



Department of Finance

Dr. Tayyeb Shabbir

Sum I, 2017

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

Class Meeting Information: JMHH 250 T/R 9:00 am – 12:30 pm

Instructor's Office/Hours: 2429 SHDH; Tuesdays and Thursdays 3:30 p.m. – 5:00 p.m.

Email: shabbir@wharton.upenn.edu

TA Office Hours: Ewelina Zurowska; 2331 SHDH; on Mon & Wed 2:30 p. m. – 3:30 p.m.

Email: ewelina@wharton.upenn.edu

Objective of the Course:

The main objective of the course is to provide the student essential analytical tools that will allow a comprehension of the core theoretical ideas in Monetary and Macroeconomics and their policy applications. 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 2007-08 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:**

The students are required to purchase the following course material which is available in

the Penn Bookstore as a single package. One may choose between the Loose-leaf version and the E-Text version – both versions will have the Access codes for MyEconLab (MEL) that we will use in this course. Instructions to register for MEL will be posted as an Announcement in Canvas. Thus one may choose one of the following packages:

Option 1:

Macroeconomics 9th edition by Abel et al.

Loose-leaf text + MyEconLab with eText = ISBN 9780134472560

Option 2- Digital:

Macroeconomics 9th edition by Abel et al.

MyEconLab with eText = ISBN 9780134143187

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. 9/e, 2017.

- **Online Resources:**

- Canvas Course Site. It is the most critical resource and will be used extensively. All lectures and other relevant material (including Discussion Boards, assignment deadlines etc.) will be posted 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

- As your instructor, 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 essential 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 specifically.
- Will Canvas be used?
 - As mentioned already, Course's Canvas site 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. Please be reminded to set your Canvas notifications settings to ASAP.
- 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?
 - Absolutely expected. 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 time is 9:00 am -12:30 pm. I will have a break of about 10 minutes of so midway. The class meeting 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 during the office hours and take care of all the assignments in a timely fashion.

COURSE REQUIREMENTS AND GRADING:

The course grade will be based on the following:

	<u>Rel. Wt.</u>
1. Midterm Exam	40 %
2. Final Exam (Non- cumulative)	40 %
3. In-class “Surprise” Quizzes (5 or 6)	5 %
4. Weekly Online Discussion Participation	5%
5. Web Reports	5 %
6. Home Work (My Econ Lab or MEL)	5 %

Special Note:

1. There will be no make-up exam for the missed Midterm exam; instead, for pre-approved absences for University determined valid reasons, the relative weight of the Final Exam may be proportionately increased. A Final exam, if postponed for valid University reasons and with instructor’s prior approval, will be given only in the first week of the Fall semester during the official date for such cases. However, I very strongly believe that it is best to take these exams when scheduled.

Important Notes about Exams and other course requirements:

- **Exams:**

Exams – Relative weights and Make-up Policy: This category will carry a total 80% weight towards your course grade. As mentioned above, there will be no make-up exam for the missed Midterm exam; instead, for pre-approved absences for University determined valid reasons, the relative weight of the Final Exam may be proportionately increased. The final exam can be rescheduled only if explicitly permitted by University policy and pre-approved by the instructor, and will be given only during the official ‘make-up exam’ period which for the

summer semester courses is end of August (when school restarts for the Fall semester). 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. To record attendance, there will be a sign-up sheet and 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 as soon as 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:

They are noted later in the syllabus.

- Exam Coverage: It is noted in the syllabus. The final will be non-cumulative.
- Style of Exams: Generally speaking, the each exam will be a mix of following types of questions: MC (30%), numericals (30%) and brief analysis with the help of diagrams (40%). These percentages are subject to change and are being provided for general 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. No cheat sheets of any kind will be allowed.
- 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 judgment 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. 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 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 5 - 6 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.
- **Web Reports:** There will be three web reports for 10 points each. Their nature and “rubric” is described later in this syllabus.
- **Weekly Online Discussion Participation:** There will be 5 such weekly online discussion assignments for 10 points each. The idea is for you to start with a primary post on topics that will be provided by me and then you will be able to see what other classmates have posted. You will be expected to engage in a collegial discussion by responding to several of these posts – at the minimum 3 or 4 and these contributions ought to be spread over time and need to be substantive vs. merely comments such as “Good job”, “Great post” etc. Each Discussion assignment will have its individual prompts that will be posted for a limited time and there will be due dates noted in Canvas.

