

FNCE 623
INTRODUCTION TO MACROECONOMICS
AND THE GLOBAL ECONOMIC ENVIRONMENT
THE WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA

PROFESSOR ANTHONY LANDRY
SPRING 2021

COURSE DESCRIPTION

Introduction to Macroeconomics and The Global Economic Environment is a half-semester intermediate-level course in macroeconomics, with an emphasis on current events and policy applications. It is an abbreviated version of the full-semester course FNCE 613 and is intended for non-finance majors. The purpose of this course is to provide an overview of the global economic and financial environment in which business and financial decisions are made. Key topics include national income accounting, production and economic growth, employment and the labor market, consumption, investment, business cycles, monetary and fiscal policy, and international trade and finance.

The current COVID-19 crisis will make this year's FNCE 623 course material and discussions seem especially relevant. What are the impacts of the COVID-19 crisis on economic activity and inflation? Why are women and minorities most affected by the pandemic layoffs? How can monetary and fiscal policy stabilize economic activity during and after the crisis? These questions and more will be addressed in this course.

COURSE MATERIAL

Canvas

The Canvas website contains the syllabus, lecture notes, quizzes, teaching assistants' office hours, regrade request forms, and other useful information. Canvas is also a useful hub to start and participate in course-related discussions. **Please note that all materials posted on Canvas are copyrighted.**

Reading Material

The bulk of the course material comes from the lecture notes and course readings. The lecture notes are available on Canvas. Most course readings come from *The Financial Times*, *The New York Times*, *The Wall Street Journal*, *The Economist*, Federal Reserve Banks' and Brookings Institute publications. They are hyperlinked to web sources from within the syllabus.

There is no required textbook for this course. However, you will see references to sections of *Macroeconomics* (tenth edition) from Andrew B. Abel, Ben S. Bernanke and Dean Croushore, Addison-Wesley, 2020 (referred to as **ABC**) and *Macroeconomics* (fifth edition) from Charles I. Jones, Norton, 2021 (referred to as **Jones**) in the course outline section below. These are supplemental, but strongly recommended, readings that supplement our class discussions.

I will build many of the course concepts on current events. As such, you should keep current with economic news throughout the semester. A subscription to *The Economist*, *The Financial Times*, *The New York Times*, *The Wall Street Journal* or a close substitute is recommended. Selected articles from these sources may be added to the list of required readings later during the semester.

GRADING

Grades are based on class participation (15%), three quizzes (10%), and a final exam (75%). Class participation includes attendance, but primarily depends on coming to class prepared to discuss the assigned material, on your overall involvement in the lectures, and on your respectful and meaningful participation in class discussions.

Attendance is an important aspect of the Wharton commitment. Wharton students are admitted in part because of the experiences they bring to the community and what they can add to class discussions. Without attending, learning as a collaborative process cannot exist. Accordingly, absences are only appropriate in cases of personal emergency. In addition, late arrival is disruptive to the learning environment and promptness is expected.

Quizzes

There will be three quizzes available on Canvas. The quizzes are designed to reinforce key concepts from the classes and to help you prepare for the exam. Your quizzes grade will be the average of your best two quizzes. Due dates are indicated in the table below and under the course outline section of this syllabus. You can work on quizzes with other students, but you must submit your answers individually. The quizzes must be submitted by 9:00am on the due date. Quizzes will not be accepted late and no regrade requests will be entertained. Answers to quizzes will be posted on Canvas shortly after the due date.

QUIZ #	TOPIC	AVAILABLE ON	DUE BY 9:00am ON
1	Macroeconomic data	Wednesday, January 20	Monday, February 1
2	Macroeconomic principles	Wednesday, February 3	Monday, February 8
3	Business cycles and macroeconomic policy	Wednesday, February 17	Monday, February 22

Examination

The final exam is on Wednesday, March 3, 2021. The final exam is comprehensive and open book. This means that you can use all of your course material and notes. You cannot, however, seek help from anyone or browse the internet for answers. All students must adhere to the [Code of Academic Integrity](#). **The final examination can be rescheduled only if required by university policy and only during the official make-up period.**

Regrade requests

Regrade requests must be submitted using the **regrade request form** and the **statement of honesty** posted on Canvas and must be accompanied by your exam. Requests must be submitted within one week from the date the exam grades are released. For any request, the entire exam will be regraded.

ACADEMIC INTEGRITY

All relevant University policies regarding Academic Integrity must be followed. Please consult the [Code of Academic Integrity](#) for details.

Copyrights

All material posted on Canvas, including lecture slides, quizzes, and practice and past exams are copyrighted and cannot be distributed, transferred, posted, shared or reproduced without my written permission. Taking or sharing pictures and videos of lectures, class materials, and materials written or projected during lectures are strictly prohibited. In addition, class recordings are made for the benefit only of enabling students who must miss a class to have access. Any personal recording or other non-academic use of class sessions is strictly prohibited. **Violation of this policy will be considered a breach of academic integrity and legal action will be pursued against violators.**

Course Etiquette

To promote a good learning environment, [Wharton's MBA Concert Rules](#) are in effect. The Concert Rule about ethics, respect, class attendance, and phones is strict.

