

Finance 101 – Monetary Economics and the Global Economy
Fall 2017 Syllabus
Professor Saka

Office: MCNB 543

Email: ProfSakaFin101@gmail.com (fastest way to receive a response about class related issues: grading, exams, problems, or other issues)

Office Hour: Monday 12.30-1.30

1. Course Description

Finance 101 is an intermediate-level course in macroeconomics, with a particular emphasis on monetary and international aspects. The goal of the course is to provide a coherent framework for analyzing macroeconomic events (e.g. recessions) and macroeconomic policy, and thereby better understand the environment in which firms, households, governments and financial intermediaries operate. Throughout the course, the analysis is applied to current events, both in the US and abroad.

The course is structured into the following parts: measurement, long-run economic performance, business cycles and macroeconomic policy, and institutions. The first part discusses how economists gauge the performance of the economy as a whole, with an additional emphasis on economic indicators that are useful in the real-time analysis of the impact of macroeconomic events/news on the financial markets. The second and third parts discuss the structure of the national economy by focusing on three major sectors and relating their decisions to the circular flows of income and expenditures in the aggregate economy, and how movement in those sectors determine the short-run fluctuations and relate to long-run economic performance. Finally, we discuss the institutions that make decisions for the economy, and this section will focus mainly on the Federal Reserve Bank and its policies. Throughout the course, the material is applied to better understand general issues such as cyclical fluctuations, economic growth and stabilization role of monetary and fiscal policy, as well to specific topics such as the recent financial crisis, global imbalances, demographic aging, or the recent European debt crisis. At the end of the semester, we apply foundational and empirical knowledge to review several global economic events.

2. Course Materials

The required textbook for the course is “Macroeconomics” by Abel, Bernanke, and Croushore [ABC] (Pearson, 9th edition), with access to MyFinanceLab (aka MyEconLab). The textbook is available for purchase in the bookstore.

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 (and more) will be added to the list of required readings.

Website:

There are 2 web-components: Canvas site and MyFinanceLab software (to be purchased)

The course Canvas website can be accessed at <https://wharton.instructure.com/>. You are expected to consult this website regularly and keep current with the posted content. Slides for the lectures will be available for download. However, please note that these materials have not been designed to serve as a substitute for regular lecture attendance or textbook reading. Supplemental handouts are also posted on the website.

On Canvas you'll be able to access:

- Announcements
- Modules
 - Syllabus
 - Lecture Notes- Chapter powerpoints
 - Lecture Readings – from several media sources and the Fed
 - Lecture Videos
 - TA and Professor Contact Information, Office hour information
 - Sample Tests
 - Homework questions and answers
 - Links to important economic and financial institutions' blogs
 - Office hour preparation guideline
- Your grades

Instructions on how to sign on to MyFinanceLab (aka MyEconLab) are provided today in class. Everyone must have an account by this weekend. Use your Penn email to sign up. If you don't, we may not be able to match your homework grade to you at the end of the semester. Do not use your other personal email accounts.

Course ID is saka15573. Instructions on how to sign up are appended to the syllabus.

3. Deliverables and Grading:

The final grade for the course is based on:

Examinations: 70%

Problem sets: 15%

Global Analysis Project: 10% - peer graded

Participation: 5%.

3. a. Exams:

Two 75-minutes, in-class midterm examinations are scheduled:

Midterm 1: October 3, Tuesday

Midterm 2: November 7, Tuesday

The final examination, scheduled by that registrar's office is **December 20, 6-8 pm**.

Our final is towards the end of the final exam period, and unfortunately as your professor, I am not the one who scheduled this and I am unable to change it.

To prevent your parents make travel arrangements without your knowledge, as some of my students will claim at the end of the semester, call them TODAY and let them know that you MAY NOT miss the final exam.

The final exam will be assigned twice the weight of the midterm exams, yielding in effect four exam grades. The total examination grade for the course 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 the final exam. As a result, no requests to reschedule or retake any of the two midterms 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 required by University policy, and only during the official make-up period during the beginning 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 official documentation from a doctor as soon as possible afterwards.

All exams will be closed-book, closed notes.

