



Department of Finance

Dr. Tayyeb Shabbir

Sum I, 2019

FNCE 101: Monetary Economics and Global Economy
FNCE 613: Macroeconomics and Global Economic Environment

Class Meeting Information: JMHH 370 M/W 9:00 am – 12:30 pm

Instructor Office/Hours: 2429 SHDH; Mondays and Wednesday 3:30 p.m. – 5:00 p.m.

Email: shabbir@wharton.upenn.edu

TA Office Hours: Ewelina Zurowska; 2425 SHDH; 2:30 p.m. – 3:30 p.m. on Tue & Th.

Email: ewelina@wharton.upenn.edu

Objective of the Course:

The main objective of the course is to provide essential analytical tools that will allow a comprehension of the core theoretical ideas in Monetary and Macroeconomics and their policy applications. The classroom lectures and discussions will describe the workings of the relevant markets – the labor, the goods, the assets and the foreign exchange markets. The course will primarily focus on the nature of the business cycle, its determinants and, in particular, the role of monetary and fiscal policies both domestically as well as in a global context, with a special emphasis on the 2008 Global Financial Crisis and its aftermath. Students are encouraged to read publications such as the Wall Street Journal, The Economist and The Financial Times to stay abreast of the relevant domestic as well as global macroeconomic and monetary developments.

Course Material and Resources:

- **Text Book and MyLab Econ (MLE):**

The following course material is required. It may be purchased at the Penn Bookstore as a single package. One may choose between the eText version (Option 1) and the Loose-leaf print version (Option 2) – both versions will have the Access codes for MyLab Econ (MLE) that we will use in this course. (I will post the instructions to register for MLE as an Announcement in Canvas).

Thus, one may choose one of the following packages:

Option 1- eText Packaged with MyLab Econ (MLE):

MyLab Econ (MLE) with eText, 10th ed. = ISBN 9780135160510
(Textbook Ref.: Macroeconomics 10th edition by Abel et al.)

Option 2:

MyLab Combo Card (MLE with eText, 10th ed. + optional loose leaf print upon student request direct from Pearson – allow a few days of delivery time for the loose-leaf to arrive after your order) = ISBN 9780135634912

(Textbook Ref.: Macroeconomics 10th edition by Abel et al.)

If you have any difficulty locating the package of your choice, please check with the Bookstore's Textbook Manager or email me at shabbir@wharton.upenn.edu.

Incidentally, just for your reference, the formal description of the textbook alone is as follows: Macroeconomics by Abel, Bernanke and Mishkin. Prentice Hall/Pearson. 10/e, 2020. It is recommended that the students purchase only the latest edition.

- **Online Resources:**

- **Canvas Course Site:** I will post all lectures and other relevant course material (including assignment deadlines etc.) on Canvas. Since it will be the essential dashboard for navigating the course, please set your Canvas notifications settings to ASAP. It will be your responsibility to be aware of all Canvas posts in a timely manner.
- Online Economics and Finance Dictionary: www.investopedia.com/dictionary

- **Recommended Journals/Newspapers Readings:**

- Regularly browse through at least two of the following publications (available free via Penn library – if needed, consult a reference librarian) for articles pertinent to the theme of this course. You may bring the ones you like the best to my attention via email so that I may consider sharing them with the rest of the class.

Wall Street Journal www.wsj.com

Financial Times www.ft.com

Bloomberg BusinessWeek www.bloomberg.com/businessweek

Economist www.economist.com

Classroom Experience – FAQs

- My goal is to do my best as your instructor to make this a wonderful learning experience for you. However, I do expect that each of you will do your part in maintaining an environment that is conducive for learning in a relaxed yet intellectually stimulating manner. There are simple dos and don'ts which are essential in order to maintain good learning environment such as avoiding coming late, leaving early, or excessively talking amongst yourself etc. I am confident that you will choose to contribute to a positive learning environment. Also, please note the following FAQs that may be helpful in clarifying the nature of this course.
- **May students use laptops and mobile devices in class?**
 - Yes, for the purposes of viewing class materials and taking in-class notes on PPTs etc. However, any misuse (such as texting or viewing material unrelated to the course) may result in revocation of this privilege.
- **What about class participation/attendance?**
 - Absolutely expected. There will be many opportunities for interaction about the class

material including In-class breakout sessions.

- **May students eat food in class?**
 - No solid food, only water and soft drinks.

