

FINANCE 613 – MACROECONOMICS AND THE GLOBAL ENVIRONMENT

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Finance 613 is a course in intermediate macroeconomic analysis and policy in the context of globally integrated economies.

Its purpose is to train students to think systematically about the current state of the economy and macroeconomic policy, and to be able to evaluate the economic environment within which business and financial decisions are made. The course emphasizes the use of economic theory to understand the workings of financial markets and the operation and impact of government policies. Specifically, we study the determinants of the level of national income, employment, investment, interest rates, the supply of money, inflation, exchange rates, and the formulation and operation of stabilization policies. The exact structure of the class and topic coverage will be linked to the current economic issues around the world.

COMMUNICATION AND COURSE MATERIALS

Website: The Canvas site will contain all lecture notes and other additional readings, useful links, and general course information. This is also a useful hub to start and participate in course-related discussions. The site is linked to <http://spike.wharton.upenn.edu/courses/>. If you need a Wharton account, you can apply online at <http://accounts.wharton.upenn.edu>.

Mandatory readings: There are several good textbooks covering the core theoretical concepts in macroeconomics at an intermediate level. I recommend *Macroeconomics*, 8th edition, by Abel, Bernanke and Croushore. It is an excellent text in macroeconomic theory and you are encouraged to use it as supplement to our class discussions, which are generally more applied. Several of the problems in the book are also useful preparation for the quizzes and the exams.

Throughout the semester, you should keep current with economic news. A subscription to *The Financial Times*, *The Wall Street Journal*, *The Economist*, or a close substitute is recommended. Selected articles from these sources may be added to the list of required readings later during the semester. These sources are accessible through the Penn library.

DELIVERABLES AND GRADES

The final grade breakdown for this course is as follows:

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| • Quizzes | 25% |
| • Class discussions | 25% |
| • Exams: one midterm and one final | 50% |

There will be 8 to 12 online quizzes during the semester. Your two worst quizzes will be dropped and the average of the remaining ones will be the quizzes part of your grade. Because of this policy, there will be no flexibility about quizzes deadlines.

The exam portion of your grade is made of one midterm (**Thu March 2nd from 6pm to 8pm**) and one final exam (**Mon May 8th from 6pm to 8pm**). The final exam will be assigned twice the weight of the midterm, yielding in effect three exam grades. Your exam grade will be computed as the average of the best two of these three grades. This formula is intended to provide insurance against both scheduling conflicts and an anomalous performance in the final exam. As a result, no requests to reschedule or retake the midterm will be entertained, unless specifically mandated by the University.

All exams are closed-book but you are allowed to bring one 8.5"x11" cheat-sheet to the midterm and two sheets to the final. Cheat-sheets can only contain your own notes and in your own handwriting. In particular, they may not contain large portions of reproduced notes or any other course materials such as slides, solutions manuals, answer keys etc. You can write on both sides of each sheet. The final exam is cumulative but will focus on the material not covered by the midterm.

You will need your University ID to be admitted to an exam. You may use a calculator, but only if it cannot communicate with other devices. Please come to the exams a few minutes early. They will start on time. The exams might be recorded.

Scheduling Conflicts

This class is also offered in the Fall Semester. Therefore, if you have a conflict with the date of an exam you should drop the class now. Any additional conflicts will be resolved according to the MBA Resource Guide. Specifically:

- 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 instructors with requests to reschedule exams or to make special accommodations.

Exam Review

Any requests for a review of an exam must be submitted in writing within 7 days from the date that exams are made available and must be accompanied by the *Statement of Honesty in Regrade Request* form posted on Canvas.

OFFICE HOURS

Office hours with the professor and the TAs will be announced during lecture and posted on canvas. 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.

TENTATIVE CALENDAR

This calendar and the list of topics are subject to change. In particular, we might add some discussions.

Class #	Date	Topic	Readings
1	Mon 1/9	Background: World Economy Today	Ch. 1
2	Wed 1/11	Measuring Macroeconomic Performance: Income	Sec. 2.1-2.3
3	Wed 1/18	Measuring Macroeconomic Performance: Prices	Sec. 2.4
4	Mon 1/30	The Core Macroeconomic Model	Sec. 3.1; FRB/US Model
5	Wed 2/1	Household Consumption and Savings	Sec. 4.1, 4.A
6	Mon 2/6	Corporate Investment	Sec. 4.2, 2.5
7	Wed 2/8	Budget Deficits and Interest Rates	Sec. 15.1, 4.3
8	Mon 2/13	International Trade and Finance	Sec. 5.1
9	Wed 2/15	Sources of Trade Deficits	Sec. 5.2-5.5
10	Mon 2/20	Money and Inflation	Sec. 7.1-7.3, 7.5
11	Wed 2/22	Money and Financial Markets	Sec. 7.4
	Mon 2/27	Review session	
	Thur 3/2	Midterm exam from 6pm to 8pm	
12	Mon 3/13	The Labor Market	Sec. 3.1-3.4
13	Wed 3/15	Labor Frictions and Unemployment	Sec. 3.5-3.6, 11.1
14	Mon 3/20	General Macroeconomic Equilibrium	Sec. 9.1-9.3
15	Wed 3/22	Understanding Business Cycles	Sec 8.1, 9.4-9.6
16	Mon 3/27	Monetary Policy and Institutions	Ch. 14
17	Wed 3/29	Macroeconomics in an Open Economy	Sec. 13.1-13.4
18	Mon 4/3	Discussion: determined by current events	
19	Wed 4/5	Fixed Exchange Rates	Sec. 13.5
20	Mon 4/10	A Brief History of Economic Cycles	Sec. 8.2-8.3
21	Wed 4/12	Discussion: World Economic Outlook	IMF World Economic Outlook
22	Mon 4/17	Long Run Growth	Ch. 6
23	Wed 4/19	Discussion: The Fiscal Outlook	Sec 15.3, CBO Budget Outlook, IMF Fiscal Outlook
	Mon 5/8	Final exam from 6pm to 8pm	