

FINANCE 101

Monetary Economics and the Global Economy

Spring 2009

Professor James A. Kahn

DESCRIPTION

Finance 101 is an intermediate-level course in macroeconomics, incorporating topics in international and monetary economics as well as the determinants of long-term growth. The goal of the course is to provide coherent framework for analyzing macroeconomic phenomena (such as business cycles) and government policies that affect the environment in which firms, consumers, governments, and financial markets and intermediaries all operate.

Questions addressed include: What causes a nation's economic activity to fluctuate? What is the connection between financial markets and the macroeconomy? What causes inflation? How do government policies, in particular monetary and fiscal policy, affect economic performance? Why do some countries experience rapid growth while others stagnate? What are the causes of financial and currency crises? In addressing the questions, special emphasis will be given to the connection between macroeconomics and financial markets.

The first part of the course presents a classical analysis of the central economic markets: the labor market, goods & capital markets, and asset markets. The second part puts these markets together (general equilibrium), with the goal of understanding the impact of macroeconomic policy and how all the pieces fit together. The final part of the course examines monetary policy and expands the analysis to a global setting, taking into account international capital flows and exchange rates. We will also examine the determinants of long-term growth and other long-term issues. Throughout the entire course we will apply what we have learned to current events, highlighting their implications for financial markets, businesses, and households.

COURSE MATERIALS AND INFORMATION

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>

Lecture Notes

Copies of the lecture notes, additional readings, and other course materials will be available in bulkpacks sold by Wharton reprographics. Electronic copies can be downloaded from webCafé.

Textbook

The required textbook for this course is *Macroeconomics*, 6th edition, by Abel, Bernanke and Croushore. This is an excellent text in macroeconomics and provides a wealth of background and complementary material. However classroom discussions may focus on other topics and not always follow the book closely. Regular attendance and participation is important.

Economic News

A subscription to *The Wall Street Journal* is required. You can obtain one by applying online at <https://www.wallstreetjournal.com>. Subscription forms will also be provided at the beginning of the semester. You are expected to bring the paper to class regularly and to be prepared to discuss the major economic news. Occasionally selected articles from other major business publications may also be made available and added to the list of required readings.

Analyzing and understanding key macroeconomic data releases is one of the core elements of the course. Major news releases will be discussed extensively during the semester and are required reading. Links to these data releases will be provided on webCafé.

Videos

Classes held during University recognized holidays, and any sessions not during regular meeting times, will be videotaped and the videos posted on webCafé, usually within 48 hours.

GRADES

Deliverables

The final grade for this course will be based on four exam scores (two midterms and one final, with the final counted twice), assignments, and a group presentation. The weights are as follows:

- Best Three Exam Scores 25% each
- Assignments/Case Studies 15%
- Global Analysis Project 10%

The Global Analysis Project is an assignment promoting teamwork and communication, near the end of the semester. Each group will give a 10-minute in-class presentation applying course material to analyze the macroeconomic situation of a foreign country.

Each exam score will be adjusted by the class mean and standard deviation. Although the second midterm exams will emphasize material covered since the first midterm, because the material is cumulative, it will be essentially comprehensive. The final exam will also be comprehensive. You will be allowed to bring one 8.5" x 11" page of notes to each exam.

Some assignments and the Global Analysis Project will be done in teams of about five students. Group assignments must be submitted using the Assignment Submission folder in webCafé.

The final grade distribution will follow the school's guidelines. Quality-adjusted class participation will be taken into account for all marginal grades. No extra work during or after the end of semester will be counted towards the final grade.

Scheduling Conflicts and Make-ups

Because you can drop one exam grade without penalty there is no make-up for a missed midterm exam. University policy dictates whether and when a final exam can be rescheduled.

There are no make ups for missed assignments or cases. Late submissions will be accepted with a penalty -- I will subtract 25% of the total points for each day after the due date.

Returning Graded Exams and Assignments

Personal grade information can be retrieved by clicking on the My Grade link in the webCafé room. Information about grade distributions will be posted on webCafe and discussed in detail at the end of the semester.

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 my TAs. Times and locations will be announced during the semester.

Regrading of Exams

Any requests for regrading of exams must be submitted in writing within 7 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. These are posted on webCafé. 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 very specific. Asking for regrades on three or four questions invariably means that the student is “fishing”; such broad requests will be rejected.

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. I retain the right to regrade your entire exam.

Academic Integrity

All relevant University policies regarding Academic Integrity must be followed. This includes no cheating, no plagiarism and the requirement to report any knowledge thereof. *Violations of any rules may be referred to appropriate authorities for disciplinary action.* Please review the Code of Academic Integrity at <http://www.vpul.edu/osl/acadint.html>

To avoid being disruptive, please arrive on time and do not leave early. You must attend only the course section in which you are officially enrolled.

OFFICE HOURS

My office is Steinberg Hall-Dietrich Hall 2342. In addition you can reach me by email at jakahn@wharton.upenn.edu. Regular office hours for me and my TAs (along with their contact information) will be announced at the beginning of the semester and posted on webCafé. We prefer to meet during those hours, but if necessary you may contact us to make an appointment. For all questions about course material I strongly encourage you to make use of webCafé. This will avoid repetition and give you the opportunity to learn from (and even teach) your fellow students.

TENTATIVE SCHEDULE OF ACTIVITIES

| Date | Topic | Textbook Chapter.Section | Due |
|----------------|--|--------------------------|---------------------|
| Jan 14 | Macroeconomics and Financial Markets | 1 | |
| Jan 21 | Interest rates, Bonds, and Credit Markets | | |
| Jan 26 | The Stock Market/National Income Accounting | 2, 8.1-8.3 | |
| Jan 30† | Economic Indicators/Production and Labor Demand | 3.1-2, 6.1 | Assignment 1 |
| Feb 2 | Labor Supply and Unemployment | 3.3-3.6, 12.2 | |
| Feb 4 | Consumption, Saving, and Investment | 4.1-4.2 | |
| Feb 9 | Government Spending and Goods Market Equilibrium | 4.3 | Assignment 2 |
| Feb 11 | Money and Interest Rates | 7 | |
| Feb 12 | Midterm Exam - 6PM | | |
| Feb 16 | Macroeconomic Equilibrium I: IS/LM/FE | 9.1-9.3 | |
| Feb 18 | Macroeconomic Equilibrium II: IS/LM/FE | 9.4-9.5 | |
| Feb 23 | Business Cycles: Classical | 10 | |
| Feb 25 | Business Cycles: Keynesian | 11 | Assignment 3 |
| Mar 2 | Inflation and Unemployment | 12 | |
| Mar 4 | Monetary Policy | 14 | |
| Mar 16 | The Fed and the Financial System | | |
| Mar 18 | Current Policy Topics | | |
| Mar 23 | International Macroeconomics | 5 | Assignment 4 |
| Mar 25 | Review and Discussion | | |
| Mar 26 | Midterm Exam - 6PM | | |
| Mar 30 | Economic Growth I | Ch. 6 | |
| Apr 1 | Economic Growth II | | |
| Apr 6 | Fiscal Policy and the National Debt | Ch 15 | |
| Apr 8 | Exchange Rates | 13.1-13.2 | |
| Apr 13 | Exchange Rates and Macro Policies | 13.3-13.5 | Assignment 5 |
| Apr 15 | Crises | | |
| Apr 20 | Case Studies: Country Analysis | | |
| Apr 22 | Case Studies: Country Analysis | | |
| Apr 27 | Review and Discussion | | |
| May 6 | Final Exam – 6PM | | |

†January 28th lecture rescheduled to Friday, January 30th, 10:30-12noon, JMHHG06