

University of Pennsylvania
The Wharton School

FNCE 101 Honors

Monetary Economics & the Global Economy

Syllabus

Professor André Kurmann

Spring 2011

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>.

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 7th edition is brand new and contains substantial changes over the previous 6th edition. Students who want to use the 6th edition are responsible for the changes in the 7th 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 you may benefit from using them for practice questions.

Lecture notes and other material

Most of the class is taught with slides. You can download the slides from webCafé prior to each lecture. In addition, an obligatory course pack with readings is available on <http://www.study.net> (from where you can order a hard copy printed by Wharton Reprographics). All other course material (topical newspaper articles, problem sets) will be posted on webCafé throughout the semester.

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: *The Wall Street Journal*, *The Financial Times*, *The New York Times*, *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; 6-8pm
- Midterm 2: Thursday, March 24, 2011; 6-8pm.

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 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 the 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 posted on webCafé and must be accompanied by your exam copy. 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 to the Code of Academic Integrity.

Problem Sets

There will be 5-6 graded problem sets. These will not be accepted late and no regrade requests will be entertained. You may work on these problem sets together in teams of no more than 4 people. If you work as a team, only turn in one copy per team with the names of all team members clearly marked on the first page.

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. 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. If 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, is posted on webCafé. For additional information, I can be reached by email at kurmann@wharton.upenn.edu.

Preliminary Outline

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

0. Introduction:

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

1. The Central Economic Markets

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

2. The Aggregate Economy

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

3. International Macroeconomics and Macroeconomic Policies

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