

ECON 352x: MACROECONOMICS FOR BUSINESS
Spring 2020

Instructors: Selo Imrohoroglu/ Andrii Parkhomenko
Office: HOH 720/HOH 702
Class Lectures: Mon & Wed 8:00-9:50 A.M. (section 26361) in HOH 1
Mon & Wed 10:00-11:50 A.M. (section 26363) in HOH 1
Mon & Wed 2:00-3:50 P.M. (section 26367) in JFF LL125
Office Hours: Mon & Wed 4:00-5:00 P.M., Tue 12:45-1:45 P.M., Fri 9:00
A.M.-12:00 P.M. (to be confirmed with teaching assistants),
and by appointment
Email: selo@marshall.usc.edu / parkhome@usc.edu

TEAM TEACHING

This course is co-taught by Professors Imrohoroglu and Parkhomenko. Prof. Imrohoroglu teaches the first half of the course and Prof. Parkhomenko teaches the second half of the course. During the first half of the course, Prof. Imrohoroglu handles all student interactions. During the second half, Prof. Parkhomenko handles all student interactions. Two teaching assistants will be available during the entire semester.

COURSE DESCRIPTION

This is a fundamental course in macroeconomics for undergraduate business students. Our focus will be on the economic environment, at the national and international levels, in which businesses operate.

Features of macroeconomic environment make way into many important business decisions. When executives at Walmart decide how many workers to hire next year and how much to pay them, they take into account current unemployment rate and wage dynamics at the national level. When managers at Nike decide whether to sign a contract with a textile factory in Indonesia, they need to evaluate if Indonesia is a good platform for doing business and also forecast the exchange rate of the US dollar vs the Indonesian rupiah in the following years. When financial managers at Apple decide whether to keep profits in cash or use them to buy bonds, they need to understand current monetary policy and its implications for interest rates. And when General Motors considers investing into a new production facility, they need to know whether the current economic boom will continue and the demand for cars will persist, or alternatively, a recession will ensue and potential buyers will wait for better times.

This course will cover various topics in macroeconomics with the aim of providing basic analytical tools for understanding the current economic environment and making predictions about the economy.

COURSE OBJECTIVES

The main goal of the course is to provide you with knowledge and tools necessary to understand national and international economic environment, and to make informed business decisions. At the end of the course, you are expected to be able to:

1. Understand and critically evaluate news about the macroeconomy.
2. Find macroeconomic data, manipulate it, understand historic trends, and make cross-country comparisons.
3. Evaluate the effects of government policies, such as taxes, interest-rate policy, or government spending, on households, firms and the economy as a whole.
4. Apply graphical and algebraic tools to analyze various economic models and address questions in macroeconomics.
5. Apply the basic supply and demand model to calculate equilibrium wages, employment, and interest rates.
6. Use the neoclassical growth model to measure and forecast GDP.

Alignment with Marshall School of Business Program Learning Goals

In this course, emphasis will be placed on the Marshall School of Business learning goals as follows:

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)

In addition, this course will rely on some of the statistical tools you are currently developing in BUAD 310 Applied Business Statistics, such as measures of central tendencies and volatility, using Excel, and, this course will develop some notions of time value of money and interest rates that you will delve into more deeply in BUAD 306 Business Finance when you compute discounted present values of cash flows.

PREREQUISITES

- **Required.** ECON 351x: Microeconomics for Business (or equivalent)
- **Recommended.** Introductory economics course, high school math, algebra and basic calculus

COURSE MATERIALS

Required materials

- **Slides.** We will usually post slides and required readings for each class before the beginning of the class. The slides will appear in the “Content” section in Blackboard. The required readings will be listed in the slides.
- **Textbook.** Abel, Andrew B., Ben S. Bernanke and Dean Croushore, *Macroeconomics*, 10th Edition, Pearson. For most topics, you may also use the 8th or 9th editions.
- **Other materials.** We may post other required materials, such as newspaper or magazine articles and videos, in Blackboard.

