

ECON 352x
MACROECONOMICS FOR BUSINESS
Fall 2012

FACULTY AND CONTACT INFORMATION

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Class Hours: MW 2:00-3:50 Room THH 210 (section 26051R)
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The best way to reach me is by email. The worst way is by phone. I do not check voicemail when I am away from my desk because I receive so few messages.

COURSE SCOPE AND OBJECTIVES

ECON 352x is a fundamentals course in macroeconomics. It deals with the overall economic environment within a country and internationally. The success of business strategies crucially depends on the economic environment in which they are implemented. National and international demand for products and services, the cost of capital and labor, the efficiency with which firms operate, and their profits are greatly influenced by national and international economic conditions. In the short run, firms must know how to react changes in demand and costs arising from fluctuations in income, prices, interest rates, wage rates, and exchange rates. In the longer term, they must make decisions about which countries they will operate in and the nature of those operations: production, sourcing of raw materials and intermediate goods, and sales. Understanding the national and international economic environment is critical to making sound and informed business decisions.

Learning Objectives

The primary goal of this course is to enable you to make informed judgments about the consequences of short-run economic fluctuations and long-run decisions about whether the economic environment in a given country makes it a good place to do business. Achieving this goal involves several steps:

- You must first become familiar with macroeconomic data, in particular the variables that most affect the performance of business firms.

- You must learn how these variables behave (empirical regularities).
- You must learn why they behave the way they do (macroeconomic theory). An understanding of macroeconomic theory is necessary for interpreting the empirical behavior of macroeconomic variables and for extrapolating from the past to the future.
- Finally, you must learn how a country's institutional environment and its government policies affect the behavior of the macroeconomy and thus the performance of business firms.

Prerequisites

- ECON 351 (Microeconomics for Business) or equivalent
- MATH 118 (Fundamental Principles of the Calculus) or equivalent. That course in turn presumes a working knowledge of basic algebra. You should expect exam questions requiring calculations.

COURSE MATERIALS

Required Materials

- **Text:** Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, *Macroeconomics*, seventh edition, and **MyEconLab Student Access Code Card**, Addison Wesley, 2011 (either hardcopy or electronic).
- **MyEconLab**, an online instructional resource that contains the homework assignments and other materials. MyEconLab is available either bundled with the text (see above) or separately. If you have a used textbook and wish to purchase MyEconLab separately, go to www.myeconlab.com and then click on "Students" under the "Register" heading.
- **Articles and notes** posted on the USC Libraries Automated Reserves System (ARES). If a more timely article appears after this syllabus is distributed, I may add the more recent article to the reading list or substitute it for one originally placed on reserve.
- **Video:** *Commanding Heights: The Battle for the World Economy*, which can be streamed free of charge from PBS at www.pbs.org/wgbh/commandingheights. After choosing either the high or low bandwidth option, click on "Storyline" to select the appropriate episode and chapter. There are three episodes, each of which is divided into several chapters. The site includes a transcript of each chapter if you wish to review the material. The entire series is available on DVD, and there is an accompanying book of the same name by Daniel Yergin and Joseph Stanislaw, both of which are available for optional purchase from PBS online and other retailers. Relevant sections for you to watch will be announced throughout the semester and listed on Blackboard.

Recommended or Optional Materials

- **Study Guide:** Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, *Study Guide for Macroeconomics*, seventh edition, Addison Wesley, 2011.
- **Popular Press:** I highly recommend that you get in the habit of regularly reading economic and business news and that you try to relate these readings to concepts covered in this course. Probably the best source of weekly news is *The Economist*, a British publication with extensive U.S. and world coverage. Several high-quality daily newspapers are available. *The Wall Street Journal* is a prime source of information on both U.S. and world events. *The New York Times* has broad coverage and good analysis. *The Financial Times* of London has a more international flavor but less detailed coverage of U.S. events than either of the domestic newspapers. Most of these publications have educational discounts and good online versions.

