

**The Kellstadt Graduate School of Business
DePaul University**

ECO 502 – Analysis of Business Condition

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Office Hours: Saturdays 2:30-3:30 or by appointment (via Zoom)

Special note: This syllabus is for the online “hybrid” format of the class as due to the pandemic.

Goal of this course: Macroeconomic environment and policies heavily influence business conditions and decisions. So, making right decisions requires a sound knowledge of workings of the macroeconomy. This condensed 5-week course highlights and explores key macroeconomic relationships and policy issues ranging from business cycles (boom and recession), financial crisis, productivity and growth, wage inequality, inflation, unemployment, financial markets, foreign exchange rates, to international trade and capital. We use basic theoretical frameworks to study how the economy works and their application to actual economic events such as the 2007-2009 global financial crisis or the global pandemic.

Prerequisites

There are no prerequisites. This course is highly analytical, but the level of mathematics will be kept at the minimum (elementary algebra).

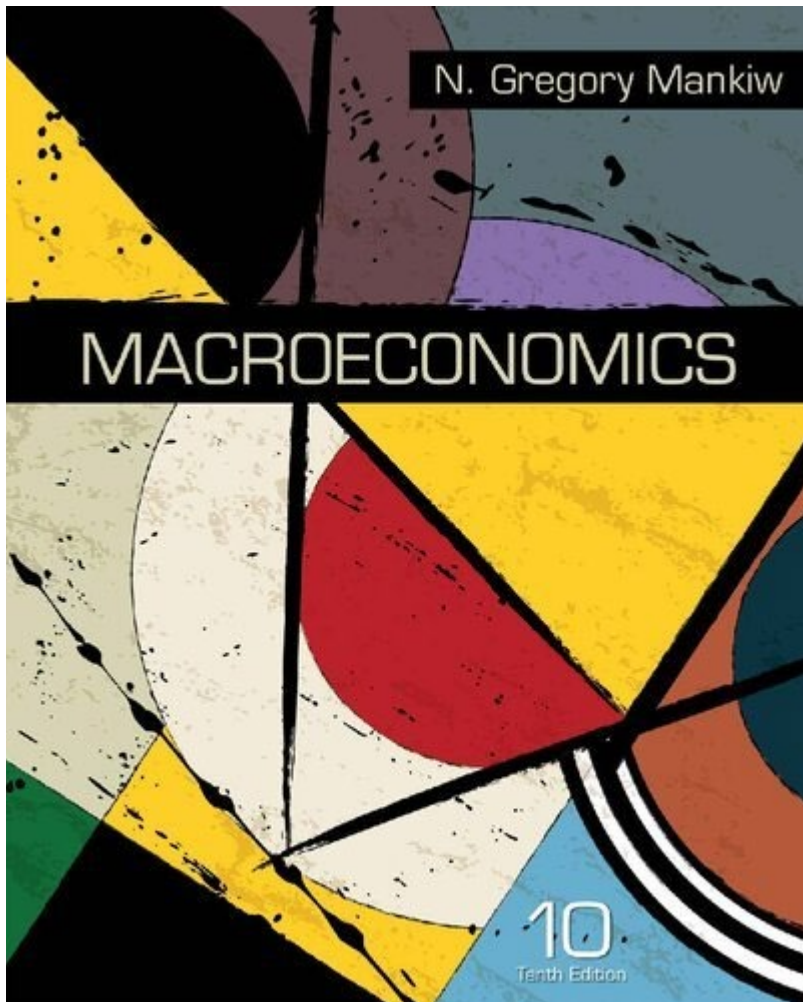
Course Materials

Many chapters in Mankiw textbook will serve as basic readings, which will be supplemented with lecture notes and articles. Also, we extensively cover the U.S. and international data.

- (a) **Recommended Textbook:** N. Gregory Mankiw, **MACROECONOMICS**, 10th edition, Worth Publishers: New York, 2019.
You may use any version (e-book, looseleaf, etc.) or any previous editions (8th or 9th).
- (b) **Lecture slides/class handouts** will be posted in D2L on a regular basis (<https://d2l.depaul.edu/>).
- (c) **Reading Materials:** the URLs (weblinks) for reading materials are provided in this syllabus (simply click on the title of the article). These reading materials would

reinforce your understanding of the topics we cover in class, and some of them will be discussed in class. For the exams, however, only the materials covered in class is exam-relevant.

FYI, Textbook cover



Course Requirements

It is very important to closely follow lectures (online), since the materials covered in lectures form the core of the course.

There will be 2 requirements: 2 bi-weekly take-home quizzes and 1 final take-home exam

(1) 2 Bi-weekly short quizzes will be assigned (open-book test). Each quiz will be primarily based on the materials covered in the previous 2 weeks (the quiz is relatively short, compared to the exam). Further details will be provided in advance.

