

University of Pennsylvania  
The Wharton School

# **Finance 101: Monetary Economics & the Global Economy Syllabus**

Professor M. M. Croce

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## **Course Description**

Finance 101 is an intermediate-level course in macroeconomics, with a particular attention on monetary and international economics. The goal is to provide a coherent framework for analyzing macroeconomic events (e.g. recessions and booms) and macroeconomic policies (e.g. monetary and fiscal policy). We apply this framework to understanding consumer and firm behavior and their interaction with financial markets and the government.

The course is comprised of three major parts. The first part develops separately 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 third 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.

## **Course Material**

### **Web Site:**

The class has a webCafé room that can be accessed through <https://webcafe.wharton.upenn.edu>. You need to have a Wharton account to enter the site. If you do not have a Wharton account, you can apply online at <http://accounts.wharton.upenn.edu>.

### **Lecture notes and other material:**

Most of the class will be taught with slides. These slides, together with problem sets and other useful documents, will be posted on webCafé throughout the semester. Supplementary readings are available as a course pack from <http://www.study.net>.

### **Textbook:**

The required text is Macroeconomics by Andrew Abel, Ben Bernanke, and Dean Croushore [ABC] (Addison-Wesley, 7th edition, 2011), available for purchase at the Penn Bookstore. The 7<sup>th</sup> edition is brand new and contains substantial modifications. Students who want to use the 6<sup>th</sup> edition are responsible for the changes in the 7<sup>th</sup> edition. The book is accompanied by a study guide and an interactive website called MyEconLab. These sources are not required material for the class but students may benefit from using them for practice questions.

### **Economic News:**

Aside from the regular course material, students are expected to follow current economic events. While no subscription to any particular newspaper or journal is required, you should regularly read any of the following: *Business Week*, *Wall Street Journal*, *The Economist*. All of these sources are accessible through the Penn library.

### **Grading**

The course grade is based on the following components: Examinations (75%), Problem Sets (15%), and a Global Analysis Project (10%).

### **Examinations:**

There will be two midterm examinations and a final examination. The midterms are scheduled as follows

- Midterm 1: Thursday, February 10, 2011; 6:00 - 7:30pm
- Midterm 2: Thursday, March 24, 2011; 6:00 - 7:30pm.

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

All examinations are comprehensive and closed book except for a single 8.5" x 11" sheet of notes. Calculators are permitted, except for cell phone calculators.

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 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 (in case of serious illness on the day of the final exam, you must notify me before the exam begins and provide an official doctor's note as soon as possible afterwards).

Regrade requests must be submitted using the official *Regrade Request* form (which will be posted on webCafé) and must be accompanied by your exam copy and a *Statement of Honesty in Regrade Request*.

Requests must be submitted within a week from the date the examination is returned (whether or not you actually pick up the exam on that date). For any request, the entire exam will be automatically regraded. Any alteration of the exam is therefore strictly forbidden and will be considered as a violation of the Code of Academic Integrity.

### **Problem Sets:**

There will be several graded problem sets. To promote economic discussion, students are required to form groups of no more than 4 people to work on the assignments. Each group is required to hand in just one printed copy per homework with the group member's names clearly marked on the first page. Late assignments will not be accepted and no regrade requests will be entertained.

### **International Analysis Project:**

This is a group assignment designed to promote team work. Each group will give an in-class presentation applying the course material to analyze the macroeconomic situation of a foreign country. All members of a group will receive the same grade, independent of individual performance. Specific details on the project will be provided in class.

### **Academic Integrity**

All relevant University policies regarding Academic Integrity must be followed strictly. Please consult the Code of Academic Integrity for details: <http://www.vpul.upenn.edu/osl/acadint.html>

### **Office Hours**

Office hours with the professor and the TAs will be announced in class and posted on webCafé. We prefer to meet at these times. In case you cannot make it to any of the office hours, you may make a personal appointment by email.

### **Contact**

Most information, including frequently asked questions and interactive discussions of different topics are posted on webCafé. For additional information, I can be reached by email: [mmc287@gmail.com](mailto:mmc287@gmail.com)

## Preliminary Outline

Since this schedule is very ambitious, it is very likely that it will change during the semester and that less relevant topics will receive less attention (or no attention at all). Students should not take this schedule as a strict commitment. All changes will be announced in class and posted on webCafé.

Week	Day	Lecture	Date	Topic	Readings
1	W	1	12-Jan	Introduction and National Accounting	2.1-2.2
2	W	2	19-Jan	National Accounting and Economic Statistics	2.3- 2.4
3	M	3	24-Jan	Business Cycles, News and Asset prices	8.1
	W	4	26-Jan	Output and productivity	3.1, 6.1
4	M	5	31-Jan	Labor market (Supply & Demand)	3.2- 3.4
	W	6	2-Feb	Labor market (Unemployment)	3.5-3.6
5	M	7	7-Feb	Consumption and savings	4.1
	W	8	9-Feb	Review Midterm 1	
	Th		10-Feb	<b>MIDTERM 1</b>	
6	M	9	14-Feb	Investment and capital market equilibrium	4.2- 4.3
	W	10	16-Feb	Money, prices and asset markets	7
7	M	11	21-Feb	General equilibrium IS-LM	9.1-9.5
	W	12	23-Feb	General equilibrium AS-AD	9.6
8	M	13	28-Feb	Classical RBC and macro policy	10.1-10.2
	W	14	2-Mar	Keynesian theory and macro policy	11.3-11.4
9	M	15	14-Mar	TBA	TBA
	W	16	16-Mar	Monetary policy and the Fed: Part 1 (Term Structure)	Mishkin ch 6
10	M	17	21-Mar	Monetary policy and the Fed: Part 2 (Institutional Details)	Mishkin ch 15
	W	18	23-Mar	Review Midterm 2	
	Th		24-Mar	<b>MIDTERM 2</b>	
11	M	19	28-Mar	International capital and goods markets	5.1-5.2
	W	20	30-Mar	Exchange rates: Def, PPP, UIP	13.1-13.2
12	M	21	4-Apr	Exchange rates in the IS-LM model	13.3
	W	22	6-Apr	Open IS-LM	13.4
13	M	23	11-Apr	Fixed exchange rates and currency crisis	13.5
	W	24	13-Apr	TBA	TBA
14	M	25	18-Apr	TBA	TBA
	W	26	20-Apr	International analysis project	
15	M	27	25-Apr	International analysis project	