

FNCE 615
MACROECONOMICS AND THE GLOBAL ECONOMIC ENVIRONMENT
THE WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA

PROFESSOR ANTHONY LANDRY
SPRING 2016 Q4

COURSE DESCRIPTION

Macroeconomics and the Global Economic Environment is intended for non-finance majors. It is a half-semester course in macroeconomics with an emphasis on current events and policy applications. The goal of this course is to provide the foundation needed to recognize and understand broad economic and financial movements in the global economy. Key topics include national income accounting, production and economic growth, employment, consumption, investment, business cycles, monetary policy, and international trade and finance. By the end of this course, students will be able to evaluate and discuss the global economic environment in which business and financial decisions are made.

COURSE MATERIAL

Canvas

The Canvas website contains the syllabus, lecture notes, weekly quizzes, teaching assistants' office hours and locations, regrade request forms, and other useful information. You need to have a Wharton account to access the website. You can apply for a Wharton account [online](#) if you do not have one.

Reading Material

The bulk of the course material comes from the lecture notes and course readings. The lecture notes are available on Canvas. Most course readings come from *The Economist* newspaper and from Federal Reserve Banks's publications. They are hyperlinked to web sources from within the syllabus.

There is no assigned textbook for this course. However, I strongly recommend you to read sections of *Macroeconomics* (eighth edition) from Andrew B. Abel, Ben S. Bernanke and Dean Croushore, Addison-Wesley, 2014 (referred to as **ABC** in the syllabus) and *Macroeconomics* (third edition) from Charles I. Jones, Norton, 2014 (referred to as **Jones** in the syllabus). These textbooks are at the Lippincott library reserve. The study guides that supplement these textbooks are useful aids to students who would benefit from additional explanations and practice with the material.

In addition to the regular course material, you are expected to follow current economic events. While no subscription to any particular journal is required, it is recommended that you regularly read *The Wall Street Journal* and *The Financial Times*.

GRADING

Grades are based on one final examination (70%), six weekly quizzes (10%), and class participation (20%). Class participation includes attendance, but primarily depends on coming to class prepared to discuss the assigned material.

Examinations

The final examination is on Monday, May 2, from 6:00 to 8:00pm. The final examination is comprehensive and closed book. Calculators are permitted. **The final examination can be rescheduled only if required by university policy and only during the official make-up period.**

Scheduling conflicts

Scheduling conflicts should be resolved according to the [MBA Resource Guide](#). If you find yourself with a conflict due to your career search or recruiting activity, you should work with the MBA Career Management Office to find a resolution. You should never approach your instructor with requests to reschedule exams or to make special accommodations.

Regrade requests

Regrade requests must be submitted using the **regrade request form** and the **statement of honesty** posted on Canvas and must be accompanied by your exam. Requests must be submitted within one week from the date the examination is returned (whether or not you actually pick up the exam on that date). Regrade requests must be very specific. For any request, the entire exam will be automatically regraded; meaning, the grade may stay the same, go up or go down after regrading. Any alteration of the exam is therefore strictly forbidden and will be considered as a violation to the Code of Academic Integrity.

Quizzes

There will be six quizzes on Canvas. The quizzes are designed to reinforce key concepts from the classes and to help you prepare for the final examination. Your final quiz grade will be the average of your best five quizzes. In other words, I will drop your lowest quiz grade. Due dates are indicated in the table below and under the course outline section of this syllabus. The quizzes must be submitted by 9:00am on the due date. **Quizzes will not be accepted late and no regrade requests will be entertained.** Answers to quizzes will be posted on Canvas shortly after the due date.

QUIZ #	TOPIC	AVAILABLE ON	DUE BY 9:00am ON
1	National income accounting	Wednesday, March 16	Monday, March 21
2	Production, employment, and growth	Wednesday, March 23	Monday, March 28
3	Consumption, Saving, and Investment	Wednesday, March 30	Monday, April 4
4	The business cycle	Wednesday, April 6	Monday, April 11
5	Monetary policy	Wednesday, April 13	Monday, April 18
6	The global economy	Wednesday, April 20	Monday, April 25

ACADEMIC INTEGRITY

All relevant University policies regarding Academic Integrity must be followed. Please consult the [Code of Academic Integrity](#) for details.

