

**FNCE 615: INTRODUCTION TO MACROECONOMICS
AND THE GLOBAL ECONOMIC ENVIRONMENT**
THE WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA

PROFESSOR ANTHONY LANDRY
SPRING 2013, 3rd QUARTER

COURSE DESCRIPTION

Introduction to Macroeconomics and the Global Economic Environment is a survey course in macroeconomic analysis, with an emphasis on current events and policy applications. The goal is to provide the background needed to understand the broad movements in the global economy. Key topics include national income accounting, long-run economic growth, technological changes, the labor market, business cycles, inflation, interest rates, monetary and fiscal policy, international trade and investment, exchange rates and international finance. By the end of the course, students will be able to read, understand and discuss current economic developments presented in newspapers such as *The Economist*, *The Wall Street Journal* and *The Financial Times*.

COURSE MATERIAL

Canvas

The Canvas site contains the syllabus, lecture notes, quizzes, teaching assistants' office hours, regrade request forms, and other useful information. You need to have a Wharton account to enter the site. If you do not have a Wharton account, you can apply for one [online](#).

Reading Material

The bulk of the course material comes from the lecture notes, the textbook, and course readings. The lecture notes are available on Canvas. The textbook is *Macroeconomics* (seventh edition) from Andrew B. Abel, Ben S. Bernanke and Dean Croushore (referred to as **ABC**), Addison-Wesley, 2011. Most other course readings come from *The Economist* newspaper and from Federal Reserve Banks publications. They are hyperlinked to web sources from within the syllabus. As such, I suggest you buy a subscription to *The Economist* to access these readings online. If you do not want to buy a subscription to *The Economist*, you can use the Penn library subscription. However, your online access will be limited to Penn computers. Access to Federal Reserve Banks publications is free.

In addition to the regular course material, you are expected to follow current economic events. While no subscription to any particular journal is required, it is recommended that you regularly read *The Wall*

Street Journal and *The Financial Times*. Other good sources of business news are daily podcasts such as the BBC World Business Report, NPR's Planet Money, and APM's Market Place (broadcasted on NPR).

GRADING

Grades are based on a final examinations (65%), five quizzes (25%), and class participation (10%).

Final examination

The final is a comprehensive examination over the material from the entire course. The final is closed book, except for one single 8.5" x 11" double-sided sheet of notes. Calculators are permitted. The final examination is on Thursday, February 28 from 6:00 to 8:00pm. The final examination can be rescheduled only if required by university policy and only during the official make-up period.

Quizzes

There will be 5 quizzes available on Canvas. The quizzes are designed to reinforce key concepts from the classes and to help you prepare for the final examination. Due dates are indicated under the course outline section of this syllabus. They are all due by 9:00am of the due date indicated. Quizzes will not be accepted late and no regrade requests will be entertained. Answers to quizzes will be posted on Canvas, shortly after the due date.

Scheduling conflicts

Scheduling conflicts should be resolved according to the [MBA Resource Guide](#). If you find yourself with a conflict due to your career search or recruiting activity, you should work with the MBA Career Management Office to find a resolution. You should never approach your instructors with requests to reschedule exams or to make special accommodations.

Regrade requests

Regrade requests must be submitted using the **regrade request form** and the **statement of honesty** posted on Canvas and must be accompanied by your exam. Requests must be submitted within one week from the date the examination is returned (whether or not you actually pick up the exam on that date). Regrade requests must be very specific. For any request, the entire exam will be automatically regraded; meaning, the grade may stay the same, go up or go down after regrading. Any alteration of the exam is therefore strictly forbidden and will be considered as a violation to the Code of Academic Integrity.

ACADEMIC INTEGRITY

All relevant University policies regarding Academic Integrity must be followed. Please consult the [Code of Academic Integrity](#) for details.

CONTACT INFORMATION

Email: alandry@wharton.upenn.edu

Office Hours: Tuesdays, 3:30-5:00pm

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Teaching Assistants

Name	Email address	Office hours	Location
Vandit Shah	vandits@wharton.upenn.edu	Thursdays, 12:00-1:30pm	TBD
Zein Tawil	ztawil@wharton.upenn.edu	Wednesdays, 1:30-3:00pm	TBD

Most information is posted on Canvas. For additional information, I can be reached by email. I will be happy to answer short questions on the course material by email. However, I will typically concentrate email answering on Tuesdays and Thursdays (except for urgent communications).

On occasion, I will post some of the questions I receive (with my answer) on the course webpage. This is an efficient way to disseminate information. Student identifiers will be removed if I post a question (if you do not want your question to be posted, just say so in your email).

COURSE OUTLINE AND READING LIST

Topic 1: Introduction to Macroeconomic Data

Tuesday, January 8: National Accounting

Readings: ABC Ch. 2.1-2.3

[Grossly distorted picture](#), *The Economist*, May 2008

[The real wealth of nations](#), *The Economist*, June 2012

Topics: origin of national income accounting, definitions and measurements of Gross Domestic Product (GDP), GDP components, production/income/expenditure approach of measuring GDP, saving and wealth, GDP and happiness

Thursday, January 10: Measuring Economic Changes over Time

Readings: ABC Ch. 2.4 and 2.5

[Feeling the heat](#), *The Economist*, June 2006

Topics: real vs. nominal variables, price indexes, GDP across countries, growth rates, inflation, interest rates, the Fisher equation

