



## **FNCE 1010-003**

### **Monetary Economics and the Global Economy**

Fall 2023, Syllabus

Professor Ia Vardishvili

<i>Communication:</i>	<b>Prof. Vardishvili</b> ( <a href="mailto:profvardishvili@gmail.com">profvardishvili@gmail.com</a> )
<i>Lectures:</i>	TR, 1:45 pm – 3:15 pm
<i>Location:</i>	JMHH 355
<i>Office Hours:</i>	Tuesdays, 3:40 pm – 5:00 pm (Also by appointment)
<i>Zoom:</i>	<a href="#">Signup sheet</a> <a href="#">Meeting room</a>
<i>TA:</i>	<b>Melanie Sporn</b> ( <a href="mailto:sporn@wharton.upenn.edu">sporn@wharton.upenn.edu</a> )
<i>Recitation:</i>	Fridays, 1:45 pm – 2:45 pm
<i>Location:</i>	SHDH 211
<i>TA office hours:</i>	Thursdays, 12:00 pm – 1:00 pm
<i>Zoom:</i>	<a href="#">Meeting room</a>

## **1. Course Description**

FNCE 1010 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 topics 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 shapes 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.

## 2. Course Materials

The required textbook for the course is “Macroeconomics” by Abel, Bernanke, and Croushore [ABC] (Pearson, 11th edition). The textbook is available for purchase in the bookstore.<sup>1</sup>

If the lecture includes required readings, those would be available at least 24 hours prior to the lecture. The slide deck will also be available on Canvas before each class.<sup>2</sup>

**Websites:** Canvas, Ed Discussion, and PollEverywhere.

On [Canvas](#), you’ll be able to access the following:

- All official announcements regarding the class
- Syllabus
- Ed Discussion
- Lecture Slides and Lecture Readings – from several media sources and the Fed
- TA and Professor Contact Information, Office hour information.
- Recitation guidelines
- Global Analysis Project (GAP) Details
- Your grades

We will be using [Ed Discussion](#) for class discussion. The system is highly catered to getting you help fast and efficiently from classmates, the TA, and from me. Rather than emailing questions to the TA, I encourage you to post your questions on Ed Discussion. Students are not allowed to post on Ed Discussion on exam days. Find our class page via Canvas.

More sensitive questions that you don’t want to share with others are, of course, welcome over email. *Please let me know of any difficulties you may be having with the course as soon as possible.* These difficulties may arise from the course itself or external forces (e.g., other courses, personal issues). Regardless of the source, let me know *as soon as possible* so we can work together to avoid larger problems later. Wharton and the University offer a wide range of support services that are geared toward helping students.

During classes, we will be using [PollEverywhere](#). This is a platform in which you will answer multiple-choice questions on class material. Participating in polls counts towards your participation grade. The questions aim to provide you with practice and help me gauge your understanding of the material. Therefore, participation rather than correctness of answers is what counts towards your grade. To participate, you’ll need to have a phone or laptop handy in class. You’ll need to have an account at PollEverywhere.

## 3. Grading

The final grade for the course is based on the following:

Exams:	60%
Problem sets:	20%
GAP Project:	10%
Class participation:	10%

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<sup>1</sup> Using older editions of ABC is fine.

<sup>2</sup> Throughout the semester, we 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.

**Letter grade:** Your final grade will be translated into a letter grade according to the following thresholds:

A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-
>98%	>93%	>90%	>87%	>83%	>80%	>77%	>73%	>70%	>67%	>63%	>60%

Note that for determining the final letter grades, any decimal portion of a percentage will be rounded to the nearest whole number. Specifically, decimal values equal to or greater than 0.5 will be rounded up, while decimal values less than 0.5 will be rounded down.<sup>3</sup>

Below is a comprehensive breakdown of the grade components and their corresponding descriptions and grading policies. At the end of the syllabus, you can find a detailed [Course Timeline](#).

### A. Exams

The in-class exams contribute to 60% of your final grade. The class examination comprises both a Midterm exam and a Final exam. The Midterm exam accounts for 24% of your final grade, while the Final exam contributes 36% to your overall final grade.

Midterm:      October 10<sup>th</sup> (Lectures 1 to 12)  
 Final:         TBD               (Lectures 1 to 28)

Both the midterm and the final exams will be conducted in person. These exams will comprise multiple-choice questions. They are **closed-book** exams, meaning you cannot reference your class notes or any other type of notes during the examinations. However, you will be permitted to have a basic calculator with you in the classroom. See the Class Outline at the end of the syllabus for additional details on the material covered in each Exam.