3.b. Problem sets

There will be 6 graded problem sets. Homework is due via MyFinanceLab and may have a separate written component. You will get long problem sets with a varying degree of difficulty in questions, whose purpose will be to make you think about economic theories and applications. You will get both theoretical and empirical questions. Prepare to spend time on the homework. Building on our past economic knowledge, Finance 101 will make you, in each homework set, analyze real-time economic data that is made available by the Federal Reserve Bank.

Each homework will be worth 30 points, giving you the possibility of accumulating 180 points across 6 homeworks. The moment you accumulate 150 points, you will get the full 15% grade for the homework. This means: Effectively your lowest score will be dropped. Practically, you have even more flexibility. Say you solve 2/3 of the questions in HW1. Submit it by the deadline. You'll accumulate 20 points (2/3 of 30) towards your goal of 150.

Any score below 150 will be prorated. Ex: 125 points will give you 12.5% towards your final grade. 102 points will give you 10.2% towards your final grade.

Any score above 150 will be capped at 15%. Ex: 168 points will give you 15% towards your final grade. 180 points will give you 15% towards your final grade.

You may not redistribute excess homework score towards other parts of the grading. Still, you are encouraged to work on as many homework problems as you can as it is a great tool in preparing for the exams.

Because of this flexibility, late homeworks are NEVER accepted and we will not regrade homework questions, unless a glitch appears in the software *that affects everyone*. If a glitch appears in your software so you can't access the homework, you have to solve that problem in advance to be able to submit your homework in a timely manner. In other words: 210 people are taking this class. If 209 can submit the homework but you cannot, it's not the software, it's you. Please do not send the professor screenshots of why you couldn't access the website, etc.

Occasionally a homework assignment may have a written part (complementing the online part). You will get proper instructions about how to submit the written part should a change in the homework style occur.

3. c. Global Analysis Project (GAP)

Content of the project:

The Global Analysis Project is a group assignment promoting teamwork and communication, near 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. A list of important economic events will be provided for you and once you submit your choice of team members, you will choose your economic event. In the event two teams choose the same country/episode to present, we'll have a lottery. Presentation days will also be determined via lottery.

Style of the project:

All members need to be present on the day of the presentation and teams may present in any way they choose. As the professor I'll enforce the time constraint and may ask questions. I will try to make myself disappear from these discussions to promote peer engagement. The presenting team should make the material interesting and challenging enough so that listeners are motivated to ask questions and engage with the presentation.

Grading of the project:

This is a peer-graded project. Your section, depending on class size, will have 13 or 14 presentations. Once the presentations are over, every student will get a chance to grade the teams, except their own. Given that the class has 70 people and each team will have 5 members, there will be 65 grades for each presentation.

We implement the following grading policy: You may assign grades anywhere between 0-10 points. You may not grade your own team. For the other teams, you may assign at most two-10s,

two-9s, three- 8s, three 7s, the rest 6s. You may adjust grades down but not higher than this distribution.

For example, you may have one 10 and three 9s, but not three 10s and one 9.

I'll remove the 2 top and the 2 bottom grades to prevent outliers & gift exchange, and take the average of the remaining 60 or so grades to compute your GAP grade. (70 students minus 5 in your team minus 2 top scores minus 2 low scores will leave us about 60-61 scores)

All students in the group will get the same grade regardless of their individual contributions. Part of the task is to organize the team so that all members contribute equally and their skills are utilized in the best way possible. If a member doesn't show up on the day of the presentation, his GAP grade will automatically be 0%. There is no regrading of the GAP score, because it will reflect the average opinion of 60 people.

We will revisit particulars of this project towards the end of the semester.

3.d. Participation

Your participation grade depends on your attendance and your meaningful involvement in class discussions. Not only do you need to be prepared to discuss the text material, you need to actively follow global economic events to be a participant in the lecture.

Attendance will be recorded using the attendance app. Everyone has 3 free absences to be used during the semester. Beyond your 3rd absence, you will lose 1 percentage point for each additional absence up to 5 percentage points. For example, if you miss class for a total of 2 times, your attendance grade will be 5 points. If you miss class 5 times, your attendance grade will be 3 points. If you miss class for a total of 8 or 18 times, your attendance grade will be 0 points.

Attendance on 1st day (8/29), 2nd day (8/31), the midterm review days are not required (9/28 and 11/2). Because the attendance app will automatically generate a "you were absent today" email anytime you do not sign in with the app, do not panic when you get this email on the aforementioned days. You will not lose attendance credit on those days and you do not need to email us about it.

