

FINANCE 101
Monetary Economics and the Global Economy
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Finance 101 is an intermediate level course in macroeconomics designed for business students. It discusses a set of canonical models of the aggregate open economy with a current events perspective. These models describe in detail the functioning of the central real and financial markets of a modern monetary economy, and characterize how their interactions determine the general equilibrium dynamics of key real and financial variables such as output, interest rates, asset prices, inflation, unemployment or exchange rates.

COURSE MATERIALS

Website

Course website can be accessed through Canvas at <https://wharton.instructure.com/login>. 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.

Readings

The textbook for the course is “Macroeconomics” by Abel, Bernanke, and Croushore [ABC] (Addison-Wesley, 8th edition), which is available for purchase in the bookstore. Individual chapters of the textbook can be purchased online as a substitute for the textbook (see the end of the syllabus for the tentative list of chapters that we be covered). In addition, we will cover several chapters from the book by Jeremy Siegel “Stocks for the Long-run (...)”, which can be purchased on an individual basis from study.net. Most material will be also covered by lecture notes. Lecture notes will be available for download from the course website (within a week after each lecture).

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

DELIVERABLES AND GRADING POLICY

The final grade for the course will be based on 3 examinations (2 x midterm exams and 1 x final exam), 5 problem sets, and a group project. The weights will be as follows: Examinations 70%, problem sets 20%, and a group project 10%. 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 will not be cumulative, but the final examination will. The midterm examination is already scheduled for the evening (6pm) of Oct 9 (Wed) and Nov 20 (Wed). For room assignment see course website prior to the exam. Early exam at 4.30pm can be arranged in case of a documented and unavoidable conflict involving some other (evening) class. The final examination will be 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), and cannot take place at any other time.

The final exam will be assigned twice the weight of the midterm exams, yielding effectively four exam grades at the end of the semester. **The final “examination grade” for the course will be computed as the average of the best three out of these four exam grades.** The formula is intended to provide insurance against both scheduling conflicts (inability to attend a midterm) or 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 policy. For this reason, **please make sure you have no conflict with the above exam dates as of the last day of enrollment.**

The make-up final will be administered if and only if required by the University policy for the final examinations (see registrar's office website for more information). You must notify me at least a few days before the actual final exam takes place to obtain **a permission for such an accomodation.** 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 examination as scheduled.

Disability accommodations will be provided by the disability center. Eligible students need to notify me within the first two weeks of the semester that such accommodation is required and present an appropriate proof of eligibility. The exam will be scheduled to take place at the disability center 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 might 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. Non-scientific calculators are allowed. Cell phones, computers or i-pads are not. Please come to the exam a few minutes early to allow your proctors to start the exam on time.

Assignments

There will be approximately 5 graded problem sets. The answers must be typed, except for the graphs / equations. Completed assignments must be submitted in-class before or after 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 with your teammates (2-3 students per team, see also information regarding the Final Project). 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. Your teammates should be same from one assignment to the next. **Please note that all students in the group will get the same grade regardless their individual contributions.**

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.

Final Project

The group assignments are designed to promote teamwork. You are responsible to **find 3 teammates during the first 2 weeks of classes, and sign up your team online (up to 3 students per team)**. You may collaborate on the homework with your teammates and submit only one copy of the homework. At the end of the semester, with another team you choose to work with, you are **responsible to prepare a 10 min in-class presentation analyzing a current or past macroeconomic event in a foreign country (aka ‘international project’)**. The number of students in the team for the project should be about 4-6 people. The presentation of your ‘international project’ will take place during the last 3 classes. A proposal for the ‘international project’ must be turned in by the 8th week of classes the latest. Further instructions will be provided online later during the semester.

Please note that 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.

Grades

The letter grade for the course will be 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. Departmental guidelines for this class suggest to award B or A to not more than 60% of top students in class and A to not more than 30% of the students in class. I will follow these guidelines. 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. The response to the regrade request is final. Regrade requests 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 also result in a lower score.

Please note the following deadlines and policies regarding regrades and complaints:

- Graded content can not be modified in any way. Violations may in this respect will be construed as a violation of the Code of Academic Integrity and will be referred for a disciplinary action on the school level.
- 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 a graded exam/problem set is returned to the class. It is student responsibility to assure there no mistakes have been made in recording the grades.
- Graded exams and problem sets must be held securely until the end of semester and made available for review upon request.

OFFICE HOURS

The schedule will be announced after the first week of classes. See course website for details.

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>.

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

TENTATIVE COURSE OUTLINE

Synopsis: After a short introduction, the first part of the course discusses in detail how economists gauge the performance of the economy as a whole. In this part, a special attention is devoted to economic indicators that are used by analysts 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 of the economy, and analyzes the key economic decisions made within these sectors. 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 (circular flows of income and expenditures). Throughout the course ample applications are considered to illustrate the key concepts and show how the lecture material relates to current or past events.

I. Introduction (LN; ABC Ch. 1, 8)

II. Micro-foundations and Measurement (LN; Siegel Ch. 11, 12, 14; ABC Ch. 2, 3, 4 (+A4), 7.1-7.4, 14.1-14.2, 15)

1. Production and Aggregation
2. Consumption and Saving
3. Investment and Capital Accumulation
4. Government Spending and Taxation
5. Macroeconomic News and Asset Prices
6. Exchange, Money and Liquidity

III. General Equilibrium (LN; Siegel 10, 12; ABC Ch. (6), 9, (11), (12) 13, 14.3-14.4, compiled readings)

1. Business Cycle in Closed and Open Economy
2. Business Cycle and Macroeconomic Policy
3. Economic Growth (if time allows)

*The above outline/reading list is tentative and subject to change. Please refer to the course website for the actual list of topics and required readings for this part of the lecture. (??) chapter will be covered partially on a contextual basis.

LN - lecture notes. S - Siegel “Stocks for the Long-Run (...”). ABC - Abel, Croushore, Bernake, “Macroeconomics (...”).