Class Information:
Assistant Professor Julián P. Díaz
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Office Hours: Tue and Wed 4.00-5.45 pm, and by appt.

ECON 421 (001): Business Fluctuations, Fall 2014
Wednesdays 6.00-9.00 pm, Maguire Hall Room 110

Course Overview
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.

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 interrelationships.
- 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.
- Discern 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.
- Understand the causes and implications of the recent economic recession in the United States and of the crisis in the Eurozone.
Class Expectations

Please turn off cell phone ringers while in class and office hours. Laptops and tables (with muted volume) should only be used for note-taking during class time.

Class participation is greatly valued and encouraged. I strongly believe that the best courses are the ones with substantial student input. Similarly, please feel free to ask questions if my explanations are not clear or if I am covering the material too quickly.

Course Requirements and Grading Criteria

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. The grade distribution is:

- Quizzes: September 10 and October 15 (in class, approx. 25-30 minutes)-- **15%** each
- Midterm exam: September 24 (in class, 1.5 hours) -- **35%**
- Final exam: October 29 (in class, 1.5 hours) -- **35%**

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.

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.

Required Materials

**Textbook:** Abel, Bernanke and Croushore. *Macroeconomics*. Pearson, 8th edition (2013). The ISBN for the book is 0-13-299228-0. The textbook is available at the Water Tower Campus University Bookstore and can also be purchased online.

**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 OUTLINE

Note that 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** (Chapters 1, 2, 3.5 and 8, skip 8.4)
Introduction to Macroeconomics
Macroeconomic Data: Measurement of the key macroeconomic variables
Business Cycles

**Topic 2** (Chapters 4.1, 4.2 and 4.A)
Consumption, Saving and Investment

**Topic 3** (Chapter 15)
Fiscal Policy, Government Spending and the Government Budget

**Topic 4** (Chapters 7, 9.3, 14.1 and 14.2)
Money, the Federal Reserve System and Monetary Policy

**Topic 5** (Chapters 9, 10, 11)
Macroeconomic Analysis: the IS-LM/AS-AD Framework
Classical versus Keynesian Approaches

**Topic 6** (Chapter 12 and 14.3)
Macroeconomic Policy in Action
The Unemployment/Inflation “Trade-Off”
Monetary Policy in Practice
Rules versus Discretion

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**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.

The Quinlan School of Business has an Honor Code and all students are expected to abide by it. Please see: [http://luc.edu/media/lucedu/quinlan-graduate/pdfs/Honor-Code-Quinlan-July2012.pdf](http://luc.edu/media/lucedu/quinlan-graduate/pdfs/Honor-Code-Quinlan-July2012.pdf) for specific definitions and details.
**Topic 7** (notes and articles, if time permits)
Social Security Programs
PAYGO versus Fully-Funded Programs
Challenges faced by the United States Social Security Program

**Topic 8** (Chapter 15 and notes, if time permits)
The Open Economy
The Eurozone Crisis