

GLOBAL ECONOMIC ENVIRONMENT

IE University

Professor: **MARIA TERESA SANTERO QUINTILLA**

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Degree course:

THIRDSemester: 2º

Category: BASIC

Number of credits: 6.0

Language: English

PREREQUISITES

Passing grades in "Macroeconomics" and "Microeconomics" are highly recommended, although not mandatory, since you need to be familiar with basic economic thinking. If you have not passed those courses, we might discuss individually the best way to acquire the necessary basic concepts.

SUBJECT DESCRIPTION

Business decisions are taken with the ultimate aim of maximizing profits. For that, managers elaborate and implement their strategic plans regarding key aspects of their economic activity (technology, labour needs, suppliers of inputs, activity level and prices, marketing, etc.). A key element underlying any business strategy is the set of assumptions made regarding the economic environment. Those assumptions might be explicit or implicit in the plans, but should never be ignored, because they will play a big role in ensuring the final success of the strategic decisions adopted.

The Economic Environment, for any given company, can be defined as the complete collection of factors external to the company, exogenous to their decision making process, that have an influence in business performance. The factors to be considered are wide ranging and their impact in business also varies widely. From macroeconomic factors, like cyclical conditions of consumer demand and disposable income, to political or institutional factors, like market structure or the rule of law, to socio-economic factors, like health status or safety and security concerns. Moreover, most factors considered as Economic Environment are dynamic and change through time. Government decisions and government policies also play a key role explaining the dynamics of the economy. Some economic changes take place in the short term (due to economic cycles or government decisions) and some take decades to change (known as structural changes or structural reforms). Following those changes and understanding their economic implications is crucial for business managers as well as for policy makers.

In summary, prevailing and prospective economic conditions in any country should be always a key consideration when making all kinds of business or policy decisions. The right business environment is a prerequisite for the success of any entrepreneurial projects, as well as for getting reasonable returns on any financial investment. This course is designed to provide students with the basic tools to assess the economic conditions prevailing in a country at a given point in time, to appraise its expected evolution through time, and to extrapolate the consequences of that for business activity. It will also provide the tools to understand the relationship between public policies and economic performance and to assess the adequacy of alternative economic policies for the needs of the countries.

OBJECTIVES AND SKILLS

OBJECTIVES

After completing this course, students should be capable of analyzing and understanding economic events, of appraising the overall state of any economy, of identifying its strengths and weaknesses for business activity in the short and the long run, and of making their own assessment regarding economic policies in place and those that should be undertaken to improve economic performance in every country (often the subject of heated economic debates). For this, the course will develop a comprehensive framework of analysis covering all aspects of the economy of a country of relevance for business activity. The focus will be placed on the role of the government and its economic policies in helping or disturbing the country's economic performance. Macroeconomic variables (GDP, employment, inflation, interest rates and exchange rates) and macroeconomic policies (fiscal and monetary policies) will be examined, as well as other factors like the institutional framework and structural policies. In all cases the central question will be to identify the links between economic environment and business performance. Analytical treatment of underlying theory will be kept as simple as possible and the course will have a strong practical orientation. Students will work through the course on a case study project that will require the implementation of the main aspects of the theoretical framework provided for analysis.

SKILLS

Students are expected to acquire the following skills:

Cognitive:

- Identifying factors external to business decisions that may impact business performance
- Understanding the relationships among macroeconomic aggregates
- Understanding the link between macroeconomic variables and business performance
- Knowledge of economic policy tools and options
- Understanding the relationship between economic policies and economic performance
- Familiarity with economic thinking and economic language
- Familiarity with sources of economic data, economic news and analysis

Instrumental:

- Use of basic models to analyze real life economic events and to make policy inferences
- Use and interpretation of Index numbers
- Capacity to abstract and work with simplified versions of reality
- Familiarity with graphical analysis
- Ability to communicate economic arguments and economic analysis in precise and concise manner

Attitude:

- Think critically about the limits of economic theory and be able to question experts' assessments with sound arguments
- Be open to different views and arguments regarding economic events (macroeconomic problems often have alternative solutions)
- Take a broad and comprehensive approach for the analysis of economic issues (there is a very large number of factors interacting in the economy)

METHODOLOGY

To adapt to the requirements of the post Covid-19 health crisis, IE has adopted a hybrid learning model known as Liquid Learning. It combines classroom face to face sessions in small groups (which can also be attended online) with online videoconference sessions, and with self-study activities, both individual and collective.

