

Macroeconomics for Business

Faculty and Contact Information

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Office Hours: MW 2:00-3:00 P.M. and by appointment
Class Hours: MW 10:00-011:50 A.M. Room JFF LL125 (section 26364)

Course Scope and Objectives

ECON 352x is a fundamental business course in macroeconomics which deals with the overall macroeconomic environment businesses operate both within a country and in a global setting. Domestic and foreign demand for products and services, the cost of capital and labor, the efficiency with which firms operate to utilize available factors of production, and how individuals make their consumption/saving decisions are shaped by global economic conditions and government policies. Businesses face critical decision making both in the short and the long run. Which countries are best places to operate in over the next 5-10 years? What are the reasons for choosing a particular country over another? What institutions and government policies are critical in this decision? What are the main factors that affect wages, interest rates and exchange rates? Are budget deficits, current account deficits, federal debt harmful to the economy? How do taxes and spending affect the economy?

Macroeconomics will help you acquire the tools required to understand these issues and make critical decisions; first by introducing you to macroeconomic data, second by providing you with a framework to think about these issues, and finally by discussing recent economic events through the lens of these data and models.

Course Learning Objectives

The primary goal of this course is to enable you to make informed judgments about whether the economic environment in a given country makes it a good platform to do business. At the end of the course you will be able to:

1. Apply graphical and algebraic tools to analyze various economic models and address questions in economics.
2. Apply the basic demand and supply model to calculate equilibrium wage rates, employment, interest rates and investment in an economy.
3. Use the neoclassical growth model to measure and forecast GDP in different economies.

4. Find sources of macroeconomic data, manipulate them, and understand how they have been behaving historically and how they compare across countries.
5. Understand and critically evaluate the news about the macro economy in the financial press.
6. Evaluate the effects of government policy such as changes in tax rates, or money supply on individuals, firms, and the economy.
7. Collaborate with others to judge news about the U.S. and world economy.
8. Understand and control the factors what lead to effective teamwork.
9. Demonstrate an ability to gather and disseminate information and communicate it clearly, logically, and persuasively in professional contexts.

Alignment with Marshall School of Business Program Learning Goals

The above course learning objectives support the Marshall School of Business' program **learning goals** in the following way:

1. Our graduates will understand types of markets and key business areas and their interaction to effectively manage different types of enterprises. (HIGH)
2. Our graduates will develop a global business perspective. They will understand how local, regional, and international markets, and economic, social and cultural issues impact business decisions so as to anticipate new opportunities in any marketplace. (HIGH)
3. Our graduates will demonstrate critical thinking skills so as to become future-oriented decision makers, problem solvers and innovators. (HIGH)
4. Our graduates will develop people and leadership skills to promote their effectiveness as business managers and leaders. (MEDIUM)
5. Our graduates will demonstrate ethical reasoning skills, understand social, civic, and professional responsibilities and aspire to add value to society. (LOW)
6. Our graduates will be effective communicators to facilitate information flow in organizational, social, and intercultural contexts. (MEDIUM)

Prerequisites

- ECON 351 (Microeconomics for Business) or equivalent
- MATH 118 (Fundamental Principles of the Calculus) or equivalent, for which a working knowledge of basic algebra and calculus is a prerequisite. There will be exam questions requiring calculations.

Our focus will be on the intuition behind the macroeconomic models and their use in guiding business decisions in the real world. Therefore, the use of mathematics (in particular, algebra and calculus, i.e., analytics) will be fundamental to understanding and implementing these models.

For example, you will be asked to draw and interpret graphs representing a production function, its partial derivatives (marginal products of capital and labor), aggregate demand and supply, shifts in these curves as a result of shocks to the economy or changes in government policy, to solve a system of equations describing these lines/curves, and find equilibrium quantities and factor prices (wages and returns to capital) using both the graphical approach and the algebraic method.

