

Business Economics 501 A/B and C/D

Analysis of Global Economic Conditions

WINTER 2020 SYLLABUS

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Office Hours:
Tuesday, 5:30-6:30
Wednesday, 4:30-5:30
and by appointment

Course Description

This course examines the macroeconomic environment in which firms operate. The ultimate objective is for you to understand how external forces and policies affect the overall health of a nation's economy and hence the business decisions that you make. Recent history has demonstrated the deep effects of global macroeconomic fluctuations on business and the challenges of macroeconomic policy-making in an interdependent world. Thus, this course covers both the domestic and global aspects of macroeconomics. It will give you the tools to understand the key elements of economic growth, inflation, unemployment, business cycles, fiscal policy, monetary policy, trade policy, and current economic developments.

Course Requirements

Approx. % of final grade

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|---|-----|
| Problem sets | 40% |
| Group presentation (various dates) | 15% |
| Final exam (take-home – posted 3/11, due 3/17*) | 40% |
| Attendance and participation | 5% |

*Note: There will be class on 3/12 and material covered that day is fair game for the exam.

Help Sessions and Problem Sets

Dmitry will hold help sessions in Paccar 393 from 1:30 to 2:30 on these Fridays:

1/10, 1/17, 1/31, 2/7, 2/14, 2/21, 2/28, 3/6

The help sessions are optional, but they are strongly encouraged. Dmitry will review concepts from class, work on problem solving, and answer your questions.

There will be six problem sets, consisting of multiple choice and short essay questions. Answers should be submitted directly on Canvas. Note that the multiple choice and short essay answers must be posted separately. The lowest problem set grade will be dropped when course grades are calculated.

Problem sets will be posted on Canvas on these dates: 1/9, 1/16, 1/30, 2/13, 2/27, 3/5

Problem sets are due at 11:59 pm the following Wednesday.

Submission policies

The exam is take-home and will be posted on the date listed above. The exam will consist of both multiple choice and essay questions. The final exam is due at 11:59 pm on the date is listed above. Plan your schedule accordingly - **no early exams** will be provided under any circumstances.

Late submissions of exams or problem sets are subject to a 50% grade penalty for the first 48 hours after the due date, unless you request (and are granted) an extension before the due date. No credit will be given after 48 hours.

Textbooks and Required Readings

Textbook - available at the University Bookstore:

David Miles, Andrew Scott, and Francis Breedon, Macroeconomics: Understanding the Global Economy, 3rd edition, John Wiley & Sons, 2012.

A copy of the textbook is on reserve in the Foster Library.

The other required readings are either posted on Canvas or are readily available online (URLS listed).

Additional readings may be provided in class..

Communications

The powerpoint slides for all in-class lectures will be posted on Canvas before each class. You can contact me by e-mail at dg2854@uw.edu. I check my e-mail regularly on weekdays. I will use the Canvas website to post announcements, lecture notes, and other course materials.

MBA Program and Class Expectations

Class Attendance

Class attendance is critical to participation in the learning experience. In accord with Foster MBA Program policy, attendance is *required* except in cases of (1) illness or (2) unavoidable conflict with a job or internship interview that cannot be rescheduled. Regardless of the reason for missing a class meeting, you should notify your instructor in advance. You are responsible for the learning experience that takes place in your absence. Work with your classmates to address any material you may have missed, and contact the instructor and/or TA should you have remaining questions.

Note: To get full points for attendance, you must attend at least 80% of class sessions. To get full points for participation, you must contribute to class discussion in at least 30% of class sessions.

This class has both 1:30 and 3:30 sections. Space permitting, you are welcome to attend either section, but I will only give participation credit in the section in which you are registered.

Student Professionalism in Class

Each student is expected to be on time and to be prepared for each class meeting, as well as fully engaged in class content throughout the class meeting. I ask that you stay offline during class sessions and only use your electronic devices for class-related activities. Research shows that being online (web-surfing, checking email or social media, texting, etc.) inhibits your ability to learn and distracts those around you (including me). Thank you for supporting this policy.

