Finance 101 – Monetary Economics and the Global Economy
Spring 2021 Syllabus
Professor Gideon Bornstein

Note: All times are EST

Communication:	profbornstein@gmail.com

Office Hours:	Thursday 3:00 PM to 4:00 PM (Also, by appointment) Zoom link: see canvas

Synchronous Lectures:	Tuesdays and Thursdays FNCE 101-004 from 9:30 AM to 10:20 AM FNCE 101-005 from 11:00 AM to 11:50 AM Zoom links available on Canvas

TA:	John Casey, jocasey@wharton.upenn.edu Grace Wu, gmw@wharton.upenn.edu

Recitations: **Fridays**

Time:	10:30 AM to 11:50 AM
TA:	Grace Wu
Zoom link:	see Canvas

Time:	1:30 PM to 2:50 PM
TA:	John Casey
Zoom link:	see Canvas

TA office hours:	John Casey:	Wednesday, 4:30 AM to 5:30 PM
	Grace Wu:	Monday, 3:30 PM to 4:30 PM
	Zoom link:	same as recitations

1. Course Description

Finance 101 is an intermediate-level course in macroeconomics, with an emphasis on monetary policy and international macroeconomics. The goal of the course is to provide a unified framework to analyze macroeconomic issues such as business cycles, inflation, monetary policy, fiscal policy, and exchange rates. The ultimate objective is to teach students how to evaluate the global economic environment in which business decisions are made. Throughout the course, we will apply our analysis to current events, both in the United States and across the globe.

The course is structured into the following parts: national accounts, markets, general equilibrium and business cycles, monetary policy, and the open economy. The first part addresses how economists gauge the performance of the economy as a whole, and focuses on the components of GDP and inflation. The second part covers the key markets at the national level: the labor market, the goods market, and the asset market. The third part shows how equilibrium across these different markets shape the state of the economy, and how the economy responds to different types of shocks. The fourth part of the course analyzes the role of monetary policy, with a particular focus on the decisions made by the Federal Reserve System during the Great Recession. The final part of the course teaches how macroeconomic dynamics change when countries can trade goods and assets internationally. This part includes the determination of exchange rates and the pricing of sovereign debt.

2. Class Structure

Classes: With the exception of the first lecture, which will not be accompanied by a pre-recorded section, classes will be held in a hybrid model with a pre-recorded section and a live synchronous session.

1. **Pre-recorded section** will consist of a 30-minute video 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).
2. **Synchronous section** will consist of a 50-minute live 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*. You should watch the pre-recorded section before the synchronous section. The live lecture will expand on the material covered in the pre-recorded sections, including discussion of current events.

Attending the synchronous portion of the class is **not mandatory**. However, the material covered in the live portion of the class will be included in the exams. All lectures (both the pre-recorded sections as well as the synchronous sections) will be recorded and uploaded on Canvas and should be viewed by students to be able to learn all of the material for the course. I highly encourage students, who can, to attend the synchronous sections. Non-mandatory attendance in these sections is meant to accommodate students in time zones that restrict their ability to watch them live.

Recitations: Recitations are review classes given by our TAs. Students can choose to attend any of the two sections (both cover the same material). The recitations will be 80 minutes long. All recitations will be recorded and uploaded to Canvas.

3.   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]

If the synchronous section includes required readings, those would be available at least 24 hours prior to the lecture. The slide deck will be also available on Canvas before each class. [2]

Websites: Canvas, Piazza, MyEconLab software (to be purchased).

On **Canvas** you'll be able to access:
- Announcements
- Modules
- Syllabus
- 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
- Recitation Guideline
- Global Analysis Project (GAP) Details
- Your Grades

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

We will be using **Piazza** for class discussion. The system is highly catered to getting you help fast and efficiently from classmates, the TAs, and myself. Rather than emailing questions to the teaching staff, I encourage you to post your questions on Piazza. Students **are not allowed** to post on Piazza on exam days.

Find our class page at: https://piazza.com/upenn/spring2021/fnce101/home

You will be using **MyEconLab** to submit the assigned problem sets.

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[1] Using older editions of ABC is fine, but you will need access to MyEconLab.

[2] Throughout the semester, I encourage you to 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.

4. Grading

The final grade for the course is based on:

Exams:	**60%**
Problem sets:	**20%**
GAP Project:	**10%**
Class preparation:	**10%**
Class participation:	**5% bonus**

Exams

There are two Midterm exams and one Final exam during finals week
Midterm 1:   February 23rd (Lectures 1 to 9)
Midterm 2:   April 6th (Lectures 11 to 18)
Final: May 6th (Lectures 1 to 27)

See the Class Schedule for additional details on the material covered in each Exam.

The grading will be as follows:

Each midterm is worth 20 points, and the final is worth 40 points. The 60% for the final grade will be based on the top 60 points from the exams. That is, the lowest midterm grade **or** ½ of the final exam grade (if lower than midterms) **will not be** counted for the final 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.

