a reference book to keep track of economic terms and concepts. It requires no prior exposure to economics. The book is available for purchase or rent at the campus book store; you can also buy it online.

## **COURSE REQUIREMENTS**

### **A. Class participation (40%)**

Everyone is expected to read the required readings prior to class, and come to class prepared to speak about the discussion questions assigned for each reading. Required readings are indicated for each session in the syllabus. Discussion questions are also listed on the syllabus; please keep these in mind as you read the case studies.

Quality is valued over quantity in evaluating class participation. Good quality comments will help explain concepts from readings, highlight puzzles or inconsistencies or question the conclusions of the instructor or other classmates. Both qualitative and quantitative evidence can and should be used to answer the questions raised in the case studies. I will cold-call frequently during class sessions; you should view being called upon as an opportunity to improve your grade.

### **B. Assignments (20%)**

There will be two written group assignments in the second half of the semester, requiring the students to provide macroeconomic updates on specific countries and/or providing an analysis of a current policy discussion. Due dates are listed on the class schedule.

### **C. Midterm (15%)**

A multiple-choice midterm exam will be given in class on **October 14**. Attendance is mandatory. Only university-approved absences will be allowed (death in the immediate family, sickness resulting in hospitalization). Unexcused absences will earn you a zero on the exam.

### **D. Final exam (25%)**

The final written exam will be held on **December 18 (4.15-6.15pm)**. More details on exam location and format will be provided closer to the final exam date. *Please do not schedule travel or other conflicts during the exam time.* As with the midterm, only university-approved absences will be allowed, and I will require verification.

## **HONOR CODE**

You are expected to adhere to the Academic Code of Honor Pledge: *“As a member of the Notre Dame community, I will not participate in or tolerate academic dishonesty.”* The full Code and a *Student Guide to the Academic code of Honor* are available at: <http://honorcode.nd.edu>. Any student who is found in violation of standards of academic honesty and integrity can be dismissed from the University. In particular, please note that plagiarism is a form of academic misconduct: It is assumed that all work submitted by a student represents the student’s own original ideas and

work. Verbatim copying, paraphrasing, adapting or summarizing the work of another, regardless of the source – whether books, journals, periodicals, websites, or other forms of media – must be properly cited. Any representation of the work of another that is not properly referenced is considered to be plagiarism. Ignorance of what constitutes plagiarism is not a defense to an allegation of a violation of the academic integrity policy.

## **HOW WILL WE USE CASE STUDIES?**

The case studies are intended to provide students the opportunity to examine real-life situations of economic policy making. This makes the relevant economic concepts much less abstract, and also provides knowledge of several important events in economic history and how they have shaped economic thinking. The best way to learn by the case method is three-fold: preparation, participation and reflection.

*Preparation:* Discussion questions are listed for each class session. Keep these questions in mind as you read the case study and highlight case facts and exhibits that contribute to your understanding of those questions. Make notes as you read, and frame answers to the questions that you would like to share with the class. Discussing the case beforehand with some classmates can also be helpful: the goal is not to reach consensus with them, but to refine your understanding and analysis further.

*Participation* in class is not only key to your grade in this course, but is the key to learning from the case method. The instructor's role is to encourage a healthy debate and discussion with competing viewpoints. You may find that your initial conclusions are often revised considerably after listening to the arguments of your classmates. Conversely, your role is not just to frame answers to the questions raised in the case, but to persuade others of the validity of your reasoning. In many cases, there is no single correct "answer" to the economic issues raised in the case.

After-class *reflection* on the issues of the case and any further questions raised during class discussion is an excellent way to fully understand the concepts we will be discussing. You are most welcome to continue discussions with your classmates after class and/or discuss the topics with me during office hours.

The following document provides more detail on the case method:  
John Hammond, "Learning by the Case Method," available on Sakai Resources.

