

Executive MBA Program
Markets and the Economy (B5008)
Spring 2023

INSTRUCTOR

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TEACHING ASSISTANT (TA)

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Review sessions: TBD

COURSE DESCRIPTION

This course focuses on how firms relate to the broader economic environment, and it serves as a bridge in the economics sequences between Managerial Economics and Global Economic Environment. In Managerial Economics we analyzed decisions based on information specific to the individual firm, such as cost and demand, and the strategic interaction between a small number of firms when those firms wield market power. In this course we expand the analysis to the broader economic environment in which multiple firms are operating simultaneously, and we focus on how the economic environment affects business decisions.

We begin by examining different indicators of economic health and how they relate to the collective behavior of businesses, households, and governments, which define an aggregate economic system. We then focus on the forces that drive long-term trends in the global economy. Some of the questions we examine include: What is the impact of different macroeconomic forces on the global labor market and income inequality? How can we forecast the growth rate of the global economy? Why do some economies grow much more rapidly than others, and how can we forecast the next emerging market miracle? How do government policies such as taxes and regulations affect individual firms and the overall economic system?

Our discussion builds on the analysis of competitive markets that studies how prices and quantities are determined, how future prices evolve, and how these are affected by changes in various policies, such as minimum wage, rent control, immigration, and taxes. This analysis touches on the different forces that interfere with the efficient operations of markets, such as imperfect information, adverse selection, externalities, and public goods. These market failures are crucial for both the understanding how markets operate as well as the social responsibilities of business leaders.

This course develops a toolkit and sets the stage for Global Economic Environment, which focuses on the boom bust cycle, its impact on businesses, and the role that is played by monetary policy, fiscal policy, and financial globalization.

REQUIRED COURSE MATERIALS

Required Reading: Vincent and Yared (pdf book)

Handouts: Various handouts will be distributed throughout the semester to supplement the material covered in the book. These include class notes, and slides, supplemental readings and newspaper articles.

News: In addition, you are encouraged to read the economics pages of the following publications on a regular basis:

[The Economist](#)

[The Wall Street Journal](#)

[The Financial Times](#)

[The New York Times](#)

TA OFFICE HOURS

During these sessions, the TA will be ready to answer any questions that you might have pertaining to the material covered in class or questions related to the problem sets. Feel free to drop by unannounced.

TA REVIEW SESSIONS

During these sessions, the TA will review key concepts seen in class and go over some of the homework problems. You should email the TA in advance if you would like them to go over specific topics. Feel free to drop by unannounced.

PROFESSOR OFFICE HOURS

During these sessions, the professor will be ready to answer any questions that you might have pertaining to the material covered in class or questions related to the problem sets.

DEBATES

Over the course of the term, there will be several student debates. In each debate, two student groups will analyze a topic related to the course. Each group will be assigned to defend one of two opposing views related to the debate topic. Assignment to each of the two views shall be independent of the students' own personal views. To prepare for each debate, student groups will split up for 40 minutes to do research and design a single PowerPoint slide to be used during their debate. Exactly one slide per team will be allowed and this must feature legible font and background. There will be a 20-minute debate in class, during which each group will present its position in 3 minutes. The professor will then select a group from the audience to respond to the points of the rival group for 2 minutes, and this will be followed by a 10-minute class discussion. In the end of each debate, the entire class will vote on which team won the debate.

CASES

Case assignments consists of materials online on Canvas. Students are required to submit online answers to questions pertaining to each case before the actual case takes place in class. These will be discussed in your learning team, with answers submitted individually online by each team member. Answers to case questions must be submitted by 12:01am on the due date (i.e., by midnight before class). There will be zero credit for late submissions. All group members should be prepared to discuss the answers in class as they will form an integral part of the learning experience.

PROBLEM SETS

To provide you with a better understanding and a greater appreciation of the concepts and tools covered in this course, several short problem sets are assigned. These problem sets are multiple choice questions. These should be done independently (assignment type C). You must submit answers to problem sets before midnight on the relevant due date. There will be zero credit for late submissions.

CLASS PARTICIPATION

We expect you to come to class prepared with the assigned readings. Part of the learning experience we want to provide you with is for you to go through new material on your own, even if this means you sometimes struggle or do not understand everything perfectly the first time. We will then cover these topics in more detail during class and answer any questions that students may have. Your active participation is a natural part of the classroom experience. It is less important whether you give the right or wrong answer, and more important whether you contribute with questions, comments, and answers in response to classroom discussion.

FINAL EXAMINATION

The final exam will be open-book. This means that you are allowed to use any book or online resource that you wish to consult. Live tutors or interaction with anyone else online or offline is not allowed during the exam. The exam is relatively short for the contents covered, so you are strongly advised to prepare and use a "cheat sheet." Otherwise you risk running out of time on the exam, which means you will lose valuable points. The final exam will be all digital and administered online. Its contents will be designed to be completed in 90 minutes, with 15 minutes left to resolve technical difficulties, if there are any. The final exam will not be returned but will be available for reviewing after the end of the semester.

GRADING SCHEME

Class Participation: 10%

Debates: 10%

Cases: 10%

Problem Sets: 30%

Final Examination: 40%

COLUMBIA CORE CULTURE

The purpose of the Columbia Core Culture is to promote a consistent classroom environment of mutual respect, preparation and engagement. Our expectation of you in class is to be:

Present. Your success depends on being on time and present for the entire class every session. Attendance will be part of your grade for class participation.

Prepared. Complete any pre-work needed for class discussion. Expect the professor to cold call in class.

Participating. Active participation calls for students to answer the professor's questions to the class, and ask questions when clarification is needed.

