Business Economics 501 A/B and C/D
Analysis of Global Economic Conditions
SPRING 2021 SYLLABUS

Prof. Debra Glassman
e-mail: dg2854@uw.edu
Office Hours: Tuesday, 5:00-6:00
TA: Zihao (Darwin) Chen (zchen05@uw.edu) and by appointment

Course Description

This course examines the macroeconomic environment in which firms operate. The goal is for you to understand how macroeconomic forces and policies affect the overall health of a nation’s economy and hence the business decisions that you make. The course will give you the tools to understand the key drivers of economic growth, inflation, unemployment, business cycles, fiscal policy, monetary policy, and trade policy, both in the US and in other countries.

Course Learning Objectives:
The course will help you to:
★ Explain what the headlines do and do not tell us about macroeconomic statistics such as GDP growth, inflation, and unemployment.
★ Understand the press releases from the Federal Reserve’s policy-making committee.
★ Follow debates about the size of the government budget deficit and government debt.
★ Compare and contrast current macroeconomic policies in the US with policies in other major countries and regions, such as China, Japan and the Eurozone.

Remote Instruction Class Format
The course will have live zoom sessions for 2 hours at the scheduled class times (login information will be posted on Canvas under the Zoom link). Following the lecture, Prof. Glassman will stay online for informal Q&A. Zoom sessions will be recorded, and recordings will be available on Canvas (with a delay) under “Panopto Recordings”. Warning: sometimes technical issues make recordings incomplete.

There is a Canvas Module accompanying each class session.
The Modules list asynchronous content:
• Required readings
• Optional readings
• Pre-recorded content in the form of narrated powerpoint decks. Unless otherwise indicated, you are expected to watch the narrated powerpoints before class.
• Required Activities, such as watching a video or posting on a Discussion Board.

Required readings should be completed before class.
Be prepared to discuss “Application Cases” in class.
The Modules also provide links to powerpoint slide decks covered in class (generally posted the day before class).

Course Requirements

<table>
<thead>
<tr>
<th>Activity</th>
<th>Approx. % of final grade</th>
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<tbody>
<tr>
<td>Problem sets</td>
<td>40%</td>
</tr>
<tr>
<td>Final exam (take-home: posted 6/2, due 6/8)</td>
<td>40%</td>
</tr>
<tr>
<td>Group presentation (various dates)</td>
<td>15%</td>
</tr>
<tr>
<td>Class attendance and participation</td>
<td>5%</td>
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Attendance and participation
To get full credit for attendance, you must attend at least 80% of class sessions.
To get full credit for participation, you must contribute* to class at least 6 times during the quarter.

*A participation contribution can take the form of saying something in class or posting a comment on an instructor-created Discussion Board.
**Group Presentations**

There is one group presentation in the course. You can choose your own group of 4-7 students. A sign-up sheet will be available the first week of class. Each group will select one of the topics listed below and prepare a 5-7 minute presentation. The presentation will take place at the beginning of class on the date listed. The presentation must include a slide deck, which should be posted on Canvas in the associated Group Presentation Discussion Board by the due date. Each group should be prepared to answer questions following the presentation.

There will be a single grade for the group. All of the presentation topics illustrate concepts that we cover in this course and the presentations should make reference to those concepts.

Feel free to ask your instructor for research suggestions or for comments on draft presentations.

**Group Presentation Topics and Due Dates (in parentheses)**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Due Dates</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Topic 1</td>
<td>April 12 and 14</td>
<td>What is “green GDP” – what is added to/subtracted from “regular” GDP? Describe the experiences of at least two countries that have tried to measure green GDP.</td>
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<tr>
<td>Topic 2</td>
<td>April 19 and 21</td>
<td>In November 2016, the Indian government announced the demonetization of 500 and 1000 rupee notes. What was the goal of the demonetization, and how was it related to the underground economy? How did demonetization affect India’s GDP and the government’s ability to collect tax revenue?</td>
</tr>
<tr>
<td>Topic 3</td>
<td>April 19 and 21</td>
<td>In March 2020, $1200 stimulus checks were sent out, and $600 stimulus checks were agreed to in December 2020. What do we know about what recipients did with that money – specifically, how much went to consumption and how much went to saving?</td>
</tr>
<tr>
<td>Topic 4</td>
<td>April 26 and 28</td>
<td>The Tax Cuts and Jobs Act, passed in December 2017, cut corporate tax rates. What were the intended effects on business investment? What actually happened to business investment and why?</td>
</tr>
<tr>
<td>Topic 5</td>
<td>April 26 and 28</td>
<td>Why has US productivity growth been low since the Great Recession? Describe some of the explanations that have been proposed. How does low productivity growth affect potential US economic growth in the future?</td>
</tr>
<tr>
<td>Topic 6</td>
<td>May 3 and 5</td>
<td>The US Department of Labor’s unemployment insurance weekly claims reports (also known as “initial jobless claims” or “initial unemployment claims”) have gotten a lot of attention during the pandemic. How is this weekly number calculated? How accurate and how useful is it in describing US labor market conditions?</td>
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<tr>
<td>Topic 7</td>
<td>May 3 and 5</td>
<td>How and why has the US labor force participation rate changed since the Great Recession and as a result of the coronavirus pandemic?</td>
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<td>Topic 8</td>
<td>May 10 and 12</td>
<td>What caused the 2007-2008 hyperinflation in Zimbabwe and what were the effects on the economy? How did Zimbabwe end the hyperinflation? What is the inflation situation today?</td>
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<tr>
<td>Topic 9</td>
<td>May 10 and 12</td>
<td>What caused hyperinflation in Venezuela starting in 2016? What measures has the government taken in response? What are the prospects for inflation in Venezuela in 2021?</td>
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<tr>
<td>Topic 10</td>
<td>May 17 and 19</td>
<td>What determines the value of Bitcoins? Are Bitcoins the same as money? How is the control of the supply of Bitcoins different from the control of the US money supply? How have central banks around the world reacted to crypto-currencies like Bitcoin?</td>
</tr>
<tr>
<td>Topic 11</td>
<td>May 24 and 26</td>
<td>What kinds of US Treasury securities are issued in the primary market? How are new Treasury securities issued? What determines the mix of maturities outstanding?</td>
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<tr>
<td>Topic 12</td>
<td>May 24 and 26</td>
<td>What is the US debt ceiling and why does it exist? What happens when we hit the debt ceiling? What are “extraordinary measures”? What is the current situation regarding the debt ceiling?</td>
</tr>
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Help Sessions and Problem Sets
Darwin will hold help sessions weekly on Sundays from 11 to noon. Zoom links will be posted on Canvas.
The help sessions are optional, but they are strongly encouraged. Darwin 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. Problem sets will
be posted on Fridays (except for #6) and due one week later. Here is the schedule:

<table>
<thead>
<tr>
<th>Problem Set Number</th>
<th>Date posted</th>
<th>Date due (at 11:59 pm)</th>
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<tbody>
<tr>
<td>1</td>
<td>April 9</td>
<td>April 15</td>
</tr>
<tr>
<td>2</td>
<td>April 16</td>
<td>April 22</td>
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<tr>
<td>3</td>
<td>April 30</td>
<td>May 6</td>
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<td>4</td>
<td>May 7</td>
<td>May 13</td>
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<tr>
<td>5</td>
<td>May 14</td>
<td>May 20</td>
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<tr>
<td>6</td>
<td>May 25 (Tuesday)</td>
<td>May 31</td>
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Problem set 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 under “Assignments.”

Final exam
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.

Submission policies
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:

The other required readings are either posted on Canvas (in the Readings Module) or are readily available online (URLS listed). Additional readings may be provided on Canvas.

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, assignments, class recordings, 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.
This class has both Monday and Wednesday sections. In the event of conflicts with career events or interviews, you may attend the section in which you are not registered. However, this is expected to happen only occasionally. In addition, you will only get credit for participation 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. Keep your video on during class sessions and only use your electronic devices for class-related activities. 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/writing/plag.html](http://depts.washington.edu/writing/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/). 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/).
SCHEDULE OF TOPICS, READINGS, AND ASYNCHRONOUS ACTIVITIES

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.
- The Canvas modules indicate which readings are for Tuesday and which for Thursday.
- Links for narrated powerpoints and activities are in the Canvas modules.

Week 1

Introduction to macroeconomics
Aggregate Supply and Aggregate Demand

Reading:

Textbook, Chapter 1

Chapter 11, pp. 269-270 and section 11.8

Optional reading:

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


Activity – watch video (any time in first week):

Course Learning Goals

Watch narrated powerpoint recordings (view before class):

Aggregate supply and aggregate demand 1
Aggregate supply and aggregate demand 2
Aggregate supply and aggregate demand 3
Aggregate supply and aggregate demand 4
Week 2  
**Business cycles**  
**Measuring GDP**

**Reading:**

Chapter 11, sections 11.1-11.5  

Chapter 2  


**Optional reading:**


“Top 10 Countries with Most GDP from 1960 to 2017”  
[https://www.youtube.com/watch?v=wykaDqXoajc](https://www.youtube.com/watch?v=wykaDqXoajc)


**Watch narrated powerpoints:**

Business cycles 1

Business cycles 2

Introduction to the Federal Reserve 1 (can be watched either before or after class)

Introduction to the Federal Reserve 2 (can be watched either before or after class)

**Activity:**

The Keynesian and Austrian schools are two of the schools of thought in macroeconomics. Economists at George Mason University imagined a debate between John Maynard Keynes and Friedrich Hayek and made a music video about it. The subject of the debate is whether government spending helped end the Great Recession.

1. Watch the video. You can find it on YouTube at [https://www.youtube.com/watch?v=GTQnarzmTOc](https://www.youtube.com/watch?v=GTQnarzmTOc)

2. Think about: Who won the debate? What similarities to the current situation do you see?
Week 3

Components of GDP – consumption
Components of GDP – business investment and net exports

Reading:

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

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

Chapter 10, sections 10.8-10.10


Optional reading:

Chapter 19, sections 19.1-19.6

Watch narrated powerpoints:

For Thursday: Investment-saving relationship
For Thursday: Inventory investment
For Thursday: Determinants of NX

Activity:

Contribute to the Discussion Board about double-dip recessions.