- **Slides:** I will post slides for each topic after the last class session dealing with that topic. The slides, in pdf format, will appear in the “Content” section of Blackboard.
- **Optional Readings:** I may post additional readings on Blackboard. These are for the benefit of students with the time and interest to read them. You will not be tested on this material (i.e., these readings will not be the sole source of material tested on the exams).

COURSE REQUIREMENTS AND GRADING

The requirements for the course and the associated weights in the overall numerical grade are given below:

Requirement	Weight
Homework Assignments	10%
Class Participation and In-Class Exercises	15%
Presentation	5%
Midterm Exams (2)	40%
Final Exam	30%
Total	100%

Each individual course requirement receives a numerical score but not a letter grade. The overall numerical score in the course is converted into a letter grade at the end of the semester in accordance with the Marshall School’s guidelines. There is no official quota for the number of A’s, B’s, etc., although the average grade in required undergraduate courses can be expected to be close to 3.00 (corresponding to a B) out of 4.00.

The instructor determines what qualifies as an accurate grade on an assignment, exam, or other deliverable, and the instructor’s evaluation of the performance of each individual student is the final basis for assigning grades for the course.

Exams (70%)

Each midterm exam is **non-cumulative** and will address the subject matter that precedes it. In contrast, the final exam is **cumulative**. For all the exams, you are responsible for the assigned textbook chapters (including the “applications” sections), any material covered in class, the assigned articles and notes, and the assigned video segments from *Commanding Heights*. The exams are intended to assess how well you understand the basic ideas and principles.

You will have 90 minutes for the midterm and 110 minutes for the final. All exams are closed-book, closed-notes. You may use a calculator but not a cell phone, laptop, or any other electronic device. You may take an exam **only in the section in which you are registered**. Taking an exam with the wrong section without prior permission from me results in an automatic zero for that test.

Exam Dates	
Midterm 1	Wednesday, October 3
Midterm 2	Monday, November 5
Final (2:00 P.M. section)	Friday, December 14
Final (4:00 P.M. section)	Wednesday, December 12

Please note: The times of final exams are determined by the University's final exam schedule, shown at www.usc.edu/academics/classes/term.20123/finals.html. In the event of a conflict, the times shown in the University schedule supersede those contained in this syllabus.

Homework Assignments (10%)

MyEconLab (MEL) is a study tool provided by the publisher to help you master the material. It includes an online study guide, self-administered practice tests, and other resources. All the graded homework assignments are only in MyEconLab. Each topic has homework questions and problems associated with it. You receive automatic feedback as you do the problems and get a grade automatically.

There are three homework "assignments." Each midterm exam date is the deadline for the homework assignment on material covered up to that point in the course (and since the previous deadline, if any). The first day of the final exam period (Wednesday, December 12) is the due date for homework on material covered after the second midterm. You may complete the homework at any point up until the deadline.

Grading is as follows: For every assignment, MEL reports your completion percentage. I will consider 50% completion a FULL GRADE. A higher completion rate may well benefit your understanding and prepare you for the tests but it will not increase your homework grade. The grade on each of the three assignments is the completion rate for homework due by the corresponding deadline (and since the previous deadline, if any). Homework done after the relevant deadline will not count toward your grade. The overall homework grade will be the simple average of the completion rates for the three assignments.

To be able to use these features you need to register at MyEconLab's website after you purchase the class textbook or the e-book. The name of the course and more details about the use of MEL will be posted in Blackboard.

Presentation (5%)

Students will form teams, and each team will make a class presentation on one of the assigned readings listed as Reserve Items beginning on page 10 below. Presentations will take place throughout the semester on the days indicated on the schedule below. All members of the group must be present and participate. Failure to be present the day of your group presentation will result in a grade of zero.

Teams are expected to make a formal presentation with slides (about 7-10 minutes) and lead a class discussion (about 10 minutes).

Please submit a proposed team and **three** articles in order of preference to me on Wednesday of the first week of class. Teams should have four or five members. If I don't receive a proposal, I will create teams and assign articles at random. Proposed teams may be expanded to include up to five members. I will post a list of team members and assigned articles on Blackboard. Check the class schedule below for the presentation dates. The presentation date is the date on which your article is to be discussed in class, and there is a unique date for each article.

