

The Wharton School
University of Pennsylvania
Finance Department

Finance 101 Honors
Monetary Economics & the Global Economy

Fall 2020
Prof. Martin Asher

Required Text and Materials:

Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, *Macroeconomics*, Tenth Edition, Pearson Addison-Wesley Publishing Co., 2020.

The Wall Street Journal, including online version. Student subscriptions are available at:

<https://store.wsj.com/shop/us/us/wsstudentbts21>

Optional Materials:

Other periodicals (e.g., *Financial Times*, *Bloomberg BusinessWeek*, *The Economist*, *NY Times*, *Washington Post*)

MyLab™ Economics (accompanies Abel-Bernanke-Croushore text; **not required**, but may be helpful)

Objectives:

Finance 101 is designed to introduce the student to competing theories regarding the functioning of the macroeconomy in a global environment and the effects of government policy. In doing so, it covers

- the measurement of macroeconomic activity (production, employment, interest rates, prices, national saving, investment, and international transactions),
- Classical macroeconomic analysis (the functioning of the macroeconomy assuming efficient markets), identifying the sources of long-run economic growth,
- business cycles and theories of cyclical fluctuations,
- the use of government policies to stabilize economic activity and promote long-term growth.

The principal text (Abel-Bernanke-Croushore ["ABC"]) presents a cohesive model for studying macroeconomic performance and for identifying the sources of controversy among economists and policy makers. Additional supplementary readings, to be made available through the course, reinforce conclusions found in Abel-Bernanke-Croushore regarding long-run economic growth and stabilization policy shared by both moderate liberals and moderate conservatives. Other perspectives will also be presented.

Lectures:

Though lectures will closely follow the material in the ABC text, they will also include many additional examples and may skip or modify the treatment of some topics (the ABC text is comprehensive, and not all of it will be covered and tested). You may take your cue from what is covered in class lectures.

Examinations:

There will be two midterm examinations and a final examination. Because the course continually builds on previous knowledge, the final examination will be *cumulative over the material from the entire course*, though it will stress material covered since the second midterm examination. The exams are scheduled as follows, though the windows of time may be adjusted upward to accommodate online testing and submission:

Midterm I:	Wednesday, October 7, 2020, 6:00-8:00 p.m. ET
Midterm II:	Wednesday, November 11, 2020, 6:00-8:00 p.m. ET
Final Exam:	TBA by Penn Registrar (December 15-22, 2020)

Exams will be conducted and submitted online. Students will be required to agree to course testing conditions, which will include at least the following:

1. No more time taken than allotted on the exam.
2. No communication with anyone about the exam before, during, or after taking it.
3. No copying, reproducing, or transmitting the exam or answers in any form, to anyone, at any time.

The final exam can be rescheduled only if required by University policy, and only during the official make-up period during the first week of the following semester.

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 the final exam day, you must notify the professor before the exam begins, and provide official documentation from a medical professional as soon as possible afterwards, maintaining appropriate confidentiality.

Regrade requests must be submitted using the official Regrade Request form (in Canvas) along with your entire exam. For the midterms, requests must be made within one week from the date the exam is returned. For the final exam, requests must be made within one week from the first day of classes the following semester. We retain the right to regrade the entire exam. Any alteration of the exam is strictly forbidden and will be considered a violation of the Code of Academic Integrity.

Practice Questions and Problem Sets:

You will be provided with a substantial number of practice questions in multiple forms to aid and check your understanding as you proceed through the course. Because you will also be provided with answers, these **will not be graded**. Nonetheless, **exam questions may be motivated by the practice questions**. The forms include: End-of-Chapter questions from the ABC text, multiple choice questions posted in Canvas, and periodic problem sets on recent lecture/text material.

Paper/Memo Assignment:

Later in the semester, you will be given a short paper assignment on a timely international macroeconomic issue. The assignment will provide you with articles to read and summarize in a manner that will provide understanding of that issue. No additional research or articles will be required, though you are welcome to provide additional support should you wish to do so.

Macroeconomic Modeling - FAIRMODEL Simulations and Guest Speakers:

One of the distinctives of the Fall 2020 honors sections of FNCE 101 will be an introduction to macroeconomic modeling, also known as macroeconometric modeling. This will be accomplished by

1. **The study and use of FAIRMODEL** – an empirical macro model made available by Prof. Ray Fair of Yale University. Many exercises and model simulations provided in FAIRMODEL will add considerable understanding to the functioning of the US economy (students are welcome, on their own, to explore Prof. Fair’s international model).
2. **Guest lectures** by noted economists experienced in macro modeling for public and private sector clients. It is anticipated that a number of speakers, some trained under the late Prof. Lawrence R. Klein – the University of Pennsylvania’s Nobel Laureate for his contributions to econometrics generally and macro modeling specifically – will address the class regarding the relevance of macro modeling for decision-making in the public and private sectors.