## SCHEDULE

	Date	Topic & Readings	Questions for Class Discussion
<b>Measuring the Macroeconomy</b>			
1	Aug 28	Gross Domestic Product  Moss, pp 7-11, 39-42, 101-111; <i>Case: "Shanghai: GDP Apostasy"</i>	<ol style="list-style-type: none"> <li>(1) What is GDP? How is it measured? What are its primary components under the expenditure approach?</li> <li>(2) What are the pros and cons of traditional GDP as a metric to guide public policy?</li> <li>(3) What alternative metrics could Shanghai use to guide their decision making? Are these alternatives superior to using GDP?</li> </ol>
2	Sep 2	Growth accounting  Moss, pp 19-22, 111-115; <i>Case: "Singapore's Midlife Crisis?"</i>	<ol style="list-style-type: none"> <li>(1) How did Singapore achieve extremely high economic growth rates after 1965?</li> <li>(2) How has productivity growth been attained, and how can it be sustained?</li> <li>(3) What can other countries learn from Singapore's experience?</li> </ol>
<b>Managing the Macroeconomy: Fiscal, Monetary and Exchange Rate Policies</b>			
3	Sep 4	Fiscal policy: deficit spending  Moss, pp 22-26, 76-83; <i>Case: "Explaining the Great Depression" + "Data Supplement for the US Financial Crisis of 1931"</i> (Exhibits 1,4,7,8, 11) Also watch <a href="https://www.youtube.com/watch?v=BszqIalKIss">https://www.youtube.com/watch?v=BszqIalKIss</a> [Minutes 2:13-6:17 relate to the U.S.]	<ol style="list-style-type: none"> <li>(1) To what extent was the Great Depression due to inept U.S. monetary policy?</li> <li>(2) What was Keynes's diagnosis of the Great Depression? Why does he expect deficit spending ("loan-expenditures") to cure the depression?</li> <li>(3) What was President Roosevelt's diagnosis of the Great Depression? Is it consistent with Keynes's diagnosis?</li> </ol>
4	Sep 9	Fiscal policy: tax cuts  <i>Case: "Barack Obama and the Bush Tax Cuts (A)"</i>	<ol style="list-style-type: none"> <li>(1) Do you support the Bush tax cut of 2001? Why or why not?</li> <li>(2) Was the 2001 tax cut successful?</li> <li>(3) Should newly elected President Obama enact a fiscal stimulus package in January 2009?</li> </ol>
5	Sep 11	Monetary policy  Moss, pp 33-38, 55-66; <i>Several news articles available on Sakai</i>	<ol style="list-style-type: none"> <li>(1) What is the role of central banks and the banking system in influencing the supply of money?</li> <li>(2) In September 2017, the US Federal Reserve announced a plan to gradually reduce their balance sheet. Was this the right decision?</li> </ol>
6	Sep 16	Inflation  Moss, pp 42-46; 67-76; <i>Case: "The German Hyperinflation of 1923"</i> <b>(note: available only in paper format)</b>	<ol style="list-style-type: none"> <li>(1) Who is to blame for the German hyperinflation?</li> <li>(2) Why exactly is high inflation a problem?</li> <li>(3) What advice would you have offered the German government about how to reduce the country's inflation in November 1923?</li> </ol>
7	Sep 18	Banking crisis	<ol style="list-style-type: none"> <li>(1) What caused the banking crisis of 1933? How was it solved?</li> <li>(2) Should President Roosevelt, who had opposed deposit insurance as recently as March 1933, support this legislation at the end of April?</li> </ol>

