

Finance 613
Macroeconomics and the Global Economic Environment
Professor Andrew Abel
Spring 2021

NOTE: For the Spring semester of 2021, this course will be entirely online. Lecture 1 on Thursday, January 21 will be synchronous. Beginning with Lecture 2 on Tuesday, January 26, the first 20-30 minutes of each lecture will be pre-recorded and the remaining 50-60 minutes will be live synchronous lectures.

Beginning with Lecture 2, students are expected to view the asynchronous pre-lecture recording and **take a short online pre-lecture quiz in advance of the live synchronous lecture.**

The synchronous lectures will be recorded and made available after the lecture. I do not take attendance and I do not grade participation, so you can take entire course asynchronously if you are in a time zone far from Philadelphia. You will, of course, need to stay current with the synchronous lectures because there are several online quizzes on the synchronous material as well.

Course Description

Finance 613 is a course in macroeconomic analysis and policy in the context of globally integrated economies. The course begins by introducing national income accounts for an open economy and then focuses on a classical analysis of labor markets, goods markets, and asset markets. This part of the course examines the determination of employment, output, prices, wages, interest rates, national saving, investment, and international flows of goods, services, and assets in the long run, and concludes with an analysis of inequality. Then the course shifts its focus to the study of business cycles. The analysis of business cycles begins with a description of the cyclical behavior of various economic variables. This cyclical behavior motivates the development of business cycle models and the application of these models to study monetary and fiscal policy. The analytic engine of this part of the course is the IS-LM model, which is applied in both a classical mode and a Keynesian mode. The course extends the classical and Keynesian IS-LM models to analyze large open economies with flexible exchange rates to study the international transmission of business cycles. Then the course analyzes the conduct of monetary and fiscal policy in a rich institutional framework. The course concludes with an analysis of the macroeconomic effects of climate change.

Current Policy Topics

The final part of most synchronous lectures will be devoted to Current Policy Topics. Current Policy Topics are related to the course material during the lecture.

Reading Materials

The textbook for this course is Macroeconomics (tenth edition) by Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, Pearson, 2020. You can buy it directly from <https://www.pearson.com/store/p/macroeconomics-rental-edition-/P100002678554?viewAll=true>

Alternatively, if you want MyLab Economics and the ebook, go to www.pearsonmylabandmastering.com. When you enter the course ID (abel37755) you

will have the option to buy the ebook and digital access. **MyLab Economics is NOT required for the course.**

Lecture notes are available on Canvas: Files/Slides. Notes for Current Policy Topics will be uploaded to Canvas: Files/Slides as the semester progresses.

GRADED MATERIALS: There are three components to your course grade: (1) Exams (Midterm and Final), 2. Quizzes/Graded Homeworks and (3) Pre-Lecture Quizzes.

Exams

1. There will be a Midterm Exam and a Final Exam.
2. The Final Exam is cumulative over the entire semester.
3. Both exams are closed-book, closed-note exams, with one one exception. You may use **ONE** double-sided “cheat sheet” (no larger than 8.5” x 11”) for the Midterm Exam and **TWO** double-sided “cheat sheets” for the Final Exam.
4. You must print out the “cheat sheets” on paper. **You are not allowed to use “cheat sheets” on your computer or other device.**
5. The exams are not proctored, but you are bound by the [MBA Code of Ethics](#) for all graded material consisting of exams, quizzes, and homeworks.

(Tentative) Schedule of Exams

Midterm Exam is scheduled for Wednesday, March 3, 2021, 6pm – 8pm.

Final Exam has not yet been scheduled.

The date of Midterm Exam is set by the MBA Program Office and the date of the Final Exam is set by the University Registrar.

Students should take note of the following paragraphs from [Wharton MBA Academic Policies: Examination Conflict Policy \(<https://mba-inside.wharton.upenn.edu/wharton-mba-academic-policies/>\)](#)

“If you have documentable special circumstances such as time conflicts between multiple exams, illness, or grave personal difficulties such as a death in the family, you should petition the MBA Program Office, which will work with the faculty in appropriate cases to find a resolution. The MBA Program Office will require documentation of your conflict as a matter of course. See the Pennbook for policies covering absences resulting from religious observances. **You should never approach an instructor with a request to reschedule an exam or make a special accommodation. Approaching an instructor with a request to reschedule an exam or to make a special accommodation can be considered use of a dishonest method to gain unfair advantage over other students.** [Boldface added]

If you find yourself with a conflict due to your career search or recruiting activity, you should work with the MBA Career Management Office to find a resolution. Employers cannot require a student, as a condition of his or her employment candidacy, to participate in recruiting-related activities at a time that conflicts with his or her academic schedule. An employer’s inflexibility on this issue is considered a violation of Wharton’s

recruiting policies. A time conflict due to a job interview, a career pursuit or travel is not an appropriate reason to request accommodation on an academic commitment.”

