

Finance 101 – Monetary Economics and the Global Economy
Fall 2019 Syllabus
Professor Sergio C. Salgado

Office: 2325 Steinberg-Dietrich Hall
Communication: Canvas Inbox System
Office Hour: Mon 1-2 pm
Class meets: 2325 Steinberg-Dietrich Hall
FNCE 101-001 at 9:00 AM
FNCE 101-002 at 10:30 AM
Classroom: JMHH 270
Recitations: Fridays (times TBA)
TA office hours: TBA

1. Course Description

Finance 101 is an intermediate-level course in macroeconomics, with a particular emphasis on monetary policy and international aspects. The goal of the course is to provide a coherent framework for analyzing macroeconomic trends (e.g. long term economic growth), business cycles (e.g. recessions) and macroeconomic policy (e.g. changes in interest rates and taxes), and thereby better understand the environment in which firms, households, financial intermediaries, and governments operate. Throughout the course, the analysis is applied to current events, both in the United States 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, income and wealth inequality, 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, 10th edition), with access to MyEconLab. The textbook is available for purchase in the bookstore.¹

Throughout the semester, you should keep current with economic news, as we will discuss some of them in class. A subscription to The Financial Times, The Wall Street Journal, The Economist, or a close substitute is recommended. A list of required reading materials will be posted on Canvas the week before each class. The slides deck will be also available on Canvas before the class.

Websites: Canvas and MyEconLab software (to be purchased)

On Canvas you'll be able to access:

- Announcements
- Modules
 - Syllabus
 - Lecture Notes- (slide deck for chapters)
 - Lecture Readings – from several media sources and the Fed
 - TA and Professor Contact Information, Office hour information
 - Sample Tests
 - Homework questions and answers
 - Recitation guideline
- Your grades

Canvas materials are not substitutes for regular lecture attendance or textbook reading. Any official announcement regarding the class will be done through Canvas.

Recitations: Recitations are review classes given by one of the TAs. The time for the recitation might change over the semester (time and location will be announced on Canvas). In order to give all students the opportunity to attend to recitation, we will set at least two different times and you can attend to either class (both will cover the same material).

Classes and recitations: Attending to classes and recitations is not mandatory. However, there is some material (plots, discussions, derivations) that will be covered only in class and complement the material presented in ABC.

3. Deliverables and Grading:

The final grade for the course is based on:

Examinations: 70%

Problem sets: 20%

Global Analysis Project: 10% (peer graded)

¹ Using older editions of ABC (8th or 9th edition) is ok, but you will need access to MyEconLab.

3. a. Exams:

There are 2 tests on the following dates:

Exam 1: Friday, October 4th (Lectures 1 to 9)

Exam 2: Friday, November 22nd (Lectures 11 to 23)

See the Class Schedule for additional details on the material covered in each Exam.

The grading will be as follows:

Method 1: for those who show consistent performance throughout the semester

Exam 1, Exam 2: 35% each

Method 2: for those who show improvement throughout the semester

Exam 1: 30%, Exam 2: 40%

We'll calculate your grade based on the two methods and automatically give you the higher grade.

Departmental policy says:

There are only a few valid excuses for missing an exam. They are:

- Documented illness/health emergencies
- Religious observance
- UPENN Business that takes you away from Campus
- Documented disabilities that allow you to take the exam under other circumstances
- A death in the family

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

- Job interviews
- Job 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.

If you are unexpectedly ill at the time of the exam and unable to reach the instructor ahead of time, then you can give notification and documentation of your illness as soon as you are able. 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.

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 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.

There is no possibility of taking the exam in another section. If you miss your appointed exam, you'll have to present documentation to be able to take the make-up exam and if you qualify, you will be given a make-up. In case of serious illness that takes you away from campus for more than 10 days, your remaining exam scores will be reweighed.

3.b. Problem sets

There will be six graded problem sets. Homework is due via MyEconLab and may have a separate written component. You will get long problem sets with a varying degree of difficulty in questions, whose purpose is to make you think about economic theories and applications. You will get both theoretical and empirical questions. Problem sets are long- prepare to spend time on them. You'll analyze real-time economic data that is made available by the Federal Reserve Bank, the Bureau of Economic Analysis, the International Monetary Fund, or the World Bank.

Each problem set will be worth 40 points, giving you the possibility of accumulating 240 points across six problem sets. The moment you accumulate 200 points, you will get the full 20% grade for the homework. For example, if you solve 3/4 of the questions in HW1, submit it by the deadline. You'll accumulate 30 points (3/4 of 40) towards your goal of 200.

