

WHARTON SCHOOL

Dr. Tayyeb Shabbir

Sum I, 2015

FNCE 101: Monetary Economics and Global Economy
FNCE 613: Macroeconomics and Global Economic Environment

Instructor's Office/Hours: 3260 SHDH; Monday through Thursday 3:30 p.m. – 5:00 p.m.

Email: shabbir@wharton.upenn.edu;

TA Office Hours: Leonid Spesivtsev; 2419 SH-DH; 2:30 p.m.–3:30 p.m. on Mondays and Wednesdays.

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Objective of the Course:

The main objective of the course is to introduce a set of intermediate level analytical tools that will allow a comprehension of the core ideas in Monetary Economics and Global Economy. The classroom lectures and discussions will describe the workings of the relevant markets – the various assets, the goods, the labor and the foreign exchange markets. The course will primarily focus on the nature of the business cycle, its determinants and, in particular, the role of monetary and fiscal policies both domestically as well as in a global context with a special emphasis on the Global Financial Crisis that precipitated the Great Recession of 2008-09 and its aftermath leading up to the current situation. The students are encouraged to read publications such as the Wall Street Journal, The Economist and the Financial Times to stay abreast of the relevant domestic as well as global macroeconomic and monetary developments.

Course Material: Students are required to purchase the following course material which is available in the Bookstore as a single package:

Macroeconomics Plus NEW MyEconLab with Pearson eText -- Access Card Package, 8/E
Abel, Bernanke and Crushore. Prentice Hall/Pearson. 8/e, 2014. ISBN-10: 01334079261

Online Resources:

- i) Canvas Course site
- ii) Online Economics and Finance Dictionary: <http://investopedia.com/dictionary>

COURSE REQUIREMENTS AND GRADING:

The course grade will be based on the following:

	<u>Rel. Wt.</u>
1. Midterm Exam	30 %
2. Final Exam (Non- cumulative)	35 %
3. In-class “Surprise” Quizzes (5 or 6)	15 %
4. Web Reports	10 %
5. Home Work	10 %

Note: There will be no make-up exam for the missed Midterm exam; instead, for pre-approved absences, the relative weight of the Final Exam may be proportionately increased.

COURSE OUTLINE

PART I: INTRODUCTION (Part I (0.5 lecture) ends T 5/26)

1. Introduction to Monetary Economics Chapter 1
2. Measurement of National Output Chapter 2

MyEconLab HW Assignment Ch. 2

Web Report # 1 (due: R; 5/28/15) After surfing www.bea.gov for about half an hour, prepare a one page single-spaced typed report describing three items that you found of interest. Also, include a brief personal commentary on the contents and/or the web site. A class discussion will also be held the day the report is due.

Topic # 1: Mysteries of the GDP Measurement (Hand Out or H. O. # 1)

Topic # 2: CPI-based Inflation Rate: Problem and Solutions (H.O. # 2)

PART II: MARKETS, MARKETS, EVERYWHERE (2.5 lectures; section ends T 6/2)

3. Labor Market and Trend Growth Chapter 3

MyEconLab HW Assignment Ch. 3

4. Introduction to Bonds, Stock and Money Markets.
Money (Asset) Market Equilibrium Chapter 7
Central Banking System (FED) Chapter 14 (14.1-14.2)

MyEconLab HW Assignment Ch. 7
MyEconLab HW Assignment Ch. 14a

5. Goods Market Equilibrium Chapter 4,
Fisherean Model (Appendix 4.A)

MyEconLab HW Assignment Ch. 4

PART III: GENERAL EQUILIBRIUM MODEL OF THE ECONOMY (IS-LM-FE FRAMEWORK) (2 lectures; ends T 6/9)

6. G. E. Framework (IS-LM-FE) Chapter 9 (except section 9.6); Numerical
Illustration (App. 9.A)

MyEconLab HW Assignment Ch. 9a

MIDTERM EXAM: Thursday 6/11/2015; Lecture 9:00 am—10:30 am followed by midterm exam 10:45 am – 12:15 pm; In-Class (Course Coverage: Reading List Items 1 – 6).

7. Nature of Business Cycle Chapter 8 (except 8.4); (H. O. # 3)

MyEconLab HW Assignment Ch. 8

Web Report # 2 (due: T; 6/16/15). After surfing www.nber.org/cycles.html and <http://www.nber.org/cycles/sept2010.html> for about half an hour, prepare a one page single-spaced typed report on how the NBER determines the turning points of the business cycles in the U. S. Also, include a brief personal commentary on the topic. A class discussion will also be held the day the report is due.

