Finance 101 – Monetary Economics and the Global Economy
Fall 2023 Syllabus
Professor Sergio Salgado
<mark>Updated on August 28, 2023</mark>

Communication:	ssalgadofnce101@wharton.upenn.edu
Office Hours:	Thursday 1:30 PM to 2:50 PM (4 slots of 20 mins)
	Zoom link: https://upenn.zoom.us/my/sergiosalgado
	Registration: https://shorturl.at/rvGK2
Lectures:	Tuesdays and Thursdays
	FNCE 101-001 from 8:30 AM to 10:00 AM (JMHH F65)
	FNCE 101-002 from 10:15 AM to 11:45 AM (JMHH F65)
TA:	Sporn, Melanie C sporn@wharton.upenn.edu
	Jivraj, Zaki R jivraj@wharton.upenn.edu
	Sun, Michael m1chaels@wharton.upenn.edu
Recitations:	Fridays
	FNCE 101-001 from 8:30 AM to 10:00 AM (SHDH 211)
	FNCE 101-002 from 10:15 AM to 11:45 AM (SHDH 211)
TA office hours:	Zoom links on Canvas
	Zaki: Wednesday, 3:00 PM to 4:00 PM
	Zoom Link: https://upenn.zoom.us/j/99875386663
	Melanie: Tuesday, 12:00 PM to 1:00 PM
	Zoom Link:
	https://us05web.zoom.us/j/88058848052?pwd=z5rRwlGA85Z4OwPoE2RbNAQ63zfh9E.1

1. Course Description

Finance 101 is an intermediate-level course in macroeconomics, with an emphasis on business cycles, monetary and fiscal policy and international trade. The goal of the course is to provide a unified framework to analyze macroeconomic trends (e.g., long term economic growth), business cycles (e.g., the Financial Crisis of 08/09 and the COVID recession) and macroeconomic policy (e.g. changes in interest rates, government expenditure, and taxes), and thereby better understand the environment in which firms, financial institutions, households, and governments make decisions. Throughout the course, we will apply our analysis to current events, both in the United States and abroad.

The course is structured into the following parts: measurement, long-run economic performance, business cycles, macroeconomic policy, and institutions. The first part addresses how economists gauge the performance of the economy, with an additional emphasis on economic indicators useful in the real-time analysis of the impact of macroeconomic events/news on the financial markets (GDP, unemployment, inflation, and so on). The second and third parts discuss the structure of the national economy by focusing on three major sectors and relating their decisions to the circular flows of income and expenditures in the aggregate economy, and how movement in those sectors determine the short-run fluctuations and relate to long-run economic performance. Finally, we discuss the institutions that make decisions for the economy; this section will focus mainly on the Federal Reserve Bank and its policies. Throughout the course, the material is applied to better understand general issues such as cyclical fluctuations, economic growth, and stabilization role of monetary and fiscal policy, as well to specific topics such as global imbalances, demographic changes, income and wealth inequality, among others. At the end of the semester, we apply foundational and empirical knowledge to review several global economic events.

2. Course Materials

The required textbook for the course is "Macroeconomics" by Abel, Bernanke, and Croushore [ABC]. The text should be thought as a support material. It is not necessary to have the most recent edition to follow the class.

Throughout the semester, you should 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.

The slides and lectures are the MAIN source of information for this class. The deck will be available on Canvas before each class.

Websites: Canvas

On Canvas you'll be able to access:
- Announcements
- Homeworks
- 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
- Sample Exams
- Recitation Guideline
- Global Analysis Project (GAP) Details
- Your Grades

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

Lectures: LECTURES ARE MANDATORY. Except for the first lecture and the GAP, each class will consist in two parts

1. **Lecture:** 50 to 60 mins lecture that will cover the main concepts of the class and corresponding Q&A. This is a standard in-person class. Slides will be posted on Canvas prior the class. During the lecture portion of the class **YOU CANNOT use your laptops and/or cellphones**, although, if you need to take an urgent call, you can leave the room. **Tablets/Ipads are allowed during the class but only to take notes.** If you need some accommodations in this regard, please talk to me at the end of the class or during office hours.
2. **In-class quizzes:** 10 to 20 mins in-class quizzes with a few questions covering the main concepts of the lecture. These quizzes will relate the concepts of the class with real economic events. You will have 10 mins to work on the answers. After that, we will discuss the answers in class. The answers of these quizzes **WILL NOT be graded BUT your answers will be recorded on Canvas**. Answering these quizzes is important for i) studying for Midterms/Final and ii) your participation grade (more on this below). You can answer these quizzes only if you are in class—for fairness, we will not allow answering these questions outside the class time—although the questions and answers will be later available for everybody to prepare for Midterms/Final. Also, students that are in quarantine and hence attending the class on Zoom **CAN ANSWER THE QUIZZES**. Since the quizzes will be available on Canvas, **YOU CAN use your laptops and cellphones during this time**. You can also discuss with your classmates for answering the questions. To check attendance, I will call random names to answer the questions.