COURSE OUTLINE

The purpose of this summary is to help you see class meeting as well exam schedule. 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

PART I: INTRODUCTION (Part I (0.5 lecture) ends T 5/23)

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

MEL Assignment	Available	Due
MyEconLab 1 HW Assignment Ch. 2	5/23/2017; 5:00 am	5/28/2017; 11:00 pm

Web Report # 1 (due: R; 5/25/17) 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. The report will need to be uploaded to Canvas. 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 5/30)

3. Labor Market and Trend Growth Chapter 3

MEL Assignment	Available	Due
MyEconLab 2 HW Assignment Ch. 3	5/23/2017; 5:00 am	5/31/2017; 11:00 pm

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

MEL Assignment	Available	Due
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MyEconLab 3 HW Assignment Ch. 7	5/23/2017; 5:00 am	6/4/2017; 11:00 pm
MyEconLab 4 HW Assignment Ch. 14a	Ditto	Ditto

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

MEL Assignment	Available	Due
MyEconLab 5 HW Assignment Ch. 4	5/23/2017; 5:00 am	6/6/2017; 11:00 pm

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

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

MEL Assignment	Available	Due
MyEconLab 6 HW Assignment Ch. 9a	5/23/2017; 5:00 am	6/7/2017; 11:00 pm

MIDTERM EXAM: Monday June 12, 2017 11:00 am – 12:30 pm Room TBA
(Course Coverage: Reading List Items 1 – 6).

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

MEL Assignment	Available	Due
MyEconLab 7 HW Assignment Ch. 8	5/23/2017; 5:00 am	6/13/2017; 11:00 pm

Web Report # 2 (due: T; 6/13/17). 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. Upload report to Canvas. 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, 6/20)

8. The Classical Model Chapter 10 (except 10.3)

RBC Model

(H. O. # 4, 5)

MEL Assignment	Available	Due
MyEconLab 8 HW Assignment Ch. 10	5/23/2017; 5:00 am	6/18/2017; 11:00 pm

9. The Keynesian Model

Chapter 11
(H. O. # 6)

MEL Assignment	Available	Due
MyEconLab 9 HW Assignment Ch. 11	5/23/2017; 5:00 am	6/21/2017; 11:00 pm

10. Fiscal/Monetary Policy Implications of the
Classical and Keynesian Models
FED Policy during GFC (2008) and Current SituationChapter 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)

MEL Assignment	Available	Due
MyEconLab 10 HW Assignment Ch. 9b	5/23/2017; 5:00 am	6/23/2017; 11:00
MyEconLab 11 HW Assignment Ch. 14b	Ditto	pm
MyEconLab 12 HW Assignment Ch. 15	Ditto	Ditto
		Ditto

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

Web Report # 3 (due: R; 6/22/17). 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. Upload report to Canvas. A class discussion will also be held the day the report is due.

READINGS: Monetary Policy and Credit/Financial Crisis (iii) – (v) are required while (i) and (ii) are optional.

(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 6/27)

11. Open Economy Macroeconomics:
MP and FP, Currency Markets and
Currency/Financial Crises, Euro-Zone Financial Crisis.
Global Implications of FED’s ‘Rewinding’ and ‘Normalization’ of its Balance
Sheet.

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

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

MEL Assignment	Available	Due
MyEconLab 13 HW Assignment Ch. 5	5/23/2017; 5:00 am	6/27/2017; 11:00 pm
MyEconLab 14 HW Assignment Ch. 13		

Optional reading regarding the Global Imbalances:

1. “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>

2. “Post-Global Financial Crisis Investment Strategies of China’s Sovereign Wealth Funds: A Case Study of China Investment Corporation” by Tayyeb Shabbir in *Sovereign Funds: Fiscal Framework, Governance Structure & Investment* (eds.) Donghyun Park and Ana Maria Jul. Central Banking Publishers, London, UK. 2015. # 9 (In Handouts Folder).

3. “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: Wednesday, 6/28/2017; Final exam 10:30 pm – noon; Room TBA. Final exam will be non-cumulative and will include the Reading List material covered since the midterm exam.