The Honor Code

I employ the principles and procedures espoused by Foster School of Business MBA Honor System to maintain academic integrity in the course. The Honor Code of the Foster School expressly prohibits cheating, attempted cheating, plagiarism, and lying to administration or faculty as it pertains to academic work. Suspected violations of the Honor Code will be handled by referral of the matter to the Foster MBA Honor Council.

The Honor Code will apply to course deliverables in the following manner:

- In order to maximize the student learning experience, the work you submit should be your own. Except as described below, do not get help from anyone in preparing deliverables for the course. This includes students currently or formerly enrolled in the course as well as others outside Foster. Sharing of course resources with others beyond the narrow range permitted with classmates is also considered a violation of the Honor Code.
- Plagiarism is the use of someone else's words without full attribution (full attribution means use of quotation marks and indication of the source in proper bibliographic form). Close paraphrasing is also considered plagiarism. See <http://depts.washington.edu/pswrite/plag.html>. The "someone else" is anyone from published authors to fellow students to the class instructor. My policy is to give a grade of 0 to any duplicate or plagiarized work.
- Problem Sets: you may consult with other students about the interpretation of questions while preparing homework assignments, but I expect you to select/write the answers yourself.
- Exams are individual endeavors. You are welcome to read any printed or online resources, but do not consult with any other person (including other students) as you prepare your exam answers. I expect your written answers to be entirely in your own words. Any quotations, even from class materials, should have quotation marks and source citations.

If you have any uncertainty about how the Honor Code applies to a specific deliverable in the course, please ask before taking action; when it is not possible to ask before acting, please err on the side of the most cautious interpretation.

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at [Religious Accommodations Policy \(https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/\)](https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/). Accommodations must be requested within the first two weeks of this course using the [Religious Accommodations Request form \(https://registrar.washington.edu/students/religious-accommodations-request/\)](https://registrar.washington.edu/students/religious-accommodations-request/).”

Background (optional)

If you are unfamiliar with US economic history or would like a refresher, the following are recommended background readings:

- The site below presents an overview of US economic history through the end of the 1990s. Unless you have a particular interest in the 18th and 19th centuries, I suggest that you start with the sub-section "The Postwar Economy: 1945-1960" and continue to the end.

<https://usa.usembassy.de/etexts/oecon/chap3.htm>

- If you would like to learn more about the history of central banking, you might find this recent article interesting:

<https://www.newyorker.com/magazine/2019/08/05/the-invention-of-money>

- For a description of economic conditions leading up to the 2001 and 2008-2009 recessions, see Neil Irwin, "It's Another Rocky August in the Markets. Does It Look Like 1998, or 2007?" [The New York Times](#), August 12, 2019 [pdf posted on Canvas under Readings]

LIST OF TOPICS AND READINGS

The topics and readings given below are subject to change (with prior notice). Each reading should be completed before the date given. All readings are *required* unless otherwise indicated.

- All Chapter references are from the Miles, Scott, and Breedon textbook. Note that I have assigned only a subset of chapter sections.
- Other required readings are available online (posted on Canvas or at the URL given).
- Additional readings may be assigned.

1/7 Introduction to macroeconomics

Chapter 1

1/9 Aggregate supply and aggregate demand

Chapter 11, section 11.8 and pp.269-270

1/14 Measuring GDP

Chapter 2

1/16 Measuring GDP (continued)

Patricia Cohen, "The Economic Growth That Experts Can't Count," New York Times, Feb. 6, 2017

David Leonhardt, "G.D.P. Is Broken, but We Can Fix It," New York Times, December 16, 2019.

Optional: "Top 10 Countries with Most GDP from 1960 to 2017"

<https://www.youtube.com/watch?v=wykaDgXoajc>

Optional: World Happiness Report 2019, <http://worldhappiness.report>

1/21 Determinants of consumption

Chapter 10, sections 10.1-10.2, p. 216, pp. 222-224, sections 10.6-10.7

Betty Joyce Nash, "Shoppers for the long haul: the past, present and future of consumption," Federal Reserve Bank of Richmond Region Focus, v. 14, no. 1. 1st Quarter, 2010, p. 17-19.

