

**MGA 60003: Economics of Growth and Development**  
*Professor Lakshmi Iyer*  
**Spring 2024**

**GENERAL INFORMATION**

Class Time: Mondays and Wednesdays, 2.00-3.15pm in JNH B071.

Office hours: Tuesdays 2.00-3.30pm; Wednesdays 3.30-5.00pm on Zoom:  
<https://notredame.zoom.us/j/98956471184?pwd=MkdxU2hOVnRKSHBIemw5N1lLTHVHdz09>

Meeting ID: 989 5647 1184  
Passcode: 331845

You can also email me (liyer@nd.edu) to schedule an appointment at a different time.

Teaching Assistant: Renee Perez (rperez7@nd.edu)  
Office hours: Wednesdays and Fridays 12.30-1.30pm at the Kellogg Lounge, located on the first floor of the Hesburgh Center

**COURSE OVERVIEW**

This course will provide an understanding of the global economy, by introducing key concepts in modern macroeconomics and international economics. This is a core class for MGA students in all concentrations, and requires no prior exposure to economics. Students will be trained 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/1135702>

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 Canvas, 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.

There are three modes of class participation:

- (i) You should participate actively in class discussions. 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.
- (ii) You can send in a newspaper or magazine article related to the class topic on Canvas Discussions. Separate links have been set up for each class session. This must be accompanied by a short (50 words or less) description of how it relates to the class topic, or the questions it raised in your mind as you read it. These must be submitted by 10.00pm on Saturday for Monday classes, and 10.00pm on Monday for Wednesday classes.
- (iii) Each of you will be asked to provide your views on one of the discussion questions (maximum of 5 minutes). I will assign you to specific class dates and questions, and this will count towards 3% of the grade.

If you miss a class for any reason, please inform the professor and the TA via email. You may email me written answers to the discussion questions posed in the syllabus (one page maximum) for partial participation credit. These written answers must be sent before the next class session.

### **B. In-class Quizzes (10%)**

There will be four short multiple-choice quizzes to be answered during class in 10 minutes each. The three best scores will count towards your grade. These exercises are meant to support students in assessing which concepts they have already mastered, as well as to determine which ones they should review further.

### **C. Country Macroeconomic Reports (25%)**

Each of you will be allocated a country to “follow” throughout the semester. You will submit four short reports on the macroeconomic situation of the country. This will involve downloading data on the macroeconomic variables for several years and then writing a couple of paragraphs on what you observe in those trends. These reports should be a maximum of **two** pages long. The reports will cover the following: (i) GDP and growth accounting, (ii) fiscal and monetary policy, (iii) exchange rates and balance of payments, and (iv) trade and FDI policy. All reports must be uploaded in **Word or PDF format** on Canvas. Due dates are listed on the syllabus. Your three best reports will count towards the overall course grade.

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

The final written exam will be on **May 7, 4.15-6.15pm**. More details on exam format will be provided closer to the final exam date. *Please do not schedule travel or other conflicts during the exam time.* Only university-approved absences will be allowed (death in the immediate family, sickness resulting in hospitalization), and I will require verification of the same.

### **HONOR CODE**

You are expected to adhere to the Academic Code of Honor Pledge: “*As a member of the Notre Dame community, I acknowledge that it is my responsibility to learn and abide by principles of intellectual honesty and academic integrity, and therefore I will not participate in or tolerate academic dishonesty.*” Please see <http://honorcode.nd.edu> for full details. Note that, in this class, all submitted work must be the student’s own work. You are welcome to discuss the readings with your classmates before or after class, but the assignments, quizzes and final exam must be done independently.

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. AI-generated submissions are not permitted in this course.

### **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; 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.

*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 questions raised in the case.

*Reflection* after class on the issues of the case and the 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 Canvas Files/Readings.