Quizzes/Graded Homeworks

Quizzes/Graded Homeworks are on Canvas under the “Quizzes” tab on the left. Because they are graded exercises, you must work on these quizzes/graded homeworks alone. When you take these quizzes, you can use any written material from the course and you can use a calculator or computer, **but you cannot communicate in any way with any of your classmates or any other person.**

The due dates for quizzes/graded homeworks are shown in the table below. **PLEASE NOTE THAT SOME DUE DATES ARE TUESDAYS AND SOME ARE THURSDAYS—IN ONE OF THE WEEKS, HOMEWORKS ARE DUE ON BOTH TUESDAY AND THURSDAY.** Canvas is configured so that it **WILL NOT ACCEPT QUIZZES AFTER THE DEADLINE.**

Quiz/Graded Homework		Due Date:
Number	Title	9:00am on Date Below
#1	National Income Accounts	Tuesday, Feb. 2
#2	Production, Employment, Unemployment	Tuesday, Feb. 9
#3	Consumption and Saving	Tuesday, Feb. 16
#4	Investment and Goods Market Equilibrium	Tuesday, Feb. 23
#5	Open Economy – I	Tuesday, Mar. 2
#6	Money, Asset Markets and Asset Returns	Tuesday, Mar. 16
#7	Inequality	Tuesday, Mar. 23
#8	IS-LM	Thursday, April 1
#9	Inflation and Unemployment	Tuesday, Apr. 13
#10	Open Economy – II	Tuesday, Apr. 20
#11	Monetary Policy and the Fed	Tuesday, Apr. 27
#12	Government Spending and Its Financing	Thursday, Apr. 29
#13	Climate Change	Tuesday, May 4

Pre-Lecture Quizzes

For all lectures beginning with Lecture 2, there will be a short quiz on the material presented in the pre-lecture recording. **You must submit your Pre-Lecture Quiz by 9am Eastern Time on the day of the lecture, regardless of what time your lecture begins.**

Course Grade

Your course grade is calculated as $M + F + H + P$, where

M = normalized score on the Midterm Exam, which will have mean = 80 and standard deviation = 10.

F = normalized score on the Final Exam, which will have mean = 120 and standard deviation = 15.

H = average of the scores on your 11 best Quizzes/Graded Homeworks (that is, the scores on your two lowest Quizzes/Graded Homeworks will be ignored). All Quizzes/Graded Homeworks have 16 possible points. Therefore, the range of possible values of H is 0 to 16.

P = average of the scores on your 19 best Pre-Lecture Quizzes (that is, the scores on your 4 lowest Pre-Lecture Quizzes will be ignored). All Pre-Lecture Quizzes have 4 possible points. Therefore, the range of possible values of P is 0 to 4.

A Note on Deadlines: The policy of dropping your 2 lowest Quizzes/Graded Homeworks and your 4 lowest Pre-Lecture Quizzes is an **INSURANCE POLICY** for you. Because you are being provided with this insurance policy, there will be **NO EXTENSIONS ON THESE GRADED ASSIGNMENTS**. If a problem with hardware, software, or connectivity causes you to miss a submission deadline, you will receive a score of zero, but you can use the insurance policy to have that score ignored in your grade calculation. Remember, however, that your Insurance Policy is limited to 2 Quizzes/Graded Homeworks and 4 Pre-Lecture Quizzes, so use your insurance policy prudently, which means don't use up all your insurance before the final assignments are due.

Optional Additional Problem Sets

Canvas contains problems and answers arranged by textbook chapter. Most of the questions are taken directly from the textbook. In addition, for most chapters, Canvas contains one or two questions that are not in the textbook. Unlike the Quizzes/Graded Homeworks, these problem sets are optional and will NOT be graded.

Office Hours

My office hours are Wednesday, 1:30pm – 3:00pm. In addition, you may schedule appointments to talk with me at other times.

