Finance 101 – Monetary Economics and the Global Economy
Fall 2019 Syllabus
Professor Saka

Office: PCPSE 531
Email: ProfSakaFin101@gmail.com
Office Hour: Thursday 11 am-12.30 pm (Check Canvas for exclusions/changes if any, especially during exam weeks)

Class meets: M/W JMHH 260 (Lecture 3: 1.30 pm, Lecture 4: 3 pm)

Recitations: Fridays, 9 am, 10.30 am, optional. (not every week, check schedule)

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 as 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, 10th edition), with access to MyEconLab. The textbook is available for purchase in the bookstore. Earlier editions of the book is OK to have.

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. **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
  - Lecture Videos
  - TA and Professor Contact Information, Office hour information
  - Sample Tests
  - Homework questions and answers
  - Links to important economic and financial institutions' blogs
  - Recitation guideline
- Your grades

Canvas materials are not substitutes for regular lecture attendance or textbook reading.

Instructions on how to sign on to MyEconLab are appended to the syllabus. 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). Course ID is saka79562

3. Deliverables and Grading:

The final grade for the course is based on:

Examinations: 75%
Problem sets: 15%
Global Analysis Project: 10% (peer graded)

3. a. Exams:

There are 3 in-class tests to be taken on the following dates:
Exam 1: October 2
Exam 2: October 28
Exam 3: December 4

Method 1: for those who show consistent performance throughout the semester
Exam 1, Exam 2, Exam 3: 25% each

Method 2: for those who show improvement throughout the semester
Exam 1: 20%, Exam 2: 25%, Exam 3: 30%

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

<u>Departmental policy says:</u>
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.

Students are responsible for making sure, at the beginning of the term, that they can attend the exams. Registering for a course means that you certify that you will be present for the exam (unless one of the explicitly stated exceptions above arises.)

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.

<u>3.b. Problem sets</u>

There will be 6 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. Homeworks are long- prepare to spend time on the homework. You'll 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. For example, if 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%, any score above 150 will be capped at 15%. Ex: 168 points will give you 15% 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 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 via lottery. You'll get much more detailed instructions as we get closer to the project.

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. Every student will get a chance to grade the teams, except their own.

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 all your peers and your professor. We will revisit particulars of grading towards the end of the semester.

3.d. Attendance, Attention and Participation

Attention is required and therefore Finance 101 is <u>unplugged</u>:

Once class starts all electronics (e.g., computers, cell phones, tablets, etc.) should be turned off and put away. If you need to use a device because of a language or disability issue, you need to secure permission at the beginning of the class. The misuse of an electronic device (e.g., surfing the web or texting) will adversely affect your grade. If you need to access lecture notes, print them ahead of class.

Recitation attendance is not mandatory but extremely useful. A "recitation guideline" will be assigned for each chapter. If you miss recitations, follow up with weekly TA office hours to solve the recitation guideline.

Your meaningful involvement in class discussions is important. 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. Sit according to the seating chart for I can assess who is in attendance. Missing class regularly will lead to a lower letter grade at the end of the semester. If you miss class more than 3 times, (starting with the 4th absence) you will lose 1/3 of a letter grade.

An extensive list of newspaper articles are assigned in addition to chapter readings. To keep up with current events, readings should be completed before class.

4. How to study for Finance 101:

- *Before class*: Read the chapter material assigned for that day. <u>Also read the newspaper articles assigned for that day</u>. 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 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. Course ID is saka16638

- For *class material* (problems, math, graphing, concepts): Contact a Finance 101 TA during office hours or recitations. Attend Professor Saka's 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. If you must, send an email to ProfSakaFin101@gmail.com .

- *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 practice questions*: On top of the lecture material, you have extra questions on the MyEconLab software (not graded); Prof. Saka's assigned questions at the end of class (not graded); practice questions for each chapter as recitation guidelines (not graded); practice tests on Canvas (not graded) your homework assignments (graded). You will be provided with enough practice questions. Office hours are scheduled such that there is Fin 101 help for you every day of the week.

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). For Exam 3, 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.

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.