<https://fraser.stlouisfed.org/title/3941/item/476947/toc/503445>

1/23 Determinants of investment and net exports

Application case: "Microsoft and Nokia: Manufacturing Leaves China"

Chapter 10, sections 10.8-10.10

Optional: Chapter 19, sections 19.1-19.6

1/28 Phillips Curve

Chapter 15, sections 15.3-15.5

1/30 Business cycles

Chapter 11, sections 11.1-11.5

September 20, 2010 Announcement from Business Cycle Dating Committee, National Bureau of Economic Research, <http://www.nber.org/cycles/sept2010.html>

Robert Samuelson, "Janet Yellen is wrong. Expansions do die of old age," Washington Post, 2/21/16.

2/4 Productivity

Chapter 3, sections 3.3-3.4 only

Optional: Chapter 5

Alana Semuels, "Automation is increasingly reducing U.S. workforces," Los Angeles Times, October 4, 2010.

Danielle Paquette, "Farmworker Versus Robot," Washington Post , February 17, 2019.
<https://www.washingtonpost.com/news/national/wp/2019/02/17/feature/inside-the-race-to-replace-farmworkers-with-robots/>

Application case: "Amazon Go Stores: Effects of Automation on Employment," Debra Glassman, September 2019 [posted on Canvas, be prepared to discuss in class]

2/6 Unemployment

Application case: "Holland America Line and the Great Recession"

Chapter 7, sections 7.1-7.5 (you may skim through the mathematical models in 7.2 and 7.4-7.5)

"What full employment really means," economist.com blog, January 29, 2017

Caitlin Kenney, "Why Do The Jobs Numbers Change?" Planet Money Blog, October 5, 2012
<http://www.npr.org/blogs/money/2012/10/05/162361522/why-do-the-jobs-numbers-change?sc=nl&cc=pmb-20121005>

Neil Irwin, "How Low Can Unemployment Really Go?" New York Times, Feb. 28, 2019.

Optional: Renee Courtois, "The New Normal? Economists ponder whether the 'natural' rate of unemployment has risen," Federal Reserve Bank of Richmond, Region Focus, First Quarter 2010.
http://www.richmondfed.org/publications/research/region_focus/2010/q1/pdf/cover_story.pdf

Optional: Planet Money podcast 392, Aug. 6, 2012, "Keeping the Biggest Secret in the U.S. Economy"

2/11 Inflation

Chapter 12, sections 12.1-12.3 and 12.8-12.9

Chapter 13, section 13.3

Planet Money podcast 222, "The Price of Lettuce in Brooklyn":

www.npr.org/blogs/money/2010/10/22/130757997/the-friday-podcast-the-price-of-lettuce-in-brooklyn

(story starts at about the 3:00 mark of the podcast)

"A Visual Guide to Deflation," from Mint.com and WallStats.com, April 8, 2009 (you do not have to read all the comments) <http://visual.ly/visual-guide-deflation>

If you like this, you can find A Visual Guide to Inflation (optional) at <http://visual.ly/visual-guide-inflation>

2/13 Trade policy

Chapter 8 (sections 8.3 and 8.7 are optional)

Martin Feldstein, "Opinion: The real reason for the trade deficit? Our spending habits," MarketWatch, April 28, 2017, <https://www.marketwatch.com/story/the-real-reason-for-the-trade-deficit-us-2017-04-26>

Optional: Ronald A. Wirtz, "Anti-dumping: The Free-Trade Antacid," The Region, Federal Reserve Bank of Minneapolis, December 2001, <https://www.minneapolisfed.org/publications/the-region/antidumping-the-freetrade-antacid>