		Case: “ <i>The U.S. Banking Panic of 1933 and Federal Deposit Insurance</i> ” Roosevelt’s “Fireside Chat”: <a href="https://www.youtube.com/watch?v=ii_pnhLTdh-0">https://www.youtube.com/watch?v=ii_pnhLTdh-0</a>	(3) Should commercial and investment banking be separated, as Senator Glass advocates?
8	Sep 23	Demographics and deflation  Moss, pp 73-76; Case: “ <i>Womenomics in Japan</i> ” + <i>Exhibit on Japan’s macroeconomic performance</i>	(1) What was Japan’s biggest problem as Prime Minister Abe took office at the end of 2012? (2) How does Abenomics (and Womenomics in particular) address Japan’s problems? (3) Evaluate the success of Abenomics and Womenomics so far.
9	Sep 25	Fixed vs floating exchange rates  Moss, pp 89-100; 131-137; Case: “ <i>The U.K. and the Gold Standard in 1925</i> ”	(1) How did the U.K. gold standard work? What role did the Bank Rate play? (2) Winston Churchill has three possible courses of action: (a) return to the gold standard at the pre-war parity of £ 1 = \$4.86, (b) return to the gold standard at a different parity (e.g. Keynes’s suggested £ 1 = \$4.40), or (c) remain off the gold standard. What would you advise him to do? Why?
10	Sep 30	Exchange rate trilemma  Moss, pp 131-137; Case: “ <i>Brazil’s Enigma: Sustaining Long-term Growth</i> ” (focus on Exhibits 1, 2, 4, 5, 6, 11, 13 and 17).	(1) How well has the Brazilian economy performed over the period 2000-2016? (2) What are capital controls? Why did Brazil institute the Imposto Sobre Operacoes Financieras (IOF)? Did the controls meet their objectives? (3) What steps should President Temer take to restore economic growth in Brazil?
11	Oct 2	Balance of payments  Moss, pp 11-15, 111-115, 117-130; Case: “ <i>Iceland (A)</i> ” (focus on new Exhibit 12 in BPM6 format).	(1) Based on Iceland’s balance of payments, would you recommend that Moody’s downgrade Iceland’s Aaa sovereign-debt rating in May of 2008? (2) Should Iceland seek to join the European Union? What actions should Iceland’s government and business community pursue in order to avoid a crisis of confidence?
12	Oct 7	Balance of payments  Moss, pp 117-130; Case: “ <i>The U.S. Current Account Deficit</i> ” (focus on Exhibit 2a and 4a)	(1) Why does the United States have a large current account deficit? (2) What, if anything, should the United States do to reduce its current account deficit? <i>Fill out poll for Assignment 1 team assignments</i>
13	Oct 9	Economic policies review  Case: “ <i>The Greek Crisis: Tragedy or Opportunity?</i> ” + “ <i>The Greek Crisis: Tragedy or Opportunity (B)</i> ”	(1) Why did Greece experience an economic crisis in 2010? Whose fault was it? (2) Has Greece benefited from the repeated bailout packages negotiated with the IMF, the ECB and the EU? What other policy options did they have? (3) Does the Greek crisis spell doom for the future of the Euro or the Euro area?
14	Oct 14	<b>Midterm Exam</b>	<b>Assignment 1 given out</b>

<b>Globalization: Risks and Benefits</b>			
15	Oct 16	Trade agreements  Moss, pp 16-19; Readings on Sakai: <i>“To Trade or Not to Trade: NAFTA and the Prospects for Free Trade in the Americas”</i> + <i>USITC report on USMCA (executive summary)</i> Video: <a href="https://youtu.be/etkd571PfPU">https://youtu.be/etkd571PfPU</a>	(1) What is the principle of comparative advantage? What does it imply regarding the gains and losses from a free trade agreement? (2) Why did the United States, Canada, and Mexico sign NAFTA? Which sectors would you expect to gain most from this agreement? (3) Has NAFTA been beneficial for the countries that signed it? (4) Is the new USMCA an improvement over the original agreement?
<b>Mid-Semester Break</b>			
16	Oct 28	Global value chains  Case: <i>“Vietnam: Managing Global Value Chains”</i>	
17	Oct 30	Foreign direct investment  Case: <i>“Goodbye IMF Conditions, Hello Chinese Capital: Zambia’s Copper Industry and Africa’s Break with Its Colonial Past”</i>	(1) Have Western countries been good partners to Africa? (2) Have international organizations like the IMF and the World Bank been good partners to Africa? (3) Is China a good partner for Africa? Should Zambia deepen their economic relationship with China?
18	Nov 4	International capital flows  Moss, pp 47-53; Case: <i>“Mexico: The Tequila Crisis 1994-1995”</i>	(1) Why were investors extremely optimistic about Mexico’s prospects in 1993? (2) Why did Mexico experience a crisis in December 1994? (3) Should Mexico be "bailed out" by the international community? If so, on what terms? (4) What lessons does Mexico's experience offer to other developing countries? <i>Fill out poll for Assignment 2 team assignments.</i>
19	Nov 6	Capital controls  Reading on Sakai: <i>“Malaysia: Capital and Control”</i>	(1) Why did Malaysia face an economic crisis in 1997? (2) Why did the Malaysian government impose currency and capital controls in September 1998? Were the controls necessary? Were they effective? (3) What lessons can other developing countries draw from Malaysia's experience? <i>Assignment 1 due</i>
<b>The Political Economy of Growth</b>			
20	Nov 11	Economic reforms  Case: <i>“China: ‘To Get Rich is Glorious’”</i>	(1) What was Deng’s development strategy between 1978 and 1997? How well did it work? (2) As of 1997, what role did foreign direct investment play in China’s development? (3) What lessons can other countries learn from China’s reform process?
21	Nov 13	Economic reforms	(1) Why were the 1990s a “time of troubles” in Russia?