COURSE SCHEDULE

| Class | Topics | Required Pre-Readings | Assignments Due (Type) |
|--------------|---------------|------------------------------|-------------------------------|
|--------------|---------------|------------------------------|-------------------------------|

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|---------|------------------------------------------------------------------------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Class 1 | Introduction and National Accounts | Vincent and Yared Chapter 1 | |
| Class 2 | Growth Accounting and Convergence | Vincent and Yared Chapter 2 | <i>Case 1: The Solow Model Unleashed: Understanding Economic Growth (A: Group)</i> <i>Debate 1: Does France Have a Higher Standard of Living than the U.S.? (A: Group)</i> <i>Due: Response to case questions (A: Group)</i> |
| Class 3 | Productivity | Vincent and Yared Chapters 3 | <i>Debate 2: Will China Grow Faster than India over the Next 20 Years? (A: Group)</i> <i>Due: Problem Sets 1 and 2 (C: Individual)</i> |
| Class 4 | Labor Markets and Analysis of Competitive Markets | Vincent and Yared Chapters 4 | |
| Class 5 | Externalities | | <i>Debate 3: Should the U.S. Adopt Universal Basic Income? (A: Group)</i> <i>Due: Problem Set 3 (C: Individual)</i> |
| Class 6 | Adverse Selection/Health Insurance Markets Final Exam is online take-home | | |

ASSIGNMENTS

All of your assignment submissions are subject to the [CBS Honor Code](#). Violations of the CBS Honor Code may lead to failing the assignment, failing the course, suspension, and/or dismissal. In order to avoid ambiguity that may lead to unintentional violations of the Honor Code, assignment description types have been standardized and specified below.

| Type | Designation | Grade | Preparation of submission | Discussion of Submission* | Discussion of Concepts** |
|------|--------------------------------------------------------|----------------------------------|---------------------------|----------------------------------------------------------------------------|--------------------------|
| A | Group Work | Same grade for all group members | By the group | Permitted to discuss (within group) | Permitted |
| B1 | Individual with Discussions of Concepts and Submission | Individual grade | Individual preparation | Permitted to discuss; sharing solutions or submission files is not allowed | Permitted |

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|----|----------------------------------------------------|------------------|---------------------------|--------------------------------------------------------------|---------------------|
| B2 | Individual with Discussions of Concepts Only | Individual grade | Individual preparation | Not permitted to share/discuss solutions or submission | Permitted |
| C | Individual | Individual grade | Individual preparation | Not permitted to share/discuss solutions or submission | Not permitted*** |

* Submission means any work and/or output pertaining to the specific assignment. If an assignment submission contains a calculation or decision related to a specific set of data and setting, discussing the details how to make this calculation or decision with regard the data/setting is to discuss the submission. Providing another student with a draft of the calculation or decision is sharing the submission.

** Concepts mean any ideas, examples, readings, or other related materials from the class/course. Conceptual discussion should not be based on a specific set of data or setting related to a calculation or decision required in the assignment, but could be based on other related examples, preferably those from class/course materials.

*** As no conceptual discussion is permitted, Type C is akin to a take-home exam.

ATTENDANCE POLICY

Students are required to attend each class. Students should reach out to the [Office of Student Affairs \(OSA\)](#) by using Core Absence Form on this course's Canvas page regarding excused absences (for religious observances; personal, medical, and family emergencies; military service; court appearances such as jury duty). Unexcused absences will affect your course grade as follows:

- Students that miss more than 33% of their classes (unexcused absences) will at most receive a P for the course grade
- Students that miss more than 50% of their classes (unexcused absences) will receive a F for the course grade

In addition to the effect on your final course grade, absences may also affect your final exam grades as follows:

- Students that miss the exam for an excused reason but are unable to take the exam within the stated make-up period will receive a zero for the final exam grade
- Students that miss the exam without notifying OSA (unexcused), will receive an F for the course grade

This course may use PollEverywhere as a tool to increase in-class student engagement. PollEverywhere may also be used to confirm student attendance and participation records. If a student is absent from class and is allowed to attend a different cluster's class meeting, it is at the discretion of the faculty member to count responses to any polls presented during this time as attendance or participation. Responding to a poll when not present in the classroom is a violation of the Honor Code.

INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS

At Columbia Business School, we believe that diversity strengthens any community or business model and brings it greater success. Columbia Business School is committed to providing all students with the equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias on the basis of gender, sexual orientation, race, ethnicity, socioeconomic status, or ability.

Columbia Business School will make reasonable accommodations for persons with documented disabilities. Students are encouraged to contact the Columbia University's Office of Disability Services for information about registration. Students

seeking accommodation in the classroom may obtain information on the services offered by Columbia University's Office of Disability Services online at www.health.columbia.edu/docs/services/ods/index.html or by contacting (212) 854-2388. Columbia Business School is committed to maintaining a safe environment for students, staff and faculty. Because of this commitment and because of federal and state regulations, we must advise you that if you tell any of your instructors about sexual harassment or gender-based misconduct involving a member of the campus community, your instructor is required to report this information to a Title IX Coordinator. They will treat this information as private but will need to follow up with you and possibly look into the matter. Counseling and Psychological Services, the Office of the University Chaplain, and the Ombuds Office for Gender-Based Misconduct are confidential resources available for students, staff and faculty. "Gender-based misconduct" includes sexual assault, stalking, sexual harassment, dating violence, domestic violence, sexual exploitation, and gender-based harassment. For more information, see <http://sexualrespect.columbia.edu/gender-based-misconduct-policy-students>.