

THE OHIO STATE UNIVERSITY
Fisher College of Business
Department of Finance

COURSE SYLLABUS

Finance 6221

ECONOMICS FOR FINANCIAL ANALYSTS (SMF SECTION)

Autumn Semester 2018

SECTION 010: Mondays & Wednesdays, 1:00-2:30PM, ROOM 305 Gerlach

Instructor Information

Prof. George Pinteris
Office: 306A Fisher Hall
Office Hours: see section below
Office Phone: 614-292-4334
E-mail: pinteris.1@osu.edu

Course Description

This is a customized course in the Specialized Masters – Finance (SMF) program that aims to present analytical tools from Economics and enable students to develop an understanding of how they are used by financial analysts.

In evaluating business and investment decisions, financial analysts are expected to take into consideration a wide range of economic factors, from industry structure and pricing decisions to the business cycle and the implications of macroeconomic policy for financial markets.

Economics covers a very broad range of topics. In this course, we will devote most of the coverage to macroeconomic topics, such as unemployment and inflation, consumer spending and business investment, the conduct of monetary and fiscal policy, and the implications of financial crises. These topics will also be examined from a historical perspective through the U.S. experience post-World War II, with emphasis on the 2008 financial crisis and ensuing Great Recession, as well as the experience of other economies, such as the recent European Debt Crisis. At the beginning of the course, we will also review how firms make business decisions under different market structures.

Throughout the course, we will emphasize the practical implications of economic issues for business managers and investors. Our objective will be to help students make the connection between the theory and practice of economic analysis and its relevance for financial decisions.

Pedagogy

Course material will be delivered through a mixture of lectures and case discussions. Case discussions will enable you to practice your understanding of the covered topics in a real-life setting. Occasionally, I will supplement your readings with articles from academic journals and the business press. Students are expected to follow “real world” issues in Business, Economics and Finance through publications such as the *Wall Street Journal*, *The Economist*, *Financial Times*, or *Bloomberg BusinessWeek*.

Course Prerequisites

I assume that you have working knowledge of the background material in Economics posted on the FIN 6220 course Carmen site. For feedback on this material and suggestions for additional preparation, please feel free to contact me. It is my intention to teach a self-contained course, meaning that I will provide brief reviews of background concepts when needed.

Textbooks and Course Materials

I have assigned one required textbook and a list of cases for class discussion. I also list below a few other useful texts for your reference. Please NOTE that these other textbooks are NOT listed as recommended for this course.

The required textbook is:

- *Macroeconomics*, by Charles I. Jones, 4th edition, Norton, 2018

Lecture notes, case discussion preparatory questions, as well as supplemental readings and handouts will be posted on the course web page. The course web page is available through Canvas, the university’s course management system (<http://carmen.osu.edu>). Materials will be posted on Canvas no later than one day prior to class.

I strongly recommend that you check the course web page regularly. Under “People” you can see the students in the course.

Other recommended texts are:

- *Economics for Investment Decision Makers*, by Christopher Piro and Jerald Pinto, Wiley, 2018
- *The Economics of Managerial Decisions*, by Roger Blair and Mark Rush, Pearson, 2019
- *Economics for Managers*, by Paul Franham, 3rd edition, Pearson, 2014
- *A Concise Guide to Macroeconomics*, by David Moss, 2nd edition, Harvard Business Review Press, 2014
- *The Federal Reserve and the Financial Crisis*, Lectures by Ben Bernanke, Princeton, 2013

Case Discussions

To enhance your understanding of course material, we will discuss five cases in class. Cases present real-world, complex problems faced by financial managers and policymakers that require analysis and use of judgment to reach important business/policy decisions. Cases are used extensively in most graduate business courses.

The use of case studies is a very effective learning method because it emphasizes student self-learning rather than a passive absorption of knowledge. Students learn to develop their critical thinking and use their judgment to make decisions. Case studies do not always lead to the “right” or “one” course of action for the decision maker. Rather, decisions are justified based upon sound financial assumptions and a thorough analysis of the situation at hand. Therefore, the analysis and discussion of cases is very useful because it teaches students how to use the principles of economics or finance to define and analyze problems, work as a member of a team, and make recommendations for the best course of action.

You are expected to purchase the following cases – all cases are from Darden Business School – from HBS (*link to coursepack will be provided in by email*):

- *Geithner and Bernanke Amid the Global Financial Crisis*
- *Barack Obama and the Bush Tax Cuts (A)*
- *The Euro Zone and the Sovereign Debt Crisis*

Each team is **expected to submit ONE CASE BRIEF (PLEASE SEE COURSE SCHEDULE) on the day of that case discussion.**

Case briefs should be of **MAXIMUM 2 PAGES** and include the following: a) statement of main issue(s) in the case; b) financial analysis of main issues; c) recommendations to upper management. You **MUST** use 12-point font, double-spaced paragraphs, and default Microsoft Word margins. There is no limit on the number of attached exhibits.