## SCHEDULE

	Date	Topic & Readings	Questions for Class Discussion
<b>Measuring the Macroeconomy</b>			
1	Jan 17	Gross Domestic Product  Moss, pp 7-11, 39-42, 101-111; Case: “ <i>Shanghai: GDP Apostasy</i> ” (skip Exhibits 5, 11a-12c) Video: <a href="https://www.youtube.com/watch?v=mjJmo5mN5yA">https://www.youtube.com/watch?v=mjJmo5mN5yA</a> <a href="https://www.youtube.com/watch?v=rGqhTOyY6g4">https://www.youtube.com/watch?v=rGqhTOyY6g4</a>	(1) What is GDP? How is it measured? What are its primary components under the expenditure approach? (2) What are the pros and cons of traditional GDP as a metric to guide public policy? (3) What alternative metrics could Shanghai use to guide their decision making? Are these alternatives superior to using GDP?
2	Jan 22	Economic growth  Moss, pp 19-22, 111-115; Case: “ <i>Botswana: A Diamond in the Rough</i> ” (focus on revised Exhibit 2 on Canvas; skip Exhibits 4, 5, 6)	(1) Is Botswana a success story? (2) What accounts for Botswana’s economic performance? (3) Is this performance sustainable? (4) What can other countries learn from Botswana’s experience?
<b>Managing the Domestic Economy: Fiscal and Monetary Policy</b>			
3	Jan 24	Fiscal policy: deficit spending  Moss, pp 22-26, 76-83; Case: “ <i>Explaining the Great Depression</i> ” + “ <i>Data Supplement for the US Financial Crisis of 1931</i> ” (focus on Exhibits 1,4,7,8,11); Video: <a href="https://www.youtube.com/watch?v=BszqlaIKlss">https://www.youtube.com/watch?v=BszqlaIKlss</a> [Minutes 2:13-6:17]	(1) To what extent was the Great Depression due to inept U.S. monetary policy? (2) What was Keynes's diagnosis of the Great Depression? (3) Why did Keynes expect deficit spending ("loan-expenditures") to cure the depression? (4) What was President Roosevelt's diagnosis of the Great Depression? Is it consistent with Keynes’s diagnosis?
4	Jan 29	Fiscal policy: infrastructure spending  Moss, pp 19-26; 76-83 Case: “ <i>Joe Biden’s Spending Plans</i> ” <a href="https://doi.org/10.7274/p8418k75509">https://doi.org/10.7274/p8418k75509</a>	(1) Was President Biden’s stimulus package of March 2021 the correct response to the macroeconomic problems caused by the Covid-19 pandemic? (2) Do you support President Biden's proposal for a large infrastructure spending package in August 2021? Why or why not?
5	Jan 31	Fiscal policy: tax cuts  Case: “ <i>Barack Obama and the Bush Tax Cuts (A)</i> ”	<b><i>In-class Quiz #1</i></b> (1) Do you support the Bush tax cut of 2001? Why or why not? (2) Was the 2001 tax cut successful? (3) Should newly elected President Obama enact a fiscal stimulus package in January 2009? <b><i>Country Report 1 due on Feb 2 (GDP and growth)</i></b>
6	Feb 5	Monetary policy  Moss, pp 33-38, 55-66; One of the articles on <i>Quantitative Easing</i> (Canvas) One of the articles on <i>Forward Guidance</i> (Canvas) Article on the US Federal Reserve’s response to the Covid-19 pandemic (Canvas)	(1) What is the role of central banks and the banking system in influencing the supply of money? (2) What tools does the US Federal Reserve use in order to change the money supply?