Course Materials

Required Materials

- **Slides:** I will post slides for each topic before the first class session dealing with that topic. The slides, in pdf format, will appear in the ‘Content’ section of Blackboard.
- **Text:** Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, *Macroeconomics*, ninth edition. It is fine to buy used versions or the eighth edition.
- **Articles and notes** posted on Blackboard. I may post additional articles.
- **Video:** *Commanding Heights: The Battle for the World Economy*, which can be streamed free of charge from PBS at www.pbs.org/wgbh/commandingheights. 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. Instead of the PBS link, I provided the You Tube link but you can watch the series from either web site. 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 you can purchase optionally. The first episode, "Battle of Ideas", is required material and a short online quiz will be completed by the end of class on January 16, 2019.

Recommended or Optional Materials

- **Popular Press:** I suggest that you get in the habit of regularly reading economic and business news through the lens of the material covered in this course. My favorite source of weekly news is *The Economist*, a British publication with extensive U.S. and world coverage. Several high-quality daily newspapers are available such as *The Wall Street Journal* with information on both U.S. and world events, *The New York Times* and *The Financial Times* of London. FT has a stronger international flavor and less detailed coverage of U.S. events than either of the domestic newspapers.

Course Requirements and Grading

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

| Requirement | Weight |
|---|--------|
| Quiz on Commanding Heights Episode 1: Battle of Ideas | 3% |
| Quizzes (best 3 of 4, each 10%) | 30% |
| Midterm Exam | 30% |
| Final Exam | 37% |
| Total | 100% |

Each individual exam receives a numerical score but not a letter grade. I will calculate your overall score using the weighted average formula given in the above table.

If your overall score is below 50%, you will receive a failing grade, an F. If your overall score is between 50% and 59% (inclusive), your grade will be a D–, D, or, D+. This rule will be strictly enforced, and I will not assign any kind of extra credit activities (papers, exams, homework, etc.).

Letter grade C– starts at 60 points. Bs and As will be assigned according to the overall class performance. There will be no ‘curve’ or hard target for the distribution of grades. Your grade will reflect my best judgment of your class performance, as indicated by your performance on the exams. However, I will attempt to

follow the Marshall's recommended mean GPA target: 3.0 (B).

Exams (100%)

The quiz on Commanding Heights Episode 1: Battle of Ideas will be taken online via Blackboard on Wednesday, January 16, 2019, by the end of class time. I suggest that you watch the nearly 2-hour episode ahead of time to prepare for the 20-minute quiz consisting of 6 multiple choice questions. You have to complete the quiz in one sitting and it must reflect your own work. You can take this short quiz at home as long as you complete it by the end of class time on Wednesday. All other exams are regular, in-class exams.

Each (regular) quiz is **non-cumulative** and will address the subject matter that precedes it. The midterm exam will cover the material 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 any assigned video segments from *Commanding Heights*.

You will have 40 minutes for each quiz, 90 minutes for the midterm and 110 minutes for the final exam. All exams are closed-book, closed-notes, **no-calculator**, multiple choice exams. In addition, you will not be allowed to use a cell phone, laptop, or any other electronic device during the exam or at any time during the class. You may take an exam **only in the section in which you are registered**. Taking an exam with the wrong section results in an automatic zero for that test. In addition, you are only allowed to attend a section for which you are officially registered.

| Exam Dates | |
|----------------------------|----------------|
| Quiz on Commanding Heights | W, January 16 |
| Quiz 1 | M, January 28 |
| Quiz 2 | W, February 13 |
| Midterm | W, March 6 |
| Quiz 3 | M, April 1 |
| Quiz 4 | W, April 10 |
| Final (08:00 A.M.) | M, May 06 |

Please note: The times of final exams are determined by the University's final exam schedule, shown at <https://classes.usc.edu/term-20191/finals/>. In the event of a conflict, the times shown in the University schedule supersede those contained in this syllabus.

Make-up Exams

There will be no make-up exams. By enrolling in this course you are committing to take the tests on the scheduled dates. If a quiz is missed, it receives an automatic zero. If the midterm is missed for an approved reason, the weight of quizzes and final exam are increased to compensate for the missed midterm. Approval for a missed midterm will be very rare, and only with appropriate written documentation from an authoritative source indicating why the student was unable to appear for the midterm. In particular, if you bring a note from the Engemann Student Health Center which states that you were seen by a doctor, this is not sufficient documentation. This note should be accompanied by a doctor's certification of a severe medical problem.

