

Finance 101 – Monetary Economics and the Global Economy
Fall 2020 Syllabus
Professor Sergio Salgado

Note: All times are EST

Communication: ssalgadoFNCE101@gmail.com

Office Hours: Wednesday 5:00 PM to 6:20 PM
(Also, by appointment)
Zoom link: <https://upenn.zoom.us/my/sergiosalgado>
Password: See Canvas

Synchronous Lectures: Tuesdays and Thursdays
FNCE 101-001 from 9:30 AM to 10:20 AM
FNCE 101-002 from 11:00 AM to 11:50 AM
FNCE 101-003 from 2:00 PM to 2:50 PM
Zoom link: <https://upenn.zoom.us/my/sergiosalgado>
Password: See Canvas

TA: John Casey, jocasey@wharton.upenn.edu
Spencer Korek, koreks@wharton.upenn.edu
Sergey Sarkisyan, sesar@wharton.upenn.edu

Recitations: Fridays

FNCE 101-201 from 9:00 AM to 10:20 AM
TA: John Casey
Zoom link: TBA
Password: See Canvas

FNCE 101-202 from 10:30 AM to 11:50 AM
TA: Spencer Korek
Zoom link: <https://upenn.zoom.us/my/spencerkorek>
Password: See Canvas

FNCE 101-203 from 3:00 PM to 4:20 PM
(replaces the 1:30 PM to 2:50 PM Recitation)
TA: Sergey Sarkisyan
Zoom link: <https://upenn.zoom.us/my/sarkisyans>
Password: See Canvas

TA office hours: John Casey: Friday, 10:30 AM to 11:30 AM
Spencer Korek: Monday, 3:30 PM to 4:30 PM
Sergey Sarkisyan: Wednesday, 12:00 PM to 1:00 PM
Zoom link: same as recitations

1. Course Description

Finance 101 is an intermediate-level course in macroeconomics, with an emphasis on policy and international perspectives. The goal of the course is to provide a coherent framework to analyze macroeconomic trends (e.g. long term economic growth), business cycles (e.g. recessions) and macroeconomic policy (e.g. changes in interest rates, government expenditure, and taxes), and thereby better understand the environment in which firms, households, financial intermediaries, and governments operate. Throughout the course, we will apply our analysis 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, macroeconomic policy, and institutions. The first part addresses how economists gauge the performance of the economy as a whole, with an additional emphasis on economic indicators 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; 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 global imbalances, demographic aging, income and wealth inequality, among others. 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. The slides deck will be also available on Canvas before each class.

Websites: Canvas and MyEconLab software (to be purchased)

On Canvas you’ll be able to access:

- Announcements
- Modules
- Syllabus

¹ Using older editions of ABC (9th or 10th edition for instance) is ok, but you will need access to MyEconLab.

- Lecture Notes (slide deck for chapters)
- Lecture Recordings
- Lecture Readings – from several media sources and the Fed
- TA and Professor Contact Information, Office hour information
- Sample Exams
- Recitation Guideline
- Global Analysis Project (GAP) Details
- Your Grades

All official announcement regarding the class will be done via Canvas.

Recitations: Recitations are review classes given by one of the TAs. In order to give all students the opportunity to attend to recitations, we will set at least three different times and you can attend any section (all will cover the same material). The recitations will be 80 mins long, with the first 40 minutes dedicated to solving problems and the last 40 minutes for Q&A. Please email the TAs in the case you have specific questions regarding the material. All recitations will be recorded and uploaded to Canvas.

Classes: With the exception of the first lecture, classes will be held in a hybrid model with a pre-recorded section and a live synchronous session.

1. **Pre-recorded section** will consist on 25 to 30 minutes of videos covering the main concepts of the lecture. These will be posted at least 12 hours before the lecture (and oftentimes more than 12 hours in advance). At the end of each recording video, there will be a non-graded quiz of a few questions covering the main concepts of the lecture. I strongly suggest you take the short quizzes after the lecture. They will be very useful in guiding the live synchronous section and provide additional feedback to the teaching team.
2. **Synchronous section** will consist of a 45 to 50 minutes of lecture. Notice the synchronous lecture starts 30 mins after the *normal* lecture time; you can use that time to watch the pre-recorded portion. The lecture will be complementary to the pre-recorded section and *we will not repeat the material*. Instead, the lecture will cover applications and a brief explanation of the main concepts covered in the pre-recorded section, with much of the time dedicated to Q&A. If and when you have specific questions about the course material, please post those in the Canvas discussion board of the corresponding lecture (more details below).

Attending the synchronous portion of the class is **not mandatory**. However, some material (e.g. plots, discussions, derivations, Q&A) will be covered only in the live portion of the class. All lectures (both the pre-recorded sections as well as the synchronous sections) will be recorded and uploaded in Canvas and should be viewed by students to be able to learn all of the material for the course. We encourage students to attend synchronous portions, with the exception being for students with dramatic time zone differences that make this difficult. Attendance not being mandatory and having the live sessions uploaded to Canvas is meant to accommodate students in time zones that restrict their ability to watch them live.

