

FNCE 615
INTRODUCTION TO MACROECONOMICS
AND THE GLOBAL ECONOMIC ENVIRONMENT
THE WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA
PROFESSOR ANTHONY LANDRY
WINTER 2020

COURSE DESCRIPTION

Introduction to Macroeconomics and The Global Economic Environment is a half-semester intermediate-level course in macroeconomics, with an emphasis on current events and policy applications. It is an abbreviated version of the full-semester course FNCE 613 and is intended for non-finance majors. The purpose of this course is to provide an overview of the global economic and financial environment in which business and financial decisions are made. Key topics include national income accounting, production and economic growth, employment, consumption, investment, business cycles, monetary and fiscal policy, and international trade and finance.

COURSE MATERIAL

Canvas

The Canvas website contains the syllabus, lecture notes, quizzes, teaching assistants' office hours and locations, regrade request forms, and other useful information. Canvas is also a useful hub to start and participate in course-related discussions. **All materials posted on Canvas are copyrighted.**

Reading Material

The bulk of the course material comes from the lecture notes and course readings. The lecture notes are available on Canvas. Most course readings come from *The Financial Times*, *The New York Times*, *The Wall Street Journal*, *The Economist*, Federal Reserve Banks' and Brookings Institute publications. They are hyperlinked to web sources from within the syllabus.

There is no required textbook for this course. However, you will see references to sections of *Macroeconomics* (tenth edition) from Andrew B. Abel, Ben S. Bernanke and Dean Croushore, Addison-Wesley, 2020 (referred to as **ABC**) and *Macroeconomics* (fourth edition) from Charles I. Jones, Norton, 2018 (referred to as **Jones**) in the course outline section below. These are supplemental, but strongly recommended, readings that supplement our class discussions. These textbooks are available at the Bookstore and at the Lippincott library reserve.

I will build many of the course concepts on current events. As such, you should keep current with economic news throughout the semester. A subscription to *The Economist*, *The Financial Times*, *The New York Times*, *The Wall Street Journal* or a close substitute is recommended. Selected articles from these sources may be added to the list of required readings later during the semester.

GRADING

Grades are based on class participation (10%), three quizzes (10%), and a final exam (80%). Class participation includes attendance, but primarily depends on coming to class prepared to discuss the assigned material, on your overall involvement in the lectures, and on your respectful and meaningful participation in class discussions.

Attendance is an important aspect of the Wharton commitment. Wharton students are admitted in part because of the experiences they bring to the community and what they can add to class discussions. Without attending, learning as a collaborative process cannot exist. Accordingly, absences are only appropriate in cases of personal emergency. In addition, late arrival is disruptive to the learning environment and promptness is expected.

Quizzes

There will be three quizzes available on Canvas. The quizzes are designed to reinforce key concepts from the classes and to help you prepare for the exam. Your quizzes grade will be the average of your best two quizzes. Due dates are indicated in the table below and under the course outline section of this syllabus. You can work on quizzes with other students, but you must submit your answers individually. The quizzes must be submitted by 9:00am on the due date. Quizzes will not be accepted late and no regrade requests will be entertained. Answers to quizzes will be posted on Canvas shortly after the due date.

QUIZ #	TOPIC	AVAILABLE ON	DUE BY 9:00am ON
1	Introduction to macroeconomic data	Wednesday, January 22	Monday, February 3
2	Macroeconomic principles	Wednesday, February 5	Wednesday, February 12
3	Business cycles and macroeconomic policy	Wednesday, February 19	Monday, February 24

Examination

The final exam is on Wednesday, March 4, from 6:00 to 8:00pm. The final exam is comprehensive and closed book. Calculators are permitted. **The final examination can be rescheduled only if required by university policy and only during the official make-up period.**

Regrade requests

Regrade requests must be submitted using the **regrade request form** and the **statement of honesty** posted on Canvas and must be accompanied by your exam. Requests must be submitted within one week from the date the exam is returned (whether or not you actually pick up the exam on that date). Regrade requests must be specific. For any request, the entire exam will be regraded; meaning, the grade may stay the same, go up or go down after regrading. Any alteration of the exam is therefore strictly forbidden and will be considered as a violation to the [Code of Academic Integrity](#).