Class Participation and In-Class Exercises (15%)

Class participation is an important ingredient of learning. Your participation grade will depend on self-reporting. Please bring a supply of 3x5 index cards to class. When you believe you have made a *relevant* contribution (not simply asking a clarifying question) make a short note describing your contribution, write your name and section, and turn the card in at the end of class. Make sure to indicate clearly your section.

I will keep track of both positive and negative participation. The main opportunity for class participation is during general class discussion and class presentations. Consistent lack of preparation when called upon will result in *lowering* your participation grade.

Your participation grade will be based at least as much on the quality of your contributions as on the quantity. Your grade may be adversely affected by classroom behavior that is unprofessional or shows a lack of respect for your instructor and your fellow students. Such behavior includes, but is not limited to, arriving late, leaving early, side conversations during class, and leaving and re-entering the classroom during the class session.

Some class sessions will incorporate an in-class exercise, with your answers to be handed in at the end of class. As each of these exercises is intended to be a learning experience, your grade will be based primarily on whether your paper demonstrates a good-faith attempt to perform the exercise.

Make-up Exams and Assignments

Homework must be completed by the relevant deadline to receive credit, and homework done after the deadline will not be counted. Likewise, you will not have an opportunity to make up a missed class presentation.

Except in extraordinary circumstances, make-up exams will not be allowed. If a student must miss an exam, he/she normally will be given a **zero** for that exam. If there are extenuating circumstances (generally medical or religious) that prevent a student from taking an exam, he/she should discuss the reason with the instructor and obtain prior written permission for a make-up. Make-ups will not be given merely for a student's convenience or because he/she is not adequately prepared for the exam. Unexcused absences from exams will result in a **zero** except in the most extreme emergencies. Emergencies arising late in the semester may result in a grade of incomplete (IN) in the course. In all of these cases, it is the responsibility of the student to document the extenuating circumstances. No student is permitted to take an exam before its normally scheduled time.

Grade Appeal

If you are not satisfied with your exam grade for **objective** reasons, you may appeal to me in writing, within one week after the exam is handed out. Be clear and specific about the answers that you feel need to be re-graded and about your **objective** reasons for requesting re-grading. As a result of re-grading your score may increase, decrease, or remain unchanged.

Incomplete Grade

An incomplete (IN) grade may be assigned due to an "emergency" that occurs after the twelfth week of classes. An emergency is defined as a serious documented illness, or an unforeseen situation that is beyond the student's control, that prevents a student from completing the semester. Prior to the twelfth week, the student has the option of dropping the class. Arrangements for completing an IN course should be initiated by the student and negotiated with the instructor. Class work to complete the course should be completed within one calendar year from the date the IN was assigned. The IN mark will be converted to an F grade should the course not be completed.

EXPECTATIONS AND CLASSROOM ETIQUETTE

An active and productive classroom is essential for the success of this course. Cultivating and maintaining such an environment is the responsibility of the instructor and the students. This responsibility imposes several obligations on all of us. It is very important that each of us comes prepared for each and every session. It is not necessary that you know the material “cold” before each class, but it is important that you expend sufficient effort to gain some grasp of the ideas we will be discussing. To be more specific, prior to every session, 1) read all of the assigned materials, 2) attempt to address and answer some of the questions found at the end of each chapter, and 3) give some thought to the broader managerial implications of the materials.

It is very important that you appreciate the interactive nature of the classroom environment. Although all class sessions will be conducted in lecture format, that does not mean I discourage classroom interaction. On the contrary, I encourage your active participation in the discussion through observations and questions. When I ask a question, it is almost never rhetorical: I expect an answer. And I encourage relevant questions from the class as well.