During the exams 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 check answers and time patterns to detect any possible misbehavior. Students that have done so will receive an automatic fail for the course.**

Problem sets

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 submissions 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.

Class preparation

10% of the final grade will be based on class preparation. Class preparation is defined as the share of **pre-recorded lectures** you have completed watching **before** the beginning of the lecture. While attending the live lecture is not mandatory, the requirement to watch the pre-recorded videos before the lecture is meant to remove the barrier of students not attending the lecture because they haven't watched the pre-recorded video beforehand. Even if you are in a time zone that prevents you from attending the live lecture, you are required to watch the pre-recorded lecture before the synchronous lecture time. Since pre-recorded videos are posted at least 12 hours before the lecture (and often much earlier), your ability to fulfill this requirement shouldn't be affected by your time zone.

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.

Bonus - Class Participation

Participation is expected from students. If time zone permits, students should attend the synchronous section of the class. Participating in all synchronous sections will grant students the full class participation bonus. Participation does not mean just to attend the online class but also be an active member of the class – answering live poll questions, actively participating in breakout rooms, and ask questions.

I understand not all students are able to attend the synchronous portion of the class. If you cannot attend the synchronous section, for example if your time zone does not permit it, write me an email during the first two weeks of class and we will work out another arrangement which will allow you to gain the full class participation bonus.

5.   How to Study

- *Before class*: Watch the pre-recorded portion of the class and read required readings.

- *After class*: Re-read your notes within 24 hours to make sure you understood the lecture. You are encouraged to read the book chapters of the material we covered in class. Post questions via **Piazza** on topics that need additional clarification. Reading and answering other students' questions is a great way to deepen your knowledge on class material. You can work in groups on the problem sets, 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 problem set must be individually written and submitted.

- *On a weekly basis*: Attend recitations and office hours. Weekly recitations will be crucial in preparing you for exams.

- *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.

6.   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. Bornstein.

7.   Policies

a.   Late/missed work

No late problem set submission is accepted. No make-up for problem sets 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: The written explanation should detail why your grading is inconsistent with the policy. You must submit the **entire exam for a regrade**. Your score can 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. <u>Fairness</u>

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				
Week	Lecture	Date	Topic	ABC Chapter
1	1	21-Jan	Introduction and Overview of FNCE 101	
2	2	26-Jan	Measuring Economic Activity	2.1-2.2
2	3	28-Jan	Price Indices and Inflation	2.4-2.5
3	4	2-Feb	Aggregate Production and Labor Demand	3.1-3.2
3	5	4-Feb	Labor Supply, Labor Market Equilibrium, and Unemployment	3.3-3.6
4	6	9-Feb	Consumption-savings decision	4.1
4	7	11-Feb	Investment and Goods Market Equilibrium	4.2-4.3
5	8	16-Feb	Money and Household Portfolio	7.1-7.2
5	9	18-Feb	Money Demand and Asset Market Equilibrium	7.3-7.4
6	**10**	**23-Feb**	**Midterm 1**	
6	11	25-Feb	Business Cycle Facts	8.1-8.4
7	12	2-Mar	Setting Up the IS-LM Model	9.1-9.3
7	13	4-Mar	Equilibrium, Analysis, AD-AS	9.4-9.6
8	14	9-Mar	Real Business Cycles	10
8	No class	11-Mar	No class (spring break)	
9	15	16-Mar	Price Rigidities and Monetary Policy	11
9	16	18-Mar	The Fed and Monetary Policy Transmission	14.1-14.3
10	17	23-Mar	Unconventional Monetary Policy Tools	14.4
10	18	25-Mar	The Phillips Curve	12
11	No class	30-Mar		
11	19	1-Apr	Review Session	
12	**20**	**6-Apr**	**Midterm 2**	
12	21	8-Apr	Open Economy: Introduction and Balance of Payments	5.1-5.4
13	22	13-Apr	Exchange Rates Determination	13.1-13.2
13	23	15-Apr	The Mundell-Fleming Model (IS-LM Open Economy)	13.3
14	24	20-Apr	The Mundell-Fleming Model (IS-LM Open Economy)	13.4-13.5
14	25	22-Apr	Sovereign Debt and Default	
15	27	27-Apr	TBD	
15	28	29-Apr	Review Session	
	32	**17-Dec**	**Final Exam**	

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 2,3	02/08
HW 2	Chapters 4,7	02/22
HW 3	Chapters 8,9	03/08
HW 4	Chapters 10,11	03/22
HW 5	Chapters 12,14	04/05
HW 6	Chapters 5,13	04/26

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 of five will choose one of these events.

The GAP consists of a 7-minute presentation + 3-minute Q&A that will be presented live to the class towards the end of the semester. The presentation contains:

- **Economic background**: economic background on the country's economy and the context of the economic event.
- **Analysis**: description of the unfolding of the event. This section should include an analysis based on the tools and models learned in the class.
- **Policy**: discussion of policy proposals to address the economic event. This section should also analyze policies which were implemented during the event.

You should work on the GAP in groups of five students.

We will discuss in more details the exact format of the GAP later in the semester.