

# **Economic Outlook: Improving Managerial Economics Student Success**

**By**

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Abstract

Managerial Economics is a staple course in many U.S. business curriculums. In addition to the usual challenge of teaching collegiate course including nurturing student interest and fostering engaging conversation it is critically important for students to not only gain but also retain knowledge of the course material. Given that the pedagogy in managerial economics has been stable the creativity of the teaching delivery seems a variable worth considering. Current research suggests that incorporating a capstone type economic outlook small group project contains many desirable properties and opportunities. Those properties range from leading, coincident and lagging variable identification to reinforcing research and spreadsheet skills. Opportunities include the synergies and dynamics of group projects such as leadership and social networking skill enhancements as well as taking advantage of highly successful students role modeling for less successful students. Preliminary results indicate a significant improvement in student retention of economic variable association in addition to improving primary research and spreadsheet skills.

## **Economic and Trade Implications of U.S. Cap and Trade**

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### **Abstract**

In the shadows of the Copenhagen summit under the concern of global warming many economies including the United States (U.S.) are considering the implementation of a cap and trade system for carbon emissions. This cap and trade system is regulation that limits carbon emission going forward yet allows market forces to price emissions. This regulation will have discriminate implications for many market participants ranging from the securities owners of energy producers, securities owners of transportation and related industries, investors of alternative and emerging energy technology firms as well as energy consumers. Sound economic analysis is not only relevant but requisite in a global environment where some countries choose to apply regulations to free markets while other countries choose not.

The purpose of this study is to investigate the economic and trade implications for the U.S. economy focusing on energy and related sectors of the economy. As a result of the application of U.S. cap and trade regulation there will be Foreign Direct Investment (FDI) out flows from the domestic coal electric generation sector and FDI inflows to the multinational natural gas, nuclear and alternative electric generation industries. Coal exports will continue to trend upward and likely accelerate. These FDI flow changes will have direct impacts on the valuation of the domestic and multinational firms, the value of the dollar and the U.S. Balance of Payments.

This investigation analyzes the economic implications of the cap and trade proposal utilizing a social welfare function aggregating relevant groups of market participants. Identified relevant groups include securities holders of; coal companies, natural gas companies, nuclear energy companies, steel and related industries, oil refiners and related companies, transportation and logistics companies, and alternative energy companies; homeowners; government; and corporate energy consumers.

Potentially, as a result of this legislation domestic coal fired electricity generation will likely decline while natural gas and nuclear electricity generation will likely grow, domestic oil refining will likely decline and the U.S. will import more expensive refined fuels. The securities holders in the relative sectors will likely experience valuation changes. Domestic coal consumption will likely decline while U.S. coal exports may rise. These increases in coal exports will likely go to countries that have chose not to cap and trade carbon emissions including China which has recently transitioned from coal exporter to a net coal importer.

The results indicate a decrease in U.S. social welfare for years to come. Securities holders of U.S. and multinational carbon mining, refining and utilizing companies will experience capital losses, energy consumers will experience increased costs and all U.S. citizens as a group will notice no perceptible environmental change as carbon emissions increase in higher growth markets that choose not to participate in the global carbon emission reduction program. The U.S. economy which, could be characterized as recessionary or recession emergent, will experience prolonged recession or slower growth as it emerges from the recession due to decreased capital efficiency and increasing energy costs. The U.S. trade deficit widens as more expensive refined fuels are imported in place of raw crude, imported steel products become relatively cheaper to domestic steel and imported durable goods gain a price advantage over domestically produced durable goods.