1	Thurs Jan 21	Introduction and Overview (Ch. 1)
2	Tues Jan 26	National Income Accounting (Ch. 2, Secs 1, 2, 4, 5) current policy topic: Interpreting GDP Releases
3	Thurs Jan 28	Production and Employment (Ch. 3, Secs. 1, 2, 4) current policy topic: Minimum Wage
4	Tues Feb 2	Labor Supply and Unemployment (Ch. 3, Secs. 3, 5, 6) current policy topic: Unemployment Insurance
5	Thurs Feb 4	Consumption and Saving: Basic Analytics (Ch. 4, p. 108- middle of 116; App. 4.A pp. 155-166) current policy topic: The Future of Social Security
6	Tues Feb 9	Consumption and Saving: Applications of the Basic Analytic Framework (Ch. 4, middle of p. 116 - middle of 125; App. 4.A, pp.167-171) current policy topic: Tax Incentives to Saving
7	Thurs Feb 11	Capital Investment (Ch. 4, Sec 2) current policy topic: Is There a New Industrial Revolution?
8	Tues Feb 16	National Saving, Investment and Goods Market Equilibrium (Ch2. Sec. 3 and Ch. 4, Sec 3) current policy topic: Household Saving
9	Thurs Feb 18	A Framework for the Open Economy (Ch. 5, Secs. 1 - 2) current policy topic: Trade Patterns
10	Tues Feb 23	Saving, Investment, and the Current Account (Ch. 5, Secs. 3 - 5) current policy topic: Saving and Investment Around the World
11	Thurs Feb 25	Asset Markets, Money, and Prices (Ch. 7) current policy topic: Indexed Bonds
12	Tues Mar 2	Asset Returns and Prices current policy topic: Bubbles
--	Wed Mar 3	MIDTERM EXAM 6:00PM – 8:00PM
--	Thurs Mar 4	NO CLASS (core exams)
--	Tues Mar 9	NO CLASS (transition from core exams to Spring Break)
--	Thurs Mar 11	SPRING BREAK
13	Tues Mar 16	Inequality Current policy topic: Charitable Contributions
14	Thurs Mar 18	Business Cycle Facts (Ch. 8)
15	Tues Mar 23	The IS-LM Model (Ch. 9, Secs. 1 - 5)
16	Thurs Mar 25	Classical and Keynesian Versions of the IS-LM Model (Ch. 10, Secs. 1 – 2; Ch. 11) current policy topic: Hyperinflations
--	Tues Mar 30	NO CLASS
17	Thurs Apr 1	Aggregate Demand and Aggregate Supply (Ch. 9, Sec. 6; Ch. 10, Sec. 3) current policy topic: Forecasts of the Price Level
18	Tues Apr 6	The Phillips Curve: Unemployment and Inflation (Ch. 12) current policy topic: Phillips Curves in Other Countries
19	Thurs Apr 8	Exchange Rates (Ch. 13, Secs. 1 - 2) current policy topic: Is China a Currency Manipulator ?
20	Tues Apr 13	Macroeconomic Policy in the Open Economy (Ch. 13, Secs. 3 - 5) current policy topic: Monetary Policy in Argentina
21	Thurs Apr 15	Monetary Policy and Institutions (Ch. 14, Secs. 1 - 2) current policy topic: Modern Monetary Theory
22	Tues Apr 20	Issues in Monetary Policy (Ch. 14, Sec. 3 and Ch. 15, Sec. 4) current policy topic: Inflation Targeting
23	Thurs Apr 22	Government Spending and Its Financing (Ch. 15, Secs. 1 -3) current policy topic: Outlook for the Federal Budget
24	Tues Apr 27	Climate Change current policy topic: Carbon Tax
--	TBA	FINAL EXAM - DATE TO BE ANNOUNCED BY UNIVERSITY REGISTRAR

Ethics Matrix

	Materials							People				
FNCE 613: Macroeconomics and the Global Economic Environment	Approved calculator	Laptop / other electronics	Summary sheet	Current book / class notes	Past notes / summaries	Past exams / assignments	Internet content / other outside materials	Learning team / approved work team	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
Quizzes/Homeworks	A	A	A	A	A	A	A					
Exam Prep	A	A	A	A	A	A	A	W	W	W	W	W
Exams	A		A									
	A = Allowed material Shaded Cell = Not allowed							W = Allowed to work together D = Discussion of general concepts and procedures is allowed but no sharing of specific answers. Shaded Cell = Not allowed				
The information above covers many common situations but will not cover every circumstance. Remember: The Wharton MBA Code of Ethics that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others. Should you have questions, please contact your ethics liaison or professor.												