



QUINLAN
SCHOOL of BUSINESS

Schreiber Center • 16 E. Pearson St.
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ECON 421: Business Fluctuations Fall 2016

Lecture: Tuesdays 6:00-9:00 pm, Schreiber Center, Room 605

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Office Hours: Tuesdays and Wednesdays, 4:15-5:45 pm

▪ **Course Description**

This course analyzes the impact of the economic environment on the firm. Topics include national income accounting, factors in economic fluctuations and growth, fiscal and monetary policies, economic forecasting, the effects of foreign trade and balance of payments on economic activities, economic indicators and measures and problems of public policy. Prerequisites: Econ 420.

▪ **Course Overview**

Econ 421 is a Macroeconomics course for MBA students, with a specific focus on short term issues. The objectives of this course are two-fold: first, it provides an introduction to the most important macroeconomic concepts and develops a simple model that allows students to understand how monetary and fiscal policy affect economic activity. Second, students use the model developed in class to assess the efficacy of the actions implemented by policymakers aimed at tackling economic fluctuations.

▪ **Course Objectives and Learning Outcomes**

After taking this course, the students will be able to:

- Measure the main macroeconomic variables and have a clear knowledge of their inter-relationships.
- Determine the main historical properties of business cycles fluctuations and identify the most important co-movements.
- Have a practical understanding of how fiscal and monetary policies are implemented, and assess their effectiveness and limitations.

- Develop a simple, yet widely-used framework for macroeconomic analysis.
- Identify the major differences between the classical and Keynesian approaches to macroeconomic policy, and participate in the macroeconomic policy debate.
- Assess the challenges faced by the current Social Security system and discuss potential solutions.

▪ Required Materials

Textbook: Abel, Bernanke and Croushore. *Macroeconomics*. Pearson, 9th edition. The ISBN for the book is 0-13-416739-6. The textbook is available at the Water Tower Campus University Bookstore and can also be purchased online.

More information on how to purchase the textbook, including the electronic version, can be found at the publisher's website: <http://www.mypearsonstore.com/bookstore/macroeconomics-plus-myeconlab-with-pearson-etext-access-9780134467221>.

Additional readings: Handouts, class notes and articles from journals and magazines will be posted on the class website in Sakai. In some instances, they might also be distributed in class. The class website will be the most important tool to communicate announcements, materials and anything related to this class. You will be responsible for all material posted in the webpage. Please check it at least once a week.

▪ Course Requirements and Grading Criteria

Exams and Quizzes: There will be a midterm and a final exam. Between exams, there will also be two shorter quizzes. While the midterm and final exams will be cumulative (in the sense that they will include the material covered in the first and second halves of the quarter, respectively), the quizzes will only cover the materials of the two preceding class sessions.

As per Quinlan School of Business policy, there will be **no make-up dates** for exams and quizzes. Only under very extreme circumstances (such as an illness verified by a signed physician's note, death in the family, subpoenas, jury duty, military service, bereavement, or religious observance) an exception will be granted.

Group Presentations: Students will form groups of 3 members to work on a project that deals with a macroeconomic topic or issue. A list of potential ideas for presentations will be provided, but students should not feel limited to pick those topics. However, if a topic falls outside that list, then it must be discussed and approved by me.

Students will make a 20-minute presentation of their findings during the final weeks of the quarter. Given that the time for your presentation is limited, you should pick a topic that is narrow and focused. One good way to determine if your topic is narrow and focused enough is if you can formulate it as a question (or questions) that can be written in no more than two lines.

The starting date of the presentations will depend on the number of groups formed, which in turn depends on class enrollment. We will have three presentations in the final class (November 1, Week 10). If there are more than three groups, we will have one additional presentation per class working backwards (for example, if there are 6 groups, presentations will start on Week 7, so that there is one presentation on Weeks 7, 8 and 9 each, and three on the final week).

Groups and topics must be formed by September 13 (Week 3) at the latest. Groups can notify me of their members and topic either in class or by email. Groups can also choose when they want to present. If two or more groups want to present on the same date, presentation dates will be decided by a draw. Once presentations dates are determined, they will be considered a commitment and cannot be changed. The schedule of presentations will be posted in Sakai.

Finally, attendance to other groups' presentations is expected. Moreover, presentation grades will be determined jointly by me and the students in the class (a sheet with grading criteria will be circulated and used).

Class Participation: I strongly believe that the best courses are the ones with substantial student input. Thus, you are expected to come to class fully prepared and willing to participate in class discussions. Although the class format is mostly lecture-based, class participation is greatly valued and encouraged, and will make the difference between a good grade and a superior one. Similarly, please feel free to ask questions if my explanations are not clear or if I am covering the material too quickly.

Practice Exercises: Each week I will also suggest a list of exercises that should help you prepare for the exams and quizzes. The exercises will not be graded but will I will post the answer keys on Sakai.

▪ **Grade Distribution:**

<i>Requirement</i>	<i>Weight</i>	<i>Date</i>
Quizzes	12% each	September 13 and October 4 (in class, approx. 20 minutes)
Midterm exam	24%	September 27 (in class, 1.5 hours)
Final exam	24%	November 1 (in class, 1.5 hours)
Group presentation	20%	TBD, depending on class enrollment
Class participation	8%	Throughout the quarter

▪ **Attendance and Classroom Conduct**

Class attendance and participation are fundamental components of learning, therefore punctual attendance at all classes, for the full class meeting period, is expected of Quinlan students.

In the event unavoidable emergencies or conflicts prevent you from attending class, you must notify the instructor and program director by e-mail prior to missing the class, and request options for covering missed material. Most of the subjects in a course are sequential. Therefore, it is important to understand the material covered in the missed class before the next class.

Students are expected to behave in a professional manner, one that does not distract others. Please turn off cell phone ringers while in class and office hours. Laptops and tablets (with muted volume) should only be used for note-taking during class time.

▪ **Academic Integrity**

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood. Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result

minimally in the instructor assigning the grade of “F” for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website: <http://www.luc.edu/media/lucedu/quinlanschoolofbusiness/pdfs/Honor-Code-Quinlan-July2012.pdf>

▪ **Course Outline**

The outline below is tentative and subject to change depending on class discussion and interest. We will aim to cover one topic per class, but in some instances a topic will require more than one session to finish.

Each topic will be complemented with readings from magazines and journals. In order to keep the readings in line with current events, they will be posted online at the start of the week of the corresponding class session.

Topic 1

Introduction to Macroeconomics (Chapter 1)

Macroeconomic Data: Measurement of the key macroeconomic variables (Chapter 2)

Business Cycles (Chapter 8, skip section 8.4)

Topic 2 (Chapters 4.1, 4.2 and 4.A)

Consumption, Saving and Investment

Topic 3 (Chapter 3, skip section 3.6)

Productivity, Output and Employment

Topic 4 (Chapter 15)

Fiscal Policy, Government Spending and the Government Budget

Topic 5 (Chapters 7, 9.3, 14.1 and 14.2)

Money, the Federal Reserve System and Monetary Policy

Topic 6 (Chapter 9)

Macroeconomic Analysis: the IS-LM/AS-AD Framework

Topic 7 (notes and articles)

Social Security Programs

PAYGO versus Fully-Funded Programs

Challenges faced by the United States Social Security Program

Topic 8 (if time permits)

Classical versus Keynesian Approaches (Chapters 10 and 11)

The Unemployment/Inflation “Trade-Off” (Chapter 12)

Monetary Policy in Practice (Chapter 14.3-14.4)

Rules versus Discretion (Chapter 14.5)