

Finance 101: Monetary Economics & the Global Economy

Syllabus

1. Overview

Finance 101 is an intermediate-level course in macroeconomics, including topics in international, monetary and financial economics. The goal of the course is to provide a coherent framework for analyzing macroeconomic events, such as business cycles (recessions and booms) and long-run growth, their impact on financial markets, and to discuss macroeconomic policy.

The course is comprised of three major parts. The first part develops the foundations for goods, labor and capital markets. The second part combines these markets into a single framework to model simultaneously the entire economy. The framework will be used to study the behavior of macroeconomic aggregates in “general equilibrium”. In particular, we are interested in explaining (i) the business cycle fluctuations of GDP and its components, employment, inflation and interest rates; and (ii) long-run growth in both developed and emerging economies. The last part of the course focuses on monetary policy and examines the global economic system, including exchange rates, trade and international economic policy. In all parts of the course, the analysis will be applied to current economic events, both in the U.S. and abroad. Particular emphasis will be placed on the relation between macroeconomic events and financial markets.

2. Course Materials

Web Sites

You can access most of the information about this course by using the webCafé room at <https://webcafe.wharton.upenn.edu>. To do this you will need to have a Wharton account. If you do not have a Wharton account you can apply online at <http://accounts.wharton.upenn.edu>

Textbook

The required textbook is *Macroeconomics* by Abel, Bernanke and Croushore updated 6th edition, 2008, Addison-Wesley. It is available for purchase at the Penn Bookstore.

This text provides a wealth of background and complementary material. There is a study guide, which is not required. You can use it if you want more practice. We will not always follow the book closely. I will make some notes (handouts) available through webcafé as the class progresses to cover material not discussed in the book.

Slides

Slides will be made available in advance of the lecture. They will always be available at least 24 hours before the lecture on Webcafe. I expect to be able to distribute slides every few weeks, to cover the next few weeks of lectures.

News

A subscription to the Financial Times (ft.com), the Wall Street Journal (wsj.com), the weekly The Economist (<http://www.economist.com>) or a close substitute is highly recommended. All of these sources are accessible through the Penn library.

I will regularly send you news articles related to the class. There are also some interesting sources of information or commentary on the internet. I will send you some links of interesting websites which you are encouraged to consult.

3. Grades

The course grade will be based on the following components:

- Examination grade (65%);
- Three empirical projects / case studies (20%);
- Three or Four problem sets (15%).

Exams: There will be two midterms and a final. The midterm exams are scheduled as:

- Midterm 1: Thurs, Feb 12th, 6-8pm,
- Midterm 2: Thurs, Mar 26th, 6-8pm.

If you have a regularly scheduled class on those evenings, please let me know as soon as possible via email (and at least one week before the first exam).

Due to the midterm, there will be no class on 2/12 and on 3/26. I will arrange to have a special review session before each midterm, probably the day before each midterm.

The final exam will be assigned twice the weight of the midterm exams, yielding effectively four exam grades. The total "examination grade" will be computed as the average of the best three out of these four grades. This formula provides student with a great deal of insurance against both scheduling conflicts (inability to attend a midterm) and anomalous performance (a bad day). As a result, no requests to reschedule or retake a midterm will be entertained unless specifically mandated by university policy. If you miss one midterm for any reason whatsoever, you can simply use your insurance policy and drop that exam. The final exam, in turn, can be rescheduled only if required by university policy, and only during the official make-up period. Any request for make-up exams as well as notification of disability accommodations must be received at least one week before the final exam is administered (in case of serious illness on the day of the final exam, you must notify the professor before the exam begins and provide an official doctor's note as soon as possible afterwards). All exams are comprehensive. The exam format is multiple choice. The final grade distribution will follow the school's guidelines. Quality-adjusted class participation will be taken into account for all marginal grades. Please note: no extra work during or after the end of semester will be counted towards the final grade.

The final exam will be given during the final examination period as scheduled by the registrar.

All the exams are comprehensive. They are closed book, but you are allowed to bring a one-page “cheat sheet”.

Homework and Case Studies

There will be 3 or 4 problem sets, and 3 case studies. Both should be done in teams of about five students. They must be submitted using the Assignment Submission folder in webCafé. Due dates for homework and case studies will be announced at least one week in advance. There are no make ups for missed assignments. Late submissions will be accepted with a penalty -- we will subtract 25% of the total points for each day after the due date.

The case studies will involve using some data and statistical tools (correlations, univariate regression). The last empirical project will be presented in class. Time permitting, the second one will be presented in class as well.

Case Studies Titles:

- Employment report and asset prices,
- Recession indicators and Buy signals,
- Country case study or Depression study.

Returning Graded Exams and Assignments

Personal grade information can be retrieved by clicking on the My Grade link in webCafé. University rules prohibit the return of graded exams and papers to individual student mail-folders. Instead all exams and assignments will be available for collection from the lead TA, Michael Michaux. Times and locations will be announced during the semester.

Regrading of Exams

Any requests for regrading of exams must be submitted in writing within 8 days from the date that exams are made available and must be accompanied by the *Regrade Request* form and *Statement of Honesty in Regrade Request* form. Please note that the regrade period begins on the date that the exams are made available and not on the date that you pick up the exam.

Requests for regrading must be specific. Do not mark or make notes on your exam, and do not alter in any way the answers to the questions. Such alterations may be construed as violations of the Code of Academic Integrity and may be referred for disciplinary action. When you request a regrade, I retain the right to regrade your entire exam.

4. Academic Integrity

All relevant University policies regarding Academic Integrity must be followed. This includes no cheating, no plagiarism and reporting any knowledge thereof. This will be strictly enforced. Please consult the Student Handbook or the appropriate web-page:

<http://www.college.upenn.edu/rules/integrity.html>

5. Teaching Assistant and Prof Contact Info

My office hours are Mon 2:30-3:30pm, or by appointment (email me).

Email: fgourio@wharton.upenn.edu

Office: 2335 in Steinberg Hall-Dietrich Hall.

Phone: 8-9749.

I am happy to try and answer your questions by email, however in some cases I have found that it is more efficient to discuss the question in person either after a class or during office hours. You can also try and discuss the question with the TAs by email or during their office hours.

Teaching Assistants: the TAs for the class are:

Michael Michaux (PhD student) michauxm@wharton.upenn.edu

Juhi Heda juheda@wharton.upenn.edu

David Tucker tuckerda@wharton.upenn.edu

Joy Xu joyyxu@wharton.upenn.edu

TA office hours TBA.

6. Additional information

Course Selection Period ends: Monday February 2

Drop Period ends Friday February 20

7. Provisional Outline* (This will be adjusted depending on time and interests.)

1. Introduction, overview of class, review of AS/AD model. (chapter 1)
2. Economic statistics and business cycle facts. (chapters 2, 8)
3. Asset prices: interest rates, bond prices, stock valuation and risk premia. (chapter 7)
4. Production, Productivity (chapter 3)
5. Employment, Wages, Labor Demand, Labor Supply. (chapter 3)
6. Consumption, Savings, and Investment. (chapter 4)
7. Money demand, money supply, and interest rates. (chapter 7)
8. Classical business cycles. (chapter 10)
9. The IS/LM model and the AS/AD model (chapter 9).
10. Fiscal policy and monetary policy. (chapter 12, 14,15)
11. Long-run growth. The Solow model. The Malthusian model (chapter 6 + notes)
12. The open economy. Trade, current account, exchange rates, international macroeconomics. (chapter 5, 13)