- **What is the nature of class meetings, duration of lectures?**
 - Each class meeting time is 9:00 am -12:30 pm. I will have a 15-minute break midway. The class meeting will generally comprise of a lecture about the core analytical material with time set aside for a discussion about policy applications and current events. Your class participation is highly encouraged. Remember, learning is a contact sport – participate! You may raise questions as well as share your own observations. Please feel free to ask questions during the class, right after it or during your visits to my office hours.

- **How can you be ready for class?**
 - At least browse through the material that we are scheduled to go over in the class before you come in and pay attention to the Canvas posts and schedule for the course.

- **How can you do well on the exam?**
 - Come to class regularly, go over PowerPoints the start of the class as well as review lecture notes after class, interact with the TAs and the professor during the office hours, and take care of all assignments in a timely fashion.
 - Important note regarding the possible emphasis and “mastery” of the textbook vs the material covered in the class. The text book is used as an essential background resource and can be a helpful supplementary guide. However, your main priority should be focusing on materials emphasized in the class/course, some of which may include textbook chapters. I recommend that you use the material that I cover in class or explicitly assign via the Reading List/MLE etc. as your framework of material relevant for exam preparation.
 - Besides, MLE and practice problems in class, you will also be provided sample (midterm and final) exams with solutions to help you gain competency as well as prepare you for the course exams.

COURSE REQUIREMENTS AND GRADING:

I will base the course grade on the following items with the corresponding relative weights.

	<u>Rel. Wt.</u>
1. Midterm Exam	40 %
2. Final Exam (Non- cumulative)	40 %
3. Web or Project Reports	8 %
4. Home Work (MyLab Econ or MLE)	8%
5. In-class “Surprise” Quizzes/participation	4%

Important Notes about Exams and other course requirements:

- **Exams:**

Exams – Relative weights and Make-up Policy: The Midterm and the Final exams will carry a total of 80% weight towards your course grade (40% each). There will be no make-up exam for the missed Midterm exam; instead, for pre-approved absences for

University determined valid reasons, the relative weight of the Final Exam may be proportionately increased. The final exam can be rescheduled only if explicitly permitted by University policy and pre-approved by the instructor, and will be given only during the official 'make-up exam' period which for the summer semester courses is end of August (when school restarts for the Fall semester). Such rescheduling of final exam can be due to only a University-approved reason. The relevant reason will need full and complete documentation in a timely fashion. In case of serious illness/accident on the final exam day, you must notify the professor before the exam begins if possible but do so as soon as feasible and must provide official documentation from a doctor in a timely manner.

- **Admittance and Proof of attendance:** For admittance to your exam, you will need your University ID. To record attendance, there will be a sign-up sheet and the teaching staff may film the classroom during an exam.
- **Disability Accommodation:** Penn's Student Disability Service (SDS) will provide any needed Disability accommodations. To be eligible, you must notify me or make sure that the SDS office has notified me on your behalf via email as soon as the semester starts that you need such accommodations and provide the proof of eligibility. I will schedule the exam during the time of the regular exam. Student Disability Service will proctor such an exam. One must make any request for a required alternate exam arrangement for disability accommodations at least one week before the exam's start date.
- **Exam Dates:** I have noted the exam dates later in this syllabus. Note that the exam hours may be outside of regular class hours.
- **Exam Coverage:** I note the relevant exam coverage for the different exams later in the syllabus. The final will be non-cumulative.
- **Style of Exams:** Generally speaking, each exam will be a mix of the following types of questions: MC (30%), numerical (30%) and brief analysis with the help of diagrams (40%). These percentages may change and I mention them here for general guidance only and you may not interpret them as strict commitments.
- **Cheat Sheets and other allowed/disallowed items:** All exams will be closed book, closed notes. You must attempt them individually without any help from any other electronic source/person. No cheat sheets of any kind are permitted. Only non-programmable calculators may be used. The cell phones may not be used in lieu of calculators. No device connected to the internet is allowed.
- **Exam Regrade Policy and Procedure (please carefully read the complete information):**
 - Submit any requests for regrading of exams in writing within one week from the date of return of exams in class. The one-week period for submission of exams for regrading begins on the date that the exams are returned in class, not on the date that you pick up the exam in case for some reason, you are absent from class the day the exams are returned. If you miss the class during which I return the exams, it is your responsibility to pick up your graded exam in time to submit a regrade request within the requisite one-week period. For the final exam, make regrade requests within one week from the submission of the course grade by the instructor.
 - Requests for regrading must be very specific and should provide the reason why you believe a regrade requested is merited.