Please observe the following procedures:

- Please arrive on time.
- Please turn off your cellular phones before entering the class.
- NO LAPTOPS OR OTHER INTERNET ACCESS DEVICES MAY BE USED IN CLASS FOR ANY REASON.
- NO TEXT MESSAGING IS ALLOWED DURING CLASS.
- Videotaping faculty lectures is not permitted, due to copyright considerations. Audiotaping may be permitted if approved by the professor. Use of any recorded material is reserved exclusively for USC Marshall students.
- Private discussions among students are disruptive to others. If you have a question or something to contribute to the class discussion, please share it with all of us.
- If you have to leave early on a particular day for a valid reason, please let me know in advance. Also, try to find a seat near an exit to minimize disruption to others. You may not come and go as you please.
- For the exams, please arrive on time and take your seat promptly. You may start only when I announce the start of the exam and you must stop and hand in your exams when the exam ends. Examination time includes writing your name and transferring your answers to the scantron.
- You are expected to attend the section you are registered in. You must take all tests in your registered section. This is mainly a class-space issue.

COMMUNICATION PROTOCOLS

Consultation with Instructor

If you have questions on course material or other course-related issues, please do not hesitate to contact me by email or in person. Contact information appears on page 1 above.

Economics is an analytical discipline in which concepts build logically on one another. It may be more difficult to recover from failure to keep up with the material in this course than in some others. If you believe you are failing to gain a basic grasp of fundamental course concepts, please contact me so that we can try to resolve these difficulties sooner rather than later.

Distribution of Class Information

- **USC Libraries' Automated Course Reserves (ARES):** All readings listed on the course schedule below, other than textbook chapters, will be stored electronically on the ARES system. The link is usc.ares.atlas-sys.com.
- **Blackboard:** I will use Blackboard for several purposes:
 - To distribute various documents, including class slides and readings that become available during the semester.
 - To post announcements relevant to the course. Please check Blackboard regularly for new announcements.
 - To send email messages. It is your responsibility to make sure either that your Blackboard email address is the one you regularly check or that email sent to your Blackboard email address is forwarded automatically to your favorite address. You should also make sure that your inbox does not become full.
 - To post grade information.

OTHER PROCEDURES

Add/Drop Process

In compliance with USC and Marshall policies, this class is open enrollment (R-clearance) through the first three weeks of the semester and is closed (switched to D-clearance) at the end of the third week. There is no wait list for this course, and I am not permitted to add students. This procedure minimizes the complexity of the registration process for students by standardizing across classes.

I can drop you from the class, without notification to you, if you do not attend the first two sessions. Please note: If you decide to drop this class, or if you choose not to attend the first two sessions and are dropped, you risk not being able to add another section this semester, as they might reach capacity.

Tutoring

The Marshall Office of Undergraduate Advising offers Peer Tutoring as a supplement to classroom instruction. Marshall Peer Tutors are able to assist students in understanding and clarifying difficult concepts, but tutoring sessions are effective only if students regularly attend class and actively engage in the process of thinking critically about the course content. Marshall Peer Tutoring services are available for core courses that are traditionally challenging, including ECON 351x, ECON 352x, BUAD 310, and BUAD 306. Tutoring will begin on the Monday of the third week of classes for ECON-352x. Students can choose to participate in group tutoring sessions or drop-in tutoring sessions. Most students will benefit from group tutoring in particular, as the purpose of group tutoring sessions is to review and discuss content covered in the previous and current week. Group tutoring is available every Monday-Wednesday, 8:00-9:00 P.M., and drop-in tutoring is available Monday-Wednesday 9:00-10:00 P.M. Both are held in the Experiential Learning Center (ELC) in BRI-3. For more information on Marshall Peer Tutoring, see

<http://students.marshall.usc.edu/undergrad/advising/> or contact the Marshall Office of Undergraduate Advising in BRI-104, 213-740-0690, undergrad.advising@marshall.usc.edu.

Academic Integrity

USC seeks to maintain an optimal learning environment. USC is committed to the general principles of academic honesty that include and incorporate the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others as well as to avoid using another's work as one's own. By taking this course, students are expected to understand and abide by these principles. Violations of academic integrity standards will be treated seriously. *SCampus*, the USC Student Guidebook, contains the University's academic integrity standards as part of the University Student Conduct Code (see the University Governance section of *SCampus* at scampus.usc.edu).