2/18 Interest groups and trade policy; economic integration

Read or listen to the following two-part story by Adam Davidson that aired on NPR on November 27 and 28, 2007 (each is about 8 minutes long; the text is also on the website):

Part 1: "World Sock Capital Suffers From Duty-Free Imports,"

<http://www.npr.org/templates/story/story.php?storyId=16661333>

Part 2: "Thriving Honduran Sock Industry May Disappear,"

<http://www.npr.org/templates/story/story.php?storyId=16673310>

Optional: "Planet Money Makes A T-Shirt", December 1, 2013. <http://apps.npr.org/tshirt/#/title>

Chapter 1 of "The European Union: A Guide for Americans", (optional: Chapters 2 and 4)

https://eeas.europa.eu/sites/eeas/files/guide-for-americans_euintheus.pdf

2/20 Introduction to stabilization policy; spending multiplier

Chapter 15, section 15.1 (skip discussion of figures 15.3 and 15.4)

Chapter 10, pp. 242-44; re-visit multiplier part of section 10.2

2/25 Monetary policy 1: banking system and central banks

Chapter 12, sections 12.4-12.6

Chapter 13, section 13.1

Chapter 17

2/25 continued

Optional "A History of Central Banking in the United States," Federal Reserve Bank of Minneapolis."

<https://www.minneapolisfed.org/community/student-resources/central-bank-history/history-of-central-banking>

2/27 Monetary policy 2: money creation; term structure of interest rates

Chapter 16, sections 16.10-16.13

Pradnya Joshi, "Shocks, Recession and 9/11: When the Fed Intervenes," New York Times, March 14, 2017.

Optional: "Happy Fed Independence Day," Planet Money episode 898, March 1, 2019

<https://www.npr.org/sections/money/2019/03/01/699546781/episode-898-happy-fed-independence-day>

3/3 Monetary policy 3: conventional and unconventional policy tools

Chapter 13, sections 13.8, 13.10, and 13.12

Optional: Joseph S. Tracy, "What the Fed Did and Why," speech on June 25, 2010

<http://www.newyorkfed.org/newsevents/speeches/2010/tra100625.html>

Optional: Mark W. Olson, "The Federal Open Market Committee and the Formation of Monetary Policy," speech to the American Council on Gift Annuities, Orlando, Florida, May 5, 2004.

<http://www.federalreserve.gov/boarddocs/speeches/2004/20040505/default.htm>

3/5 Fiscal policy 1

Chapter 14, sections 14.1 and 14.3-14.4

Chapter 15, section 15.2

3/10 Fiscal policy 2

Peter Baker, "Arthur Laffer's Theory on Tax Cuts comes to Life Once More," New York Times, April 25, 2017.

Congressional Budget Office, "The Budget and Economic Outlook," August 2019, "A Visual Summary of An Update to the Budget and Economic Outlook: 2019 to

2029," https://www.cbo.gov/system/files/2019-08/55551-CBO-outlook-update-VisualSummary_1.pdf

Optional: David Wessel, "What we learned from Reagan's tax cuts," Brookings blog, December 8, 2017, <https://www.brookings.edu/blog/up-front/2017/12/08/what-we-learned-from-reagans-tax-cuts/>

Optional: "How Changes in Economic Conditions Might Affect the Federal Budget," try the Interactive Worksheet at <https://www.cbo.gov/publication/54934>

3/12 Fiscal policy 3: Sovereign debt

Chapter 18, sections 18.1-18.6

Martin Wolf, "Greek economy shows promising signs of growth," ft.com, May 19, 2019 [you do not have to read the comments on the article]

Optional: Fernando M. Martin and Christopher J. Waller, "Sovereign debt: a modern Greek tragedy," Federal Reserve Bank of St. Louis Review, September, 2012 - p. 321-340.

<http://research.stlouisfed.org/publications/review/12/09/321-340Martin.pdf>

Optional :(really good, but requires 57 minutes of listening): "Continental Breakup," This American Life, January 20, 2012

www.thisamericanlife.org/radio-archives/episode/455/continental-breakup