PART IV: MODELS OF BUSINESS CYCLES AND THEIR POLICY IMPLICATIONS (2.5 lectures; section ends T, 6/23)

8. The Classical Model Chapter 10 (except 10.3)
RBC Model (H. O. # 4, 5)

MyEconLab HW Assignment Ch. 10

9. The Keynesian Model Chapter 11
(H. O. # 6)

MyEconLab HW Assignment Ch. 11

10. Fiscal/Monetary Policy Implications of the
Classical and Keynesian Models Chapter 9 (section 9.5)
Chapter 15 (sections 15.1-15.3)
Chapter 14 (sections 14.3-14.5)
Chapter 10 (sections 10.4-10.5)
Chapter 11 (section 11.3)

MyEconLab HW Assignment Ch. 9b
MyEconLab HW Assignment Ch. 15
MyEconLab HW Assignment Ch. 14b
MyEconLab HW Assignment Ch. 10b
MyEconLab HW Assignment Ch. 11b

Topic # 3: What we do or don't know about Macroeconomic Policy Making
(H. O. # 7)

Web Report # 3 (due: R; 6/18/15). After surfing <http://www.federalreserve.gov> for about half an hour, prepare a one page single-spaced typed report about the functioning of the Federal Reserve, in particular, its conduct of the monetary policy in response to the Global Financial Crisis of 2007-09, and its currently ongoing transition towards normalization of monetary policy after the end of the so called "Quantitative Easing" policy. Include a brief personal commentary as well. A class discussion will also be held the day the report is due.

Optional readings regarding the Monetary Policy and Credit/Financial Crisis.

(i). U.S. Monetary Policy: An Introduction:

(a) <http://www.frbsf.org/publications/federalreserve/monetary/index.html>

(ii). U.S. Monetary Policy during the 1990s

(a) <http://www.nber.org/digest/dec01/w8471.html>

(iii). Anatomy of the Global Financial Crisis of 2008-2009:

(a) “Anatomy of America’s Subprime Mortgage Crisis of 2007-08: Channels of Contagion”, by Tayyeb Shabbir. Published in Refereed Conference Proceedings of the Global Academy of Business and Economic Research, Houston, March, 2008. Re.: H. O. # 8 (In Handouts Folder).

(b) <http://www.soas.ac.uk/cdpr/publications/dv/50940.pdf>

(c) <http://www.stanford.edu/~chadj/CurrentEvents2009.pdf>

(iv). FED’s QE policy towards the Global Financial Crisis of 2008-2009

(a) <http://www.globaleconomiccrisis.com/blog/archives/tag/federal-reserve>

(b) <http://news.bbc.co.uk/2/hi/business/7934920.stm>

(v). Fed Maps Exit from Stimulus—Normalization and beyond

(a) <http://online.wsj.com/article/SB10001424127887324744104578475273101471896.html>

(b) Yellen: Normalizing Monetary Policy: Prospects and Perspectives March 2015

<http://www.calculatedriskblog.com/2015/03/yellen-normalizing-monetary-policy.html>

PART V: OPEN ECONOMY MACROECONOMICS (2.5 lectures; section ends T 6/30)

11. Open Economy Macroeconomics:
MP and FP, Currency Markets and
Currency/Financial Crises, Euro zone financial crisis.

Chapter 5 (5.1-5.2; (optional: 5.4)

Chapter 13 (13.1- 13.3 and class notes; 13.4 (optional)).

MyEconLab HW Assignment Ch. 5

MyEconLab HW Assignment Ch. 13

Optional reading regarding the Global Imbalances:

“Role of the Middle Eastern Sovereign Wealth Funds in the current global financial crisis”, by Tayyeb Shabbir in *Topics in Middle Eastern and North African Economies*, electronic journal, Volume 11, Middle East Economic Association and Loyola University Chicago, September, 2009, <http://www.luc.edu/orgs/meea/volume11/PDFS/Paper-by-Shabbir.pdf>

“Uneven Growth – short and long-term factors” IMF

<https://www.imf.org/external/pubs/ft/weo/2015/01/pdf/text.pdf> April, 2015.

FINAL EXAM: Tuesday, 6/30/2015; Lecture 9:00 am—10:30 am followed by final exam 10:45 am – 12:15 pm; In- Class (Non-cumulative – includes the Reading List material covered since the midterm.