Optional materials

- **Media and blogs.** We suggest reading economic news regularly as we proceed with the course (as well as after the course!). The best weekly summary of news and analysis is provided in *The Economist*. We also recommend *Wall Street Journal*, *Bloomberg News*, and *New York Times*. A few favorite blogs that contain high-quality macroeconomic analysis are *Marginal Revolution*, *The Grumpy Economist*, and *Calculated Risk*, but there are many more great blogs out there. *VOX EU* is a great resource to read about frontier economic research in plain language.

GRADING AND COURSE REQUIREMENTS

The final grade for the course takes into account four main components: quizzes, midterm exam, final exam, and student involvement which consists of two group projects and class participation. The weights of each component in the final grade are summarized in the following table:

Component	Weight
Quizzes	30%
<i>Quiz 1</i>	15%
<i>Quiz 2</i>	15%
Midterm Exam	25%
Final Exam	25%
Student Involvement	20%
<i>Group project and presentation 1</i>	10%
<i>Group project and presentation 2</i>	10%

Each assignment receives a numerical score only (from 0 to 100), and not a letter grade. A letter grade is only assigned for the final grade. The final grade will be calculated using weights from the table above. If a student's overall score is below 50%, the student will receive an F. If the score is between 50% and 59% (inclusive), he or she will receive a variant of D (D-, D, or D+). Students with scores of 60% or above will receive C-, C, C+, B-, B, B+, A-, or A. There are no strict score thresholds for these grades and they will be assigned based on overall class performance, i.e. the grades above D+ are curved.

Exams and quizzes

You will have 40 minutes for each quiz, 75 minutes for the midterm exam and 75 minutes for the final exam. All tests are closed-book, closed-notes, and multiple-choice. You may not use cell phones, laptops, or any other electronic devices besides simple calculators (only in the second half of the course). Calculators are NOT allowed in the 1st quiz and the midterm. The dates of the quizzes and exams are listed in the Course Schedule.

There will be no routine make-up exams. By enrolling in this course you are committing to take the tests on the scheduled dates. If an exam quiz is missed, it receives an automatic zero.

Approval for a makeup to replace a missed quiz, midterm or final will be very rare. If there is an unforeseen emergency, such as a medical issue, then this must be documented. Approval may only be given with appropriate written documentation from an authoritative source indicating why the student was unable to appear for the test. For example, if you bring a note from the Engemann Student Health Center which states that you had an appointment with a doctor, this is not sufficient documentation. This note should be accompanied by a doctor's certification of a severe medical problem that prevented you from taking the test.

Group projects and presentations

There will be two group projects and presentations. The first will involve a growth accounting exercise for three countries (per team) and an evaluation of two countries as platforms to strategically expanding business from United States.

Project 1: "Growth Accounting and Global Competitiveness"

You are part of a team of consultants for a U.S. based multinational company which is considering strategic market entry (either to produce overseas or looking for access to the consumers in another region) into two other economies. How do you evaluate if a country is a better platform for global expansion? This project gets you started on this important issue. You will rely on an application of growth accounting for the two countries (and the U.S. as a comparison benchmark), summarize the country reports from the World Economic Forum's Global Competitiveness Index 2019, and the World Bank's Ease of Doing Business Index 2019, to complete your slide deck with your recommendation. The deck should be no more than 10 slides with annotated notes to support your recommendation. For example, you should have a cover slide with the names of your team members, one slide for each of your economies summarizing the vital country information (population, size, GDP, GDP per person, trading partners, etc.), a slide with growth accounting for the two economies, a slide with the Competitiveness Index summary for the two economies, a slide about the

Ease of Doing Business in these economies, a slide for each economy about an emerging trend or critical issue, and one slide for your recommendation to the U.S. company. You could also have an executive summary as your second slide and one or two appendix slides for supporting tables/figures, with the total deck NOT exceeding 10 slides.

An e-copy should be sent to me prior to the first possible presentation date and all members of the group must be present to make their 2-3 minutes of presentation for a total of 10-12 minutes per group, followed by a short class discussion.

