

Finance 101: Monetary Economics and the Global Economy

Prof. Ali Shourideh
Fall 2014

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), 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 Material

- The required textbook is Macroeconomics by **Abel, Bernanke, and Croushore [ABC]** (Addison-Wesley, **8th edition, 2013**). 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 and other course material (e.g. additional readings) will be available on course website that is accessed through Canvas: <https://wharton.instructure.com> To enter the site, you will need to have a Wharton account. If you do not have a Wharton account, you can apply for one online at <http://accounts.wharton.upenn.edu>. You are expected to consult this website regularly and keep current with the posted content.

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.

Graded Materials

Your course grade will be based on your performance in exams (two midterms and one final exams), problems Sets, two group projects, as well as class participation. The weights are as follows: exams 65%, problem sets 15%, Global Analysis Project 10%, the Economic Update Project 5%, and class participation 5%.

Exams

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

- Tuesday, October 7th, 6-8pm
- Wednesday, November 19th, 6-8pm

The registrar will schedule the final exam during the final examination period. The tentative date for the final exam is Thursday, December 18th, 6-8pm. You can check the schedule at <http://www.upenn.edu/registrar/finals/index.html>.

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 8.5×11in 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.

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 Projects

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 a short in-class presentation summarizing current economic conditions in the US as well as global economic conditions. Further instructions will be provided in class.

Office Hours

My office hours are Thursdays, 9:30-11:30am. In addition, you may schedule appointments to talk with me at other times via email.

Office location: Steinberg Hall/Dietrich Hall 2322 Email: shouride@wharton.upenn.edu

Class Outline

Details of this outline are subject to change, as announced in class and posted on Canvas.

1	8/27/14	Overview and Introduction	
2	9/3/14	National Income Accounting	ABC Ch. 2
3	9/8/14	Asset Prices and Economic News	Siegel Ch. 10 & 14
4	9/10/14	Productivity and Output	Ch. 3.1
5	9/15/14	Economic Growth	ABC Ch. 6
6	9/17/14	The Labor Market	ABC Ch. 3.2-3.4
7	9/22/14	Unemployment	ABC Ch. 3.5
8	9/24/14	Consumption and Saving I	ABC Ch. 4.1
9	9/29/14	Consumption and Saving II	ABC Ch. 4.1
10	10/1/14	Investment and Goods Market Equilibrium	ABC Ch. 4.2-4.3
11	10/6/14	Midterm Review	
	10/7/14	Midterm 1	
	10/8/14	No Class	
12	10/13/14	A Framework for the Open Economy	ABC Ch. 5.1-5.2
13	10/15/14	Saving, Investment and the Current Account	ABC Ch. 5.3-5.5
14	10/20/14	Asset Markets, Money and Prices	ABC Ch. 7
15	10/22/14	Asset Prices: The Yield Curve and Bubbles	Mishkin Ch. 6
16	10/27/14	IS-LM Model	ABC Ch. 9.1-9.5
17	10/29/14	Unemployment, Inflation and the Fed	ABC Ch. 11.2, 12, 14.3
18	11/3/14	Monetary Policy and the Fed	ABC. Ch. 14.1-14.2 Mishkin Ch. 9 & 15
20	11/5/14	Exchange Rates	Krugman et. al. Ch. 14
19	11/10/14	Unconventional Monetary Policy	
21	11/12/14	Macro Policy in the Open Economy	ABC Ch. 13.3-13.4
22	11/17/14	Midterm Review	
	11/19/14	Midterm 2	
23	11/24/14	Fixed Exchange Rate and Currency Crises	ABC Ch. 13.5
24	11/26/14	The Government and Fiscal Policy	ABC Ch. 15.1-15.3
25	12/1/14	Global Analysis Project	
26	12/3/14	Global Analysis Project	
27	12/8/14	Global Analysis Project	