Any score below 200 will be prorated. Ex: 150 points will give you 15%, any score above 200 will be capped at 20%. Ex: 210 points will still give you 20% towards your final grade. You may not redistribute excess homework score towards other parts of the grading.

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. Please do not send the professor or TAs screenshots of why you couldn't access the website, etc.

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. Country choice and presentation day will be determined randomly.

Presentation:

All members need to be present on the day of the presentation and teams may present in any way they choose. The exact days of the presentation will be informed later. As the professor, I'll enforce

the time constraint and will ask questions. The presenting team should make the material interesting and challenging enough so that listeners are motivated to ask questions and engage with the presentation. The presentation should combine macroeconomic data, theory, and potentially, policy proposals. You'll get much more detailed instructions as we get closer to the project.

Grading of the project:

This is a peer-graded project. Every student present during each team presentation will get a chance to grade the teams, except their own. To be precise, you will only get to grade the presentations that you attended to (we will have a list of attendees for each presentation).

All students in the group will get the same grade regardless of their individual contributions. However, 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 all your peers and your professor.

4. How to study for Finance 101:

- *Before class:* Read the chapter material assigned for that day.
- *During class:* Lecture notes are provided as a slide deck for your convenience. Still, 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. 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. Even if you prefer to work for your assignments in groups, every homework must be individually written and submitted.
- *On a weekly basis:* Attend recitations and office hours. Weekly recitations will be crucial in preparing you for examinations.
- *Throughout the semester:* Make it a habit to follow economic & financial news.
- In Finance 101, you'll have to do a lot of reading/studying on your own. Prepare to spend time on this class.

5. Whom to Contact/ Additional resources

- For *joining a section or changing sections or waitlists:* Andrea Rollins is the Undergraduate Coordinator in the Finance department. rollins@wharton.upenn.edu (emailing the professor only delays the department's response).

- For problems relating to access to *Canvas*: Go to <http://www.library.upenn.edu/courseware/> and click “Support for Students”
- For *MyEconLab* software/technology related questions: the Pearson Help Center: 800-677-6337.
- For *class material* (problems, math, graphing, concepts): Contact a Finance 101 TA during office hours or recitations. Attend office hour. 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.
- *Special needs/arrangements*: Reasonable accommodation will be made for those with special needs. Please contact Student Disability Services (SDS) and Prof. Salgado.

6. Policies

a. Late/missed work

No late homeworks are accepted. No make-up for homeworks or Group Analysis Projects will be provided. No extra credit assignments for missed homework will be provided.

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 exams must be submitted using the Regrade Request form (on Canvas) along with your entire exam.

For Exams 1 and 2, 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).

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.

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 submit the entire exam for a regrade. Your score could go down or up as a result of regrading.

- 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
- 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. 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
1	8/28	Introduction, Syllabus	1
2	9/4	National Income Accounting	2.1-2.4
3	9/9	Price Indices, Production and Employment	2.5, 3.1-3.4
4	9/11	Employment and Unemployment	3.5, 3.6
5	9/16	Consumption and Saving, Investment and Goods Market Equilibrium	4.1, 4.2
6	9/18	Consumption and Saving, Investment and Goods Market Equilibrium	4.3, 4A
7	9/23	Consumption and Saving, Investment and Goods Market Equilibrium	4A cont.
8	9/25	Open Economy	5
9	9/30	Long-Run Economic Growth	5, cont, 6
10	10/7	Review Session	
11	10/2	Long-Run Economic Growth	6 cont.
12	10/9	Money and Inflation	7
13	10/14	Business Cycle Facts	8
14	10/16	IS-LM Model	9
15	10/21	IS-LM Model	9 cont.
16	10/23	Business Cycle and Macro Policy	10

17	10/28	Business Cycle and Macro Policy	10 cont, 11
18	10/30	Business Cycle and Macro Policy	11 cont
19	11/04	Unemployment and Inflation	12
20	11/06	Exchange rates & The Global Economy	13
21	11/11	Exchange rates & The Global Economy	13 cont
22	11/13	Monetary Policy	14
23	11/18	Fiscal Policy	15
24	11/20	Review Session	
25	11/25	No Classes. Meet with group to prepare GAP	
26	11/27	Global Analysis Project	
27	12/02	Global Analysis Project	
28	12/04	Global Analysis Project	
29	12/09	Global Analysis Project and GAP Evaluations	

Homework Information:

Homeworks are completed on the MyEconLab software.

- 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 All homework due at 9 am
HW 1	Chapters 1,2,3	9/16
HW 2	Chapters 4,5,6	10/7
HW 3	Chapters 7,8	10/16
HW 4	Chapters 9,10,11	11/4
HW 5	Chapters 12,13	11/20
HW 6	Chapters 14,15	12/02