			(3) Did the Fed respond appropriately to the economic stresses caused by the Covid-19 pandemic?
7	Feb 7	Banking crisis  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=iipnhLTdh-0">https://www.youtube.com/watch?v=iipnhLTdh-0</a>	(1) What caused the banking crisis of 1933? (2) How did Roosevelt resolve the crisis? (3) Should President Roosevelt support the proposal for federal deposit insurance? (4) Should commercial and investment banking be separated, as Senator Glass advocates?
8	Feb 12	Demographics and deflation  Moss, pp 73-76; Case: “ <i>Womenomics in Japan</i> ”; <i>Macroeconomic indicators</i> (on Canvas)	(1) What was Japan’s biggest problem as Prime Minister Abe took office at the end of 2012? (2) Is Abenomics and Womenomics the right way to tackle Japan's problems? (3) Evaluate the success of Abenomics and Womenomics so far.
9	Feb 14	Inflation  Moss, pp 42-46; 67-76; Case: “ <i>Hyperinflation in Venezuela</i> ” ( <a href="https://doi.org/10.7274/r0-z7wm-f385">https://doi.org/10.7274/r0-z7wm-f385</a> )	(1) Who is to blame for hyperinflation in Venezuela? (2) Why exactly is high inflation a problem? (3) What advice would you offer the Venezuelan government about how to reduce the country’s inflation?
10	Feb 19	<b>Review session #1</b>	
<b>Engaging with the Global Economy</b>			
11	Feb 21	Fixed vs floating exchange rates  Moss, pp 89-100; 131-137; Case: “ <i>The U.K. and the Gold Standard in 1925</i> ”	<b>In-class Quiz #2</b> (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? <b>Country Report 2 due on Feb 23 (fiscal and monetary policy)</b>
12	Feb 26	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?
13	Feb 28	Balance of payments  Note on Balance of Payments (Canvas) Case: “ <i>Iceland (A)</i> ” (focus on new Exhibit 12 in BPM6 format—on Canvas).	(1) Why does Iceland have a current account deficit? Is this a matter of concern? (2) Do you see any issues of concern in Iceland's financial account? (3) Would you recommend that Moody's downgrade Iceland's Aaa sovereign-debt rating in May 2008?
14	Mar 4	Balance of payments	(1) Why does the United States have a large current account deficit?

		Note on Balance of Payments (Canvas) Case: “ <i>Deficits and Debt: The U.S. Current Account</i> ” (focus on Exhibits 2a and 4a)	(2) What, if anything, should the United States do to reduce its current account deficit?
15	Mar 6	Economic policies review  Case: “ <i>The Greek Crisis: Tragedy or Opportunity?</i> ”; “ <i>The Greek Crisis: Tragedy or Opportunity (B)</i> ” (on Canvas)	(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?
<b>Mid-Term Break Week</b>			
<b>Managing Globalization</b>			
16	Mar 18	Trade agreements  Moss, pp 16-19; Readings on Canvas: “ <i>To Trade or Not to Trade: NAFTA and the Prospects for Free Trade in the Americas</i> ” + <i>Executive summary of the USITC report on USMCA</i> Video (optional): <a href="https://youtu.be/etkd571PpPU">https://youtu.be/etkd571PpPU</a>	<b>In-class Quiz #3</b> (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?
17	Mar 20	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? <b>Country Report 3 due on Mar 22 (exchange rates and balance of payments)</b>
18	Mar 25	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?
19	Mar 27	<b>Review Session #2</b>	
20	Apr 3	Capital controls  Reading on Canvas: “ <i>Malaysia: Capital and Control</i> ” + <i>Malaysia Balance of Payments (new)</i>	(1) Was the 1997 economic crisis in Malaysia caused by internal or external factors? (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?
<b>Political Economy of Growth</b>			

21	Apr 8	Economic reforms Case: “China: ‘To Get Rich is Glorious’”	(1) What was Deng’s development strategy between 1978 and 1997? How well did it work? (2) What lessons can other countries learn from China’s reform process?
22	Apr 10	Economic reforms Case: “Russia: A Drama in Three Acts”	<b>In-class Quiz #4</b> (1) Why did Russia’s transition to capitalism during the Age of Revolution go so badly? (2) Has Vladimir Putin been a good leader for Russia? <b>Country Report 4 due on Apr 12 (trade and FDI)</b>
23	Apr 15	Property rights Reading on Canvas: “Special Economic Zones in India: Public Purpose and Private Property (A)” 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?
24	Apr 17	Natural resources Case: “Saudi Arabia: Vision 2030”	(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”?
25	Apr 22	Post-conflict development Case: “Rwanda: National Economic Transformation”	(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	Apr 24	Anti-globalization Case: “Getting Brexit Done”	(1) Why did UK voters support Brexit in 2016? In 2019? (2) Why can’t Boris Johnson “have his cake and eat it”? (3) What are the advantages and disadvantages of economic integration with the EU?
27	Apr 29	Urbanization Readings on Canvas: “Dharavi: Developing Asia’s Largest Slum” + 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	May 1	Wrap-up session	
	May 7	<b>Final Exam 4.15-6.15pm</b>	