You need to attend your own section. On the rare occasion that you miss your own section, you may sit in one of my other sections. In that case, you will not get your attendance grade. You may always watch the lecture video to catch up with the material.

Use your 3 absences wisely, i.e. keep them for genuine needs, such as religious observance or medical emergencies. Here is an example of what you shouldn't do: If you have already missed class 3 times and then have a true health emergency and need to miss the 4th session, a note from your doctor (or adviser or the dean) will not get you your attendance point back.

An alternative way to interpret the attendance rule in Finance 101 is as follows: All students get up to 3 excused absences.

You may keep your laptop on during lectures, only if you plan to follow the lecture handouts (PPTs). Other online activity is not permitted, because it's disruptive to those around you.

4. How to study for Finance 101:

- *Before class:* Read the chapter material assigned for that day. Also read the newspaper articles assigned for that day. Think about the article and try to interpret the author's point of view to the best of your ability.
- *During class:* Lecture notes are provided for your convenience. Still, you learn more efficiently if you take your own notes and use your own words when reproducing ideas. I suggest that you work on graphs concurrently as I'm working on them on the board.
- *After class:* Re-read your notes within 24 hours to make sure you understood the lecture. Re-read the text briefly, but do not memorize. Every day read the financial news. You are welcome to work in groups for the homeworks, but make sure that you spend time by yourself before you meet your study partners. That way you will honestly know what you do and don't understand. Even if you prefer to work for your assignments in groups, every homework must be individually written and submitted. Lecture recordings are provided for your convenience. Still, you'll learn more efficiently if you pay attention during lectures.
- *Throughout the semester:* Make it a habit to follow economic & financial news. Build Finance 101 office hours into your weekly schedule. Every week I'll post an "office hour guideline"- a long problem that I expect you to solve that week. Work on the question. It's not your homework, just practice. Then go to the office hour to work on the question with your TA.

5. Whom to Contact/ Additional resources

- For **joining a section** or **changing sections** or **being waitlisted**: Andrea Rollins is the Undergraduate Coordinator in the Finance department. rollins@wharton.upenn.edu (do NOT email the professor)
- For problems relating to access to **Canvas**: Go to <http://www.library.upenn.edu/courseware/> and click "Support for Students"
- For **MyFinanceLab** software/technology related questions: the Pearson Help Center: 800-677-6337. Course ID is saka15573.
- For **class material** (problems, math, graphing, concepts): Contact a Finance 101 TA during office hours. We have designed the office hours such that you will be able to find Finance 101 help any day of the week. Time & Location information are on Canvas. Attend Professor

Saka's office hour. During the semester, Prof. Saka will hold additional office hours on the occasional Friday am or pm to allow for students whose schedules do not allow attending the regular hour. Information will be provided on Canvas. Attending office hours and being present and asking questions in class are the best ways to learn. Sending emails about graphs or mathematical material or general concepts is not the best way to learn. If you must, send an email to ProfSakaFin101@gmail.com for a guaranteed 24-hour response time.

- **Special needs/arrangements:** Reasonable accommodation will be made for those with special needs. Please contact Student Disability Services (SDS) and Professor Saka asap.
- **For extra questions:** On top of the lecture material, you have extra questions on the MyFinanceLab software (not graded); Prof. Saka's assigned questions at the end of class (not graded); assigned questions for office hours (not graded); practice tests on Canvas (not graded) your homework assignments (graded). You will have enough practice questions. MyFinanceLab keeps track of how you answer homework questions and, through its Study Plan feature, recommends additional questions to help you brush-up on topics where you need to do more work.

6. Policies.

a. Late/missed work

No late homeworks are accepted. No make-up for homeworks or midterms are provided. No extra credit assignments for missed homework will be provided. You may take a make-up for the final exam ONLY with valid excuses, as defined by the University.

Examples of valid excuses are:

- Three exams scheduled within one calendar day (for final exams ONLY!) and if Finance 101 is the middle exam of the 3.
- An exam is given outside of the regular class schedule and the timing conflicts with another class in which the student is enrolled.
- Observance of a university-recognized religious holiday.
- UPENN Business that takes you away from campus (for example, athletic events in which you are actively participating). In such cases, you need to make prior arrangements with your professor to take the exam at another time (preferably earlier than the schedule date).
- An illness/health emergency.
- A death in your family.
- Documented disabilities that allow you to take the exam under other circumstances.

