

FINANCE 101

Monetary Economics and the Global Economy

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DESCRIPTION

Finance 101 is a course in intermediate macroeconomic analysis and policy in the context of globally integrated economies.

Its purpose is to train students to think *systematically* about the current state of the economy and macroeconomic policy, and to be able to evaluate the economic environment within which business and financial decisions are made. The course emphasizes the use of economic theory to understand the workings of financial markets and the operation and impact of government policies. Specifically, we study the determinants of the level of national income, employment, investment, interest rates, the supply of money, inflation, exchange rates, and the formulation and operation of stabilization policies. The exact structure of the class and topic coverage will be linked to the current economic issues around the world.

MATERIALS AND INFORMATION

Canvas Site

The Canvas site will contain all lecture notes and other additional readings, useful links, and general course information. This is also a useful hub to start and participate in course-related discussions. The site is linked to <http://spike.wharton.upenn.edu/courses/>. If you need a Wharton account you can apply online at <http://accounts.wharton.upenn.edu>.

Textbook

There are several good textbooks covering the core theoretical concepts in macroeconomics at an intermediate level. The best is *Macroeconomics*, 8th edition, by Abel, Bernanke and Croushore. This is an excellent text in macroeconomic theory and you are strongly encouraged to use it as supplement to our class discussions, which are generally more applied. Many of the problems in the book will also be useful preparation for the Quizzes and Final Exam. This book can be purchased in a full package that contains access to MyEconLab (a suite of additional macro products and resources), or simply rented for a few months from Amazon.

Additional Readings

The Wall Street Journal, the *Financial Times*, and the *Economist* are all world-class publications that offer many insightful discussions about the global economy. I assume you either subscribe to one of them or follow an alternative news outlet of similar quality. I may add articles from

these or other business newspapers and economic research centers around the world to the list of required readings during the term.

Problem Sets and Quizzes

There will be (more or less) weekly quizzes. They can be accessed and submitted on Canvas. Due dates are also posted on Canvas.

Students are encouraged to work out the answers to the numerical problems at the end of each chapter of the textbook and to go through the formal exercise of writing the answers. Recommended problems and their answers are available on Canvas.

GRADES

Composition

The final grade breakdown for this course is as follows:

- Quizzes 20%
- Class Discussions 20%
- Midterm Exam 20%
- Final Exam 40%

Attendance is not required but it is hard to participate without being present.

All exams are comprehensive. You will be able to bring one double-sided sheet with notes and one calculator to each exam.

If you cannot make it to the midterm for any reason, its weight is transferred to the final exam.

Exam Review and Regrade

Any requests for a review of an exam must be submitted in writing within 7 days from the date that exams are made available and must be accompanied by the *Statement of Honesty in Regrade Request* form posted on Canvas.

Office Hours and Online Discussions

I expect to use Canvas to follow up on my class discussions and also as a platform to cover related topics. Students are encouraged to start discussions on topics of their own interest. Both my TAs and me will post regular replies as appropriate.

Office hours will be announced during the first week of classes. My office is Steinberg Hall-Dietrich Hall 2329.

ANSWERS TO FREQUENTLY ASKED QUESTIONS

Course Materials

- What are the required materials for this class?

The lecture notes summarize the technical concepts and core ideas. However class discussion often expands upon one or more of these. Moreover news events and published reports by major economic organizations will often be used to illustrate several points or introduce new topics.

- Is there a textbook?

I recommend the latest edition of Abel, Benanke and Croushore. This is an excellent book, co-written by the chairman of the US Federal Reserve and reflects many of his views. Although we will often challenge its conclusions, expand upon its discussion and generally give the course a much more global perspective, the book remains a very useful complement to the class.

However, the textbook has not changed much from the 6th edition so you can use that version too.

- Are there any problem sets?

Yes. There will regular quizzes based on the class material. Many of the textbook problems are recommended for study after class. For a detailed list of the recommended problems and solutions see the Canvas site.

Classroom Experience

- May students use laptops and mobile devices in class?

Yes, for the purposes of viewing class materials. Mobile phone ringers should be off.