Week 4

Productivity
Measuring unemployment

Reading:

Chapter 3, sections 3.3-3.4 only

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


Optional reading:

Chapter 5


Watch narrated powerpoints:

Productivity 1

Productivity 2

For after class: Unemployment 1 and Unemployment 2

Activity:

Contribute to the Discussion Board about what kinds of jobs can be automated.

Activity:

Watch this YouTube video of harvesting nuts using tree-shaking machines: "Walnut Harvest at Bella Viva". While you are welcome to watch the whole video, you only need to watch the first two minutes.

The tree-shaking machines replaced unskilled workers who previously harvested walnuts by hand using ladders and buckets (displacement effect). What jobs are created by the advent of the tree-shaking machines? Identify both jobs created by the productivity effect and jobs created by the reinstatement effect.
Week 5  
**Unemployment, cont’d**

**Inflation**

**Reading:**

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”:  
(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](http://visual.ly/visual-guide-deflation)


Optional:

Planet Money, podcast “Inflation, deflation,” July 1, 2020  
[https://www.npr.org/2020/07/01/886036317/inflation-deflation](https://www.npr.org/2020/07/01/886036317/inflation-deflation)

**Watch narrated powerpoints:**

Introduction to inflation

For after class: Inflation 1 and Inflation 2

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Week 6  
**Phillips Curve**

**Introduction to stabilization policy and the spending multiplier**

**Reading:**

Chapter 15, section 15.1 (skip discussion of figures 15.3 and 15.4), sections 15.3-15.5

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

**Watch narrated powerpoints:**

Introduction to the Phillips Curve

For before or after class: Schools of thought on stabilization policy

**Activity:**

Monetary policy is the stabilization policy run by the central bank. As preparation for the topic of monetary policy, here is a game that you can play to simulate running the Federal Reserve:  

Recall that the Fed has a dual mandate; maximum employment and price stability. In the game, you win by achieving those two goals using just one policy tool - changing the interest rate (specifically, the short-term rate called the Federal Funds rate). The Federal
Reserve chairman has a 4-year term, so that is the length of the simulation. The 'prize' for winning is being re-appointed to another 4-year term. [Note: your professor has never won the game, but each quarter a few students succeed.]

Think about: what real-life features of macroeconomics are illustrated in the Fed chairman game?

**Session 7  Monetary policy – commercial banks and central banks**

**Reading:**

Chapter 12, sections 12.4-12.6

Chapter 13, section 13.1

Chapter 17

Planet Money, "Journey to the Center of the Fed," May 8, 2020,
https://www.npr.org/2020/05/08/852895616/episode-998-journey-to-the-center-of-the-fed

**Optional:**

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

**Watch narrated powerpoints:**

Functions of money

Term structure of interest rates

Central banks in history

US bank regulation

**Activity:**

There are movie depictions of bank runs in *It's A Wonderful Life* and *Mary Poppins*. I am fond of the latter, and I would like you to watch the bank run scene. It is available on Youtube at this link:

https://www.youtube.com/watch?v=xE5klz0yUT0

Questions for you to think about:

What caused the run on the bank? Does the movie version have any similarities to real-life, modern-day bank runs?

How did the bank in the movie try to stop the bank run? Was there anything else they could have tried?
Week 8

Monetary policy - money creation; conventional and unconventional policy tools

Reading:

Chapter 16, sections 16.10-16.13


Chapter 13, sections 13.8, 13.10, and 13.12

Optional:


[Links to an external site.]


Watch narrated powerpoints:

Forward guidance

Abenomics

Eurozone monetary policy

Activity:

When Alan Greenspan was nearing the end of his term as Federal Reserve chairman, two of the main contenders for his job were Ben Bernanke and Glenn Hubbard. Ultimately, Bernanke was chosen and Hubbard got the consolation prize of becoming dean of the Columbia Business School. (Note: Bernanke and Hubbard were also competitors in the textbook market, as both had authored popular macroeconomics texts.)

At Columbia, MBA students have a tradition of presenting end of year skits. Below is a music video they produced about their dean’s competition with Bernanke. What macroeconomic concepts are referenced in this video?

https://www.youtube.com/watch?v=3u2qRXb4xCU
Week 9
Monetary policy today
Fiscal policy 1

Reading:


Chapter 14, sections 14.1 and 14.3-14.4

Chapter 15, section 15.2


Optional reading:


Watch narrated powerpoint:

Balanced budget multiplier

Activity:

Contribute to the Discussion Board about the most recent FOMC press release.
Week 10  Fiscal policy 2

Reading:

Chapter 18, sections 18.1-18.6


Optional reading:


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]


“Continental Breakup,” This American Life, January 20, 2012 (really good, but requires 57 minutes of listening) www.thisamericanlife.org/radio-archives/episode/455/continental-breakup

Watch narrated powerpoints:

Supply-side economics

Greek debt 1

Greek debt 2

Activity:

One of my favorite Yoram Bauman routines is about fiscal policy. Here it is: https://www.youtube.com/watch?v=cW9dxFrAk-I