- Please note that the student exams as submitted may be photocopied before being returned to the students. Also, any regrade request must be accompanied by the official Regrade Request form and Statement of Honesty in Regrade Request form, which are available on Canvas. Do not alter the returned exam. It is a violation of the Code of Academic Integrity. Do not mark or make notes on your exam, and do not alter in any way the answers to the questions. Such alterations are violations of the Code of Academic Integrity and will be referred for disciplinary action. Please review the Code of Academic Integrity at http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html.
- **Web or Project Reports:** There will be three web or project reports for 10 points each. I have described their nature later in this syllabus. These assignments are to be completed and submitted **individually**.
- **Graded MLE Problem Sets:** You will be able to access these via “My Lab and Mastering” tab right from Canvas. There are problem sets for most of the chapters and you need to keep track of the due dates via Canvas. You can have one practice attempt before you decide to submit it for grade. The relative weight for the MLE exercises is 10% in the course grade. However, very importantly, the MLE program provides learning feedback for each incorrect response. Thus, these problem sets are great learning tools and should help you to prepare for exams as well.
- **In-class “Surprise” Quizzes/participation:** There will be 5 - 6 In-class quizzes that will count towards course grade along with class participation. You will do these quizzes in groups of two and thus provide a chance to learn via collaboration. Along with other assigned work, they will be a very good preparation for the exams as well.

COURSE OUTLINE

This calendar and the list of topics are subject to change. Please consult Canvas site for all updates.

PART I: INTRODUCTION AND OVERVIEW (0.5 lecture ends W 5/29)

1. Monetary Economics: An Introduction
2. A Review of Important Macroeconomic Variables: Ch. 2.2, 2.4 & 2.5
National Output, Inflation and Interest Rate H. O. #s 1, 2
3. Cyclical fluctuations vs. Long Run Growth Ch. 8.1-8.3; H. O. # 3

MLE Homework (HW) Assignment	Due
HW 1 Ch. 2	6/3/2019; 9:00 am
HW 2 Ch. 8	6/3/2019; 9:00 am

Web Report # 1 (due: by 9:00 am on M; 6/3/19) After surfing www.nber.org/cycles.html and the relevant links from <https://www.nber.org/cycles/main.html> for a total of about half an hour, prepare a one page single-spaced typed report on how the NBER determines the turning points of the business cycles in the U. S. Also, include a brief personal commentary on the topic. Upload report to Canvas. We will hold a class discussion the day the report is due.

PART II: MARKETS, MARKETS, EVERYWHERE (2.5 lectures; section ends M 6/10)

4. Labor Market and Trend Growth (0.5 lec.; ends 5/29) Ch. 3 (except 3.6)

MLE Homework (HW) Assignment	Due
HW 3 Ch. 3	6/3/2019; 9:00 am

5. Goods Market Equilibrium (1.5 lec.; ends 6/5) Ch. 4; App 4 A

MLE Homework (HW) Assignment	Due
HW 4 Ch. 4	6/9/2019; 9:00 am

6. Money (Asset) Market Equilibrium
 Central Banking System (FED) (1 lec.; ends 6/10) Ch. 7; Ch. 14.1, 14.2
 Monetary Policy: Traditional vs New Role post GFC Text pp. 568-574

MLE Homework (HW) Assignment	Due
HW 5 Ch.7 & 14	6/13/2019; 9:00 am

PART III: GENERAL EQUILIBRIUM MODEL OF THE ECONOMY (IS-LM-FE FRAMEWORK) (1.5 lectures; ends W 6/6)

7. G. E. Framework (IS-LM-FE) Ch. 9 (except 9.6)
 App. 9.A

MLE Homework (HW) Assignment	Due
HW 6 Ch. 9	6/16/2019; 9:00 am

MIDTERM EXAM: Monday 6/17/2019; Midterm exam 3:00 pm – 4:30; (Course Coverage: Reading List Items 1–7). Room JMHH F 95.