PLEASE NOTE THAT ACCORDING TO STANDARD CASE DISCUSSION PRACTICE THE INSTRUCTOR IS NOT ALLOWED TO DISCUSS THE CASE WITH ANY STUDENT BEFORE THE SCHEDULED CLASS DISCUSSION.

Class Format

Courses that use the case method of teaching have a very different class format from other courses that you have taken thus far in your studies. In other courses, students are engaged in a passive form of learning and are expected to learn and practice skills primarily through homework and exams. Courses that utilize the “case study” method assume an active form of learning on the part of students. The following four principles are **ESSENTIAL** components of a student’s success in a case course:

- **Participation:** Learning in a case course takes place primarily through active class participation. Students are strongly encouraged and are responsible for

sharing their understanding and views on each case with the rest of the class. As you can tell from the grade composition, class participation is very important and comprises a significant portion of your course grade.

- **Preparation:** To effectively participate in class discussion of cases, students MUST come to class well prepared. Students should study each assigned case in advance, identify the main participants and the problem(s) faced, and prepare to ask and answer questions. It is very important that you work to analyze the case before it is discussed in class. You must be prepared to offer your judgment and recommendation for the situation presented in each case. You should feel free to visit me during office hours or set up an appointment, if you need help with preparing for a case. In addition, you should read any assigned background readings. Again, I emphasize that students must prepare well before arriving to class.
- **Presence:** The only way to learn and succeed in this course is to be present and participate in each and every class. Reading a text or copying notes from your fellow students CANNOT substitute for the insight and knowledge that you will acquire through participation in class discussions.
- **Promptness:** Students must make sure that they arrive before the beginning of each class. Students who arrive to class late disrupt the discussion and impose a burden on their fellow students' learning experience. If, for some reason, you happen to arrive to class late, please enter quietly and do not disturb your fellow students.

It is clear from the above that students must make a **commitment** to prepare for each case and actively participate in class discussions. This point cannot be emphasized enough! You should be prepared to answer questions or offer your opinion on the case under discussion. I also strongly encourage you to take a stand and offer your recommendation for action by management based upon your analysis. Remember, case studies describe real-world business situations. There is typically more than one course of action that can be taken. It is not important to discover which particular action will eventually be taken as it is to learn to provide a recommendation based on financial principles and solid analysis.

I **strongly** encourage you to read the handout "Note to the Student: How to Study and Discuss Cases" by Robert F. Bruner.

Teamwork

A major aspect of any graduate business program is to provide students multiple opportunities to develop leadership, teamwork, and presentation skills. These so-called *soft skills* are crucial for an effective job search and a successful career in the financial world. You will be assigned to teams of 5 students with diverse ethnic, educational, and professional backgrounds. This working environment will challenge you as you learn to become an effective leader and a productive team member.

One homework assignment and a case brief will be completed with your teammates. Each team member is responsible for his/her performance. I strongly advise you to read the suggestions for effective team performance provided further below.

Each student will be asked toward the end of the course to evaluate the performance of his/her teammates. A student's performance evaluation by his/her peers will be taken into consideration for the final grade. You should be fair and honest in your evaluation of your peers' performance. Each team member should exhibit enough effort throughout the course. This will be your **ONLY** opportunity to evaluate your teammates. A team that fails to submit evaluations from all team members will receive **ZERO POINTS** on the course team assignments.

Grading Procedures and Policies

- **Course Grade:** The course grade will be based on the following: class contributions, one individual and one team homework assignment, a team case brief, and an in-class final examination. I will provide solutions to homework assignments.

The final grade composition is as follows:

Class Contributions	15%
Individual assignment	15%
Team assignment	15%
Final Examination	35%
Team Case Brief	20%

As required by school policy, grading will be based on relative rather than absolute standards. The average grade in this course will be a 3.6 or lower.

- **Final Examination:** The final in-class examination is cumulative and is scheduled for **Wednesday, October 10, 1:00-2:30pm, in 305 Gerlach Hall.**
- **Participation grades:** The quality of your participation will be graded after each case discussion on a scale of zero to three points. Participation grades will be based on the following criteria:
 - 0 points: No participation or observations
 - 1 point: Contributes relevant information or facts, asks critical questions concerning the discussion in class, reading assignments and responses to comments of classmates
 - 2 points: Provides an interpretation of relevant information and/or facts that is based on analysis and, in turn, advances the discussion to other related topics
 - 3 points: Provides contributions that leads the discussion to a significantly higher level of thought; or presents an analysis and interpretation of the relevant information that results in a solution to the case

You are encouraged to work independently in preparing each case. However, it will be very helpful to form a study group in order to discuss your analysis and interpretation of each case, which will help you to prepare more effectively for class.

