

The Wharton School
University of Pennsylvania
Finance Department

Finance 101
Monetary Economics & the Global Economy

Fall 2016
Prof. Martin Asher

Required Text and Materials:

Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, *Macroeconomics*, Ninth Edition, Pearson Addison-Wesley Publishing Co., 2013.

The Wall Street Journal, including online version

Optional Materials:

Other periodicals (e.g., *Financial Times*, *BusinessWeek*, *The Economist*, *NY Times*, *Washington Post*)

Objectives:

Finance 101 is designed to introduce the student to competing theories regarding the functioning of the macroeconomy in a global environment and the effects of government policy. In doing so, it covers

- the measurement of macroeconomic activity (production, employment, interest rates, prices, national saving, investment, and international transactions),
- Classical macroeconomic analysis (the functioning of the macroeconomy assuming efficient markets), identifying the sources of long-run economic growth,
- business cycles and theories of cyclical fluctuations,
- the use of government policies to stabilize economic activity and promote long-term growth.

The principal text (Abel-Bernanke-Croushore [“ABC”]) presents a cohesive model for studying macroeconomic performance and for identifying the sources of controversy among economists and policy makers. Additional supplementary readings, to be made available through the course, reinforce conclusions found in Abel-Bernanke-Croushore regarding long-run economic growth and stabilization policy shared by both moderate liberals and moderate conservatives. Other perspectives will also be presented.

Lectures:

Though lectures will closely follow the material in the ABC text, they will also include many additional examples and may skip or modify the treatment of some topics (the ABC text is comprehensive, and not all of it will be covered and tested).

Checking your smartphone, tablet, laptop, smartwatch, or any other device that connects you to the world outside of the classroom is not allowed unless an exception is made in association with some classroom activity or by arrangement with Penn’s Office of Student Disabilities Services.

Examinations:

There will be two midterm examinations and a final examination. Because the course continually builds on previous knowledge, the final examination will be *cumulative over the material from the entire course*, though it will stress material covered since the second midterm examination. The exams are scheduled as follows:

Midterm I:	Wednesday, October 5, 2016, <u>6:00-8:00 p.m.</u>
Midterm II:	Wednesday, November 9, 2016, <u>6:00-8:00 p.m.</u>
Final Exam:	Thursday, December 15, 2016, <u>6:00-8:00 p.m.</u>

The final exam will be assigned twice the weight of the midterm exams, yielding in effect four exam grades. The lowest of these four will be dropped. This provides students with a great deal of insurance against both scheduling conflicts and an anomalous performance. As a result, no requests to reschedule or retake a midterm exam will be entertained, unless specifically mandated by University policy. 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 required by University policy, and only during the official make-up period during the first week of the following semester.

Any request for a required make-up exam or for disability accommodations must be made at least one week before the exam. (In case of serious illness on the final exam day, you must notify the professor before the exam begins, and provide your advisor with official documentation from a doctor as soon as possible afterwards.)

The exams will be closed-book, except that you may bring along a single 8.5"x11" two-sided sheet of notes to midterm #1; 2 sheets to midterm #2 (a new one plus the previous one); and 3 sheets to the final (a new one plus the previous two). These notes may not include reproductions of large sections of the text or class notes. You may use a calculator, but only if it cannot communicate with other devices (e.g., no cellphone calculators). Regrade requests must be submitted using the official Regrade Request form (in Canvas) along with your entire exam. For the midterms, requests must be made within one week from the date the exam is returned (whether or not you actually pick up your exam on that day). For the final exam, requests must be made within one week from the first day of classes the following semester. We retain the right to regrade the entire exam. Any alteration of the exam is strictly forbidden and will be considered a violation of the Code of Academic Integrity.

Problem Sets:

There will be 4-6 graded problem sets. Completed assignments must be submitted in-class before the lecture on the day the assignment is due. No late assignments will be accepted, nor will regrade requests. You may and are encouraged to work on the problem sets in teams of no more than 5 people. If you work as a team, please turn in one copy per team with the names of all team members listed on the first page. Graded assignments will be placed in the student folders in the Finance Department (metal cabinet located in front of the TA cubicles; assignment will be returned to the first listed student).

