

FNCE 6230
**INTRODUCTION TO MACROECONOMICS
AND THE GLOBAL ECONOMIC ENVIRONMENT**
THE WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA

PROFESSOR ANTHONY LANDRY
SPRING 2023 Q3

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 6130 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.

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 Economist*, *The Financial Times*, *The New York Times*, *The Wall Street Journal*, Federal Reserve Banks' and Brookings Institute publications. They are hyperlinked to web sources from within the syllabus and available on Canvas via the Tab @Penn Libraries.

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.

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.

GRADING

Grades are based on an exam (75%), three quizzes (10%), attendance (10%), and class participation (5%). Class participation depends on coming to class focused and prepared, on your overall involvement in the lectures, and on your respectful and meaningful participation in class discussions.

This course uses the [Wharton Attendance and Video Requests Application](#). Each class attendance merits one point, for a maximum of 10 points. **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.

Examination

The exam is on Tuesday, February 28, 2023, 7:00-9:00pm. The exam is an in-person exam administered as a quiz on Canvas. It is comprehensive, and closed book. However, you may have one single-sided 8.5" x 11" page of handwritten notes for the exam. This handwritten page can only contain your own notes in your own handwriting—and may not contain large portions of reproduced notes or any other course materials such as slides, solution manuals or answer keys. Calculators are permitted. All students must adhere to the [Code of Academic Integrity](#). The exam 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.

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. You can work on quizzes with other students, but you must submit your answers individually. Due dates are indicated in the table below and under the course outline section of this syllabus. 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 18	Monday, January 30
2	Macroeconomic principles	Wednesday, February 1	Monday, February 6
3	Business cycles and macroeconomic policy	Wednesday, February 15	Monday, February 20

ACADEMIC INTEGRITY

All relevant University policies regarding Academic Integrity must be followed. Please consult the [Code of Academic Integrity](#) for details and clear descriptions of prohibited actions. Any violation of the Code will automatically lead to a FAIL or F grade. Violation of the [MBA Code of Ethics](#) may lead to additional sanctions.

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

My goal is to create an engaging classroom environment with diverse views and centered on knowledge applicable to your future careers. It is our shared responsibility to help each other in the learning process, and we are expected to hold each other accountable to the standards set forth in the [Wharton Learning Agreement](#).

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: MBA Program Office, JMHH Suite 300

Teaching Assistants (Access office hours through Zoom tab on Canvas)

<u>Name</u>	<u>Email address</u>	<u>Office hours</u>
Rehan Ayrton	rayrton@wharton.upenn.edu	Wednesday 12:00-1:00pm
Varun Desai	vdesai@wharton.upenn.edu	Tuesday, 12:00-1:00pm
Kavya Garikipati	gkavya@wharton.upenn.edu	Tuesday, 3:00-4:00pm
Ishani Jain	ishani12@wharton.upenn.edu	Thursday, 3:00-4:00pm
Prakhar Khandelwal	prakhark@wharton.upenn.edu	Wednesday, 3:30-4:30pm
Alexander Robinson	alwr@wharton.upenn.edu	Friday, 8:00-9:00am
Himanshi Swarnkar	himswarn@wharton.upenn.edu	Wednesday, 5:00-6:00pm

COURSE SCHEDULE

LECTURE	DATE	TOPIC
1	Wednesday, January 18	Macroeconomic Data
2	Monday, January 23	Production and Economic Growth
3	Wednesday, January 25	The Labor Market, Wages, and Unemployment
4	Monday, January 30	Consumption and Saving Decisions
5	Wednesday, February 1	Investment and Goods Market Equilibrium
6	Monday, February 6	Business Cycles and the Phillips Curve
7	Wednesday, February 8	Aggregate Demand and Aggregate Supply
8	Monday, February 13	The Federal Reserve System and U.S. Monetary Policy
9	Wednesday, February 15	Trade, Exchange Rates, and International Finance
10	Monday, February 20	The Government and the Macroeconomy
11	Wednesday, February 22	FNCE 6230 Lessons and Review Session
	Tuesday, February 28	EXAM, 7:00-9:00pm

COURSE OUTLINE AND READING LIST

Wednesday, January 18: Macroeconomic Data

Topics: National income accounting, Gross Domestic Product (GDP), income and wealth, nominal and real economic variables, price indices and inflation, nominal and real interest rates, the Fisher equation.