SPECIAL NOTICE

This class includes students from a number of different countries, and the diversity of all opinions and perspectives is respected and welcome. It is possible and even likely, however, that we will touch on issues that are politically sensitive, e.g., races, minorities, and LGBT rights, democratic values, trade and other geopolitical issues. Consider carefully the following notice recommended by the Wharton administration:

Because of the current pandemic, some of you may be taking courses while living outside the US. I encourage you to review the syllabus and decide if, in light of your own country's laws, you are willing and able to take this class and complete all of its requirements.

If you feel uncomfortable, and especially if you have doubts about your personal safety in the location from which you will be streaming the class, given the materials to be covered in this class, then please consider taking another version of this course to fulfill your core requirements. I will make special accommodations for any student who feels that expressing any view in class or discussing particular material may place themselves at risk in a particular country or jurisdiction. I want to emphasize that my class encourages all kind of different perspectives to be voiced, as long as this is done so in a civil manner.

In addition, notice that class recording will be conducted as recommended by Wharton and by unanimous consent of class members. Anyone may request avoiding recording during a discussion of sensitive issues, especially if they implicate the safety of students who may be participating from jurisdictions where such discussions may place them at risk.

CONTACT INFORMATION

Most information about the course is posted on Canvas. **All questions related to the course material should be posted on Canvas.** I will be happy to answer short and concise questions that are posted on Canvas. This is an efficient way to clarify concepts and to disseminate information. Please do not post, ask, or email me with questions that are clearly answered in class materials, including the syllabus.

Email: alandry@wharton.upenn.edu

Office hours: Tuesdays, 9:00 - 10:00am

Location: Access office hours through Zoom tab on Canvas

Teaching Assistants

<u>Name</u>	<u>Email address</u>	<u>Office hours</u>	<u>Location</u>
Emily Snow	esnow@wharton.upenn.edu	TU 10:30-11:30am	
Stefan Freeman	fstefan@wharton.upenn.edu	TU 1:30-2:30pm	
Sarah Mayner	smayner@wharton.upenn.edu	W 4:30-5:30pm	
Jacob Morello	jtmore@wharton.upenn.edu	TH 9:00-10:00am	
Natalie Sadjo	sadjo@wharton.upenn.edu	TH 12:00-1:00pm	
Ernest Doherty	ernestdo@wharton.upenn.edu	TH 3:00-4:00pm	
Erik Savage	savagee@wharton.upenn.edu	TH 4:00-5:00pm	
Hiroki Maehara	mhiroki@wharton.upenn.edu	FR 9:00-10:00am	
Sachin Amrute	amrute@wharton.upenn.edu	FR 12:00-1:00pm	

COURSE SCHEDULE

LECTURE	DATE	TOPIC
1	Wednesday, January 20, 2021	Macroeconomic Data
2	Monday, January 25, 2021	Production and Economic Growth
3	Wednesday, January 27, 2021	The Labor Market
4	Monday, February 1, 2021	Consumption and Saving Decisions
5	Wednesday, February 3, 2021	Investment and Goods Market Equilibrium
6	Monday, February 8, 2021	Business Cycles and the Phillips Curve
7	Wednesday, February 10, 2021	Aggregate Demand and Aggregate Supply
8	Monday, February 15, 2021	The Federal Reserve System and U.S. Monetary Policy
9	Wednesday, February 17, 2021	Trade, Exchange Rates, and International Finance
10	Monday, February 22, 2021	The Government and the Macroeconomy
11	Wednesday, February 24, 2021	Global Growth Prospects and Review Session
	Monday, March 1, 2021	Class TBD pending snow day
	Wednesday, March 3, 2021	FINAL EXAM

COURSE OUTLINE AND READING LIST

Wednesday, January 20: Macroeconomic Data

Topics: national income accounting, production, income, and expenditure approach of measuring GDP, nominal and real GDP, price index and inflation, nominal and real interest rates, saving and wealth.

Readings: **ABC** Ch. 2

Jones Ch. 2

[Economics isn't dismal. It's useful.](#) *The New York Times*, July 2019

[The economic data is about to get weird](#), *The New York Times*, April 2020

[Why markets boomed in a year of human misery?](#) *The New York Times*, January 2021

[The chained CPI](#), The Brookings Institution, March 2018

Quiz #1 due on Monday, February 1 by 9:00am

Monday, January 25: Production and Economic Growth

Topics: the production function, capital and labor inputs, Total Factor Productivity, shocks to labor, capital or TFP, the COVID-19 crisis impacts on production and economic growth, sources of economic growth, income differences across countries, growth accounting.