Global Analysis Project:

The Global Analysis Project is a capstone group assignment promoting teamwork and communication, at 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. Details will be provided in class.

Grading:

The course grade will be based on the following: Exams 75%, Problem Sets 15%, Global Analysis Project 10%.

In case of “ties,” class attendance and participation may also be given marginal weight. Hence, students must attend the course section in which they are officially enrolled.

Violations of the course or University rules may be referred to appropriate authorities for disciplinary action. Please review the Code of Academic Integrity at:

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

Office Hours:

Numerous office hours with the professor and the TAs will be announced in lecture and posted on the website. We prefer to meet at these times, but if you cannot make it to any of the office hours you may make an appointment by email.

Professor Asher:

Office Hours: Mondays and Wednesdays, 3:15 - 4:15 p.m. and by appointment.

Office: SHDH 2439

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Teaching Assistants: [Office hours and locations TBA]

[Schedule is on following page.]

Schedule of Lectures and Examinations

Details of the outline are subject to change, as announced in class and posted on Canvas

Class	Date	Topic (Abel-Bernanke-Croushore Macroeconomics Chapter)
1	Weds., Aug. 31	Introduction and Overview (Ch. 1)
	Mon., Sept. 5	LABOR DAY - No Class
2	Weds., Sept. 7	National Income Accounting, Part I (Ch. 2)
3	Mon., Sept. 12	National Income Accounting, Part II (Ch. 2)
4	Weds., Sept. 14	Production and Employment (Ch. 3, Secs. 1 - 4)
5	Mon., Sept. 19	Employment and Unemployment (Ch. 3, Secs. 5-6)
6	Weds., Sept. 21	Consumption and Saving: Part I (Ch. 4, Sec. 1; and Appendix 4.A)
7	Mon., Sept. 26	Consumption and Saving: Part II (Same reading as previous lecture)
8	Weds., Sept. 28	Investment and Goods Market Equilibrium (Ch. 4, Secs 2 and 3)
9	Mon., Oct. 3	A Framework for the Open Economy (Ch. 5, Secs. 1 - 2)
10	Weds., Oct. 5	Midterm Review
	Weds., Oct. 5	MIDTERM EXAM I - 6:00-8:00 p.m. (location TBA)
11	Mon., Oct. 10	Saving, Investment, and the Current Account (Ch. 5, Secs. 3 - 5)
12	Weds., Oct. 12	Long-Run Economic Growth, Part I (Ch. 6)
13	Mon., Oct. 17	Long-Run Economic Growth, Part II (Ch. 6)
14	Weds., Oct. 19	Long-Run Economic Growth, Part III (Ch. 6)
15	Mon., Oct. 24	Money and Inflation (Ch. 7)
16	Weds., Oct. 26	Business Cycle Facts (Ch. 8) and The IS-LM Model, Part I (Ch. 9)
17	Mon., Oct. 31	The IS-LM Model, Part II (Ch. 9)
18	Weds., Nov. 2	The IS-LM Model, Part III (Ch. 9)
19	Mon., Nov. 7	Aggregate Demand and Aggregate Supply (Ch. 9)
20	Weds., Nov. 9	Midterm Review
	Weds., Nov. 9	MIDTERM EXAM II - 6:00-8:00 p.m. (location TBA)
21	Mon., Nov. 14	The Classical Model (Ch. 10)
22	Weds., Nov. 16	The Keynesian Model, Part I (Ch. 11)
23	Mon., Nov. 21	The Phillips Curve: Unemployment and Inflation (Ch. 12)
	Weds., Nov. 23	NO CLASS (Friday Schedule)
24	Mon., Nov. 28	International Revisited -- (Selected topics from Ch. 13)
25	Weds., Nov. 30	Monetary & Fiscal Policy Institutions (Selected topics from Chs. 14 and 15)
26	Mon., Dec. 5	Global Analysis Project Presentations
27	Weds., Dec. 7	Global Analysis Project Presentations
28	Mon., Dec. 12	Global Analysis Project Presentations
	Thurs., Dec. 15	FINAL EXAM - 6:00-8:00 p.m. (location TBA)