

FINANCE 101 – MONETARY ECONOMICS AND THE GLOBAL ECONOMY

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SPRING 2013

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.

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 connections 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.

COMMUNICATION AND COURSE MATERIALS

Website: The course website can be accessed through canvas at <https://wharton.instructure.com/>. You are expected to consult this website regularly and keep current with the posted content. Slides will be available for download on canvas. However, please note that these materials have not been designed to serve as a substitute for regular lecture attendance or textbook reading.

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 required coursepack, containing additional readings, is available from <http://www.study.net>. (You can also order a hard copy from Wharton Reprographics).

Throughout the semester, you should 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 recommended. Selected articles from these sources may be added to the list of required readings later during the semester. These sources are accessible through the Penn library.

DELIVERABLES AND GRADES

The final grade for the course is based on examinations (2 midterm exams and 1 final exam), problem sets, and two group projects. The weights are as follows: Examinations 70%, problem sets 15%, Global Analysis Project 10% and Economic Update Project 5%. In borderline cases, attendance may be taken into account.

Exams

The midterm examinations are scheduled for **Feb 14th at 6-8pm** and **March 21st at 6-8pm**. The final examination is scheduled during the final examinations period by the registrar's office.

The final exam will be assigned twice the weight of the midterm exams, yielding in effect 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 and an anomalous performance in the final exam. As a result, no requests to reschedule or retake any of the two midterms will be entertained, unless specifically mandated by the University. If you miss one midterm for any reason whatsoever, you can simply use your insurance policy and drop that exam. 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.

Any request for a required make-up exam or for disability accommodations must be made at least one week before the exam. In case of serious illness on the final exam day, you must notify the professor *before* the exam begins, and provide official documentation from a doctor as soon as possible afterwards.

Disability accommodations will be provided by the disability center. To be eligible, you must notify me less than two weeks after the semester starts that such accommodations are 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 8.5"x11" cheat-sheet with your own notes to midterm #1, two sheets to midterm #2, and three sheets to the final. 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...

You will need an ID to be admitted to the exam. You may use a calculator, but only if it cannot communicate with other devices. Please come to the exam a few minutes early to allow your proctors to start the exam on time.

Problem sets

There will be 4-6 graded problem sets. Completed assignments must be submitted in-class before the lecture on the day the assignment is due. No 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).

Group Project

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.

The Economic Update Project is a group assignment involving an in-class presentation summarizing current economic conditions in the US. Further instructions will be provided in class.

All students in the group will get the same grade regardless of 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.

Regrades

Regrade requests must be submitted using the official Regrade Request form (on the website) along with your entire exam. For the midterms, requests must be made within one week from the date that the exam is returned (whether or not you actually pick up your exam on that date). For the final exam, requests must be made within one week from the first day of classes the following semester. We retain the right to regrade the entire exam. Any alteration of the exam is strictly forbidden and will be considered a violation of the Code of Academic Integrity.

ACADEMIC INTEGRITY

All relevant University policies regarding Academic Integrity must be followed strictly. Please review the Code of Academic Integrity at:

http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html.

OFFICE HOURS

Office hours with the professor and the TAs will be announced during lecture and posted on canvas. We prefer to meet at these times, but if you cannot make it to any of the office hours you may make an appointment by email.

TENTATIVE CALENDAR

This calendar and the list of topics are subject to change.

Class #	Date	Topic	Readings
1	Thu 1/10	Introduction and overview	ABC chapter 1
2	Tue 1/15	Data and measurement	ABC chapter 2
3	Thu 1/17	Asset prices and economic news	Siegel, chapters 14 and 10
4	Tue 1/22	Productivity and output	ABC, chapters 3.1 and 6.1 ABC, appendix A
5	Thu 1/24	Labor market	ABC, chapters 3.2 – 3.4
6	Tue 1/29	Unemployment	ABC chapter 3.5, 10.1, 11.1
7	Thu 1/31	Consumption and savings I	ABC chapter 4.1 ABC appendix 4A
8	Tue 2/5	Consumption and savings II	idem
9	Thu 2/7	Investment and Goods Market Equilibrium	ABC, chapter 4.2 and 4.3
10	Tue 2/12	Asset market, money and prices	ABC chapter 7
	Thu 2/14	Midterm #1 at 6pm	
11	Tue 2/19	IS-LM, AS-AD I	ABC, chapter 9.1 – 9.5 ABC, appendix 9A and 9B
12	Thu 2/21	IS-LM, AS-AD II	ABC chapter 9.6
13	Tue 2/26	Business cycle and macro policy	ABC chapter 10.1-10.2 ABC chapter 11.3-11.4
14	Thu 2/28	Historical recessions in IS-LM/AS-AD	ABC chapter 10.1-10.2 ABC chapter 11.3-11.4
	Tue 3/5	Spring break	
	Thu 3/7	Spring break	
15	Tue 3/12	Unemployment, Inflation and the Fed	ABC chapters 11.2, 12 and 14.3
16	Thu 3/14	Monetary Policy and the Fed: Part I	ABC chapters 14.1 and 14.2 Mishkin, chapter 6, page 130-142 Mishkin, chapter 15
17	Tue 3/19	Monetary Policy and the Fed: Part II	idem
	Thu 3/21	Midterm #2 at 6pm	
18	Tue 3/26	International Trade and Capital Markets	ABC, chapter 5
19	Thu 3/28	Exchange Rates	ABC, chapter 13.1-13.2
20	Tue 4/2	Open economy IS-LM model	ABC, chapter 13.3 and 13.4
21	Thu 4/4	Fixed exchange rate and currency crises	ABC, chapter 13.5
22	Tue 4/9	Growth	ABC 6.2-6.3
23	Thu 4/11	The Great Recession	
24	Tue 4/16	Global Analysis project	
25	Thu 4/18	Global Analysis project	
26	Tue 4/23	Global Analysis project	
		Final exam	