		Case: “ <i>Russia: Revolution and Reform</i> ”	(2) Has Vladimir Putin’s leadership successfully overcome the troubles of the 1990s?
22	Nov 18	Property rights  Readings on Sakai: “ <i>Special Economic Zones in India: Public Purpose and Private Property (A)</i> ” and “ <i>Tata Motors in Singur: Public Purpose and Private Property (B)</i> ” Video (optional): <a href="https://youtu.be/8b119RoR7lc">https://youtu.be/8b119RoR7lc</a>	(1) Should the Indian government change the law on eminent domain, so that they can acquire land for Special Economic Zones? (2) Is setting up Special Economic Zones the right development strategy for India? (3) What could Tata Motors have done in its Singur project to mitigate the protests from farmers?
23	Nov 20	Natural resources  Case: “ <i>Saudi Arabia: Vision 2030</i> ”	(1) Has oil been a blessing or a curse for Saudi Arabia? (2) Is Vision 2030 the right strategy for Saudi Arabia’s economic development? (3) Prince Bander says that “..we like to modernize, but not necessarily Westernize.” Can Saudi Arabia “modernize” without “Westernizing”?
24	Nov 25	<b>Assignment 2 due date and class presentations</b> <i>Note: Nov 27 is Thanksgiving break</i>	
25	Dec 2	Post-conflict development  Case: “ <i>Rwanda: National Economic Transformation</i> ”	(1) What steps did the Government of National Unity take to restore the economy over the period 1994-2000? What were the strengths and weaknesses of their approach? (2) What role have international organizations played in Rwanda’s post-genocide development? (3) Has Paul Kagame been a good leader for Rwanda?
<b>Global Macroeconomic Challenges</b>			
26	Dec 4	Anti-globalization  Case: “ <i>Brexit</i> ”	(1) Why did David Cameron call for the referendum? Was this a good strategy? (2) Why did the Leave vote win? (3) What alternatives to Brexit are most beneficial to the UK?
27	Dec 9	Urbanization  Readings on Sakai: “ <i>Dharavi: Developing Asia’s Largest Slum</i> ” Article on Lagos: <a href="http://www.bbc.co.uk/news/resources/idt-sh/lagos">http://www.bbc.co.uk/news/resources/idt-sh/lagos</a>	(1) If you were part of Rance Hollen's team, would you bid the minimum, 10% more than the "bidder's premium," or walk away from the contest? Why? (2) What are the pros and cons of allowing private sector participation in this redevelopment? Are there alternative ways to redevelop the slum areas of Mumbai? (3) Consider the circumstances in similar slums in cities or countries with which you are familiar. What are the similarities and differences?
28	Dec 11	Wrap-up	
29	Dec 18	<b>Final Exam 4.15-6.15pm in room TBD</b>	