

FINANCE 101 Honors
Monetary Economics & the Global Economy
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Finance 101 is an intermediate-level course in macroeconomics, with a particular emphasis on monetary and international aspects. The goal of the course is to provide a coherent framework for analyzing macroeconomic events (e.g. recessions) and macroeconomic policy, and thereby better understand the environment in which firms, households, governments and financial intermediaries operate. Throughout the course, the analysis is applied to current events, both in the US and abroad.

COMMUNICATION AND COURSE MATERIALS

Website

Course website can be accessed through webCafé at <https://webcafe.wharton.upenn.edu>. To enter the site, 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> to acquire one. You are expected to consult this website regularly and keep current with the posted content.

Mandatory Readings

The **required textbook for the course is “Macroeconomics” by Abel, Bernanke, and Croushore [ABC] (Addison-Wesley, 7th edition)**. The textbook is available for purchase in the Bookstore. The book is accompanied by an interactive website MyEcon-lab. The website may be useful for reviewing the material but is not required. The mandatory reading list for the class will additionally include 3 chapters from two other sources: **Two chapters from the book “Stocks for the Long-run” by Jeremy Siegel, and one chapter from the textbook “The Economics of Money, Banking, Financial Markets” by Frederic Mishkin. These additional resources are available for purchase on an individual basis at <https://www.study.net/default.asp>.**

Throughout the semester, **you are expected to keep current with economic news that are relevant for this class**. A subscription to *The Financial Times*, *The Wall Street Journal*, *The Economist*, or a close substitute is highly recommended. Selected articles from these sources may be added to the list of required readings later during the semester. All of these sources are accessible through the Penn library.

Partial lecture notes and slides will be available for download on webCafé. However, please note that these materials have not been designed to serve as a substitute for regular lecture attendance or textbook reading.

DELIVERABLES AND GRADES

The final grade for the course is based on examinations (2 x midterm exams and 1 x final exam), problem sets, and two group projects. The weights are as follows: Examinations 70%, problem sets 15%, and group projects 15%. In borderline cases, attendance may be taken into account, and so please make sure you attend regularly the section you are enrolled in.

Exams

There will be two midterm examinations and one final examination. Midterm examinations are not cumulative, but the final examination is. The midterm examination is scheduled for the evening (6pm) of Feb 9th and March 22nd (room assignment TBA, check announcement board on webCafé prior to the exam). The final examination is scheduled during the official final examination period by the registrar's office (see registrar's office website for current information: http://www.upenn.edu/registrar/pdf_main/SPRING_Exam_Schedule.pdf).

The final exam will be assigned twice the weight of the midterm exams, yielding effectively four exam grades. **The total "examination grade" for the course will be then computed as the average of the best three out of these four grades.** The formula is intended to provide insurance against both scheduling conflicts (inability to attend a midterm), and an anomalous performance in the final exam (a bad day). As a result, **no requests to reschedule or retake any of the two midterms will be entertained**, unless specifically mandated by the University. It is highly recommended that during enrollment you have no scheduling conflict with either of the two midterm exam dates listed above.

The make-up final will be administered only if required by the University policy for the final examinations (see registrar's office website). You must notify me at least a few days before the actual final exam takes place to obtain a permission for such accommodation. Rescheduled final exam will take place during the official make-up period (first week of the following semester). Please note that you automatically lose your eligibility for the make-up final in case you take the exam as scheduled.

Disability accommodations will be provided by the disability center. To be eligible, you must notify me two weeks after the semester starts that such accommodation is needed and provide the proof of eligibility. The exam will be scheduled during the time of the regular exam or right before the exam.

All exams are closed-book, but you are allowed to bring one single sided cheat-sheet with your own notes to the midterm exam (max A4 size), and up to three single sided cheat-sheets to the final exam (max A4 size). Cheat-sheets can only contain your own notes and in your own handwriting.

In particular, they may not contain large portions of reproduced notes or any other course materials such as slides, solutions manuals, answer keys etc...

To make grades comparable, scores for each exam will be standardized (i.e. adjusted so that the mean and dispersion measured by standard deviation of all non-zero scores is the same across all exams in my sections).

You will need an ID to be admitted to the exam. Calculators are allowed, but cell phones, computers or i-pads are not. Please come to the exam a few minutes early to allow your proctors start the exam on time.

Problem Sets

There will be 5-6 graded problem sets. The answers must be typed, except for graphs or equations. Completed assignments must be submitted in-class before or after the lecture on the day the assignment is due. Not late assignments will be accepted.

You may and are encouraged to work on the problem sets in teams of no more than 4 people. If you work as a team, please turn in one copy per team with the names of all team members listed on the first page.