Each student is permitted to have **NO MORE THAN ONE** excused absence throughout the term. Please notify me of your absence before the specific date by e-mail.

Please note the following rules for class participation:

- Select a seat and use the same spot in each and every class.
- Always use your name plate (do not forget to bring it with you to class).
- **Assignments:** Case preparatory questions will be posted on the course's Canvas site well in advance of the scheduled case discussion date.

I will also post the two problem sets on the course's Canvas site. Solutions will be provided after each problem set's due date. It is important that you work on these problems if you want to master the material covered in the course.

The schedule of homework assignments is as follows:

Assignment	Distributed	Due Date
Individual	September 5	September 12
Team	September 17	September 24

All assignments will be collected at the **beginning** of class on their due date. If you or any of your teammates cannot attend class on that day, please drop your assignment in my mailbox in 700 Fisher Hall **before** the beginning of class to receive any credit. **No late assignments will be accepted for any reason.**

- **Office Hours:** I will have office hours on TUESDAYS, 11:30AM - 12:30PM or by appointment. These hours are especially for the benefit of students in this course. I also encourage you to schedule an appointment to meet with me with any comments or suggestions you may have about the course. I prefer NOT to discuss material-related questions through the phone. The best way to address your questions is to discuss them with me in person either during my office hours or by appointment.

Academic Integrity

From the Fisher College statement on your obligation to maintain academic integrity:

"As a member of the Fisher College of Business community, I am personally committed to the highest standards of ethical behavior. Honesty and integrity are the foundation from which I will measure my actions. I will hold myself accountable to adhere to these standards. As a leader in the community and business environment, I will pledge to live by these principles and celebrate those who share these beliefs."

Students are responsible for knowing and abiding by these standards.

Academic Misconduct

Cheating is grounds for failing this course and additional sanctions. In accordance with faculty rule 3335-5-487, all instances of alleged academic misconduct will be reported to the university Committee on Academic Misconduct. If the committee concludes that a violation has occurred, it recommends appropriate sanctions to the Office of Academic Affairs. As stated in the university's Code of Student Conduct (<http://studentaffairs.osu.edu/resources/>), students have an obligation to report academic misconduct. Such misconduct can be reported to the appropriate faculty member or program dean; confidentiality is protected.

Permitted collaboration for this course is as follows:

- Individual Homework Assignment, Final Exam – *No collaboration*
- Team Case Brief, Team Homework Assignment – Collaboration with *teammates only*

Disability Accommodation

To ensure that disability-related concerns are properly addressed from the beginning, students with disabilities who require reasonable accommodations to participate in this class are asked to contact the Office of Disability Services (150 Pomerene Hall, 292-3307). Please also inform me of any arrangements you are making with ODS.

Suggestions for Effective Team Performance

The following suggestions (taken from Robert Bruner's cases textbook) are necessary, but not sufficient, conditions for effective team performance. A major factor in a team's success is each member's effort and dedication to the success of the team. It is crucial that you develop a good working relationship with your teammates. Each member should hold every other member accountable for their contribution to the team's performance.

- ✓ Members commit to the success of the team.
- ✓ The team plans ahead, leaving time for contingencies.
- ✓ The team meets regularly.
- ✓ Members show up for meetings and are **prepared** to contribute.
- ✓ There may or may not be a formal leader, but the assignments are clear. Team members meet their assigned obligations.

COURSE SCHEDULE

(Assigned readings are from the required text by Jones, 4th edition.)

DATE	CLASS TOPIC	ASSIGNED READINGS
August 22	Course Introduction	
August 27	Market Structure and Managerial Decisions I: Perfect Competition and Monopoly	Lecture Notes
August 29	Market Structure and Managerial Decisions II: Monopolistic Competition, Oligopoly and Antitrust Policy	Lecture Notes
September 5	Business Cycles: Understanding Short-Run Economic Fluctuations Problem Set 1 Assigned	Ch. 9, 16.4, 17.4
September 10	Unemployment and Inflation	Ch. 7, 8
September 12	Monetary Policy: Objectives and Tools Problem Set 1 Due	Ch. 12, 13.7
September 17	Financial Crises Problem Set 2 Assigned	Lecture Notes, Ch. 10
September 19	Rethinking Monetary Policy After the Great Recession Case Discussion: Geithner and Bernanke Amid the Global Financial Crisis	Ch. 14
September 24	The Government and Fiscal Policy Problem Set 2 Due	Ch. 18
September 26	Case Discussion: Barack Obama and the Bush Tax Cuts	Assigned Questions
October 1	Case Discussion: The Euro Zone and the Sovereign Debt Crisis (TEAM CASE BRIEF DUE)	Assigned Questions
October 3	Guest Speaker: Mr. Andrew Norelli, Managing Director, J.P. Morgan Asset Management	
October 8	International Trade	Ch. 19