ACADEMIC INTEGRITY

All relevant University policies regarding Academic Integrity must be followed. Please consult the [Code of Academic Integrity](#) for details.

Copyrights

All material posted on Canvas, including lecture slides, quizzes, and practice and past exams are copyrighted and cannot be distributed, transferred, posted, shared or reproduced without my written permission. Pictures and videos of lectures, class materials, and materials written or projected during lectures are strictly prohibited. **Violation of this policy will be considered a breach of academic integrity and legal action will be pursued against violators.**

Course Etiquette

To promote a good learning environment, [Wharton's MBA Concert Rules](#) are in effect. The Concert Rule about ethics, respect, class attendance, and phones is strict. If you must keep a phone on for a personal emergency reason, please inform me ahead of class. Laptop or tablet use is also highly discouraged.

CONTACT INFORMATION

Most information about the course is posted on Canvas. **All questions related to the course material should be posted on Canvas.** I will be happy to answer short and concise questions that are posted on Canvas. This is an efficient way to clarify concepts and to disseminate information. Please do not post, ask, or email me with questions that are clearly answered in class materials, including the syllabus.

Email: alandry@wharton.upenn.edu

Office hours: Tuesdays, 9:00 - 10:00am

Office: SHDH 2429

Teaching Assistants

<u>Name</u>	<u>Email address</u>	<u>Office hours</u>	<u>Location</u>
Irene Gendelman	igend@wharton.upenn.edu	TU 10:30-11:30am	SHDH 2406
Ankit Girdhar	agirdhar@wharton.upenn.edu	W 4:30-5:30pm	SHDH 2406
Julia Lesko	leskoj@wharton.upenn.edu	M 12:00-1:00pm	SHDH 2406
Philippe Nyssen	nyssen@wharton.upenn.edu	TH 3:00-4:00pm	SHDH 2406
Emily Snow	esnow@wharton.upenn.edu	TU 1:30 -2:30pm	SHDH 2406

COURSE SCHEDULE

LECTURE	DATE	TOPIC
1	Wednesday, January 22, 2020	Introduction to Macroeconomic Data
2	Monday, January 27, 2020	Production and Economic Growth
3	Wednesday, January 29, 2020	The Labor Market
4	Monday, February 3, 2020	Consumption and Saving Decisions
5	Wednesday, February 5, 2020	Investment and Goods Market Equilibrium
6	Monday, February 10, 2020	Business Cycles and the Phillips Curve
7	Wednesday, February 12, 2020	Aggregate Demand and Aggregate Supply
8	Monday, February 17, 2020	The Federal Reserve System and U.S. Monetary Policy
9	Wednesday, February 19, 2020	Trade, Exchange Rates, and International Finance
10	Monday, February 24, 2020	The Government and the Macroeconomy
11	Wednesday, February 26, 2020	Global Growth Prospects and Review Session
	Monday, March 2, 2020	Class TBD pending snow day
	Wednesday, March 4, 2020	FINAL EXAM, 6:00-8:00PM

COURSE OUTLINE AND READING LIST

Wednesday, January 22: Introduction to Macroeconomic Data

Topics: national income accounting, production, income, and expenditure approach of measuring GDP, nominal and real GDP, price index and inflation, nominal and real interest rates, saving and wealth.

Readings: **ABC** Ch. 2

Jones Ch. 2

[Economics isn't dismal. It's useful.](#) *The New York Times*, July 2019

[A Recession Hasn't Arrived \(Yet\). Here's Where You'll See It First,](#) *The New York Times*, December 2019

[The chained CPI,](#) The Brookings Institution, March 2018

Quiz #1 due on Monday, February 3 by 9:00am

Monday, January 27: Production and Economic Growth

Topics: the production function, capital and labor inputs, Total Factor Productivity, shocks to labor, capital or TFP, sources of economic growth, income differences across countries, growth accounting.