Graded assignments will be placed in the student folders in the Finance Department (metal cabinet located in front of the TA cubicles; assignment will be returned to the first listed student). It is important that you pick up graded assignments on time and confront them with the answer key posted online right after.

Group Projects

The group assignments are designed to promote teamwork. You are responsible to **find teammates during the first 4 weeks of classes, and sign up your team on webCafé. Each team is responsible for a 10 min in-class presentation analyzing a current or past macroeconomic event in a foreign country ('international project'), and a 5 min in-class presentation summarizing current economic conditions in the US ('weekly update project')**. The presentation of your 'international project' will take place during the last 2-3 classes, and the presentation of your 'weekly update project' will be scheduled anytime after the 4th week of classes. Written topic proposal for the 'international project' must be turned in by the 8th week of classes the latest. Further instructions will be available on webCafé.

All students in the group will get the same grade regardless their individual contributions. Part of the task is to organize the team so that all members contribute equally and their skills are utilized in the best way possible.

Final Grade for the Course

The letter grade for the course is based on the ranking of all final scores in the class. The detailed point cutoffs for the final letter grade will be announced after the semester ends. There is no official curve for this course. Approximate performance measures will be provided throughout the semester.

Regrades and Complaints

Regrade requests must be submitted in writing within a week after the questioned item has been returned¹ to the class. Requests must be accompanied by an official Regrade Request Form, and an official Statement of Honesty. Both forms are available for download from the course website. Our response to the regrade requests is final. Regrade request of problem sets are limited to serious omissions (and may be rejected on the basis of being insignificant). We retain the right to regrade the entire exam/homework assignment, which may result in a lower overall score.

Please note the following deadlines and policies:

- **Graded content of exams or problems sets can not be modified in any way. Any violations may in this respect be construed as a violation of the Code of Academic Integrity and may be referred for a disciplinary action.**
- **Any inconsistency between grades in the roster and the ones on the returned exams or problem sets must be reported no later than one week after the exam and problem sets has been returned to the class.**
- **Graded exams and problem sets must be held securely until the end of semester and made available for review upon request.**

ACADEMIC INTEGRITY

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

OFFICE HOUR

Office hour schedule will be announced after the first week of classes. See webCafé (organization folder) for details.

¹In the case of the final exam within the first week of the following semester.

TENTATIVE COURSE OUTLINE

The course is structured into three parts: measurement, micro-foundations, and general equilibrium analysis. The first part discusses how economists gauge the performance of the economy as a whole, with an additional emphasis on economic indicators that are useful in the real time analysis of the impact of macroeconomic events/news on the financial markets. The second part discusses the structure of the national economy by focusing on three major sectors and relating their decisions (studied in isolation) to the circular flows of income and expenditures in the aggregate economy. Finally, the last part combines the material discussed in parts one and two to analyze the general equilibrium of the economy as a whole, emphasizing the connection between the key sectors discussed in part one and two and relating them to the economy-wide market clearing conditions. Throughout the course, the material is applied to better understand such general issues as cyclical fluctuations, economic growth and stabilization role of monetary and fiscal policy, as well to specific topics such as the recent financial crisis, global imbalances, demographic aging, or the recent European debt crisis.

1. **Questions of Macroeconomics (ABC Ch. 1, 8)***
2. **Measurement and Accounting (ABC Ch. 2, Siegel 1)***
 - National Income and Product Accounts
 - Economic Indicators and Economic Forecasting
3. **Structure of Aggregate Economy (ABC Ch. 3, Ch. 4 (&A4), 7.1-7.3, 14.1-14.2, 15, Mishkin)***
 - Markets, Sectors and Intersectoral Circular Flows
 - Business Sector (production, investment and employment)
 - Household Sector (consumption/saving, labor supply, wealth portfolio allocation)
 - Government Sector (fiscal authority and policy, monetary authority and policy)
4. **General Equilibrium in a Monetary Economy (ABC Ch. 9, Ch. 11, Ch. 12, Ch. 13)***
 - The Fundamental Equation of Macroeconomics
 - Equilibrium under Flexible Prices (classical view)
 - Equilibrium under Sticky Prices (Keynesian view)

- National Economy in Global Economy: Open Economy Equilibrium under Sticky and Flexible Prices
5. **Business Cycles and Stabilization Policy (ABC same as above + Ch. 14, Siegel 2)***
 - Monetary and Fiscal Policy in Closed and Open Monetary Economy
 6. **Economic Growth and Development (if time allows, ABC Ch. 6)***
 7. **Economics of Financial Crises (additional readings)**

*The list is tentative and subject to change. Please refer to course website for the actual list of topics and readings.