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. Failure to adhere to the academic conduct standards set forth in these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal. The review process can be found at www.usc.edu/student-affairs/SJACS/.

Academic Accommodations Base on Disability

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to your instructor as early in the semester as possible. Your letter must be specific as to the nature of any accommodations granted. DSP is located in STU 301 and is open 8:30 A.M. to 5:00 P.M., Monday through Friday. The telephone number for DSP is 213-740-0776.

Retention of Graded Materials

In accordance with University requirements, final exams not returned to students will be retained for one semester after the course ends. The instructor is not responsible for maintaining copies of returned paperwork. Returned paperwork unclaimed by the student will be discarded after four weeks and thus may not be available should a grade appeal be pursued by a student following receipt of his/her course grade.

Emergency Preparedness/Course Continuity

In case of an emergency making travel to campus difficult, USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies. In case of such an emergency, please check email and Blackboard for further information.

SUMMARY COURSE SCHEDULE AND READING LIST

You are responsible for all reading assignments

Week	Date	Topic No.	Topic	Textbook Sections	Readings
1	M - 08/27	0	Course Introduction & Math Review	Ch. 1, App. A	T.00.01-03
	W - 08/29	1	Measurement of Economic Performance	Ch. 2.1-2.3	T.01.01-02
	M - 09/02		No Class – Labor Day		
2	W - 09/05	1	Measurement of Economic Performance	Ch. 2.4-2.5	T.01.03-04
3	M - 09/10	2	Production of Output	Ch. 3.1	T.02.01-02
	W - 09/12	2	Production of Output	Ch. 6.1	T.02.03-04
	F - 09/14		<i>Last day to register or drop without a W</i>		
4	M - 09/17	3	The Labor Market	Ch. 3.2-3.5	T.03.01
	W - 09/19	4	Consumption and Saving	Ch. 4.1, App. 4.A	
5	M - 09/24	4	Consumption and Saving		T.04.01
	W - 09/26	5	Investment	Ch. 4.2-4.3	
6	M - 10/01	6	Saving, Investment, and the Balance of Payments	Ch. 5.1-5.2	T.06.01
	W - 10/03		MIDTERM 1		
7	M - 10/08	6	Saving, Investment, and the Balance of Payments	Ch. 5.3-5.5	T.06.02
	W - 10/10	7	Long-Run Economic Growth	Ch. 6.2	T.07.01-02
8	M - 10/15	7	Long-Run Economic Growth		T.07.03-04
	W - 10/17	7	Long-Run Economic Growth	Ch. 6.3	T.07.05-06
9	M - 10/22	7	Long-Run Economic Growth		T.07.07
	W - 10/24	8	Money and Prices	Ch. 7.1-7.3	
10	M - 10/29	8	Money and Prices	Ch. 7.4-7.5, 12.3	T.08.01
	W - 10/31	9	Business Cycles	Ch. 8.1-8.3	
	M - 11/05		MIDTERM 2		
11	W - 11/07	9	Business Cycles	Ch. 8.4, 10.1	T.09.01-03
12	M - 11/12	9	Business Cycles	Ch. 10.2, 12.1-12.2	
	W - 11/14	10	Monetary Policy and the Federal Reserve	Ch. 14.1-14.2	
	F - 11/16		<i>Last day to drop with a W</i>		
13	M - 11/19	10	Monetary Policy and the Federal Reserve	Ch. 14.3	T.10.01
	W - 11/21		No Class – Thanksgiving Break		
14	M - 11/26	11	Government Spending, Taxes, and Debt	Ch. 15.1-15.2	
	W - 11/28	11	Government Spending, Taxes, and Debt	Ch. 15.3-15.4	T.11.01-02
15	M - 12/03	12	Exchange Rates	Ch. 13.1-13.2	T.12.01-02
	W - 12/05	12	Exchange Rates	Ch. 13.3	T.12.03-04
	W - 12/12		FINAL EXAM 4:30 P.M. (4:00 P.M. section)		
	F - 12/14		FINAL EXAM 2:00 P.M. (2:00 P.M. section)		

Note: All details in this handout are subject to change with adequate notice. The University's official "Schedule of Classes" supersedes all items such as final exam schedules, etc., which are reproduced here only for your convenience.

