Finance 659
Decision Making in the World Economy

Syllabus

Instructor: Frank Ryan  
Office: SSE-3365
Cell phone: (760) 271-3725  
Email: fryan@mail.sdsu.edu
Section 1: Tu 4:00 – 6:40 p.m.  
EBA-256
Office Hours: Tu., 10:40-11:40; Th. 4-5:00 pm

Course Objectives

You will develop skills to understand and measure the current international financial environment and its impact on the decision making processes of business managers. You will learn some of the financial management techniques that CFOs use to manage interest-rate and exchange-rate risks.

This course will offer you theories to structure your understanding of macroeconomics and international finance, especially as reported by the business press. It will facilitate your learning the “language” of macroeconomics and your use of some simple, quantitative, economic models.

The course subject matter includes: economic measurement; theories of economic growth, international trade, interest rates, inflation, government fiscal policy, monetary policy, and exchange rates; understanding economic crises and evaluating the potential for doing business in selected countries.

MBA Program Goals

MBA students will graduate with:

- A solid foundation in theoretical concepts and managerial skills needed to lead business organizations.
- The ability to analyze environments in which managers make and implement business decisions.
- The skills to formulate, communicate, and coordinate strategies to solve business problems and pursue opportunities.

Finance 659 contributes to these goals through its student learning outcomes.
Student Learning Outcomes

- Employ government macroeconomic statistics to assess the current business climate.
- Judge whether a firm’s operating strategies and financial policies are consistent with economic conditions.
- Forecast the impact of government economic policies, especially monetary policy, on a business.
- Conduct country analysis to evaluate foreign direct and portfolio investment opportunities in a country.
- Forecast the impact of economic shocks and government policy decisions on interest rates, output, prices, and exchange rates using standard macroeconomic models.

Course Resources

Text

The text is well-written, very recent and accessible as the author designed this book for business practitioners. We will read nearly the entire text. However, I often have you skip selected sections and appendices. All reading assignments are listed on Blackboard (Bb). You need to subscribe to the “My Econ Lab” homework management system that is packaged with the text and also sold separately by the publisher.

Readings
You will need to obtain the “FINANCE 659 Reader” from Aztec shops. It contains cases that we will use in the second half of the course. Like the text, it is a course requirement.

I will post numerous articles from the contemporary business press on Blackboard (“Bb”). Short excerpts from other texts will be available on Bb.

You should try to read *The Wall Street Journal* every day. In particular, articles related to the macro economy and international finance (e.g. the Money & Investing section) provide good sources for class discussions. By the end of the course, you should find that you can quickly digest such articles.

I will ask you to read a free, weekly newsletter from the popular financial writer John Mauldin. Mauldin’s newsletter does an excellent job of packaging interesting perspectives on macroeconomic and financial issues into tasty, easily-digestible bites.

Classroom Time
Each class typically includes a discussion of recent news on the global economy and financial markets, including articles assigned for that day. We will use classroom time to review and preview reading material, discuss assigned problems and cases, and perform classroom exercises.
As always, you should read all assigned materials prior to class meetings and be ready to engage in class discussion. My philosophy is that most basic knowledge is acquired outside of the classroom and that we should use classroom time to refine, extend and integrate that knowledge. I am very available by email and phone and strongly believe you should never remain “stuck” on any reading concept or homework problem for more than 15 minutes.

Email/Phone/Office Hours
Please feel free to email me or call me at any time. (I don’t text.) If you ask a question that others may find valuable, I typically forward it (anonymously) to the class distribution list. If you email me, please include a phone number and preferred calling time should I decide to call you back. Please take advantage of office hours. No appointment is needed as I am always at office hours during the designated time. Just drop in! I may also hold occasional “virtual office hours”—using the Bb Collaborate teleconferencing tool—as my time allows.

Some assignments, especially those related to economic growth, require some rudimentary algebraic skills. I have posted a review of some algebraic basics on Bb.

Assessment
Class Participation (15%)
Your class participation grade will reflect the quality as well as quantity of your valuable contributions to class discussions. You may be called at random to discuss reading material and to present your answers to homework problems. I grade everyone’s contribution to each day’s discussion. The weekly grade reflects the value added by each participant, not simply the number of words spoken.

Classroom contributions include not just pertinent questions, but also any opinions or comments you have on the material we discuss. You can easily relate classroom discussions to other courses you have taken, to your current or past job, to other parts of this course, or to your general experience. I find nearly any contribution of value, provided you share it with the whole class, as described below.

We will have a number of interactive classroom exercises in which your participation will be useful (and hopefully enjoyable).

I always encourage questions and like to maintain a relaxed and collegial environment. I also believe that—as a class participant—you should give your undivided attention to whomever is speaking. In that vein, “side conversations” inhibit the sharing of your valuable insights with your colleagues. Please share your observations with the class at large. I find side conversations particularly annoying and you will find that any such conversations quickly reduce your participation grade.

Note that all class discussions are fair grounds for quiz and exam questions.
Some students find their neighbor’s use of computers during class distracting. I do as well. You will therefore need to take handwritten notes for this course. Please turn off all phones, pdas, computers and/or other electronic devices, except for your calculator, during class. I do not permit any text messaging during class as that is very distracting to me and distracting to your classmates.