Examples of reasons that are *not* valid for missing an exam are:

- job interviews/ internships
- beginning fall or spring break early or returning after a scheduled exam
- end of semester early flights
- any other reason you would prefer not to be at the university when the exam is scheduled

- Do not take an exam if you are ill and then expect to have an opportunity to retake the exam because you were ill the first time and did poorly.

b. Regrading requests

Every exam will have its own grading policy published on Canvas for maximum transparency. Check your grading scheme against the policy. Regrade requests for the midterms and final must be submitted using the Regrade Request form (on Canvas) along with your entire exam. For the midterms, requests must be made within one week from the date that the exam is returned (whether or not you actually pick up your exam on that date). 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. To enforce this policy, some or all exams will be photocopied before returning them to the students.

Additionally:

- For each part of the exam that you think was incorrectly graded, give a written explanation of your view: Tell us why your grading is inconsistent with the policy.
- You must ante up one exam point. You get that point back only if your complaint is judged to have merit. Otherwise, you lose the point.
- You must submit the entire exam for a regrade. Your score could go down or up as a result of regrading.

c. **Integrity.** Penn has a clear Code of Academic Integrity. It's your responsibility to familiarize yourself with the code, and to follow it to the letter:

http://www.upenn.edu/provost/PennBook/academic_integrity_code_of

d. **FAIRNESS:** All rules in this class, including those of attendance and grading implicitly involve flexibilities, and furthermore, these flexibilities are equally applied to everyone. No one will be punished for being busy or sick for a few times during the semester. No one will be penalized for a one-time poor performance, either in the homework or in the exams. Because of this embedded flexibility, further pleas for exceptions or extensions will not be entertained. Use this flexibility wisely: Keep them for a true emergency, so that should an unforeseen event occur, you do not have to think about Finance 101.

Class schedule:

	Date	Topic	Text Chapter	Notes / Also read:
1	8/29	Syllabus, Introduction	1	
2	8/31	National Income Accounting, GDP	2.1-2.4	<ul style="list-style-type: none"> - “The Trouble with GDP”, Economist, 2016. - “Stocks, Bonds, and the Flow of Economic Data,” Siegel - “Nations Seek Success Beyond GDP,” WSJ, 2011
3	9/5	Price Indices, Production and Employment	2.5, 3.1-3.4	<ul style="list-style-type: none"> - “2016 in charts,” The Economist, 2016 - “Why do measures of Inflation Disagree?” Economic Letter, FRB of SF, 2013 - “Manufacturing jobs aren’t coming back,” MIT Technology Review, 2017 - “Most US manufacturing jobs are lost to technology, not trade,” FT, 2017
4	9/7	Employment and Unemployment	3.5, 3.6	<ul style="list-style-type: none"> - Consequences of rising income inequality. Economic Letter, Federal Reserve Bank of San Francisco, October 2016 - “A closer look at the decline in the LFPR,” St. Louis Fed - “Should we be concerned about declines in labor force growth?” Federal Reserve Bank of Atlanta, 2015 - “A misleading labor market indicator,” Liberty Street Economics - “Why labor force participation rates may not rise anytime soon,” American Enterprise Institute, 2015 - “The definition of ‘maximum employment’ needs updating,” Economist, 2017
5	9/12	Consumption and Saving	4.1, 4.2-4.A	<ul style="list-style-type: none"> - “Increased credit availability, rising asset prices help boost consumer spending,” Economic Letter, Federal Reserve Bank of Dallas, 2016
6	9/14	Investment and Goods Market Equilibrium, Open Economy	4.3, 5.1-5.2	<ul style="list-style-type: none"> - “Why are interest rates so low?” Ben Bernanke, 2015 - “Why are interest rates so low, part 2: Secular stagnation,” Ben Bernanke, 2015 - “Why are interest rates so low, part 3: The Global Savings Glut,” Ben Bernanke, 2015
7	9/19	Saving, Investment and the Current Account	5.3-5.4	<ul style="list-style-type: none"> - “Wasted Investment: China’s \$6.8 trillion hole,” the Economist, 2014