CONTACT INFORMATION

Email: alandry@wharton.upenn.edu

Office hours: Mondays, 3:00-4:00pm

Office: SHDH 2432

Most information about the course is posted on Canvas. **All questions related to the course material should be posted on Canvas. I will be happy to answer short and concise questions.** This is an efficient way to clarify concepts and to disseminate information. For additional information, I can be reached by email.

TEACHING ASSISTANTS

Name	Email address	Office hours	Location
Johnathon Baque	baquej@wharton.upenn.edu	TU, 3:00-4:00pm	SHDH 2004
Eric Macias	emacias@wharton.upenn.edu	TH, 1:30-2:30pm	SHDH 2004
Eric Rosenblum	roseric@wharton.upenn.edu	TU, 1:00-2:00pm	SHDH 2004
Tyler Parker	typarker@wharton.upenn.edu	MO, 9:00-10:00am	SHDH 2004

COURSE SCHEDULE

CLASS #	DATE	TOPIC
1	Monday, March 14	National income accounting
2	Wednesday, March 16	Measuring economic changes over time
3	Monday, March 21	Production and economic growth
4	Wednesday, March 23	The labor market
5	Monday, March 28	Consumption and saving decisions
6	Wednesday, April 30	Investment and goods market equilibrium
7	Monday, April 4	Firm pricing behavior and the Phillips curve
8	Wednesday, April 6	Aggregate demand and aggregate supply
9	Monday, April 11	The Federal Reserve System and U.S. monetary policy
10	Wednesday, April 13	Monetary policy rules and unconventional policy
11	Monday, April 18	International trade
12	Wednesday, April 20	Exchange rates and international finance
13	Monday, April 25	CASE STUDY: What should the FOMC do?
14	Wednesday, April 27	Review session
	Monday, May 2	Final Examination from 6:00pm to 8:00pm

COURSE OUTLINE AND READING LIST

Topic 1: Introduction to Macroeconomic Data

Monday, March 14: National Income Accounting

Readings: **ABC** Ch. 2.1-2.3

Jones Ch. 2.1 and 2.2

[The puzzle of weak first-quarter GDP growth](#), *Economic Letter*, Federal Reserve Bank of San Francisco, May 2015

[Boundary problems](#), *The Economist*, August 2013

Topics: origin of national income accounting, definitions and measurements of Gross Domestic Product (GDP), GDP components, production, income, and expenditure approach of measuring GDP, saving and investment

Wednesday, March 16: Measuring Economic Changes over Time

Readings: **ABC** Ch. 2.4 and 2.5

Jones Ch. 2.3 and 2.4

[Low for longer](#), *The Economist*, January 2016

[America's economy: On the one hand](#), *The Economist*, March 2016

Topics: nominal and real GDP, GDP across countries, growth rates, the rule of 70, price indexes and inflation, nominal and real interest rates, the Fisher equation

Quiz #1 due on Monday, March 21 by 9:00am

Topic 2: Production, Employment, and Economic Growth

Monday, March 21: Production and Economic Growth

Readings: **ABC** Ch. 3.1 and 6.1

Jones Ch. 4

[Is China growth miracle over?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, August 2015

Topics: production function, return to scale, Cobb-Douglas production function, capital and labor inputs, Total Factor Productivity (TFP or technology), marginal product of capital and labor, diminishing marginal products, capital and labor inputs allocation, production and shocks to labor, capital, or technology, capital and labor income share, sources of economic growth, income differences across countries, growth accounting

Wednesday, March 23: The Labor Market

Readings: **ABC** Ch. 3.2-3.6

Jones Ch. 7

[The Effects of Minimum Wages on Employment.](#) *Economic Letter*, Federal Reserve Bank of San Francisco, December 2015

[Reducing Poverty via Minimum Wages, Alternatives.](#) *Economic Letter*, Federal Reserve Bank of San Francisco, December 2015

[Changes in Labor Participation and Household Income.](#) *Economic Letter*, Federal Reserve Bank of San Francisco, February 2016

Topics: the U.S. labor market, labor demand, labor supply, income and substitution effects, labor market equilibrium, full-employment output, wages and inequality, labor market measurements, frictional vs. structural unemployment, natural rate of unemployment, Okun's law