3. Deliverables and Grading:

The final grade for the course is based on:

Examinations: 60% (details on the split below)
Problem Sets/Homeworks through MyEconLab: 20%
GAP Project: 10%
Class Participation: 10%

3.a. Exams:

There are two Midterm exams and one Final Examination during finals week

Midterm 1: October 6 (Lectures 1 to 10)

Midterm 2: November 3 (Lectures 12 to 18)

Final Examination: December 17 (Lectures 20 to 29)

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

Midterm 1: 20%, Midterm 2: 20%, Final Exam: 20%

Method 2: for those who show improvement throughout the semester

Midterm 1: 10%, Midterm 2: 25%, Final Exam: 25%

We will calculate your grade based on the two methods and automatically give you the higher grade. Grades will not be rescaled.

Departmental policy says:

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

- Documented illness/health emergencies
- Religious observance
- 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

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.

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. Midterms and Exam Format

All examinations (Midterms and Final Exam) will be administered online. Examinations will consist of two parts:

- Part 1: Multiple choice and short numerical problems. The answers to these questions will be uploaded directly through a Canvas Quiz.
- Part 2: Short answers. The answers to these questions must be typed in a word/open office document where you can add graphs and pictures to supplement your written answers. They will be submitted as PDF files for the graders.

Note that the Midterm 1 will likely be exclusive Part 1 above (Multiple choice and short numerical problems) whereas Midterm 2 and the Final will be a mix of Part 1 and Part 2 (short answers).

Examinations will be taken over a 12-hour window to give the opportunity to students in different time zones to take the exam when it is more convenient for them. You will have between 70 and 85 mins (depending on the examination) to complete the examination and we will give you an additional 20 minutes for Midterm 2 and the Final to upload supporting material for the short answers. That means that for an exam that gives you 80 mins, if you start the exam at 9:00 AM EST, you will have until 10:20 AM EST to write your answers. You will have an additional 20 minutes after you finish working on your answers (i.e. until 10:40 AM EST) to upload the supporting material for Midterm 2 and the Final. A student who starts the exam at 9 AM EST submitting after 10:40 AM EST in this case would be marked as late and points will be deducted accordingly. More details on how to submit the exam to Canvas will follow as we get closer to the exams.

During the examinations you will be able to use your class notes, lectures, and textbook to answer the questions (i.e. they are “open book”). However, your exams are personal and must be done without consulting with other students. While examinations will not be monitored as they are administered, we will carefully double check answers and patterns to detect any possible misbehavior. Students that have done so will receive an automatic fail for the course.

3.c. Problem Sets/Homeworks Through MyEconLab

There will be six graded problem sets. Homework is due via MyEconLab and may have a separate written component. **Problems will be posted in Canvas at least one week before the due date, and likely earlier.** 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. Some problem sets are fairly long: prepare to spend time on

them. You will 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.d. Participation

Participation is expected from students. Participation does not mean just to attend the online class but also be an active member of the class, attending to recitations, and participating in the discussion boards by asking and answering questions. Considering this, I will assign a participation grades from 0 to 10 considering how active you are in the following

1. **Class attendance:** attendance to the synchronous portion of the class is **not mandatory**, however, attending to classes and asking questions during class is strongly recommended, if the time zone from which you are working permits. We strongly encourage students who are able to attend live classes to do so.
2. **In-class Q&A:** students are encouraged to ask questions during the synchronous portion of the class and/or submit your questions in advance by writing on the discussion boards (see below).
3. **Before class quizzes:** After each recorded video, you will be able to respond a short quiz on Canvas. This quiz is not graded for correctness and is not mandatory but answering these quizzes will improve your participation grades.
4. **Discussion board on Canvas:** each lecture will have a separate Canvas discussion board where you can ask and answer questions. The TAs will moderate the discussion in these message board, but we strongly encourage students to answer one another's questions as this is a great way to learn the material.
5. **GAP Feedback:** Students will be assigned at most 5 GAP projects to read and provide feedback on. Feedback is not a grade, but questions and suggestions to improve the GAP projects. Providing feedback is not mandatory.

Notice we do not expect of you to participate in all of these and exceptions will be made for students in time zones that make participation in the live sessions inconvenient (impacting how much you can participate). We want to make the course as engaging and interactive as possible in light of the environment we are operating in.

3.e. The Global Analysis Project

The Global Analysis Project (GAP) is a group assignment promoting teamwork and communication, near the end of the semester. 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. Note that students can elect to work in a group of one because of issues students may have across time zones and coordinating with other students. More details can be found below.

