

# FINANCE 613/101

## MACROECONOMICS AND FINANCIAL MARKETS

The University of Pennsylvania

The Wharton School

Prof. Jeremy J. Siegel

Spring, 2015

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### **Required**

Course Pack of Lecture Notes from Wharton Reprographics

### **Recommended**

Stock for the Long Run, 5<sup>th</sup> Edition

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### Course Description

This course presents the analysis of macroeconomic theory with a current events perspective. The material in the class concentrates on lecture notes, which are the primary learning source, and readings from a course packet of articles drawn from journals, magazines, newspapers, and other economic publications.

The material covered will include: (1) Economic Statistics, GDP, Price Indices, Productivity and the nature of the business cycle, (2) The government budget and Social Security, (3) Monetary policy, The Fed and other Central Banks, (4) Interest rates - indexed bonds and the term structure, (5) Aggregate Demand and the determination of income and interest rates, (6) Money and Inflation - the Velocity Approach, (7) Reaction of Financial Markets to economic data, (8) Inflation, inflationary expectations and the Phillips Curve, (9) Supply-side shocks and macro-dynamics, (11) International Balance of Payments, the current account and capital flows, (12) Determination of Exchange Rates, exchange rate systems, purchasing power and interest rate parity.

# **FNCE 613/101**

## **MACROECONOMICS AND FINANCIAL MARKETS**

### **WEEKLY ASSIGNMENTS**

**Prof. Jeremy J. Siegel**

**Spring, 2015**

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#### **CLASSES:**

#### **TOPICS AND ASSIGNMENTS**

**January 12, 14**

**Financial Crisis, GDP**

**January 19**

**NO CLASS – Martin Luther King Holiday**

**January 2**

**Economic Statistics**

**January 26, 28**

**NO CLASS – DEDICATED INTERVIEW PERIOD**

**February 2, 4**

**Economic Statistics/Government Budgets**

**February 9, 11**

**Monetary Policy**

**February 16. 18**

**Monetary Policy**

**February 23, 25**

**Interest Rates**

**March 2**

**Interest rates**

**March 4**

**NO CLASS – EXAM FOR MINI COURSES**

**March 11, 13**

**NO CLASSES -- SPRING BREAK**

**WEEK OF:**

**TOPICS AND ASSIGNMENTS**

**March 16, 18, 23, 25**

**Equilibrium with money and goods**

**March 26**

**MIDTERM, Thursday MARCH 26 6:00-8:00P**

**March 30, April 1**

**Money and Inflation**

**April 6, 8**

**Financial Markets DD-RR Model**

**April 13, 15**

**DD-RR Model/Phillip's Curve**

**April 20, 22**

**Balance of Payment/Exchange Rates**

**MAY 6**

**FINAL EXAMINATION  
Wednesday May 6, 6:00 – 8:00 p.m.**

**PROBLEM SETS AND EXAMS**  
**COMPLETION DATES**

<b>Number</b>	<b>Topic</b>	<b>When Due</b>
1	GDP and Price Indices	Feb 16
2	Budget Deficits	Feb 23
3	Monetary Policy	March 3
4	Interest Rates	Mar 16
5	Term Structure	Mar 24
	<b>MIDTERM</b>	<b>March 26</b> <b>6:00 – 8:00 p.m.</b>
6	Aggregate Demand	Mar 30
7	Money and Prices	Apr 6
8	Financial Markets	Apr 13
9	Flexible price DRRR	Apr 20
10	Exchange rates, PPP, and Interest Rate Parity	-----
	<b>FINAL EXAMINATION</b>	<b>May 6</b> <b>6:00 – 8:00 p.m.</b>

## **COURSE FACTS**

Professor Jeremy J. Siegel

SH-DH 2251 Ph 215-898-7742

E-mail [Siegel@wharton.upenn.edu](mailto:Siegel@wharton.upenn.edu)

Course Information can be found on Canvas

**Office Hours: By Appointment Only, Please email to set up**

**Teaching Assistants are located in SH/DH 2305  
2<sup>nd</sup> Floor SHDH, turn right after entering Finance Department, TA Cubicles are  
located on the third door on your right.**

**All problems are to be handed in online. Instructions will be forthcoming.**

**Office Hours and teaching schedule for TAs will be handed out during the second  
week of classes.**

## **PROBLEM SETS**

Problem sets must be handed in; they are graded and are designed as learning tools. They are more analytical than questions on the exams, although exam questions are often patterned after questions taken from the problem sets.

**Students may work in groups to solve the problem sets but must hand them in individually.  
Worksheets cannot be shared. Students violating these rules will be considered to  
have cheated and will be treated accordingly.**

## **EXAMINATIONS**

Examinations are based on understanding and not memorization. All formulas will be provided on the examination sheets. **The examinations are closed book**, except students, if they wish, may bring in notes covering *one, and only one side of an 8 ½ by 11 inch piece of paper* for the midterm and *two sides* for the final examination. **The final examination is cumulative.**

One hand-held calculator may be brought into the examinations. All cell phones and other communications devices must be turned completely off and stowed.

***Re-grade policy found on the next page.***

There will be **no make-ups** for the final examination. Students who know in advance that, because of their schedule, they cannot sit for the May 6 final examination must drop the course.

## GRADING IN COURSE

There are 200 total points (TP) in the course. Ten percent or 20 points will be allocated to the problem sets (PS) and 90% or 180 points to exams. Of the exams, the midterm (MT) will be 40% (or 72 points) and the final examination (F) will count for 60% (or 108 points).

You cannot do worse than your performance on the final examination.

Total Points (TP) in course will be computed as:

$$\mathbf{TP = \text{Max} [MT, 2F/3] + \text{Max} [PS, 0.185F] + F.}$$

Course grade will be based on **Total Points**.

## EXAM REGRADE POLICY

Re-grades will only be considered if a student writes in detail on a separate piece of paper why he or she deserves more points on a certain question. Such a request must come after carefully reading and understanding the answers given in the answer sheet for the exam, which will be posted on my website. This explanation must accompany your exam for a regrade.

If any question on the exam is submitted for a re-grade, the ENTIRE EXAM WILL BE RE-GRADED to make sure the proper grade has been given. Therefore it is possible to lose points on other questions even if you gain on the question submitted. For that reason, it usually does not pay to submit for one or two points unless you are confident of all the points allotted on your other questions. A tough grade on one question is often offset by an easy grade on another.

**EXAMS RESUBMITTED BECAUSE OF AN ADDING MISTAKE WILL NOT HAVE THE QUESTIONS RE-GRADED.**

*I have learned that in almost all cases where a student asks for re-grades on 4 or 5 questions this means that the student is “fishing” for more points. I will not be sympathetic to such requests.*

Please limit re-grades to those question(s) that you specifically believe have been misgraded.

***As stated in (2.) above, if any question is submitted for re-grade, the entire exam will be re-graded.***

Deadline for submission of re-grades will be *two weeks* following the date of the examination. Re-grade requests can be submitted in class or placed in my mailbox in the Finance Department.