All sessions will combine reviews of the theoretical concepts, discussions of real life economic events and practical exercises of economic analysis. Theoretical reviews and practical analysis during sessions will take similar shares of time, therefore students should be ready to work on their own and study the theory with the help of study material and the course textbook. The sessions described as asynchronous are specifically intended for independent study. They can be followed with more flexibility than synchronous sessions, but they should involve the same time and effort on the part of the student. Learning material and detailed guidelines would be provided at the beginning of the course to support the self-study, and students are encouraged to raise questions and doubts in synchronous sessions and/or request office hours. Students are expected to participate actively in all modalities of learning activities.

The time dedication suggested for a good course performance is the following:

Teaching methodology	Weighting	Estimated time a student should dedicate to prepare for and participate in
Lectures	20.0 %	30 hours
Discussions	20.0 %	30 hours
Exercises	10.0 %	15 hours
Group work	20.0 %	30 hours
Other individual studying	30.0 %	45 hours
TOTAL	100.0 %	150 hours

EVALUATION CRITERIA

ORDINARY

Your final grade in the course will be based on the following criteria:

Criteria	Percentage	Comments
Class Participation	10 %	
2 Midterm Exams	50 %	
Term Project	20 %	
Other Learning Activities	20 %	

Passing the course will require a minimum average grade of 5/10 in the two midterms. Failing the course will mean retaking all the course material in the extraordinary call.

Up to ten extra points (over 100) can be awarded (bonus) or extracted (malus) for extraordinary contributions (+) or penalties for class misbehavior (-)

Participation: two main criteria will be used in reaching judgment about your participation, frequency and quality of your contributions. Participating in debates and in class practical exercises is compulsory. Lack of contribution in those activities will be graded as 0.

There will be **two midterm exams** worth 25% each. They will each cover about half of the course program. The exams will be online, will last 30-50 minutes, and will consist on multiple choice questions and some type of short questions.

Detailed instructions will be available in campus online (Additional Documentation) by the beginning of the course regarding the **Term Project**.

Detailed instructions will be available in campus online (Additional Documentation) by the beginning of the course Regarding **Learning Activities**.

PROFESSOR BIO

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Teresa Santero holds a PhD in Economics from the University of Illinois at Chicago (USA) and a Bachelor's Degree in Business from the University of Zaragoza (Spain). In the academic area, she has been Visiting Professor at the Universidad Complutense de Madrid, Lecturer in Microeconomics and Research Assistant at the University of Illinois in Chicago and Associate Professor teaching Macroeconomics and Economic Environment at IEU. Outside academia, she has held high ranking positions in the Spanish Public Administration (Secretary General for Industry in the Spanish Ministry of Industry, Energy and Trade and Director General for Economic Policy in the Department of Finance, Economy and Labour of the Regional Government of Aragon) and has also worked for international institutions (ten years as an economist at the Economics Department of the Organisation for Economic Cooperation and Development (OECD) in Paris). She is currently member of the Board of Directors of ICO (Instituto de Crédito Oficial), has been member of several Boards of Directors (NAVANTIA, SEPI and Aragon's Technological Institute) and has chaired the Board of Directors of Gerencia del Sector Naval. She has also been head of the Spanish Delegation at the European Space Agency (ESA) between 2008 and 2012.

OFFICE HOURS:

Questions over email: 7/7

Presential tutoring by appointment.

CONTACT DETAILS: email: mtsantero@faculty.ie.edu

OTHER INFORMATION

OTHER RECOMMENDED READING (all available online at IE library)

Magazines

The Economist

Harvard Business Review

Forbes

Bloomberg Business Week

Newspapers

Financial Times

Wall Street Journal

The New York Times

Other News

Bloomberg (www.bloomberg.com)

Reuters (www.reuters.com)