Grading:

The overall course grade will be based on the following:

Exams: **80%**

- Method 1: For students showing consistent performance: Exam 1 - **25%**; Exam 2 - **25%**; Final - **30%**
- Method 2: For students showing improvement: Exam 1 - **20%**; Exam 2 - **25%**; Final - **35%**
- Both scores will be computed for each student, who will automatically receive the highest of the two scores.

Macroeconomic forecasting exercises (FAIRMODEL): **10%**,

International Macroeconomics Memo/Paper assignment: **10%**.

Violations of the course or University rules may be referred to appropriate authorities for disciplinary action. Please review the Code of Academic Integrity at:

http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html.

Office Hours:

Virtual office hours with the professor and the TAs will be announced in lecture and posted on the website. We prefer to meet at those times, but if you cannot make it to any of the office hours you may make an appointment by email.

Professor Asher:

Office Hours: Tentatively, Wednesdays, 3:15 - 4:15 p.m. and by appointment.

Email address: asherm@wharton.upenn.edu

Teaching Assistants: TBA

[Schedule is on following page.]

Schedule of Lectures and Examinations

Details of the outline are subject to change, as announced in lectures and posted on Canvas

Class	Day	Date	Topic (Abel-Bernanke-Croushore Macroeconomics Chapter)
1	Weds.	9/2/2020	Introduction and Overview (Ch. 1)
	Mon.	9/7/2020	LABOR DAY - No Class
2	Weds.	9/9/2020	National Income Accounting, Part I (Ch. 2)
3	Mon.	9/14/2020	National Income Accounting, Part II (Ch. 2)
4	Weds.	9/16/2020	Production and Employment (Ch. 3, Secs. 1 - 4)
5	Mon.	9/21/2020	Employment and Unemployment (Ch. 3, Secs. 5-6)
6	Weds.	9/23/2020	Consumption and Saving: Part I (Ch. 4, Sec. 1; and Appendix 4.A)
7	Mon.	9/28/2020	Consumption and Saving: Part II (Same reading as previous lecture)
8	Weds.	9/30/2020	Investment and Goods Market Equilibrium (Ch. 4, Secs 2 and 3)
9	Mon.	10/5/2020	A Framework for the Open Economy (Ch. 5, Secs. 1 - 2)
10	Weds.	10/7/2020	Midterm Review
	Weds.	10/7/2020	MIDTERM EXAM I - 6:00-8:00 p.m. (online)
11	Mon.	10/12/2020	Saving, Investment, and the Current Account (Ch. 5, Secs. 3 - 5)
12	Weds.	10/14/2020	Long-Run Economic Growth, Part I (Ch. 6)
13	Mon.	10/19/2020	Long-Run Economic Growth, Part I (Ch. 6)
14	Weds.	10/21/2020	Money and Inflation (Ch. 7)
15	Mon.	10/26/2020	Business Cycle Facts (Ch. 8) and The IS-LM Model, Part I (Ch. 9)
16	Weds.	10/28/2020	The IS-LM Model, Part II (Ch. 9)
17	Mon.	11/2/2020	The IS-LM Model, Part III (Ch. 9)
18	Weds.	11/4/2020	Aggregate Demand and Aggregate Supply (Ch. 9)
19	Mon.	11/9/2020	Guest Speaker (tentative date)
20	Weds.	11/11/2020	Midterm Review
	Weds.	11/11/2020	MIDTERM EXAM II - 6:00-8:00 p.m. (online)
21	Mon.	11/16/2020	Policy Analysis (Chs. 9 & 11)
22	Weds.	11/18/2020	Policy Analysis (Chs. 9 & 11)
23	Mon.	11/23/2020	Policy Analysis (Chs. 9 & 11)
24	Weds.	11/25/2020	Guest Speaker (tentative date)
25	Mon.	11/30/2020	The Classical Model (Ch. 10)
26	Weds.	12/2/2020	The Phillips Curve: Unemployment and Inflation (Ch. 12)
27	Mon.	12/7/2020	International Revisited -- (Selected topics from Ch. 13)
28	Weds.	12/9/2020	Monetary & Fiscal Policy Institutions (Selected topics from Chs. 14 & 15)
		TBA	FINAL EXAM – TBA by Registrar (online)