4. How to study for Finance 101:

- *Before class:* Read the chapter material assigned for that day and watch the pre-recorded portion of the class.
- *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 on 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

- To *join a section or change sections or waitlists:* Stacy Franks is the Undergraduate Coordinator in the Finance department (stacyf@wharton.upenn.edu). You can also email fnce-courses@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 hours. 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 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. For the exams, 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 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			
Lecture	Date	Topic	ABC Chapter
1	1-Sep	Presentation, Syllabus, Introduction	1
2	3-Sep	National Income Accounting	2.1-2.4
3	8-Sep	Price Indices, Production and Employment	2.5, 3.1-3.4
4	10-Sep	Employment and Unemployment	3.5, 3.6
5	15-Sep	Consumption and Saving, Investment and Goods Market Equilibrium	4.1, 4.2
6	17-Sep	Consumption and Saving, Investment and Goods Market Equilibrium	4.3, 4A
7	22-Sep	Consumption and Saving, Investment and Goods Market Equilibrium	4A cont.
8	24-Sep	Open Economy	5
9	29-Sep	Open Economy and Long-Run Economic Growth	5, cont, 6
10	1-Oct	Long-Run Economic Growth and Review	6 cont.
11	6-Oct	Midterm 1	
12	8-Oct	Asset Markets, Money, and Inflation	7
13	13-Oct	Business Cycle Facts	8
14	15-Oct	IS-LM Model/ AD-AS Model	9
15	20-Oct	IS-LM Model/ AD-AS Model	9 cont.
16	22-Oct	Business Cycle and Macro Policy	10
17	27-Oct	Business Cycle and Macro Policy	10 cont, 11
18	29-Oct	Business Cycle and Macro Policy	11 cont
19	3-Nov	Midterm 2	
20	5-Nov	Unemployment and Inflation	12
21	10-Nov	Exchange Rates & The Global Economy	13
22	12-Nov	Exchange Rates & The Global Economy	13 cont
23	17-Nov	Exchange Rates & The Global Economy	13 cont
24	19-Nov	Monetary Policy	14
25	24-Nov	Fiscal Policy	15
26	26-Nov	Thanksgiving (no class)	
27	1-Dec	The COVID Crisis: Impact, Consequences, and Policies (Presentation from Professor)	
28	3-Dec	Office Hours: GAP Questions and Class Material for Final Exam Note Professor Salgado will not prepare new material for today's class	
29	8-Dec	Review Session/Q&A and GAP Submission Due	
30	10-Dec	Fall semester ends (no class, Monday class schedule)	
31	15-Dec	-	
32	17-Dec	Final Examination	

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 at least 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	9/15
HW 2	Chapters 4,5,6	10/05
HW 3	Chapters 7,8	10/20
HW 4	Chapters 9,10,11	11/03
HW 5	Chapters 12,13	11/23
HW 6	Chapters 14,15	12/01

Global Analysis Project

The goal of the Global Analysis Project (GAP) is to use the economic models learned in class to provide an analysis of the causes and consequences of real economic events both in the US and across different countries. A list of economic events will be provided by the professor and the groups will choose one of those events.

The GAP consists on a report that should contain at least, 1) a “**Motivation**” section that provide the specific context of the economic event, 2) an “**Analysis**” section that uses the tools and models learned during class to analyze the economic event, and 3) a “**Policy**” section that discusses policy proposals. In some cases, this section also should analyze policies implemented during the event. You should work on the GAP in groups of at most three students. Solo projects are also accepted – we have done this to accommodate students who may be in restrictive time zones. Groups and topic selection will be done at a later date.

As an example, suppose a group chooses to analyze the Financial Crisis of 2007/2009 in the United States. The report should include a description of the situation of the US economy before the crisis, how the increase in the price of houses and the accumulation of debt prompted the recession, and how it unfolded. Then, it should include an analysis of the consequences of the economic shock, its effect on output, consumption, employment, and other aggregates (using graphs from our course and key concepts). Finally, it should provide an analysis of the economic impact of the policies implemented during the recession (increase of government transfers, unconventional monetary policy). The report should contain model-based plots (e.g. IS-LM analysis) and data to support your analysis.

The length-requirements and expectations of the report will change depending on the number of group members since students can work individually, or with one or two other students. As a general guideline, we suggest

- 1 student in a “group”: .5 - 1 page for each section of the above (target 2-3 pages total, likely more with graphs)
- 2 students in a group: 1-1.5 pages for each section of the above (target 3-4 pages total, likely more with graphs)
- 3 students in a group: 1.5-2 pages for each section of the above (target 5-6 pages total, likely more with graphs)

The report should be written in Microsoft Word (submitted in a PDF) using Times New Roman font of size 12, with lines space of 1.5, and a 1 inch margin on each side (top, bottom, left, and right).

In addition of writing your report, we will ask each student to provide written feedback to their classmates about their reports. This feedback is not mandatory, but it will improve your participation grade. The reports will be graded by the Professor. After the GAP are graded, all reports will be posted on Canvas. More precise details will be provided later in the semester.

Reports are due on December 8 at 9.00 PM EST