Readings: **ABC** Ch. 3.1 and 6.1

Jones Ch. 4

[Is Slow Still the New Normal for GDP Growth?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, June 2019

Wednesday, January 29: The Labor Market

Topics: the U.S. labor market, labor demand, labor supply, labor market equilibrium, wages and income inequality, labor market measurements, natural rate of unemployment, Okun's law.

Readings: **ABC** Ch. 3.2-3.6

Jones Ch. 7

[American Factories Demand White-Collar Education for Blue-Collar Work,](#) *The Wall Street Journal*, December 2019

Monday, February 3: Consumption and Saving Decisions

Topics: consumption and saving decisions, the intertemporal budget constraint, permanent-income hypothesis, Ricardian equivalence, borrowing constraints, empirical evidence on consumption.

Readings: **ABC** Ch. 4.1 and appendix 4.A

Jones Ch. 16

[Valuation ratios for households and businesses](#), *Economic Letter*, Federal Reserve Bank of San Francisco, January 2018

Wednesday, February 5: Investment and Goods Market Equilibrium

Topics: firms' investment decisions, the user cost of capital, capital stock and investment, saving and investment equilibrium, nominal and real interest rates, the Fisher equation.

Readings: **ABC** Ch. 4.2-4.3

Jones Ch. 17

[Why are interest rates so low? Part 1](#), by Ben Bernanke, March 2015

[Why are interest rates so low? Part 2: Secular stagnation](#), by Ben Bernanke, March 2015

[Why are interest rates so low? Part 3: The Global Savings Glut](#), by Ben Bernanke, April 2015

Quiz #2 due on Wednesday, February 12 by 9:00am

Monday, February 10: Business Cycles and the Phillips Curve

Topics: business cycles, trends and fluctuations, actual and potential output, firms' pricing behavior, unemployment and inflation, the Phillips curve, inflation measures.

Readings: **ABC** Ch. 8, 11.2, and 12

Jones Ch. 12

[The Phillips Curve](#), The Brookings Institution, August 2018.

[Unemployment: Lower for longer?](#) Federal Reserve Bank of San Francisco, August 2019

Wednesday, February 12: Aggregate Demand and Aggregate Supply

Topics: the IS curve, the monetary policy rule, aggregate demand curve, aggregate supply curve, the AS/AD framework, expectations and economic activity.

Readings: **ABC** Ch. 9.5-9.6

Jones Ch. 13

[The neutral rate of interest](#), The Brookings Institution, October 2018.

[The financial crisis at 10: Will we ever recover?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, August 2018

Monday, February 17: The Federal Reserve System and U.S. Monetary Policy

Topics: the Federal Reserve System, the Federal Open Market Committee, conventional monetary policy, the Taylor rule, the Great Recession, unconventional monetary policy, financial stability.

Readings: **ABC** Ch. 14.2-14.5

[America needs an independent Fed](#), *The Wall Street Journal*, August 2019

[The Framework for monetary policy](#), The Brookings Institution, January 2018

[A review of the Fed's unconventional monetary policy](#), *Economic Letter*, Federal Reserve Bank of San Francisco, December 2018

Wednesday, February 19: Trade, Exchange Rates, and International Finance

Topics: trade and capital flows, open-economy saving and investment equilibrium, fiscal policy and the current account, nominal and real exchange rates, open-economy AS/AD, international transmission of monetary policy.

Reading: **ABC** Ch. 5 and 13

Jones Ch. 20

[Inflationary Effects of Trade Disputes with China?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, February 2019

Quiz #3 due on Monday, February 24 by 9:00am

Monday, February 24: The Government and the Macroeconomy

Topics: U.S. government spending and revenue, government debt and deficits, fiscal policy and aggregate demand, sustainability of public debt.

Readings: **ABC** Ch. 15.1-15.3

Jones Ch. 18

[How worries should you be about the federal debt?](#) The Brookings Institution, January 2019

[The national debt is still a problem](#), *The New York Times*, June 2019

Wednesday, February 26: Global Growth Prospects and Review Session

Final Exam: Wednesday, March 4, from 6:00 to 8:00pm