Please note the following statement from the Center for Student Rights and Responsibilities: (http://www.sa.sdsu.edu/srr/rights2.html) “The right to learn in an academic environment that is free of inappropriate interruption, due to the use of electronic communication devices during class, or other activities that might be considered distracting to others.” Continued use of electronic devices in class may lead to a penalty to your course grade.

*Homework (10%)*
I will post reading assignments on Blackboard. However, electronic homework assignments are submitted and graded on My Econ Lab. Make sure that you print a copy of your HW submission and bring it to class. I’ll remove your worse 15 homework answers from your homework grade.

You must be willing and able to use Excel to do some of the assignments. You need no special software for this course beyond standard internet access, word processor, and Excel.

*Quizzes (10%)*
You will have two short quizzes. Each quiz will take approximately 30 minutes. Each quiz will include multiple choice and true-false questions, many of which are drawn from homework assignments, in addition to a few written problems.

There are no make-up quizzes. The schedule below provides a good estimate of when the quizzes will occur.

*Midterm (20%)*
The midterm will take approximately one half of one class session and will be cumulative.

*Group Project (20%)*
The group project will culminate in a 40 minute (approx.) group presentation. You will form groups of 4-5 people. Your group will conduct a country analysis of two countries, deciding (for an industry of your choice) in which country a multi-national corporation should invest. Your group, as part of the graded material for this project, will submit a one page proposal describing which industry and which two countries you would like to analyze. I must approve your proposal (based on criteria to be discussed in class).

Each member of the group must participate (equally) in the group presentation. Each group member will provide me anonymous feedback on the performance of other group
members and I reserve the right to adjust an individual’s group project grade based on that feedback.

I will provide extensively detailed written expectations for the group project as the semester progresses. Your group must submit both electronic and paper versions of your group project presentation materials.

Comprehensive final (25%)
The final will be comprehensive, closed book. I will entertain the idea of allowing a crib sheet, depending on how the class performs. The final comprises questions based on assigned readings, case discussions, group presentations, and class discussions. A sample final is available on Bb/SampleTests.

Note that the course material builds on itself: homework questions will often appear as quiz questions; quiz questions often appear on the midterm and final exam.

The SDSU grading policy is as follows:
“Graduate grades shall be: A, superior performance; B, satisfactory performance; C, minimally passing; D, unacceptable for graduate degree credit and F, failing. The grade for average graduate achievement shall be B.”

The historic median grade for this course has been B+.

Student Responsibilities

Note that, although homework is graded, I strongly encourage thorough discussion of your homework within your study group. However, when you submit your work you must submit only those answers that you can defend. You should be able to "stand behind" any work that you obtain credit for, just like CEOs and the financial statements they must stand behind these days. Do not input any homework answers that you cannot come to the board and explain to the class.

Academic Integrity

Any instance of academic dishonesty will result in an immediate F in the class and an incident report to the Center for Student Rights and Responsibilities.
Reading List and Schedule

Part I: Introduction

January 28, Class 1
Hubbard Chapter 1: The Long and Short of Macroeconomics
Hubbard Chapter 2: Measuring the Macroeconomy

February 4, Class 2
Hubbard Chapter 3: The U.S. Financial System
Hubbard Chapter 4: The Global Financial System

Part II: Macroeconomics in the Long Run: Economic Growth

February 11, Class 3
Hubbard Chapter 5: The Standard of Living over Time and Across Countries

February 18, Class 4
Submit list of group case team members.
Quiz 1
Hubbard Chapter 6: Long-Run Economic Growth

February 25, Class 5
Hubbard Chapter 7: Money and Inflation
Hubbard Chapter 8: The Labor Market

Part III: Macroeconomics in the Short Run: Theory and Policy

March 4, Class 6
Case: Country Analysis
Hubbard Chapter 9: Business Cycles

March 11, Class 7
Submit proposal for group presentation.
Midterm (Part I and Part II material)

Hubbard Chapter 10: Explaining Aggregate Demand: The IS-MP Model

March 18, Class 8
Hubbard Chapter 11: The IS-MP Model: Adding Inflation and the Open Economy

March 25, Class 9
Hubbard Chapter 12: Monetary Policy in the Short Run
April 8, Class 10
Hubbard Chapter 13: Fiscal Policy in the Short Run
Hubbard Chapter 14: Aggregate Demand, Aggregate Supply, and Monetary Policy

Part IV: Extensions

April 15, Class 11
Quiz 2
Hubbard Chapter 15: Fiscal Policy and the Government Budget in the Long Run
Case: Collapse in Asia: 1997-1998

Part V: Interest-Rate and Exchange-Rate Risk Management

April 22, Class 12
Excerpt from Eun & Resnick on Foreign Exchange Exposure and Management:
-- Chapter 12, “Management of Economic Exposure”

Excerpt from Eun & Resnick on Foreign Exchange Exposure and Management:
-- Chapter 13, “Management of Transaction Exposure”

April 29/May 6, Class 13/14
Group project presentations.

May 13, Tuesday
Final examination. 16:00-18:00 (i.e. 4:00 p.m. – 6:00 p.m.)