(2) 1 Final take-home exam (open-book test): You will have plenty of time to work on your exam, so your works are expected to be very well-organized and well-written. Tentatively, the final take-home exam will be available on Nov 6 and due on Nov 15 (to be confirmed later).

Grading: Course grade will be determined by 2 bi-weekly quizzes (30%=2*15%) and final exam (70%).

Grading Scale: A=94% and above; 88%≤A<94%; 82%≤B+<88%; 77%≤B<82%; 72%≤B- <77%; 67%≤C+<72%; 63%≤C<67%; 59%≤C- <63%; 56%≤D+<59%; 53%≤D<56%; 50%≤D- <53%; and F<50%.

General policy

You should be aware of and abide by the University's policy on academic integrity (<http://academicintegrity.depaul.edu>). Also, the instructor reserves the right to change the topics or schedules if necessary.

Makeup Exams

In cases of severe illness or other extreme circumstances, a student may request a makeup exam. You must inform me of and obtain permission for the absence prior to the exam time, and provide appropriate documentation. I reserve the right to investigate the legitimacy of the request and to assess a grade penalty, or to award a grade of zero if proper procedure is not followed.

Desire2Learn (D2L)

All class material will be posted on D2L (<https://d2l.depaul.edu/>). All communication will be through D2L, although I will make announcements in class and occasionally send emails as needed. "I DIDN'T CHECK D2L" will not be a valid excuse for missing announcements or assignments

Special Notice on Online Class, Discussions, and Emails

(1) The course will be delivered as "**hybrid**" online, which is combination of asynchronous and synchronous lectures.

(a) Synchronous part: We will meet up virtually for 90 minutes at a set time and days, as you would do with live ZOOM: **Set 11, Sept 25, Oct 9, Oct 23, Nov 6 (from 1:00pm to 2:30pm)**

(b) Asynchronous part: I will deliver the other 90-minute portion of a weekly lecture via pre-recorded format (which would be posted in D2L).

(2) To facilitate individual students' questions and concerns, I will hold a virtual office hour so that we can connect in real time via live ZOOM.

(3) Both bi-weekly quizzes and final exam will be take-home exams (open-book test). Further details will be provided in advance before the exam is assigned and posted in D2L.

(4) In addition to my recorded lecture (which will be the main medium of delivering the lecture), I will post the regular lecture slides (that I call class handouts) in D2L.

(5) Check the D2L frequently, especially "news items" and "contents", where I post new announcement and class materials for the class, respectively.

D2L will be key source of information about the class and course materials.

(6) Please read the Zoom instruction to make yourself familiar with it so that it comes handy whenever you need it.

(7) For general questions about the lecture materials and others, you are encouraged to use "Discussions" in D2L, while reserving the email correspondences only for discussions of personal matters/concerns.

SCHEDULE

* This is only tentative and may have to be modified if necessary.

Sept 11: Overview of the US and World Economy, National Income Accounts and Macroeconomic Indicators

Sept 25: National Income, and Unemployment; Productivity and Growth

Oct 9: Balance of Payment Systems; Financial Markets
and [1st bi-weekly quiz](#)

Oct 23: Money and Inflation; Business Cycle: Aggregate Demand and Aggregate Supply

Nov 6: Business Cycle: Aggregate Demand and Aggregate Supply
and [2nd bi-weekly quiz](#)

[Final take-home exam will be available Nov 6 and due Nov 15 \(to be confirmed later\)](#)

[Suggested Reading List](#) (* indicates a more important reading)

1. Overview of the US and Global Economy and Macroeconomic Indicators

Readings: *Lecture note and *Mankiw, chapter 2.

- The Global Pandemic and U.S. and World Economic Outlook

[“Federal Reserve issues FOMC statement,”](#) Federal Reserve Board, July 27-28, 2021, and Quarterly Economic Projections on June 16, 2021.

[“Recent Economic and Financial Developments,”](#) Monetary Policy Report to The Congress by the Federal Reserve Board, July 9, 2021.

- Latest debates on the U.S. economy

*[“The Biden Stimulus Is Admirably Ambitious. But It Brings Some Big Risks, Too,”](#) Lawrence Summers, Washington Post Feb 4, 2021.

[“Inflation Fear Lurks, Even as Officials Say Not to Worry,”](#) New York Times, March 10, 2021.

[“Making Sense of Elevated Stock Market Prices,”](#) Robert Shiller, New York Times, March 5, 2021.

- Policy Response to the Pandemic

[“Federal Reserve Announces Extensive New Measures to Support the Economy,”](#) Federal Reserve Board, March 23, 2020.