The 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

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 afterward. 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*.

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<sup>3</sup> For example, if a student's calculated grade is 97.6, it will be rounded up to 98, resulting in an A+. However, if a student's calculated grade is, for example, 97.4, it will be rounded down to 97, earning them an A.

## B. Problem sets

There will be **six** graded problem sets. Each problem set will be worth 40 points, allowing you to accumulate 240 points across six problem sets. The moment you accumulate 200 points, you will get the full 20% grade for the homework.<sup>4</sup> 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 scores toward 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 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 professors or TAs screenshots of why you couldn't access the website, etc.

Problem sets are completed on the Canvas website and may have a separate written component. You will get long problem sets with varying degrees of difficulty. The purpose of the assignments is to make you think about economic theories and applications. Importantly, homework questions will closely resemble the questions on the midterm and final exams. Hence, actively working through the problem sets will greatly help you prepare and study for the Midterm/Final. Some problem sets are fairly long: prepare to spend time on them.

The due dates and the content of the assignments:

	Coverage	Due Date All homework due at 9 am
HW 1	Chapters 2,3	09/18
HW 2	Chapters 4,7	10/02
HW 3	Chapters 14	10/09
HW 4	Chapters 8,9	10/30
HW 5	Chapters 10,11	11/13
HW 6	Chapters 5,13	11/27

- You can work on the assignment and save your progress, but you must submit it before the due date.
- You may work together on the homework, but everyone needs to submit their own copy.
- After submitting the homework, you will immediately get your grade and see which questions you got right. You will have a second attempt to submit answers to the questions in which you were wrong. Your final score will be the highest of the two grades.
- Again, late homework is *never* accepted.

## C. Global Analysis Project

The Global Analysis Project (GAP) is a group assignment promoting teamwork and communication. You will be asked to use 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 six* will choose one of these events.

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<sup>4</sup> For example, if you solve 3/4 of the questions in HW1 and submit it by the deadline, you'll accumulate 30 points (3/4 of 40) towards your goal of 200.

The end product is a 10–12-minute presentation, including 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 that were implemented during the event.

Summary of GAP timeline

Action	Due Date:	
Form your group	9-Oct	Due 9 am, email to Prof
Submit country/episode choice	23-Oct	Due 9 am, email to Prof
Submit presentation slides	4-Dec	Due 9 am, via Canvas
Presentations	5-Dec	
	7-Dec	
	8-Dec (if needed)	

*GAP Grading Guidelines:*

The GAP accounts for 10% of the final grade. The grade for the GAP is determined by the combination of the professor's evaluation (70%) and the TA's assessment (30%). Attendance at GAP presentations is mandatory for every student, even if they are not presenting on that day.

All members within a group will be awarded the *same grade* for the Global Analysis Project, with *two exceptions*:

1. If a team member is absent on the day of the presentation, the team member’s GAP grade will automatically be marked as 0%.
2. To ascertain the participation of each member, an anonymous team-member survey will be conducted after the completion of the GAP. In the survey, each team member will answer a question for every other member of their team:

*"Did [Name of the member] participate in the presentation preparation?"*  
*Answer options: Yes/No.*

A member who doesn't receive at least *two* "Yes" votes affirming their contribution will have their GAP grade reduced to zero. This policy has been established to ensure that every student plays some role in the group's effort.

As the GAP score is formulated based on assessments from the TA, and the professor, there will be *no reconsideration* of the GAP score once it's assigned.

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

## **D. Class Participation**

Class **attendance is mandatory**. However, merely attending lectures does not constitute full participation. **Active engagement** in class activities is crucial and will account for 10% of your final grade. To earn the full class participation grade, students must:

- Attend all lectures.
- Actively engage in lectures by answering live poll questions.
- Pose questions and contribute to class discussions.
- Complete and submit in-class exercises.

If any circumstances prevent you from attending a specific lecture, please notify the professor in advance via email.

## **4. How to Study**

In Finance 1010, independent reading and studying are essential. Anticipate dedicating significant time to this course. Below are recommended study strategies to ensure your successful completion of the class.