- May students eat in class?

Yes, provided they do not disrupt their classmates and keep the classroom clean.

- Do you cold call?

Occasionally. I rather elicit voluntary participation but I find that some students prefer to be asked and at times this is the best way to start a discussion.

- Do you record attendance?

No.

- Do you start and finish on time?

I always start on time. I usually finish after 80 minutes, but there might be a little variance since on any given day some sections may have more or less discussion. Nevertheless I try not to finish late because this can be very inconvenient for the students and colleagues teaching after me.

- Are there consequences for lateness or early departure?

Leaving early and arriving late is unprofessional and hurts your participation grade.

- Do you use a seating chart?

Yes.

- Do you expect name tents to be used?

Yes.

- May students attend another section?

Yes, space permitting.

Grading

- What is the grading system?

This is discussed in the syllabus.

- When are the exams? What can I bring to the exams? Are they cumulative?

This is all detailed in the syllabus.

- Do you count participation?

Yes. But I care about quality only. Insightful comments are great but I am happy with anything that shows that you are engaged and trying to learn.

Not being ready for class shows lack of professionalism and is a clear negative. Negative contributions also include asking questions that are trivial, about topics that were covered in detail early in the term or were answered many times before in emails, FAQs, or in class.

- How can I be ready for class?

I expect you to go over the notes from the previous session, the relevant complementary readings and end of chapter problems as well as any supplementary readings I may assign.

Our topics slowly build on each other and I will always assume that you are familiar with what we discussed in the previous weeks.

- How can I be ready for the exams?

The same way you can be ready for class. The end of chapter problems give you a good preview of what the exam questions will look like, although I often try to frame issues in the context of current events.

I will provide a number of old exams for you to practice before the actual exams take place.

TENTATIVE SCHEDULE

Date	Topic	Additional Readings
Jan 14	Introduction: The Core Macro Model	Ch. 1; Sec 8.4, Appendix A
Jan 21	Background: The World Economy Today	
Jan 26	Measuring Macroeconomic Performance: Income	Sec. 2.1-2.3
Jan 28	Measuring Macroeconomic Performance: Prices	Sec. 2.4
Feb 2	Household Consumption and Savings	Sec. 4.1, 4A
Feb 4	Corporate Investment	Sec. 4.2, 2.5
Feb 9	Budget Deficits and Interest Rates	Sec. 15.1, 4.3
Feb 11	International Trade and Finance	Sec. 5.1
Feb 16	Sources of Trade Deficits	Sec. 5.2-5.5
Feb 18	Money and Inflation	Sec. 7.1-7.3, 7.5
Feb 23	Money and Financial Markets	Sec. 7.4
Feb 25	The Labor Market	Ch. 3
Mar 2	Labor Market Policies and Structural Reform	
Mar 4	MIDTERM 6PM	
Mar 16	General Macroeconomic Equilibrium	Sec. 9.1-9.3
Mar 18	Understanding Business Cycles	Sec 9.4-9.5, 9A, 11.4
Mar 23	The Role of the Financial System	Sec. 14.1-14.2
Mar 25	Expectations and Rigidities	Sec. 10.5, Sec. 11.1-11.3, 11A-B
Mar 30	Macroeconomics in an Open Economy	Sec. 13.1-13.4, 13A-B
Apr 1	Fixed Exchange Rates	Sec. 13.5
Apr 6	A Brief History of Economic Cycles	Sec. 8.1-8.2
Apr 8	Monetary Policy and Institutions	Ch. 14.3-14.5
Apr 13	Discussion: Spain's Debt Crisis	Spain Case
Apr 15	Discussion: World Economic Outlook	IMF World Economic Outlook
Apr 20	Discussion: Fiscal Outlook	Sec 15.3, 15A, CBO Budget Outlook
Apr 22	Long Run Growth	Sec. 6.1-6.2, 6.4
Apr 27	Discussion: China and India	
Apr 29	Discussion: Long Term Challenges	OECD Policy Outlook
May 8	FINAL EXAM 6PM	