[“What's in the nearly \\$2 trillion U.S. Senate Coronavirus Stimulus?”](#) Reuters, March 24, 2020.

- Major Sources of Macroeconomic Data

The U.S. economy

[FRED \(federal reserve economic data\) by St. Louis Fed](#)* (this is an excellent comprehensive database including US GDP, labor, trade, interest rates, exchange rates as well as international data)

[Bureau of economic analysis](#) (US GDP, international trade and balance of payment, etc)

[Bureau of labor statistics](#) (US unemployment, CPI, etc)

[Congress budget office](#) (US budget and economic data)

International data

[OECD \(Organization for Economic Cooperation and Development\) Statistics*](#)

[IMF \(International Monetary Fund\) World Economic Outlook database](#)

[World Bank's World Development Indicators*](#)

[Penn World Table 10.0 \(2021\)](#)

[World Trade Monitor by Netherland CPB](#) (monthly world trade volume data)

2. National Income, Unemployment, Productivity and Growth, (and the Balance of Payments System, if time permits)

- National Income

Readings: *Lecture note and *Mankiw, chapter 3

[“Pent-Up Savings during the Pandemic,”](#) Goldman Sachs, Feb 15, 2021.

[“Spendthrift Nation,”](#) FRBSF Economic Letter, Nov. 10, 2005.

- Wage Inequality, Skill-Biased Technological Progress, Automation, and Trade

[“Work of the Past, Work of the Future,”](#) David Autor, American Economic Review, May 2019.

[“Are Workers Losing to Robots?”](#) Sylvain Leduc and Zheng Liu, FRBSF Economic Letter, Sept 30, 2019.

[“Middle-Class Economics: The Role of Productivity, Inequality and Participation,”](#) Economic Report of the President, Feb 2015.

* [“Economic Inequality in the United States,”](#) Janet Yellen, FRBSF Economic Letter, Dec 1, 2006.

- Unemployment

Job Loss, Job Finding, and the Natural Rate of Unemployment

Job Search and Frictional Unemployment

Wage Rigidity (minimum wage, labor unions, efficiency wage), and Structural Unemployment

Readings: *Lecture note and *Mankiw, chapter 7

[“Why Is Unemployment Currently So Low?”](#) Marianna Kudlyak and Mitchell G. Ochse, FRBSF Economic Letter, March 2, 2020.

- Productivity and Growth - Sources of Economic Growth

Readings: *Mankiw, Appendix to Chapter 8

[“Is Slow Still the New Normal for GDP Growth?”](#) John Fernald and Huiyu Li, FRBSF Economic Letter, June 24, 2019.

[“The Global Growth Slump: Causes and Consequences,”](#) John Williams, FRBSF Economic Letter, July 3, 2017.

*[“Chapter 2. Productivity Growth,”](#) in Economic Report of the President, 2007, pp.45-62.

- Budget Deficits, Current Account Deficits, and The US Dollar: Is the US Current Account Deficit Sustainable? Back to Twin Deficits? (only if time permitting)

Readings: Lecture note and *Mankiw, chapter 6

*[“The Great Thrift Shift”](#), The Economist, Sept 24, 2005

[“The US Capital Account Surplus,”](#) in Chapter 6 of Economic Report of the President, Feb 2006, pp. 125-147.

*[“Chapter 2: Whatever Happened to the Twin Deficits?”](#) in Catherine Mann, Is the U.S. Trade Deficit Sustainable?, Institute for International Economics, September 1999.

3. Money and Inflation and Financial Markets

- Money, Inflation, and Interest Rates

Readings: * Lecture note and *Mankiw, chapter 5

"[Global Inflation: That 60s Show](#)," Economic Research Note, JPMorgan Chase Bank, March 14, 2008.

"[The Biden Stimulus Is Admirably Ambitious. But It Brings Some Big Risks, Too](#)," Lawrence Summers, Washington Post Feb 4, 2021.

- The Fed, Money Supply, and Monetary Policy Tools

Readings: Lecture note and Mankiw, chapter 4

"[The Puzzle of Low Interest Rates](#)," Gregory Mankiw, New York Times, Dec 4, 2020.

*"[Why Are Interest Rates So Low?](#)" Ben Bernanke, Mar 30 and 31, Apr 1 and 13, 2015.

"[What Tools Does the Fed Have Left?](#)" Ben Bernanke, Mar 18 and 24, Apr 11, 2016.

"[Quantitative Easing for the People](#)," John Muellbauer, Project Syndicate, Nov 5, 2014.

- Bond Market, Interest Rates, and Stock Market (only if time permits)

Readings: * Lecture note

*"[Long-Term Interest Rates](#)," Ben S. Bernanke, March 1, 2013.