PART IV: MODELS OF BUSINESS CYCLES AND THEIR POLICY IMPLICATIONS (3 lectures – 1 lecture per item; section ends M, 6/24)

8. The Classical Model
RBC Model
- Ch. 10 (except 10.5)
H. O. #s 4, 5

MLE Homework (HW) Assignment	Due
HW 7 Ch. 10	6/20/2019; 9:00 am

9. The Keynesian Model
- Ch. 11
H. O. # 6

MLE Homework (HW) Assignment	Due
HW 8 Ch. 11	6/24/2019; 9:00 am

10. Nature and Impact of Monetary and Fiscal Policy
- (a) Nature of Fiscal Policy Ch. 15.1-15.2
 - (b) Fiscal/Monetary Policy Implications
of the Classical and Keynesian Models Ch. 9.5, Ch. 11.3
 - (c) Monetary Policy and ‘Reverse Causation’ Ch. 10.4
 - (d) FED Policy during GFC (2008) and its aftermath Ch.14.4; Text 568-574
 - (e) What we know about Macroeconomic Policy Making? H. O. # 7
 - (f) Social Security: Fiscal Implications and Reforms Ch. 15.4

MLE Homework (HW) Assignment	Due
HW 9 Ch. MP_FP (Item 10)	6/27/2019; 9:00 am

Web/Project Report # 2 (due: by 9:00 am on W; 6/26/19). See the following page for the description of this assignment.

Web/Project Report # 2 (due: by 9:00 am on W; 6/26/19).

Consider the following reference material.

1. Consumption Spending Implications of Financial Crisis of 2008 (GFC). Text, pp. 149-150
2. The Financial Crisis of 2008 (GFC). Text pp. 573-574

With reference to the above information, using IS-LM-FE framework, incorporate the effects of the following events in relevant graphs. Also briefly justify the nature of the shifts in the graphs. Include a brief commentary in each case as well.

- i. Impact of GFC on Consumption
- ii. Monetary Policy in immediate response to GFC
- iii. Impact of GFC on FE
- iv. Expected Impact of reforms on FE
- v. Trump Tax Cuts

Upload report to Canvas. We will hold a class discussion the day the report is due.

PART V: OPEN ECONOMY MACROECONOMICS (2 lectures – 1 lec. each; section ends M 7/1)

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| 11. | (a) Introduction – Flow of Goods, FOP, Exchange Rates | pp.176-177; 194-198 |
| | (b) BOP Accounting | Ch. 5.1; Appl. 184-186 |
| | (c) Exchange Rate Determination: Short and Long Run (PPP)
("In Touch with Data .." boxes on p. 491 and p. 495)
Fixed vs. Flexible Exchange Rate Systems | Ch. 13.1, 13.2
Ch. 13.5 |
| | (d) IS-LM-FE Framework Extended for Open Economy | Ch. 5.2, Ch. 13.3 |
| | (e) MP and FP Effects in Open Economy under different
Exchange Rate Regimes in the SR: Small Country Case | Lecture Notes |

MLE Homework (HW) Assignment	Due
HW 10 Ch. Global 1; Item 11	7/1/2019; 9:00 am

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| 12. | (a) Commercial Policy (e. g. Tariff): Nature and Effects | Lecture Notes |
| | The Truth About Tariffs, Council on Foreign Relations
https://www.cfr.org/backgrounder/truth-about-tariffs | |
| | (b) ER Policy and Currency Crisis- Asian Crisis 1997 | Ch. 13.5 |
| | 1997 Asian Financial Crisis
https://en.wikipedia.org/wiki/1997_Asian_financial_crisis | |

(c) Global Financial Crisis of 2008 – Causes, Impact, Aftermath pp. 573-574; Notes

Financial crisis of 2007–2008

https://en.wikipedia.org/wiki/Financial_crisis_of_2007%E2%80%932008

(d) FED’s ‘Rewinding’ and ‘Normalization’ of its Balance Sheet Ch. 14.4; Notes

Knowledge@Wharton article, “Will the Fed and U.S. Monetary Policy Ever Get Back to ‘Normal’?” May 30, 2017.

<http://knowledge.wharton.upenn.edu/article/will-fed-u-s-monetary-policy-ever-get-back-normal/>

MLE Homework (HW) Assignment	Due
HW 11 Ch. Global 2; Item 12	7/3/2019; 9:00 am

Web Report # 3 (due: by 9:00 am 7/3/2019). Surf <https://www.federalreserve.gov/monetarypolicy.htm> for about half an hour. Then prepare a one page single-spaced typed report about how the Federal Reserve conducts its monetary policy with special emphasis on its response to the 2008 Global Financial Crisis and its aftermath in terms of FED’s currently ongoing transition towards ‘normalization’ of its monetary policy. Include a brief personal commentary as well. Upload report to Canvas. We will hold a class discussion the day the report is due.

FINAL EXAM: Wednesday 7/3/2019; Review 9:00 AM—10:30 AM followed by the Final exam 10:45 AM – 12:15 PM. Final exam will be non-cumulative and will include the Reading List material covered since the midterm exam (Reading List Items 8-12). Room TBA.