Readings: **ABC** Ch. 2

Jones Ch. 2

[An economic calm before the storm?](#) *The Economist*, January 2022

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

Quiz #1 due on Monday, January 30 by 9:00am

Monday, January 23: Production and Economic Growth

Topics: The production function, capital and labor inputs, Total Factor Productivity, diminishing marginal products, production and shocks to labor, capital, and productivity, capital and labor inputs allocation, sources of economic growth, income differences across countries.

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

Jones Ch. 4

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

[The missing pandemic innovation boom](#), *The Economist*, September 2022

[How the West fell out of love with economic growth](#), *The Economist*, December 2022

Wednesday, January 25: The Labor Market, Wages, and Unemployment

Topics: Labor demand and labor supply, income and substitution effects, labor market equilibrium, full-employment output, U.S. wealth and income inequalities, unemployment and the current state of the U.S. labor market, the future of work, the natural rate of unemployment, the Beveridge Curve, Okun's law

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

Jones Ch. 7

[The Employment Situation in December](#), The White House, September 2022

[Equal rights make sense for U.S. economy](#), *The New York Times*, May 2012

[America needs to get women back into work](#), *The Financial Times*, July 2022

[Estimating Natural Rates of Unemployment](#), *Economic Letter*, FRBSF, May 2022

[Finding a Soft Landing along the Beveridge Curve](#), *Economic Letter*, FRBSF, August 2022

Monday, January 30: Consumption and Saving Decisions

Topics: Consumption and saving decisions, the lifetime budget constraint, the utility function, the Euler equation, the permanent-income hypothesis, borrowing constraints, Ricardian equivalence, consumption as a random walk, precautionary savings, empirical evidence on consumption.

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

Jones Ch. 16

[The Unequal Effect of Interest Rates by Race, Gender](#), *Economic Letter*, FRSF, August 2022

Wednesday, February 1: Investment and Goods Market Equilibrium

Topics: Components of physical investment, the firm's investment decision, the firm's desired capital stock, the user cost of capital, investment and the corporate income tax, the goods market equilibrium, saving and investment equilibrium, the real interest rate.

Readings: **ABC** Ch. 4.2-4.3

Jones Ch. 17

[Why are interest rates so low? Part 1, Part 2, and Part 3](#), by Ben Bernanke, April 2015

Quiz #2 due on Monday, February 6 by 9:00am

Monday, February 6: Business Cycles and the Phillips Curve

Topics: Business cycle trends and fluctuations, actual and potential output, firms' pricing behavior, the Phillips curve, the role of inflation expectations.

Readings: **ABC** Ch. 8, 11.2, and 12

Jones Ch. 12

[The Phillips Curve](#), The Brookings Institution, August 2018.

[Wage growth when inflation is high](#), *Economic Letter*, FRB San Francisco, September 2022

[Can the news drive inflation expectations](#), *Economic Letter*, FRB SF, November 2022

Wednesday, February 8: Aggregate Demand and Aggregate Supply

Topics: The *IS* curve, the monetary policy rule, the aggregate demand curve, the aggregate supply curve, the AS/AD framework, the liquidity trap, the dangers of deflation, expectations and economic activity, understanding the impact of the Covid-19 pandemic on economic activity.

Readings: **ABC** Ch. 9.5-9.6

Jones Ch. 13

[The neutral rate of interest](#), The Brookings Institution, October 2018.

[How Much Do Supply and Demand Drive Inflation?](#) *Economic Letter*, FRSF, June 2022

Monday, February 13: 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 Fed's response to the Covid-19 crisis, the term structure of interest rate, financial stability, and climate change.

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

[What do changes in the Fed's longer-run goals and monetary strategy statement mean?](#) The Brookings Institution, September 2020

[The Singularity of the Dual Mandate](#), *Economic Letter*, FRSF, October 2022

[How does the Fed define "maximum employment"?](#) The Brookings Institution, February 2022

Wednesday, February 15: 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 business cycles and monetary policy shocks.

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

Jones Ch. 20

Quiz #3 due on Monday, February 20 by 9:00am

Monday, February 20: The Government and the Macroeconomy

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

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

Jones Ch. 18

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

[Can government spending help to escape recessions?](#) *Economic Letter*, FRBSF, April 2021

[How pandemic-era fiscal policy affects the level of GDP?](#) The Brookings Inst., October 2021

[Why Is U.S. Inflation Higher than in Other Countries?](#) *Economic Letter*, FRBSF, March 2022

Wednesday, February 22: FNCE 6230 Lessons and Review Session

Exam: Tuesday, February 28 from 7:00 to 9:00pm.