8	9/21	Long-Run Economic Growth	6	- What is the new normal for US growth? Economic Letter, Federal Reserve Bank of San Francisco, October 2016 - “Growth: The Great Innovation Debate,” the Economist, 2013 - “Innovation pessimism: Has the ideas machine broken down?” the Economist, 2013
9	9/26	Long-Run Economic Growth	6	- Is China growth miracle over? Economic Letter, Federal Reserve Bank of San Francisco, August 2015
10	9/28	In-Class Review		
11	10/3	MIDTERM 1		Having studied very well for the midterm, please fully enjoy the fall break. There will be no assignment.
12	10/10	Money and Inflation	7	- “Health care services depress recent PCE inflation readings,” Economic Letter, Federal Reserve Bank of Dallas, August 2016
13	10/12	Business Cycle Facts	8	- Will the Economic Recovery Die of Old Age? Economic Letter, Federal Reserve Bank of San Francisco, February 2016
14	10/17	Business Cycle Facts	8	- Diagnosing Depression, the Economist, 2008
15	10/19	IS-LM Model	9	- The New IS-LM Model: Language, Logic, and Limits, Economic Quarterly, Federal Reserve Bank of Richmond, Summer 2000 Read Sections 1 and 2, pp 45-54.
16	10/24	Aggregate Demand- Aggregate Supply	9	- The high cost of falling prices, The Economist, 2015
17	10/26	Business Cycle and Macro Policy	10	
18	10/31	Business Cycle and Macro Policy	11	- “Is Rising Unemployment an Early Warning of State-Level Recession?” Economic Letter, Federal Reserve Bank of Dallas, July 2016 - “A theory of fiscal policy – self-sustaining stimulus,” The Economist, 2012
19	11/2	In-Class Review		
20	11/7	MIDTERM 2		
21	11/9	Unemployment and Inflation; The Global Economy	12, 13.1-13.2	Submit Global Analysis Project Team and Subject - “Impact of Chinese slowdown on US no longer negligible, Economic Letter,” Federal Reserve Bank of Dallas, 2016
22	11/14	The Global Economy	13 +	- “International Investment Position” Survey of Current

			Appendix	Business -“Negative interest rates arrive in Japan,” Economist, 2016 -“Negative interest rates sources and implications,” the World Bank
23	11/16	Monetary Policy	14	- “Monetary policy, money, and inflation,” Economic Letter, Federal Reserve Bank of San Francisco, 2012 - “What tools does the Fed have left? Part 1: Negative interest rates,” Ben Bernanke, 2016 - “What tools does the Fed have left? Part 2: Targeting longer-term interest rates,” Ben Bernanke, 2016 - “Gold, Monetary Policy and Inflation,” Siegel -“The Taylor Rule: A benchmark for monetary policy?” Brookings Institution, 2015
24	11/21	Fiscal Policy	15	-“Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output in 2014,” CBO, 2015 -“Robert Barro: Stimulus Spending Keeps Failing,” WSJ, 2012
25	11/28	Global Analysis Project		Presentations
26	11/30	Global Analysis Project		Presentations
27	12/5	Global Analysis Project		Presentations
28	12/7	Review of the Semester		Peer Grading of the Global Analysis Project

Homework Information:

- Homeworks are primarily completed on the MyFinanceLab software.
- Purchase the software that comes with the book, and sign up using the course code: saka15573.
- When signing up, use your Penn email.
- When you access the software, an assignment will appear 7 days before the due date. You can work on the assignment and save your progress. But you have to “submit” before the due date.
- The idea behind the homework is to get you spend time thinking about economics. Questions will ask you to analyze not only theoretical foundations, but real time data that we can work with. Prepare to spend time with empirical data sets, analyze graphs, and draw conclusions.
- You may work together for the homework. But everyone needs to submit their own copy.
- Late homework is not accepted.

	Coverage	Due Date
HW 1	Chapters 1,2,3	9/14
HW 2	Chapters 4,5,6	9/28
HW 3	Chapters 7,8	10/19
HW 4	Chapters 9,10,11	11/2
HW 5	Chapters 12,13	11/16
HW 6	Chapters 14,15	11/28