# FINANCE 101/HONORS MACROECONOMICS AND FINANCIAL MARKETS

## The University of Pennsylvania

## The Wharton School

Prof. Jeremy J. Siegel                                                                                    Fall, 2018
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**Materials**

PowerPoint Slides and Lecture Notes distributed to students throughout the semester.

*Stock for the Long Run*, 5th Edition, distributed to students
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## Course Description

This course presents the analysis of macroeconomic theory with a current events perspective. The material in the class concentrates on lecture notes, which are the primary learning source, and readings from a course packet of articles drawn from journals, magazines, newspapers, and other economic publications.

The material covered will include: (1) Economic Statistics, GDP, Price Indices, Productivity and the nature of the business cycle, (2) The government budget, Social Security , and long-run deficits, (3) Monetary policy, both conventional and unconventional; The Fed and other Central Banks, (4) Interest rates – Pure Theory, Fisher equation, indexed bonds and the term structure, (5) Aggregate Demand and the determination of income and interest rates, (6) Money and Inflation - the Velocity Approach,  (7) Reaction of Financial Markets to economic data, (8) Inflation, inflationary expectations and the Phillips Curve, (9) Supply-side shocks and macro-dynamics, (11) International Balance of Payments, the current account and capital flows, (12) Determination of Exchange Rates, exchange rate systems, purchasing power Parity.

# FINANCE 101

## MACROECONOMICS AND FINANCIAL MARKETS

### WEEKLY TOPICS

**Prof. Jeremy J. Siegel**                                                                 **Fall  2018**

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| CLASS DATES: | TOPICS |
| --- | --- |
| **August 28** | **Introduction and 2008 Financial Crisis** |
| **August 30**<br>**September 4, 6, 11** | **GDP** |
| **September 13, 18** | **Government Budget Deficits** |
| **September 20,  25** | **Conventional Monetary Policy** |
| **September 27**<br>**October 2** | **Unconventional  Monetary Policy** |
| **October 4** | **NO CLASS** |
| **October 9, 11** | **Pure Theory Interest Rates** |
| **October 16, 18** | **General Theory Interest Rates/Term Structure** |
| **October 23, 25** | **DD—RR Equilibrium** |
| **October 30**<br>**November 1** | **Money and Inflation** |

| CLASS DATES | TOPICS |
| --- | --- |
| November 6, 8, 13 | Dynamic DD-RR Analysis |
| November 15, 20, | Markets and Economic News |
| November 22 | Thanksgiving Holiday |
| November 27, 29, December 4 | Balance of Payments/Exchange Rates |
| December 6 | Review |

## MIDTERM DATE TO BE DETERMINED

# FINAL EXAMINATION

# Monday December 17, 9:00 a.m. to 11:00 a.m.

# COURSE FACTS

**Professor Jeremy J. Siegel**

**SH-DH 2251 Ph 215-898-7742**

**E-mail  Siegel@wharton.upenn.edu**

**Course Information can be found on Canvas**


**Office Hours:  By Appointment Only, Please email to set up**

**Teaching Assistants are located in SH/DH 2305**
**2nd Floor SHDH, turn right after entering Finance Department, TA Cubicles are located on the third door on your right.**


**All problems are to be handed in online.  Instructions will be forthcoming.**

**Office Hours and teaching schedule for TAs will be handed out during the second week of classes.**

# PROBLEM SETS

Problem sets must be handed in; they are graded and are designed as learning tools.  Problem Set questions are often more analytical than questions on the exams, although exam questions are often patterned after questions taken from the problem sets.

**Students may work in groups to solve the problem sets but must hand them in individually. Worksheets cannot be shared.  Students violating these rules will be considered to have cheated and will be treated accordingly.**

# EXAMINATIONS

Examinations are based on understanding and not memorization.  All formulas will be provided on the examination sheets.  **The examinations are closed book**, except students, if they wish, may bring in notes covering *one, and only one side of an 8 ½ by 11 inch piece of paper* for the midterm and *two sides* for the final examination. **The final examination is cumulative.**

One hand-held calculator may be brought into the examinations. All cell phones and other communications devices must be turned completely off and stowed.
*Re-grade policy found on the next page.*

There will **be *no make-ups*** for the final examination.  Students who know in advance that, because of their schedule, they cannot sit for the December 17 final examination must contact me at the beginning of the course.

# GRADING IN COURSE

There are 200 total points (**TP**) in the course.  Ten percent or 20 points will be allocated to the problem sets (**PS**) and 90%  or 180 points to exams.  Of the exams, the midterm (**MT**) will be 30% (or 60 points) and the final examination (**F**) will count for 60% (or 120 points). On exams, actual score will be normalized to the above points, e.g., if the midterm has a maximum of 50 points, the score will be multiplied by 6/5 to be put in the formula below.
You cannot do worse than your performance on the final examination, i.e., your final exam score (multiplied by ½, and by 1/6 and will be substituted for the midterm and the problem sets if the normalized score is higher.

Total Points (TP) in course will be computed as:

$$\textbf{TP } = \textbf{ Max [MT, F/2] } + \textbf{ Max [PS,  F/6] } + \textbf{  F.}$$

Course grade will be based on **Total Points**.


# EXAM  REGRADE  POLICY

Re-grades will only be considered if a student writes in detail on a separate piece of paper why he or she deserves more points on a certain question.  Such a request must come after carefully reading and understanding the answers given in the answer sheet for the exam, which will be posted on my website. This explanation must accompany your exam for a regrade.

If any question on the exam is submitted for a re-grade, the ENTIRE EXAM WILL BE RE-GRADED to make sure the proper grade has been given. Therefore it is possible to lose points on other questions even if you gain on the question submitted. For that reason, it usually does not pay to submit for one or two points unless you are confident of all the points allotted on your other questions. A tough grade on one question is often offset by an easy grade on another.

**EXAMS RESUBMITTED BECAUSE OF AN ADDING MISTAKE *WILL NOT* HAVE THE QUESTIONS RE-GRADED.**

*I have learned that in almost all cases where a student asks for re-grades on 4 or 5 questions this means that the student is "fishing" for more points. I will not be sympathetic to such requests*.

Please limit regrades to those question(s) that you specifically believe have been mis-graded.

***As stated  above, if any question is submitted for regrade, the entire exam will be re-graded.***

Deadline for submission of re-grades will be *two weeks* following the date of the examination. Re-grade requests can be submitted in class or placed in my mailbox in the Finance Department.