"[Trendspotting in Asset Markets](#)," The Royal Swedish Academy of Sciences has decided to award The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel for 2013 to Eugene Fama, Lars Hansen, and Robert Shiller, October 14, 2013.

- Foreign Exchange Rates: Uncovered/Covered Interest Parity and PPP (purchasing power parity) (only if time permits)

Readings: * Lecture note

"[Currency Market and Exchange Rates](#)," in Chapter 7 of Economic Report of the President, Feb 2007, pp.149-166.

- Bond Pricing, and Risk and Terms Structure of Interest Rates (only if time permits)

"[Information in the Yield Curve about Future Recessions](#)," Michael D. Bauer and Thomas M. Mertens, FRBSF Economic Letters, August 27, 2018.

"[\(Don't Fear\) the Yield Curve](#)," Engstrom, Eric, and Steve Sharpe, FEDS Notes, Federal Reserve Board of Governors, June 28, 2018.

4. The Economy in the Short Run: the Business Cycle

- Aggregate Demand and Aggregate Supply

Readings: * Lecture note and *Mankiw, chapter 10.

*[“The US Business Cycle Expansions and Contractions,”](#) NBER Business Cycle Dating Committee.

[“Will the Economic Recovery Die of Old Age?”](#) Glenn Rudebusch, FRBSF Economic Letter, Feb 4, 2016.

*[“Learning from a Century of US Recessions,”](#) US Economics Analyst, Goldman Sachs, Jan. 20, 2019.

[“U.S. Resilience,”](#) Goldman Sachs, January 11, 2021.

- 2007-09 Financial Crisis and Great Recession

[“Financial Panic and Credit Disruptions in the 2007-09 Crisis,”](#) Ben Bernanke, Sept 13, 2018.

[“The housing bubble, the credit crunch, and the Great Recession: A reply to Paul Krugman,”](#) Ben Bernanke, Sept 21, 2018.

- The Great Depression in the 1930s, Today’s Japan and Europe Problem, and the 2007-09 Great Recession, and the Global Pandemic

Readings: * Lecture note and Mankiw, chapter 11 and 12

- The Japan’s Great Economic Stagnation

*[“Japan’s Stimulus Plan Is Not Courageous But Foolhardy,”](#) Financial Times, William White November 20, 2014

*[“Printing Money to Fund Deficit Is the Fastest Way to Raise Rates,”](#) Financial Times, November 10, 2014, Adair Turner

[“Preventing Deflation: Lessons from Japan’s Experience in the 1990s,”](#) The Federal Reserve Board, Discussion Paper, No. 729, June 2002.

- Policy Response to the Global Financial Crisis and the Pandemic

*[“The Federal Reserve's Response to the Financial Crisis,”](#) Ben Bernanke, March 27, 2012.

*[“Can Government Spending Help to Escape Recessions?”](#) Regis Barnichon, Davide Debortoli, and Christian Matthes, FRBSF Economic Letter, Feb 1, 2021.

[“Fiscal Follies in the COVID Recovery,”](#) Daniel Gros, Project Syndicate, March 5, 2021.
[“Rethinking Macro Policy II: Getting Granular,”](#) Olivier J. Blanchard, Giovanni Dell’Ariccia, Paolo Mauro, April 15, 2013.

- Role of Monetary in a Changing World

[“Unemployment: Lower for Longer?”](#) Nicolas Petrosky-Nadeau and Robert Valletta, FRBSF Economic Letter, Aug 19, 2019.

[“The NAIRU in Theory and Practice,”](#) Laurence Ball and N. Gregory Mankiw, Working Paper, Harvard University, April 2002.

- Fiscal Policy, Budget Deficits, and Government Debt

[“Comment: Is There a Role for Discretionary Fiscal Policy?”](#) Martin Feldstein, Presented at a symposium sponsored by Kansas Fed, Jackson Hole, Wyoming, August 2002.

[“Has austerity gone too far?”](#) Giancarlo Corsetti, 2 April 2012

[“A Debt Crisis Is on the Horizon”](#), By Michael J. Boskin, John H. Cochrane, John F. Cogan, George P. Shultz and John B. Taylor, Washington Post, March 27, 2018.

*[“A Debt Crisis Is Coming. But Don’t Blame Entitlements,”](#) Martin Neil Baily, Jason Furman, Alan B. Krueger, Laura D’Andrea Tyson and Janet L. Yellen, April 8, 2018.

[“Public Debt and Growth,”](#) Manmohan Kumar and Jaejoon Woo, IMF Working paper, July 2010.

[“The 2021 Long-Term Budget Outlook,”](#) Congressional Budget Office (CBO), March 4, 2021.