Policy application 1: Interpreting the latest GDP release

Quiz #1 due on Tuesday, January 15 at 9:00am

Topic 2: Production, Economic Growth, and the Labor Market

Tuesday, January 15: Production and Economic Growth

Readings: **ABC** Ch. 3.1 and 6.1

[A productivity primer](#), *The Economist*, November 2004

[Secret sauce](#), *The Economist*, November 2009

[Economic rebounds in U.S. and the Euro zone: deceptively similar, strikingly different](#), *Economic Letter*, Federal Reserve Bank of Dallas, February 2012

Topics: production function, capital and labor inputs, Total Factor Productivity (TFP or technology), Cobb-Douglas production function, capital and labor income share, marginal product of capital and labor, diminishing marginal returns, growth accounting, sources of economic growth

Thursday, January 17: The Labor Market, Wages, and Unemployment

Readings: **ABC** Ch. 3.2-3.6

[Slash and Earn](#), *The Economist*, March 2010

[Hard times, lean firms](#), *The Economist*, December 2011

[What is the new normal unemployment rate?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, February 2011

Topics: the U.S. labor market, labor demand and labor supply, income and substitution effects, labor market measurements, unemployment (frictional vs. structural), natural rate of unemployment, labor markets around the world

Policy application 2: The Great Recession

Quiz #2 due on Tuesday, January 22 at 9:00am

Topic 3: The Business Cycle

Tuesday, January 22: Business Cycles Facts

Readings: ABC Ch. 8.1-8.3

[Japanese lessons](#), *The Economist*, August 2012

Topics: business cycle trends and fluctuations, business cycle directions and timing, potential output, employment and unemployment, prices behavior, Okun's law, the Great Moderation, the Great Recession, international aspects of business cycles

Thursday, January 24 to Friday, February 1 (no class): Dedicated Interview Period

Tuesday, February 5: Aggregate Demand and Aggregate Supply

Readings: ABC Ch. 8.4

[The morning after](#), *The Economist*, June 2010

[Invested interests](#), *The Economist*, January 2010

Topics: aggregate demand components, aggregate demand shocks, aggregate supply components, short- and long-run aggregate supply, aggregate supply shocks

Policy application 3: [What went wrong at Cisco in 2001?](#)

Quiz #3 due on Tuesday, February 12 at 9:00am

Topic 4: Monetary Policy

Thursday, February 7: The Federal Reserve System and U.S. Monetary Policy

Readings: **ABC** Ch. 14.2 (skip 544-556), 14.3

[Ground zero](#), *The Economist*, December 2008

[The other mandate](#), *The Economist*, December 2012

[The Federal Reserve's unconventional policies](#), *Economic Letter*, Federal Reserve Bank of San Francisco, November 2012

Topics: the Federal Reserve System, money supply creation, the Federal Reserve System's balance sheet, open market operations, the Federal Fund Rate, the Taylor rule, quantitative easing, open-economy aspects of monetary policy, central banking around the world

Tuesday, February 12: Money and Inflation

Readings: **ABC** Ch. 7 and 12.3

[Monetary policy, money, and inflation](#), *Economic Letter*, Federal Reserve Bank of San Francisco, July 2012

Topics: definitions of money, portfolio allocation and the demand for assets, money demand, quantity theory of money, money growth and inflation, inflation around the world, the Phillips Curve, inflation expectations, costs of inflation

Thursday, February 14: The Term Structure of Interest Rates and Financial Markets

Readings: **Siegel** Ch. 14 (on Canvas under Study.Net)

[Ben buys, bulls buoyant](#), *The Economist*, September 2012

[What moves the interest rate term structure?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, November 2011

Topics: present discounted value, interest rates definitions (short vs. long), inflation expectations and interest rates, loanable funds market, term structure of interest rates, interest rate spreads, economic news and the behavior of financial assets

Policy application 4: What should the Federal Reserve do now?

Quiz #4 due on Tuesday, February 19 at 9:00am

Topic 5: The Global Economy

Tuesday, February 19: International Trade

Readings: ABC Ch. 5

[Trade statistics: iPadded](#), *The Economist*, January 2012

[Anatomy of thrift](#), *The Economist*, September 2005

Topics: facts about trade, reasons for trade, balance of payment, current vs. financial account, international trade and borrowing, international trade and investment, twin deficits

Thursday, February 21: Exchange Rates and International Finance

Readings: ABC Ch. 13.1 and 13.2

[The Big Mac: A global-to-local look at pricing](#), *Economic Letter*, Federal Reserve Bank of Dallas, September 2008

[The Euro area's debt crisis: bite the bullet](#), *The Economist*, January 2011

Topics: nominal exchange rate, real exchange rate, Law of One Price, Purchasing Power Parity, the foreign exchange market, interest rate parity, current account and exchange rate movements, the J-curve

Policy application 5: The European debt crisis and the future of the euro

Quiz #5 due on Tuesday, February 26 at 9:00am

Topic 6: Fiscal Policy

Tuesday, February 26: The Government and the Macroeconomy

Readings: ABC Ch. 15.1-15.3, and 5.5

[How the U.S. tax system stacks up against other G-7 economies](#), *Economic Letter*, Federal Reserve Bank of Dallas, November 2011

[U.S. fiscal policy: headwind or tailwind?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, July 2012

Topics: U.S. government spending and revenue, fiscal policy and aggregate demand, government debt and deficits, sustainability of public debt, Ricardian equivalence, private and public savings, crowding out effect

Policy application 6: Fiscal problems of the 21st century

Final examination: Thursday, February 28