RESERVE ITEMS

No:	Item
T.00.01	Economics and Cartography †
T.00.02	"The Benevolence of Self Interest", <i>The Economist</i> , December 12, 1998. †
T.00.03	Mathematics for ECON 352x †
T.01.01	Domestic Product and Income Tables, <i>Survey of Current Business</i> , August 2012. †
T.01.02	"Dotcomomy", <i>The Economist</i> , November 13, 2010. †
T.01.03	"Economic Weight-Watching", <i>The Economist</i> , October 2, 2004. †
T.01.04	"Nations Seek Success beyond GDP", <i>The Wall Street Journal</i> , January 10, 2011.
T.02.01	"Shop-Worn Arguments", <i>The Economist</i> , January 5, 2008.
T.02.02	"Rising Risk: Foreign Firms Sense Hostility in India", <i>The Wall Street Journal</i> , April 3, 2012.
T.02.03	"Side by Side . . . but in Starkly Different Worlds", <i>Los Angeles Times</i> , July 4, 2004.
T.02.04	"Over-Regulated America", <i>The Economist</i> , February 18, 2012.
T.03.01	Herbert Stein, "The Bogus 'Jobs' Problem", <i>The Wall Street Journal</i> , August 28, 1992.
T.04.01	Shimek and Wen, "Why Do Chinese Households Save So Much?", Federal Reserve Bank of St. Louis <i>International Economic Trends</i> , August 2008.
T.06.01	International Data Tables, <i>Survey of Current Business</i> , August 2012. †
T.06.02	Wen and Shimek, "The U.S. Consumption Boom and Trade Deficit", Federal Reserve Bank of St. Louis <i>National Economic Trends</i> , October 2007.
T.07.01	Steven Landsburg, "A Brief History of Economic Time", <i>The Wall Street Journal</i> , June 9, 2007.
T.07.02	"Malthus, the False Prophet", <i>The Economist</i> , May 17, 2008.
T.07.03	Robert Barro, "Eastern Germany's Long Haul", <i>The Wall Street Journal</i> , May 3, 1991.
T.07.04	"How To Get a Date", <i>The Economist</i> , December 31, 2011.
T.07.05	"Building BRICs of Growth", <i>The Economist</i> , June 7, 2008.
T.07.06	"Why the Tail Wags the Dog", <i>The Economist</i> , August 6, 2011.
T.07.07	"A Tale of Three Islands", <i>The Economist</i> , October 22, 2011.
T.08.01	"A Worthless Currency", <i>The Economist</i> , July 19, 2008.
T.09.01	Notes on the Simple Keynesian Model †
T.09.02	"Most 2008 Stimulus Checks Were Saved, Not Spent", <i>The Wall Street Journal</i> , December 16, 2009.
T.09.03	"Much Ado about Multipliers", <i>The Economist</i> , September 26, 2009.
T.10.01	Glenn D. Rudebusch, "The Fed's Monetary Policy Response to the Current Crisis", Federal Reserve Bank of San Francisco <i>Economic Letter</i> , May 22, 2009.
T.11.01	Aubuchon and Wheelock, "Can Social Security Survive the Baby Boomers?", Federal Reserve Bank of St. Louis <i>National Economic Trends</i> , September 2010.
T.11.02	"Confronting the Monster", <i>The Economist</i> , November 20, 2010.
T.12.01	"Beefed-up Burgernomics", <i>The Economist</i> , July 30, 2011.
T.12.02	"Strong Yen Sparks National Debate", <i>The Wall Street Journal</i> , August 15, 2011.
T.12.03	"IMF Urges Boosting of Yuan", <i>The Wall Street Journal</i> , July 21, 2011.
T.12.04	"China Lifts Banks' Reserve Ratio", <i>The Wall Street Journal</i> , May 13, 2011.

† This item is not available as the topic of a class presentation.