Recitations: Recitations are review classes given by one of the TAs. In order to give all students the opportunity to attend to recitations, we will set at least two different times and **you can attend any section/time (all will cover the same material)**. The recitations will be 60 mins long, with the first 40 minutes dedicated to solving problems and the last 20 minutes for Q&A. Please email the TAs in the case you have specific questions regarding the material. Recitations **ARE NOT MANDATORY**, but attendance will be recorded. Attending above 80% of the recitations will give you an extra 5% bonus that will be added to your Class Attendance/Participation score.[1]

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[1] This means that, if you score for participation was 90%, your final score will be increased by 5% to a total of 95%. Still, the participation grade will be 10% of your final grade.

3. Deliverables and Grading:
The **Final Grade** (FG) for the course is based on:

Examinations: 60% (details on the split below)
Homeworks through Canvas: 18%
GAP Project: 12%
Class Attendance/Participation: 10%

3.a. Exams:

There are two Midterm exams and one Final Examination during finals week
Midterm 1:   October 10 at 7 PM (Lectures 1 to 11)
Midterm 2:   November 14 at 7 PM (Lectures 13 to 19)
Final Examination: December 15 at 6 PM (Lectures 21 to 27)

About the material for each examination, see the class schedule for additional details. Notice the Midterms and Final ARE NOT cumulative: you can think they cover about 1/3 of the class material each. However, the material is connected, so mastering the early material is CRUCIAL.

The grading will be as follows:

Method 1: for those who show consistent performance throughout the semester
Midterm 1: 20%, Midterm 2: 20%, Final Exam: 20%

Method 2: for those who show improvement throughout the semester
Midterm 1: 10%, Midterm 2: 25%, Final Exam: 25%

We will calculate your grade based on the two methods and automatically give you the higher grade. Grades WILL NOT be rescaled, standardized, or rounded to the nearest integer.

The final letter grade will depend on FG as described above. The letter grade will consider the following distribution.

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

Departmental policy says:
There are only a few valid excuses for missing an exam. They are:
- ◦ Documented illness/health emergencies (including COVID)
- ◦ 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 of feel sick (including COVID related symptoms) 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.

There is no possibility of taking the exam in another section. If you miss your appointed exam, you'll have to present documentation to be able to take the make-up exam and if you qualify, you will be given a make-up. In case of serious illness that takes you away from campus for more than 10 days, your remaining exam scores will be reweighed.

3.b. Midterms and Exam Format

All examinations (Midterms and Final Exam) will be administered in person in the date and time above. Each examination will take 80 mins. Examinations will consist of multiple-choice questions. During the examinations you will NOT be able to use your class notes or any other type of note.

3.c. Problem Sets/Homeworks

There will be three graded problem sets. Homework will be available on Canvas and may have a separate written component. **Problems will be posted in Canvas at least 10 days before the due date.** 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. The problem sets are 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 cover the SAME material covering each of the midterms. Hence, each homework is an excellent way to study for the Midterm/Final.

You will have 3 opportunities to complete your Homework. After that, your last set of answers will be locked.

Each problem set will be worth 80 points, giving you the possibility of accumulating 240 points across three problem sets. The moment you accumulate 200 points, you will get the full 18% grade for the homework. For example, if you solve 3/4 of the questions in HW1 and submit it by the deadline, you will accumulate 60 points (3/4 of 80) 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 18%. Ex: 210 points will still give you 18% towards your final grade. You may not redistribute excess homework score towards other parts of the grading.

Because of this flexibility, **late homeworks 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.

The calendar for the Homeworks is as follows

- Homework 1: Due on October 14
- Homework 2: Due on November 18
- Homework 3: Due on December 7

3.d. Class Attendance and Participation

Class attendance is **mandatory** although there are some valid excuses. [2] Class attendance will be **checked on Canvas by the recorded answers of the in-class quizzes**. Not attending to classes will results in a reduction in the maximum grade of your participation using the following formula. Denote the maximum participation grade by P* (which is 10%), the total number of potential attendance days by N* (the total number of classes), and your total attendance by N (total number of classes you attended). You are allowed to skip at most two classes without penalty. These two classes exclude i) not attending because of religious observance, ii) not attending because of health issues, including COVID related symptoms, and iii) not attending because of university related activities (e.g. sport events). Denote these classes with by Y. Then, your maximum participation grade, P, will be calculated as

$$P = P^* \frac{MIN(N + 2 + Y, N^*)}{N^*}$$

For instance, if the total classes are 30 and a student does not attend to five classes, two with justification and two without justification, the maximum attendance score will be 10%xMIN(25+2+2,30)/30=10%x29/30.

3.e. The Global Analysis Project (GAP)

Content of the project:

The Global Analysis Project is a group assignment promoting teamwork and communication, near the end of the semester. Each group will give an in-class presentation applying the course material to analyze the macroeconomic situation of an economic event in the United States (e.g. the Great

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[2] For a list of valid excuses refer to the list of valid excuses for missing an exam. We will use the same set of reasons.

Recession, the COVID pandemic) or from another country (e.g. Euro debt Crisis). 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. Country choice and presentation day will be determined randomly later in the semester, however, all groups will be submitting their slides in the same day, prior the first presentation, and no further changes can be made to the slides.

Presentation:

You will form groups with students in your OWN section. You CANNOT choose students from other sections. Groups can have a minimum 3 and a maximum of 5 members. