



Department of Finance

Dr. Tayyeb Shabbir

Spring 2016

FNCE 101: Monetary Economics and Global Economy

Instructor's Office/Hours: 2439 SHDH; Tuesday and Wednesday 3:30 pm - 5:00 pm & by appointment. **Email:** shabbir@wharton.upenn.edu **Phone #:** 215-746-0497

TAs: Contact Information and Office Hours.

Following are the names as well as the emails for the TAs for this course. (Any changes to their office hours will be posted on Canvas – one week before the exams, they will double the time for office hours as well as I will hold extra office hours). In general, besides the professor, you will have access to office hours by one of the TAs every day Monday through Thursday as well as by appointment if the posted hours will not suit you.

Location: All of our TAs have cubicles in SHDH 2305.

Malik Majeed

Email: mamajeed@wharton.upenn.edu

Office hours: M 3:15 pm – 4:15 pm

Vivian Vo

Email: vivianvo@wharton.upenn.edu

Office hours: Tue TBA

Shawn Kim

Email: sinkin@wharton.upenn.edu

Office hours: Wed 3:00 pm – 4:00 pm

Jose Gedeon

Email: jgedeon@wharton.upenn.edu

Office hours: Th 3:15 pm – 4:15 pm

Objective of the Course:

The main objective of the course is to provide the student intermediate level of analytical tools to be able to analyze the current state of the economy and the relevant macroeconomic policy. 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 2008 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 and Resources:

- **Text Book and MyEconLab:**

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

For the package including the text and MyEconLab (MEL) access code, you have a choice of the Loose-leaf version and the E-Text version – both versions will have the Access codes for MyEconLab that we will use in this course. Instructions to register will be posted as an Announcement in Canvas. You may choose one of the following packages:

Abel "Macroeconomics Loose Leaf with Access": 978-0-13-340507-1

or

Abel "Access with Abel Macroeconomics E-Text": 978-0-13-299332-6

If you have any difficulty locating the package of your choice, please check with Shane Siefke, Textbook Manager or email me at shabbir@wharton.upenn.edu.

Incidentally, the formal description of the text book alone is as follows:

Macroeconomics by Abel, Bernanke and Crushore. Prentice Hall/Pearson. 8/e, 2014.

- **Online Resources:**

- Canvas Course site. Most critical Resource – will be used extensively. All lectures and other relevant material (including Discussion Boards) will be placed on Canvas and it will be the essential dashboard for navigating the course. **Please set your Canvas notifications settings to ASAP. It will be your responsibility to be aware of all Canvas posts in a timely manner.**
- Online Economics and Finance Dictionary: www.investopedia.com/dictionary

- **Recommended Journals/Newspapers Readings:**

- Every Week, browse through at least two of the following publications (available free via Penn library – consult a reference librarian) for articles pertinent to the theme of this course. You may bring the ones you like the best to my attention via email so that I may consider sharing them with the rest of the class.

Wall Street Journal www.wsj.com Financial Times www.ft.com Bloomberg Businessweek www.bloomberg.com/businessweek Economist www.economist.com

FAQs

I: Classroom Experience

- My Goal is to do my best to make this a wonderful learning experience for you. However, I do expect that each of you will do your part in maintaining an environment which is conducive for learning in a relaxed yet intellectually stimulating manner. There are simple dos and don'ts which are common sense in order to maintain good learning environment - no coming late, leaving early, talking amongst yourself etc. Following are a few of the things that I would like to bring to your attention.
- Will Canvas be used?
 - Please be reminded to set your Canvas notifications settings to ASAP. This will be the central location for all course material, syllabus, lecture PPTs, assignments and their due dates and other important announcements/posts regarding this course.
- May students use laptops and mobile devices in class?
 - Yes, for the purposes of viewing class materials. However, any misuse (such as texting or viewing material unrelated to the course) may result in revocation of this privilege.
- What about class participation/attendance?
 - Highly encouraged. There will be many opportunities for interaction about the class material including In-class break-out sessions.
- May students eat food in class?
 - No solid food, only water and soft drinks.
- What are the consequences for lateness or early departure?
 - Arriving late or leaving early often will distract the class and generally reflects poorly on student motivation. Such and other potentially disruptive behavior has significant negative externalities in terms of learning environment so I want to discourage this very seriously and caution you that it will adversely affect your grade. Instead, I want to encourage you all to be great 'citizens' and I am confident that you will be.
- Do you expect name tents to be used?
 - Yes.

- What is the nature of class meetings, duration of lectures?
 - Each class meeting will be 80 minutes long and will generally comprise of a lecture about the core analytical material with time set aside for a discussion about policy applications and current events. Your class participation will be sought and is highly encouraged. Remember, learning is a contact sport – participate! You may raise questions as well as share your own observations. Please feel free to ask questions during the class, right after it or during your visits to my office hours.
- How can I be ready for class?
 - Read before you come in and pay attention to the Canvas posts and schedule for the course.
- How can I do well in the exam?
 - Come to class regularly, read before and after the class, interact with the TAs and the professor and take care of all the assignments in a timely fashion.

II: COURSE REQUIREMENTS AND GRADING:

The course grade will be based on the following:

	<u>Rel. Wt.</u>
1. Exams	75 %
2. MEL Problem Sets	7.5%
3. In-class “Surprise” Quizzes/Class participation	7.5 %
3. Global Analysis Project (Group Project)	10 %

Important Notes about Exams and other course requirements:

- **Exams:**

Exams – Relative weights and Make-up Policy: This category will carry a total 75% weight towards your course grade – Exam 1 and Exam 2 will count as 1 unit each while the Final will count as 2 units. Thus the final exam will be assigned twice the weight of the two earlier term exams, in effect, yielding four exam grades. The course grade for this category will be then computed as the average of the best three out of these four grades. The formula is intended to provide insurance against both scheduling conflicts and an ‘anomalous’ performance in exams. Consequently, no requests to reschedule or retake any of the two term exams will be entertained. 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 explicitly permitted by University policy, and will be given

only during the official ‘make-up exam’ period which for the spring semester courses is end of August. Such rescheduling of final exam can be due to only a University-approved reason which is documented fully and in a timely fashion. In case of serious illness/accident on the final exam day, you must notify the professor before the exam begins if possible but do so as soon as feasible and must provide official documentation from a doctor in a timely manner.

- Admittance and Proof of attendance: You will need your University ID to be admitted to your exam. Please come to the exams a few minutes early. They will start on time. To record attendance quickly, the teaching staff may film the classroom during an exam.
- Disability Accommodation: Disability accommodations will be provided by Penn’s Student Disability Service (SDS). To be eligible, you must notify me or make sure that the SDS office has notified me on your behalf via email within two weeks after the semester starts that such accommodations are needed and provide the proof of eligibility. The exam will be scheduled during the time of the regular exam or right before the exam and may be proctored by the office of the Student Disability Service. Any request for a required alternate exam arrangement exam for disability accommodations must be made at least one week before the exam’s start date.
- Exam Dates:
 - Exam 1 Thu 2/18/16 6:00 pm – 8:00 pm Room: TBA
 - Exam 2 Wed 3/23/16 6:00 pm – 8:00 pm Room: TBA
 - Exam 3 Wed 5/4/2016 6:00 pm – 8:00 pm Room: TBA
- Exam Coverage: It is noted in the syllabus. The final will be cumulative, the other two will not be so. Even for the final, the material covered will be in the 70:30 ratio with 70% from the post-Exam 2 material and 30% for all else covered prior to the Exam 2. This way the new material will get more attention.
- Style of Exams: The exams will be a mix of following types of questions: MC (40%), small numerical (30%) and brief analysis with the help of diagrams (30%). The percentages are being provided for guidance only and should not be interpreted as strict commitments.
- Cheat Sheets and other allowed/disallowed items: All exams will be closed book, closed notes and must be attempted individually without any help from any other electronic source/person. Only non-programmable calculators may be used. You may bring a cheat “index card” of a small regular size – one each for the first two exams and two for the final exam; you may write on both sides of these cards.
- Exam Regrade Policy and Procedure: Any requests for regrading of exams must be submitted in writing within one week from the date that exams are returned in

class, and must be accompanied by the official Regrade Request form and Statement of Honesty in Regrade Request form, which are available on Canvas. The one-week period for submission of exams for regrading begins on the date that the exams are returned in class, not on the date that you pick up the exam in case for some reason, you are absent from class the day the exams are returned. If you miss the class during which the exams are returned, it is your responsibility to pick up your graded exam in time to submit a regrade request within the requisite one-week period. For the final exam, requests must be made within one week from the first day of classes the following semester. Any alteration of the exam is strictly forbidden and will be considered a violation of the Code of Academic Integrity. Requests for regrading must be very specific. Do not mark or make notes on your exam, and do not alter in any way the answers to the questions. Such alterations will be construed as violations of the Code of Academic Integrity and will be referred for disciplinary action. Please review the Code of Academic Integrity at:

http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html.

Further, when you request a regrade, I retain the right to decline to regrade your exam without stating any reason if in my judgement there is evidence of overwriting and redrawing of graphs etc. This has worked best for insuring fair play as well as perception of the same. Thus, while in the actual exam, you are free to write over and redraw after scratching out graphs, please be aware that this may become a factor if a regrade request is to be made later on.

- **MEL Problem Sets:** You will be able to access these via “My Lab and Mastering” tab right from Canvas – this feature is an innovation being introduced for the first time by the publisher and at Wharton and I believe our course is the only one that is featuring it. In any event, there are problem sets for most of the chapters and you need to keep track of the due dates via Canvas. You can have up to three attempts before you decide to submit for grade. Each incorrect response will be provided with learning feedback. Thus these problem sets are great learning tools and should help you to prepare for exams as well. In terms of grades, this category will count for 7.5% of the course grade and your raw scores will be adjusted to give you a 25 % bonus. For example if the total problems for the course are 100 points scoring 75 or more will constitute full credit.
- **In-class “Surprise” Quizzes/Class participation:** There will be 6- 8 such quizzes, they will be graded and can only be taken in class. You will do these quizzes in groups of two. These will also provide a chance to learn via collaboration as well as promote ‘good citizenship’. Along with other assignments and assigned work, they will be a very good preparation for the exams too.
- **Global Analysis Project:** The Global Analysis Project is a capstone group assignment with the goal of promoting teamwork and communication. Besides submitting the project report, towards 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. All students in a team will receive the same team grade. Free riding will be seriously discouraged as the goal is a fair and effective within group collaboration. Details will be provided in class as well as posted on Canvas.

SUMMARY OVERVIEW OF COURSE CONTENT/SCHEDULE

The purpose of this Summary is to help you see class meeting as well exam schedule. More details, including real-life applications of the content items listed below are noted later in this syllabus. However, as a rule, the course site in Canvas will have the most current and relatively the most detailed course-related information, so please pay close attention to Canvas starting with setting alert preferences to ASAP or daily. Though not expected to happen in any substantial manner, throughout the course, these items may be changed or their relative emphasis re-arranged at the discretion of the instructor.

#	Day Date	Topic	Text (Ch.)
PART I: Introduction			
1	Thu 1/14	Introduction to Monetary Economics	1
2	Tue 1/19	Measurement of National Output	2
PART II: Markets, Markets Everywhere			
3	Thu 1/21	Labor Market and Trend Growth	3
4	Tue 1/26	Money Market Equilibrium and FED	7
5	Thu 1/28	Money Market Equilibrium and FED	14.1, 14.2
6	Tue 2/2	Goods Market Equilibrium	4
7	Thu 2/4	Life-cycle Consumption & Saving: Fisherean Model	App. 4. A
8	Tue 2/9	Equilibrium under Borrowing Constraints	4
PART III: General Equilibrium (IS-LM-FE Framework)			
9	Thu 2/11	Derivation of IS, LM and FE	9 (ex. 9.6)
10	Tue 2/16	General Equilibrium of the Economy	9 (ex. 9.6)
11	Thu 2/18	In-class review for exam.	
		Exam 1; 6:00 pm – 8:00 pm (Coverage RL items 1 - 5)	
12	Tue 2/23	Shifts in IS, LM and FE	9 (ex. 9.6)
13	Thu 2/25	Comparative Statics using IS-LM-FE Framework	App. 9.A
PART IV: Models of Business Cycles and Policy Implications			
14	Tue 3/1	Nature of Business Cycles	8 (ex. 8.4)
15	Thu 3/3	No class in lieu of Evening Exams 1 & 2.	
SPRING BREAK 3/5/2016 – 3/13/2016 No Classes			
16	Tue 3/15	Classical/Real Business Cycle (RBC) Model 1/2	10 (ex.10.3)
17	Thu 3/17	Classical/RBC 2/2. Start of the Keynesian Model 1/2	10, 11
18	Tue 3/22	In-class review for Exam 2 to be held tomorrow 6-8 pm.	
	Wed 3/23	Exam 2; 6:00 pm – 8:00 pm (Coverage RL items 6 - 8)	