I will randomly assign about 5 students to a team by Monday, January 27, and post a list of the team members and their economies on Blackboard.

Project 2: Class Presentation

The second group project consists of preparing a presentation on a given topic. Examples of topics are "How the US government reacted to the financial crisis of 2008," "Drivers of economic growth in China," or "Determinants of low saving rates of American households." The presentation will be given in class by a group of 5 students (some groups may consist of 4 students). When presenting your project, you will have to use slides, however there are no specific requirements on the format, software used, etc. Please upload your presentation on the classroom computer and email it to Prof. Parkhomenko before the beginning of the class in which your group presents.

Each presentation will last 10-15 minutes, followed by a 5-10 minute discussion in which I and other students in the audience will ask questions and provide comments on the presentation. The presentation will be given by all students in the group, i.e. each student will talk for about 2-3 minutes. Therefore, it may be convenient for you to split the presentation into five logical parts but you do not have to do this. I will determine the order in which group members talk on the day of the presentation. This means that all students in the group have to be familiar with the entire presentation and prepared to talk about it. During the post-presentation discussion, I will determine which group member should answer the question posed by myself or the audience.

The grade received for the presentation is shared by all group members and reflects my best judgement of whether your presentation has successfully covered the assigned topic and whether you were able to provide reasonable answers to the questions raised by me and the audience. All members of the group must be present in class on the day of the group presentation. A group member absent during the presentation will receive zero for this assignment. If a group member does not contribute to the project, other group members may explain the situation to me and in certain cases I may give different grades to students within a group.

The groups will be formed after the midterm exam. You will receive an email from me with the list of groups, members of each group, the topic of the project assigned to each group and the date of the presentation. I understand that certain members of a group may be interested in a topic different from the one assigned to the group. In this case, groups may exchange topics. It is up to you how you agree on the exchange, however you must notify me in case your group has exchanged topics with another group. You have to work with group members assigned to your group and cannot choose other members of your group.

Each group will receive detailed instructions on how to approach the topic. The results of the group project must be presented in class on the assigned date, and the date of the presentation cannot be changed. If you have a disability which may impact your ability to fulfill the requirements of the group project, please communicate this to me as soon as possible.

Homework

There will be no graded homework, however we will regularly give you home assignments for you to practice. Questions from home assignments may appear in quizzes and exams, so make sure you do the homework!

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 every session. It is not necessary that you know the material before each class, but it is important that you make sufficient effort to gain some grasp of the ideas we will be discussing. Prior to every session, (1) read the assigned materials, (2) attempt to answer some of the questions found at the end of each chapter, and (3) give some thought to the broader implications of the material.

We expect you to (1) arrive and leave on time, and, only in your officially registered section, (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 test instructions by starting only when I announce the start of the test and stopping and handing in your exams when the test ends. Note that test time includes the time you need to write your name and transfer your answers to the Akindi or scantron forms. If you do not take an exam in your officially registered section, your score for that exam will be zero.

Technology Policy

Use of personal communication devices, such as cell phones, is considered unprofessional and is not permitted during the sessions. Upon request, you must comply and put your device on the table face down. Remember that when you use your phone during the class, not only you distract yourself but also other students around you who may be trying hard to focus on the class material.

Copyright notice

It is a violation of USC's Academic Integrity Policies to share course materials with others without permission. No student may record any lecture, class discussion or meeting with me without my prior express written permission. The word "record" or the act of recording includes, but is not limited to, any and all means by which sound or visual images can be stored, duplicated or retransmitted whether by an electro-mechanical, analog, digital, wire, electronic or other device or any other means of signal encoding. We reserve all rights, including copyright, to my lectures, course syllabi and related materials, including

summaries, PowerPoints, prior exams, answer keys, and all supplementary course materials available to the students enrolled in my class whether posted on Blackboard or otherwise. They may not be reproduced, distributed, copied, or disseminated in any media or in any form, including but not limited to all course note-sharing websites. Exceptions are made for students who have made prior arrangements with DSP and me.

