

FINANCE 101 - MONETARY ECONOMICS AND THE GLOBAL ECONOMY
PROF. PRICILA MAZIERO

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Course Description

This is an intermediate-level course in macroeconomics, with particular attention to monetary and international economics. The course develops the classic models of the aggregate economy, namely models of the central real and financial markets and their interactions. The goal is to provide coherent frameworks for analyzing macroeconomic events (eg, recessions and booms) and policy, and thus the environment in which firms, consumers, governments, and financial markets and intermediaries operate. We apply these frameworks to understanding the US, foreign, and global economies. The first part of the course presents a classical analysis of the central economic markets: the labor market, goods and capital markets, and asset markets. The second part puts these markets together to model simultaneously the entire economy (general equilibrium). The focus is on explaining 1) the behavior and implications of the key economic variables over the business cycle: production and demand (and their components); inflation, interest rates and asset prices; employment, wages and corporate profits; exchange rates and international flows of goods and capital; 2) long-run economic growth, in developed and emerging markets; and 3) how macroeconomic policy affects the economy. The final part of the course examines the global economic system, focusing on monetary policy, interest rates, and the financial system; and on exchange rates, international trade, and policy in the open economy. In all parts of the course the analysis will be applied to current events and debates, both in the US and abroad, especially the financial crisis and recession.

Course Materials

The required textbook is Macroeconomics by Abel, Bernanke, and Croushore [ABC] (Addison-Wesley, 7th edition). It is available in the Bookstore. Students should also obtain later in the

semester the coursepack with supplementary readings available from Study.Net. The lecture notes should be downloaded and printed from the course website; they contain the definitive list of readings and assignments associated with each topic. Supplemental handouts will be also posted on the webcafe. The lecture notes are not intended to be substitutes for reading the text. Further information will be posted on the course website, which you should consult regularly. You will be expected to follow and analyze related current events. Please read one of the following (or a close substitute) regularly: the Wall Street Journal, the New York Times, the Economist, or the Financial Times. Students are expected to come to class and participate in class discussions. During class, everything with an on/off switch should be set to off. If you are using your laptop to take notes during, you must show the professor evidence of that, by either showing your notes at the end of class or emailing them by the end of the day.

Grading

The course grade will be based on the following: Exams 75%, Assignments 15%, Global Analysis Project 10%. Problem sets and other assignments will be due regularly throughout the semester. Some of the assignments will be graded. You may work on the homework in groups of up to 4 students, but each student must individually complete and submit his/her own solutions (e.g., you cannot copy or modify another student's solutions). Please write on the first page of the assignment the names of the students you worked with. Assignments will not be accepted late and no regrade requests will be accepted

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

Exams

The midterm exams are scheduled for the evenings of Thursday, February 10th and Thursday, March 24th. The final exam will be given during the final examination period as scheduled by the registrar. The current tentative date is May 9th, 2011 from 6-8pm.

The final exam will be given twice the weight of the midterm exams, yielding effectively four exam grades. The lowest grade among these four grades will be dropped. This provides students with a great deal of insurance against both scheduling conflicts and an anomalous exam performance. As a result, **no requests to reschedule or retake a midterm exam will be entertained** (unless specifically required by University policy). The final exam can

be rescheduled only if required by University policy, and only during the official make-up period during the first week of the following semester. You must receive approval for a make-up exam, or official disability accommodations, at least one week before the exam is administered. (In case of serious illness on final exam day, you must notify the professor before the exam begins, and provide documentation from a doctor soon afterwards.) If you miss an exam without following the rules, the exam grade will be a zero.

The exams will be closed-book, except that you may bring along a single 8.5"x11" sheet of notes. These notes may not include reproductions of large sections of the text, class notes, or coursepacks. You may use a calculator, but only if it cannot communicate with other devices (e.g., no cellphone calculators). Regrade requests must be submitted using the official regrade form (available later on the course webcafe), including a signed "Statement of Honesty" and the entire exam. For the midterm exam, requests must be made within one week from the date that exams are returned (whether or not you actually pick up your own exam on that date); for the final exam, within one week from the first day of classes the following term. We retain the right to regrade the entire exam. You may not, of course, alter any of your answers on a submitted exam. Any alteration of the exam is therefore strictly forbidden and will be considered as a violation to the Code of Academic Integrity.

Violations of the course or University rules may be referred to appropriate authorities for disciplinary action.

Please review the Code of Academic Integrity at: <http://www.vpul.upenn.edu/osl/acadint.html>.

Topics

Preliminary Outline Details of this outline are subject to change, as announced in class and posted on webcafe.

1. Introduction

- Macroeconomics and the Global Economy: ABC Ch. 1
- Macroeconomic Indicators and Asset Prices: ABC Ch. 2, Ch. 8.1?8.3

2. The Central Economic Markets

- Production and Productivity: ABC Ch. 3
Labor Demand and Supply; Labor Market Frictions: ABC Ch. 3
Consumption, Savings and Investment: ABC Ch. 4
Money, Prices and Asset Markets: ABC Ch. 7

3. The Aggregate Economy

- The IS-LM / AS-AD general framework: ABC Ch. 9
- The Classical Model of Business Cycles: ABC Ch. 10
- The Keynesian Model of Business Cycles: ABC Ch. 11
- Unemployment and Inflation: ABC Ch. 12

4. International Macroeconomics and Macroeconomic Policies

- Monetary Policy and the Federal Reserve System: ABC Ch. 14
- The Fed during the recent Financial Crisis
- International Capital Markets and Exchange Rates: ABC Ch. 5, Ch. 13
- Macroeconomic Policy in the Open Economy: ABC Ch.13
- Economic Growth: ABC Ch. 6