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.

Technology Policy

Laptop and Internet usage is not permitted during academic or professional sessions unless otherwise stated by the respective professor and/or staff. Use of other personal communication devices, such as cell phones, is considered unprofessional and is not permitted during academic or professional sessions. ANY e-devices (cell phones, iPads, other texting devices, laptops, iPods) must be completely turned off during class time. Upon request, you must comply and put your device on the table in off mode and FACE DOWN. You might also be asked to deposit your devices in a designated area in the classroom. Videotaping faculty lectures is not permitted due to copyright infringement regulations. Audiotaping may be permitted if approved by the professor. Use of any recorded or distributed material is reserved exclusively for the USC students registered in this class.

In addition, I expect you to 1) arrive and leave on time, 2) be respectful to your classmates by obeying class rules, 3) eliminate/minimize disruptions by staying in your seat for the duration of the class, 4) follow the exam instructions by starting only when I announce the start of the exam and stopping and handing in your exams when the exam ends. Exam time includes writing your name and transferring your answers to the scantron.

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

I will use Blackboard for several purposes: 1) to distribute various documents, including class slides and readings that become available during the semester, 2) to post announcements relevant to the course, 3) 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), and, 4) to post grade information.

Add/Drop Process

Most Marshall classes are open enrollment (R-clearance) through the Add deadline. If there is an open seat, students can add the class using Web Registration. If the class is full, students will need to continue checking the Schedule of Classes (classes.usc.edu) to see if a space becomes available. Students who do not attend the first two class sessions (for classes that meet twice per week) or the first class meeting (for classes that meet once per week) may be dropped from the course if they do not notify the instructor prior to their absence.

Retention of Graded Coursework

Final exams and all other graded work which affected the course grade will be retained for one year after the end of the course if the graded work has not been returned to the student. If I returned a graded paper/exam to you, it is your responsibility to file it.

Tutoring

Marshall Academic Resources include Core Review Sessions and Cracking the Core workshops.

Core Review Sessions are a supplement to classroom instruction and are led by Peer Academic Leaders (PALs) who assist students in understanding difficult concepts and building study skills and confidence in selected core course subjects. Core Review Sessions are currently offered for the following courses: ECON 351, ECON 352, BUAD 280, BUAD 306, BUAD 310, and BUAD 311. Core Review Sessions are similar to group tutoring and most effective when students attend class regularly and actively engage in the process of thinking critically about the course content.

Cracking the Core was developed in consultation with faculty and is designed for PALs to help students review the necessary background knowledge and preparation required for success in ECON 351.

For more information on Cracking the Core and Core Review Sessions,

see <https://www.marshall.usc.edu/current-students/marshall-academic-resources/core-review-sessions-sched>

STATEMENT OF ACADEMIC CONDUCT AND SUPPORT SYSTEMS

USC seeks to maintain an optimal learning environment. Students are expected to submit original work. They have an obligation both to protect their own work from misuse and to avoid using another's work as their own. All students are expected to understand and abide by the principles of academic honesty outlined in the University Student Conduct Code (see University Governance, Section 11.00) of SCampus (<https://policy.usc.edu/student/scampus/>). The recommended sanctions for academic integrity violations can be found in Appendix A of the Student Conduct Code.

If a student violates the class technology rules (as stated above), he or she will be reported to the USC Student Disciplinary Authority.

Students with Disabilities:

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs (www.usc.edu/disability). DSP provides certification for students with disabilities and helps arrange the relevant accommodations. 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 me (or to your TA) as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: ability@usc.edu.

