



ECO 01 Preparing for a Business Career in the USA

Basic Information

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Why do we need a special preparation for the business world in the USA? Aren't the Economics "laws" same all over the world? Aren't financial markets same all over the world? Is a bond issued by a Chinese corporation different from a bond issued by an American corporation?

Well, the answer is both Yes and No. Yes – Economic "laws" (for example "the law of demand") and Economic analysis and its tools maybe be the same all over the world but the world is not the same. If we think of China and the USA, these giant Economies are very different on many parameters: market structure, laws and regulations, and the composition of the population to name a few.

For a Chinese student that have not absorbed the American business culture while growing up through news, conversations and school much of the terminology, institutions, fiscal and monetary policies may seem un-familiar. But even for those students who took some Economics this class can be a challenge to be able to discuss ideas formally and in English.

The purpose of this class is:



1. Learn the basic tools of Economics, Finance and Investments.
2. Get familiar with US specific institutions and how they function (e.g: stock and bond markets, mutual funds, the federal reserve)
3. Perform independent analysis of case studies from top business schools in the USA.
4. Read and analyze (based on the material learned in class) the Wall Street Journal.

Pre-requisites:

None! You are welcome to take this class and do well if you know basic mathematics and can understand charts. The class is designed for students with no background in Economics, Finance or Investments

Books:

- Principles of Economics by N. Gregory Mankiw.
- Principles of Corporate Finance, 10th Edition, by Richard A. Brealey, Stewart C. Myers, Franklin Allen.
- Investments by Zvi Bodie, Alex Kane, Alan Marcus.
- Financial Markets and Institutions (8th Edition) by Frederic S Mishkin, Stanley Eakins.

The Three Modules of The Class



This class has three modules: Theory, Applications, Reading and Presentation

Module 1 is a theoretical module. It is intended to bring all students to a basic understanding of a college student who took some Economics, Finance and Investments classes.

Module 2 is where students have to apply the knowledge they gained so far to analyze case studies from top business schools in the USA. In this part of the course students also have to be able to present their arguments and run a business discussion in English.

Module 3 is constructed to bring students to a level where they can read the “professional” financial press, analyze it in terms of the tools learned in class, explain it to others and be able to criticize the articles.

Module 1 – Basics of Economics, Finance and Investments

Economics

- Supply, Demand, Market Equilibrium
- International Trade
- Taxes and Government Policy
- Competitive Markets, Monopoly
- Consumer’s Choice



- GDP
- Inflation and the Monetary System

Finance and Investments

- Interest Rate
- Present/Future Value
- Stocks and Bonds and Firms Valuation
- Financial Statements

Financial Institutions

- Markets (money, bonds, stocks, mortgage, foreign exchange)
- Industry (mutual funds, banking regulations, credit unions, commercial banks, insurance companies and pension funds)
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Module 2 – Applications in Finance and Investments

A unique feature of this class is to bring students quickly to a level where they can perform analysis on the level of MBA students.

We will go through three case studies taken from leading business schools in the USA

[University of Virginia Health System: The Long-Term Acute Care Hospital Project](#)



This case is best taught in a first-year MBA finance course and with a series of cases based on cash flow analysis. Its primary objective is to portray the major differences in project analysis for nonprofit organizations compared to for-profit companies and to highlight the unique issues relevant in a health care environment. Students must decide, based on cash flow analysis and nonfinancial factors, whether or not to propose a long-term acute care hospital (LTAC) project to the board of directors of the U.Va. Health System. Students must use the assumptions outlined in the case to create a cash flow analysis and then compute a net present value (NPV) calculation and internal rate of return (IRR) for the project. After assessing the base-case results and sensitivity analysis of the assumptions driving those results, students must decide if the project should be taken to the board of directors

[Betting On Gold Using a Futures Based Gold ETF](#)

In an environment of high macroeconomic uncertainty in the fall of 2012, Tom Michelson was looking at his next trading opportunity. Michelson wanted to build a position in gold with a trading horizon of around a year and was wondering how he should go about investing in gold. Gold futures-based exchange-traded funds (ETFs) seemed like a good alternative, but he needed to understand better how gold futures worked. He was aware that futures-based ETFs for other commodities such as oil and gas had disappointing performances in recent years due to movements in the futures curves. Would a gold futures-based ETF be a good choice to profit from the price appreciation of gold?

[Crocs, INC](#)



This case forces students to examine the drivers of value, particularly growth and margins. It is also effective at drawing attention to the relationship between terminal value assumptions and value creation? assumptions that generate a large sensitivity of terminal value to growth rate are assumptions that imply that a great deal of value can still be created from investments after the planning horizon. The narrative features an analyst who is trying to make sense of a sharp one-day decline in the price of Crocs stock.

Module 3 – Analyzing the Financial Press Using Tools Learned in Class

Take a look at the following articles from the Wall Street Journal ([\(chinas-cloud-live-technology-sparks-corporate-default-worries\)](#)).

Here is an excerpt from the article:

“Potential Chinese corporate bond defaults have been closely watched amid a slowdown in the country’s growth and as companies in a number of industries grapple with high debt levels. The first such default occurred last year, when Chaori Solar Energy Science & Technology Ltd. missed interest payments worth 89.8 million yuan”

[wage-growth-remains-largely-in-check](#)

Here is an excerpt from the article:

Workers’ wages picked up in March, but signs of the long-awaited



acceleration in American paychecks remain elusive.

Average hourly earnings of private sector workers rose last month by 7 cents to \$24.86, the Labor Department said Friday. The 0.3% increase, which was a bright spot in a broadly weak jobs report, followed a tepid 0.1% rise in February.

But monthly readings can be volatile, and the trend remains muted. Hourly earnings in March rose 2.1% from a year earlier, little changed from their 2% annual pace over the past half-decade. “I don’t think we’ve seen enough evidence yet to make the call” that the wage picture is now notably improving, Barclays chief U.S. economist Michael Gapen said.

For months, many economists have predicted that wage growth would accelerate because a tighter labor market means employers are facing increased competition to hire and retain workers. There have been nascent signs of a pickup, including recent pay-raise announcements by big employers like Wal-Mart Stores Inc., Target Corp. and McDonald’s Corp.

These are examples for the level of articles students will be asked to read, discuss and present. The lines in red highlight some of the main topics these articles discuss and students will have to relate to.