- **Before class:** 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 Ed Discussion on topics that need additional clarification. Reading and answering other students' questions is a great way to deepen your knowledge of class material. You can work in groups on the problem sets, but make sure that you spend time by yourself solving the problems 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. Attending office hours, being present, and asking questions in class are the best ways to learn.
- **Throughout the semester:** Make it a habit to follow economic & financial news.

## **5. 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](mailto:stacyf@wharton.upenn.edu)). You can also email [fnce-courses@wharton.upenn.edu](mailto: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.
- **Special needs/arrangements:** Reasonable accommodation will be made for those with special needs. Please contact Student Disability Services (SDS) and Prof. Vardishvili.

## 6. Policies

- **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.
- **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.
- **Integrity:** Penn has a clear Code of Academic Integrity. You must familiarize yourself with the code and follow it to the letter:  
[http://www.upenn.edu/provost/PennBook/academic\\_integrity\\_code\\_of](http://www.upenn.edu/provost/PennBook/academic_integrity_code_of).
- **Fairness:** 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 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.

## 7. Course Timeline

		Topic	ABC CHAPTER
29-Aug	1	Introduction and overview	
31-Aug	2	Measuring economic activity	2.1-2.2
1-Sep	Recitation	Chapter 2	
5-Sep	3	Price indices and inflation	2.4-2.5
7-Sep	4	Aggregate production and Labor demand	3.1-3.2
8-Sep	Recitation	Chapters 2 & 3	
12-Sep	5	Labor supply, labor market equilibrium, and unemployment	3.3-3.6
14-Sep	6	Consumption-savings decision	4.1
15-Sep	Recitation	Chapters 3 & 4	
18-Sep	Deadline	Due HW 1	
19-Sep	7	Investment and goods market equilibrium	4.2-4.3
21-Sep	8	Money and household portfolio	7.1-7.2
22-Sep	Recitation	Chapters 4 & 7	
26-Sep	9	Money demand and asset market equilibrium	7.3-7.4
28-Sep	10	The FED and monetary policy transmission	14.1-14.3
29-Sep	Recitation	Chapters 7 & 14	
2-Oct	Deadline	Due HW 2	
3-Oct	11	Unconventional monetary policy tools/Phillips curve	14.4-14.5
5-Oct	12	Review session	
6-Oct	Recitation	Chapter 14	
9-Oct	Deadline	Due HW 3	
9-Oct	Deadline	Due GAP group submission	
10-Oct	13	<b>MIDTERM EXAM</b>	
12-Oct		<i>Fall break</i>	
13-Oct		<i>Fall break</i>	
17-Oct	14	Business cycle facts	8.1-8.4
19-Oct	15	Setting up the IS-LM Model	9.1-9.3
20-Oct	Recitation	Chapters 8 & 9	
23-Oct	Deadline	Due GAP country/event choice submission	
24-Oct	16	Equilibrium, analysis, AD-AS	9.4-9.6
26-Oct	17	Equilibrium, analysis, AD-AS	9.6/10
27-Oct	Recitation	Chapters 9	
30-Oct	Deadline	Due HW 4	
31-Oct	18	Real business cycles	10
2-Nov	19	Keynesian macro	11
3-Nov	Recitation	Chapters 10 & 11	
7-Nov	20	Review of closed economy macro	11
9-Nov	21	Open economy: Introduction and balance of payments	5.1-5.4
10-Nov	Recitation	Chapter 5	
13-Oct	Deadline	Due HW 5	
14-Nov	22	Exchange rates determination	<b>13.1-13.2</b>

16-Nov	23	The Mundell-Fleming model (IS-LM Open Economy)	13.3
17-Nov	Recitation	Chapter 13	
21-Nov	24	The Mundell-Fleming model (IS-LM Open economy)	13.4-13.5
23-Nov		<i>Thanksgiving</i>	
24-Nov		<i>Thanksgiving</i>	
27-Nov	<b>Deadline</b>	<b>Due HW 6</b>	
28-Nov	25	Growth economics	6.1; 6.4
30-Nov	26	Review session	
1-Dec	Recitation	GAP team meeting	
4-Dec	<b>Deadline</b>	<b>Due GAP presentation submission</b>	
5-Dec	27	GAP project	
7-Dec	28	GAP project/ review	
8-Dec	Recitation	Final exam practice	
<b>FINAL EXAM. TBD. (December 14-21)</b>			