19	Thu 3/24	Keynesian Business Cycle Model 2/2	11
20	Tue 3/29	MP and FP in the RBC and Keynesian Models	9.5 et al.
21	Thu 3/31	MP/FP since the '08 Global Financial Crisis/Great Recession	Lec. Notes
PART V: Open Economy Macroeconomics and Global Economy			
22	Tue 4/5	Open Economy; Exchange Rates (ER) Determination	5.1, 5.2
23	Thu 4/7	Modifying IS-LM-FE for an Open Economy	13.1-13.3
24	Tue 4/12	MP & FP in Open Economy under different ER regimes	Lec. Notes
25	Thu 4/14	Contagion, Global Co-ordination & Financial Vulnerability	Lec. Notes
26	Tue 4/19	Global Analysis Project Presentations I	
27	Thu 4/21	Global Analysis Project Presentations II	
28	Tue 4/26	Global Analysis Project Presentations III	
	Wed 5/4	Final Exam 6:00 pm – 8:00 pm (Coverage RL 1-11; Cumulative 70:30 i. e. 70% post-Exam 2, 30% all else).	

DETAILS OF THE COURSE CONTENT (Detailed RL Items)

Important Note: For all assignments, further details and deadlines are provided in Canvas course page. You are expected to keep track of those in Canvas. Also, the following numerical item count is referred to as “RL items #s”. Important to note that this is what is referred to in the Summary Overview of the Course Content when describing the exam coverages.

PART I: INTRODUCTION (2 lectures ends T 1/19)

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

MyEconLab HW Assignment Ch. 2

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 (6 lectures; section ends T 2/9)

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 (App. 4.A)

MyEconLab HW Assignment Ch. 4

EXAM 1: Thursday 2/18/2016; 6:00 pm - 8:00 pm (Coverage RL items 1 - 5) Room TBA
(In-class review for exam on 2/18/16)

PART III: GENERAL EQUILIBRIUM MODEL OF THE ECONOMY (IS-LM-FE FRAMEWORK) (4 lectures; ends R 2/25)

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

MyEconLab HW Assignment Ch. 9a

PART IV: MODELS OF BUSINESS CYCLES AND THEIR POLICY IMPLICATIONS (6 lectures; section ends R, 3/31)

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

MyEconLab HW Assignment Ch. 8

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

MyEconLab HW Assignment Ch. 10

EXAM 2: Wednesday 3/23/2016; 6:00 pm - 8:00 pm (Coverage RL items 6 - 8) Room TBA
(In-class review for exam on Tue 3/22/16)

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

MyEconLab HW Assignment Ch. 11

10. Fiscal/Monetary Policy
(a) 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

- (b) MP/FP since the '08 Global
Financial Crisis/Great Recession Lecture Notes

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

PART V: OPEN ECONOMY MACROECONOMICS (4 lectures and student presentations; section ends T 4/26)

11. Open Economy; Exchange Rates (ER) Determination
Modifying IS-LM-FE for an Open Economy
MP & FP in Open Economy under different ER regimes
Currency/Financial Crises, Contagion, Global Co-ordination

Chapter 5 (5.1-5.2; optional: 5.4)

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

MyEconLab HW Assignment Ch. 5
MyEconLab HW Assignment Ch. 13

12. Global Analysis Project Student Group Presentations 4/19, 4/21 and 4/26.

**Final Exam Wed 5/4 6:00 pm – 8:00 pm (Coverage RL 1-11; Cumulative 70:30 i. e. 70%
post-Exam 2, 30% all else). Room TBA**