Readings: **ABC** Ch. 3.1 and 6.1

Jones Ch. 4

[Is Slow Still the New Normal for GDP Growth?](#) *Economic Letter*, FRB San Francisco, June 2019

Wednesday, January 27: The Labor Market

Topics: the U.S. labor market, labor demand, labor supply, labor market equilibrium, wages and income inequality, the COVID-19 crisis impacts on income inequality, labor market measurements, natural rate of unemployment, Okun's law.

Readings: **ABC** Ch. 3.2-3.6

Jones Ch. 7

[Even as Americans Grew Richer, Inequality Persisted](#), *The New York Times*, September 2020

[Biden's New Top Economist has a Longtime Focus on Workers](#), *The New York Times*, December 2020.

[The Economic Pain That the Unemployment Rate Leaves Out](#), *The New York Times*, June 2020

[Is the Federal Reserve Contributing to Economic Inequality?](#) *Economic Letter*, FRB San Francisco, October 2020

Monday, February 1: Consumption and Saving Decisions

Topics: consumption and saving decisions, the intertemporal budget constraint, permanent-income hypothesis, Ricardian equivalence, borrowing constraints, empirical evidence on consumption.

Readings: **ABC** Ch. 4.1 and appendix 4.A
Jones Ch. 16

Wednesday, February 3: Investment and Goods Market Equilibrium

Topics: firms' investment decisions, the user cost of capital, capital stock and investment, saving and investment equilibrium, nominal and real interest rates, the Fisher equation.

Readings: **ABC** Ch. 4.2-4.3
Jones Ch. 17
[Why are interest rates so low? Part 1](#), by Ben Bernanke, March 2015
[Why are interest rates so low? Part 2: Secular stagnation](#), by Ben Bernanke, March 2015
[Why are interest rates so low? Part 3: The Global Savings Glut](#), by Ben Bernanke, April 2015

Quiz #2 due on Monday, February 8 by 9:00am

Monday, February 8: Business Cycles and the Phillips Curve

Topics: business cycles, trends and fluctuations, actual and potential output, firms' pricing behavior, unemployment and inflation, the Phillips curve, inflation measures.

Readings: **ABC** Ch. 8, 11.2, and 12
Jones Ch. 12
[The Phillips Curve](#), The Brookings Institution, August 2018.
[After the pandemic, will inflation return?](#) *The Economist*, December 2020, and accompanying podcast [Will inflation bounce back?](#) Money Talks from The Economist Radio.

Wednesday, February 10: Aggregate Demand and Aggregate Supply

Topics: the IS curve, the monetary policy rule, aggregate demand curve, aggregate supply curve, the AS/AD framework, expectations and economic activity, the COVID-19 impacts on economic activity.

Readings: **ABC** Ch. 9.5-9.6
Jones Ch. 13
[The neutral rate of interest](#), The Brookings Institution, October 2018.
Podcast: [Year-end review of 2020 financial markets, the Fed, and US monetary policy](#), Macro musing with David Beckworth

Monday, February 15: The Federal Reserve System and U.S. Monetary Policy

Topics: the Federal Reserve System, the Federal Open Market Committee, conventional monetary policy, the Taylor rule, the Great Recession, unconventional monetary policy, the monetary policy framework adopted during the COVID-19 crisis, financial stability.

Readings: **ABC** Ch. 14.2-14.5

[America needs an independent Fed](#), *The Wall Street Journal*, August 2019

[Average-Inflation Targeting and the Effective Lower Bound](#), *Economic Letters*, FRB San Francisco, August 2020

[The Fed is set to take on a new challenge: Climate change](#), CNBC, November 2020

Wednesday, February 17: Trade, Exchange Rates, and International Finance

Topics: trade and capital flows, open-economy saving and investment equilibrium, fiscal policy and the current account, nominal and real exchange rates, open-economy AS/AD, international transmission of monetary policy.

Reading: **ABC** Ch. 5 and 13

Jones Ch. 20

[Inflationary Effects of Trade Disputes with China?](#) *Economic Letter*, FRB San Francisco, February 2019

Quiz #3 due on Monday, February 22 by 9:00am

Monday, February 22: The Government and the Macroeconomy

Topics: U.S. government spending and revenue, government debt and deficits, fiscal policy and aggregate demand, the fiscal policy framework adopted during the COVID-19 crisis, sustainability of public debt.

Readings: **ABC** Ch. 15.1-15.3

Jones Ch. 18

[How worries should you be about the federal debt?](#) The Brookings Institution, January 2019

[The national debt is still a problem](#), *The New York Times*, June 2019

Wednesday, February 24: Global Growth Prospects and Review Session

Reading: [2020 Lessons, 2021 Priorities](#). *Economic Letter*, FRB San Francisco, December 2020

Final Exam: March 3, 2021