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. 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	*Also read before coming to class*
1	8/28	Syllabus, Introduction	1	
2	9/4	National Income Accounting, GDP	2.1-2.4	- "The Trouble with GDP", Economist, 2016. - "Nations Seek Success Beyond GDP," WSJ, 2011 -"Is GDP overstating economic activity," FRBSF 2018
3	9/9	Price Indices, Production and Employment	2.5, 3.1-3.4	- "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	9/11	Employment and Unemployment	3.5, 3.6	- 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	9/16	Consumption and Saving, Investment and Goods Market Equilibrium,	4	- "Increased credit availability, rising asset prices help boost consumer spending," Economic Letter, Federal Reserve Bank of Dallas, 2016
6	9/18	Open Economy	4, cont 5	- "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 - "Wasted Investment: China's $6.8 trillion hole," the Economist, 2014
7	9/23	Long-Run Economic Growth	5, cont 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
8	9/25	Long-Run Economic Growth	6	- Is China growth miracle over? Economic Letter, Federal Reserve Bank of San Francisco, August 2015 - -"Supporting strong, steady & sustainable growth," FRBSF, 2018
9	9/30	Review Session		
10	10/2	Exam 1		
11	10/7	Money and Inflation	7	-The Destruction of Money, The Atlantic, 2011 -Currency Processing and Destruction, NY Fed, 2017
12	10/9	Business Cycle Facts	8	- Will the Economic Recovery Die of Old Age? Economic Letter, Federal Reserve Bank of San Francisco, February 2016 - The Financial Crisis at 10: Will we ever recover?, FRBSF 2018
13	10/14	IS-LM Model	9	-Diagnosing Depression, the Economist, 2008 - The high cost of falling prices, The Economist,

				2015
14	10/16	Business Cycle and Macro Policy	9, cont 10	
15	10/21	Business Cycle and Macro Policy	10, 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
16	10/23	Review Session		
17	10/28	Exam 2		
18	10/30	Unemployment and Inflation; The Global Economy	12	**Submit Global Analysis Project Team and Subject** - "Impact of Chinese slowdown on US no longer negligible, Economic Letter," Federal Reserve Bank of Dallas, 2016 -"Inflationary Effects of trade disputes with China," FRBSF, 2019
19	11/4	Exchange rates & The Global Economy	1	-"Negative interest rates arrive in Japan," Economist, 2016 -Brexit: Whither the Pound? FRBSF, 2017 - China's exchange rate policies and US Financial Markets, FRBSF 2017
20	11/6	Monetary Policy	14	- "The financial crisis at 10: Will we every recover?" FRBSF, 2018 - "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 -"The Taylor Rule: A benchmark for monetary policy?" Brookings Institution, 2015
21	11/11	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 -Fiscal Policy in Good times and Bad, FRBSF 2018
22	11/13	No class		Meet with your group to prep for presentations
23	11/18	Global Analysis Project		Group Presentations
24	11/20	Global Analysis Project		Group Presentations

25	11/25	Global Analysis Project		Group Presentations
26	12/2	Exam Review		
27	12/4	Exam 3		
28	12/9	Closing remarks		Professor will present general outlook of the world economies and Peer Grading of the Global Analysis Project will take place

Recitations:

The following recitations have been scheduled for this class.

Your TA will solve the assigned "Recitation Guideline" questions during the following sessions. You may attend any recitation. Questions assigned in recitation will very closely match questions you'll get in exams. I strongly recommend you attend each recitation.

Time & Location:

Recitation location: SHDH 109

Either at 9 am or at 10.30 am. Attend either recitation at your convenience.

Recitation Schedule:

Friday	
8/20	No recitation
9/6	Ch 2
9/13	Ch 2,3
9/20	Ch 4,5
9/27	Ch 5,6
10/4	No recitation, Exam 1 has ended
10/11	No recitation, Fall break
10/18	Extra recitation scheduled here for Ch 7,8,9 On 10/18, attend 4 recitations instead of 2: At 9 am and 10.30 am, Ch 7,8,9 continuously At 12 pm and 1.30 pm, Ch 7,8,9 continuously
10/25	Ch 10,11
11/1	Ch 12
11/8	Ch 13,14
11/15	Ch 15
11/22	No recitation, GAP week
11/28	Thanksgiving
12/5	No recitation, Exam 3 has ended

Homework Information:

Homeworks are completed on the MyEconLab software.
- Sign up using the course code: saka79562
- 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	9/30
HW 3	Chapters 7,8	10/14
HW 4	Chapters 9,10,11	10/23
HW 5	Chapters 12,13	11/6
HW 6	Chapters 14,15	11/13