Quiz #2 due on Monday, March 28 by 9:00am

Topic 3: Economic Markets

Monday, March 28: Consumption and Saving Decisions

Readings: **ABC** Ch. 4.1 and appendix 4.A

Jones Ch. 16

[U.S. household deleveraging and future consumption growth](#). *Economic Letters*, Federal Reserve Bank of San Francisco, May 2009

Topics: consumption and saving decisions, the intertemporal budget constraint, income and wealth, income and substitution effects, permanent-income hypothesis, Ricardian equivalence, borrowing constraints, empirical evidence on consumption

Wednesday, March 30: Investment and Goods Market Equilibrium

Readings: **ABC** Ch. 4.2 and 4.3

Jones Ch. 17

Why are interest rates so low? [Part 1](#), [Part 2](#), [Part 3](#) by Ben Bernanke, March-April 2015.

Topics: firms' investment decisions, the user cost of capital, desired capital stock and investment, components of physical investment, saving and investment equilibrium and the real interest rate

Quiz #3 due on Monday, April 4 by 9:00am

Topic 4: The Business Cycle

Monday, April 4: Firms Pricing Behavior and the Phillips Curve

Readings: **ABC** Ch. 11.2 and 12

Jones Ch. 12

[Will the economic recovery die of old age?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, February 2016

[Sticky situations](#), *The Economist*, November 2006

Topics: the business cycle, firms pricing behavior, unemployment and inflation, the Phillips curve, the role of inflation expectations

Wednesday, April 6: Aggregate Demand and Aggregate Supply

Readings: **ABC** Ch. 9.5 and 9.6

Jones Ch. 13

[The high cost of falling prices](#), *The Economist*, February 2015

[Will the Economic Recovery Die of Old Age?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, February 2016

Topics: aggregate demand curve, aggregate supply curve, the AS/AD framework, the liquidity trap, the dangers of deflation, expectations and economic activity

Quiz #4 due on Monday, April 11 by 9:00am

Topic 5: Monetary Policy

Monday, April 11: The Federal Reserve System and U.S. Monetary Policy

Readings: ABC Ch. 14.1-14.3

"Tools of Monetary Policy," Ch. 15 by Frederic Mishkin on Study.Net

[Age shall not weary her](#), *The Economist*, December 2013

[Monetary policy, money, and inflation](#), *Economic Letter*, Federal Reserve Bank of San Francisco, July 2012

Topics: the Federal Reserve System, central banking around the world, the Federal Open Market Committee, money supply creation, conventional monetary policy, open market operations, the federal fund market

Wednesday, April 13: Monetary Policy Rules and Unconventional Monetary Policy

Readings: ABC Ch. 14.4 and 14.5

[Will unconventional policy be the new normal?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, October 2013

[After the First Rate Hike](#). *Economic Letter*, Federal Reserve Bank of San Francisco, January 2016

Topics: monetary policy rules, the Taylor rule, the limits of conventional monetary policy, the Great Recession, unconventional monetary policy, macroprudential policies and regulations

Quiz #5 due on Monday, April 18 by 9:00am

Topic 6: The Global Economy

Monday, April 18: International Trade

Readings: Jones Ch. 19

[Global Fallout from China's Industrial Slowdown](#). *Economic Letter*, Federal Reserve Bank of San Francisco, November 2015

Topics: facts about international trade, reasons for trade, risk sharing, absolute and comparative advantage, costs and benefits of international trade

Wednesday, April 20: Exchange Rates and International Finance

Readings: ABC Ch. 13

Jones Ch. 20

[China's trilemma—and a possible solution](#) by Ben Bernanke, March 2016

Topics: the nominal and real exchange rates, the law of one price, the foreign exchange market, interest rates and exchange rates movements, the real exchange rate and net exports

Quiz #6 due on Monday, April 25 by 9:00am

Monday, April 25: What should the FOMC do?

Readings: [Monetary policy when the spyglass is smudged](#). *Economic Letter*, Federal Reserve Bank of San Francisco, November 2014

[Mixed signals: Labor markets and monetary policy](#). *Economic Letter*, Federal Reserve Bank of San Francisco, December 2014

Case study: "What should Janet Yellen do?" by Anthony Landry on Canvas

Wednesday, April 27: Review session

Final examination: Monday, May 2, from 6:00 to 8:00pm