

University of Pennsylvania
The Wharton School

Finance 101: Monetary Economics & the Global Economy Syllabus

Professor Nicholas S. Souleles
Spring, 2013

Course Description:

Finance 101 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 (e.g., recessions and booms) and policy (in particular monetary and fiscal 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 separately analyzes the central economic markets: the labor, goods and capital markets. The second part combines these markets to model simultaneously the entire economy (general equilibrium). The focus is on explaining: 1) the behavior and implications of 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 recent events and debates, both in the US and abroad, especially the Great Recession.

A provisional schedule of topics and readings is attached. Changes to this may be announced during the semester.

Course Materials:

- The required textbook is *Macroeconomics* by **Abel, Bernanke, and Croushore** ["AB"] (Addison-Wesley, **7th edition, 2011**). It is available 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).
- The **lecture notes** should be downloaded and printed from the course's **Canvas website** and brought to lecture. These notes contain the definitive list of readings and assignments associated with each topic. (If you do not have a Wharton account, you can apply for one online at: <http://accounts.wharton.upenn.edu>.)
- Further information (e.g., problem sets and shorter readings) will be posted on the website, which you should consult regularly. (Supplemental handouts may also be distributed in lecture, and would be noted on the website.)

Students should also follow related current events. While no subscription to any particular source is required, the following are good choices: the Wall Street Journal, the New York Times, the Economist, or the Financial Times.

Examinations:

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

- Thursday, **February 14**, 6-8pm
- Thursday, **March 21**, 6-8 pm

The registrar will schedule the final exam during the final examination period.

The final exam will be assigned twice the weight of the midterm exams, yielding in effect 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 performance. As a result, no requests to reschedule or retake a midterm exam 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 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.)

The exams will be closed-book, except that you may bring along a single 8.5"x11" sheet of notes to midterm #1, two sheets to midterm #2, and three sheets to the final. These notes may not include reproductions of large sections of the text, class notes, or coursepack. 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 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.

Grading:

The course grade will be based on the following: Exams 75%, Assignments 15%, Global Analysis Project 10%.

Graded problem sets and other assignments will be due regularly throughout the semester. Unless explicitly instructed otherwise, each student must individually complete and submit his/her own solutions (e.g., you cannot copy or modify another student's solutions). These assignments will not be accepted tardy and no regrade requests will be accepted. Ungraded sample problems will also be provided for many topics.

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.

Students must attend the course section in which they are officially enrolled.

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.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html.

Contacts:

Office hours with the professor and the TAs will be announced in lecture and posted on the website. 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.

Provisional Outline¹

Topic	Readings (chapter: section in AB)
0. Introduction and Economic Statistics	2
Economic Indicators & Market Response	additional readings
I. The Central Economic Markets	
Productivity and Labor Demand	3:1-2, 6:1
Labor Supply and Labor Market Equilibrium	3:3-6, 12:2
Consumption and Saving	4:1, Appendix 4.A, 15:3
Investment and Capital Market Equilibrium	4:2-3
International Capital and Goods Markets	5
Money, Inflation, Asset Market Equilibrium	7, 12:3
II. The Aggregate Economy	
Impacts of Business Cycles	8
General Equilibrium	9:1-5, Appendix 9A/B, 10:1, 9:6
The IS-LM-FE Model	
Business Cycle Theories & Stabilization Policy	10:2-3, 11, 15:2, 12:1
Long-Term Economic Growth	6
Emerging Markets	
III. The International Economic/Financial System	
Monetary Policy in the US and Abroad	14
The Fed and the Financial System	additional readings
The Fed Funds Market & the Yield Curve	
The Fed and the Great Recession	
The Housing and Financial Crises	additional readings
The Debt Crisis and Fiscal Policy	15:1, 15:3
The Global Economy	
Exchange Rates and International Trade	13:1-2, additional readings
Open Economy IS-LM-FE	13:3-4
Exchange Rate Policy	13:5
Global Analysis Project	

¹ **Note:** This outline is subject to changes announced in lecture and posted on the website. The lecture notes contain the definitive list of readings and assignments associated with each topic.