Support Systems:

Student Counseling Services (SCS) - (213) 740-7711 – 24/7 on call

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention. <https://engemannshc.usc.edu/counseling/>

National Suicide Prevention Lifeline - 1-800-273-8255

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. <http://www.suicidepreventionlifeline.org>

Relationship & Sexual Violence Prevention Services (RSVP) - (213) 740-4900 - 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. <https://engemannshc.usc.edu/rsvp/>

Sexual Assault Resource Center

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: <http://sarc.usc.edu/>

Office of Equity and Diversity (OED)/Title IX compliance – (213) 740-5086

Works with faculty, staff, visitors, applicants, and students around issues of protected class. <https://equity.usc.edu/>

Bias Assessment Response and Support

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. <https://studentaffairs.usc.edu/bias-assessment-response-support/>

Student Support & Advocacy – (213) 821-4710

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. <https://studentaffairs.usc.edu/ssa/>

Diversity at USC – <https://diversity.usc.edu/>

Tab for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students.

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.

Summary Course Schedule and Reading List

You are responsible for all reading assignments

| Week | Date | Topic No. | Topic | Textbook Sections |
|--------------------|-----------|---|--|------------------------|
| 1 | M - 01/07 | 0 | Introduction, Math Review & Measurement | Ch. 1, App. A, Ch. 2.1 |
| | W - 01/09 | 1 | Measurement of Economic Performance | Ch. 2.1-2.4 |
| 3 | M - 01/14 | 2 | Measurement of Economic Performance | Ch. 2.4-2.5 |
| | W - 01/16 | 2 | Quiz on Commanding Heights Episode 1: Battle of Ideas | Online You Tube Video |
| 2 | M - 01/21 | No Class – Martin Luther King, Jr. Day | | |
| | W - 01/23 | 1 | Productivity and Employment | Ch. 3.1-3.2 |
| 4 | M - 01/28 | 3 | Quiz 1 , Productivity and Employment | Ch. 3.3-3.5 |
| | W - 01/30 | 3 | Consumption, Saving and Investment | Ch. 4, App. 4.A |
| 5 | M - 02/04 | 3 | Consumption, Saving and Investment | Ch. 4, App. 4.A |
| | W - 02/06 | 4 | Balance of Payments | Ch. 5.1-5.2 |
| 6 | M - 02/11 | 4 | Balance of Payments | Ch. 5.3-5.4 |
| | W - 02/13 | 5 | Quiz 2 , Economic Growth | Ch. 6 |
| 7 | M - 02/18 | No Class – Presidents' Day | | |
| | W - 02/20 | 5 | Economic Growth | Ch. 6 |
| 8 | M - 02/25 | 5 | Economic Growth | Ch. 6 |
| | W - 02/27 | 6 | Money & Prices in the Long Run | Ch. 7, 12.4 |
| 9 | M - 03/04 | Review | | Ch. 1-7 |
| | W - 03/06 | MIDTERM | | |
| MW - 03/11 - 03/15 | | | No Class – Spring Recess | |
| 10 | M - 03/18 | 7 | Business Cycles | Ch. 8, 10.1, 10.3 |
| | W - 03/20 | 7 | Business Cycles | Ch. 12.1-12.2 |
| 11 | M - 03/25 | 8 | Monetary Policy and the Fed | Ch. 14.1-14.2 |
| | W - 03/27 | 8 | Monetary Policy and the Fed | Ch. 14.4-14.5 |
| 12 | M - 04/01 | 9 | Quiz 3 , Spending, Taxes, and Debt | Ch. 15.1-15.2 |
| | W - 04/03 | 9 | Spending, Taxes, and Debt | Ch. 15.3-15.4 |
| F - 04/05 | | | <i>Last day to drop with a W</i> | |
| 13 | M - 04/08 | 10 | Income and Wealth Inequality | |
| | W - 04/10 | 11 | Quiz 4 , International Trade and Globalization | |
| 14 | M - 04/15 | 12 | Exchange Rates | Ch. 13.1-13.2 |
| | W - 04/17 | 12 | Exchange Rates and Review | Ch. 13.5 |
| 15 | M - 04/22 | 13 | Aging and Fiscal Sustainability | |
| | W - 04/24 | | Review | |
| M - 05/06 | | FINAL EXAM 08:00 a.m. - 10:00 a.m. | | |

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.