Consultations with Instructor

If you have questions on course material or other course-related issues, please contact us by email or in person. We will hold regular office hours. Time and contact information are indicated on page 1.

Distribution of Class Information

We 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 grades.

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.

TUTORING

The Marshall Office of Undergraduate Advising & Student Affairs offers free weekly Core Review Sessions, along with additional “Cracking the Core” workshops, as a supplement to classroom instruction. Marshall Peer Academic Leaders (PALs) assist students in understanding and clarifying difficult concepts covered in class that week, but core review sessions are effective only if students regularly attend class and actively engage in the process of thinking critically about the course content. Marshall Academic Resources are available for core courses that are traditionally challenging in the business major curriculum. For more information, please visit: <https://www.marshall.usc.edu/current-students/marshall-academic-resources/core-review-sessions-schedule>

STATEMENT OF ACADEMIC CONDUCT AND SUPPORT SYSTEMS

Academic Conduct:

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize

yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, “Behavior Violating University Standards” <https://policy.usc.edu/scampus-part-b/>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct>.

Support Systems:

Student Counseling Services (SCS) - (213) 740-7711 [(213) 740-9355 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
Tabs for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students. <https://diversity.usc.edu/>

USC Emergency Information
Provides safety and other updates, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible. emergency.usc.edu

USC Department of Public Safety – UPC: (213) 740-4321 – HSC: (323) 442-1000 – 24-hour emergency or to report a crime. Provides overall safety to USC community. dps.usc.edu

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 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.

COURSE SCHEDULE

Week	Date	Topics and Activities
1	M: 01/13 W: 01/15	1: Introduction, Math Review, Gapminder , and Measurement 2: Measurement and Structure of National Economy
2	M: 01/20 W: 01/22	--- NO CLASS (Martin Luther King Jr. Day) 2: Measurement and Structure of National Economy
3	M: 01/27 W: 01/29	3: Productivity, Output and Employment 3: Productivity, Output and Employment
4	M: 02/03 W: 02/05	4: Consumption, Saving and Investment 4: Consumption, Saving and Investment
5	M: 02/10 W: 02/12	--- Quiz 1 ; 5: International Trade and Finance 5: International Trade and Finance
6	M: 02/17 W: 02/19	--- NO CLASS (Presidents' Day) 6: Economic Growth
7	M: 02/24 W: 02/26	6: Economic Growth Growth Accounting and Global Competitiveness --- <i>Presentations</i>
8	M: 03/02 W: 03/04	Growth Accounting and Global Competitiveness --- <i>Presentations</i> Review and Q&A
9	M: 03/09 W: 03/11	Midterm Exam (covers all prior material) 7: Financial Markets and Institutions 8: Asset Markets, Money and Prices
10	M: 03/16 W: 03/18	--- NO CLASS (Spring Break) --- NO CLASS (Spring Break)
11	M: 03/23 W: 03/25	8: Asset Markets, Money and Prices 9: Business Cycles
12	M: 03/30 W: 04/01	9: Business Cycles 10: Unemployment 11: Monetary Policy and Central Banks
13	M: 04/06 W: 04/08	11: Monetary Policy and Central Banks 12: Government Spending, Taxes and Debt
14	M: 04/13 W: 04/15	12: Government Spending, Taxes and Debt --- Quiz 2 ; 13: Exchange Rates
15	M: 04/20 W: 04/22	<i>Student Presentations</i> <i>Student Presentations</i>
16	M: 04/27 W: 04/29	<i>Student Presentations</i> Q&A Review Session
	05/11 05/11 05/11	Final Exam (covers all material in weeks 9-14) 11:00A.M.-1:00 P.M. (the 8am section) 8:00A.M.-10:00 A.M. (the 10am section) 2:00 P.M.-4:00 P.M. (the 2pm section)

Note: this is a provisional schedule. We will not change the dates of the exams and quizzes, however we may make slight changes in the rest of the schedule and readings as we go along.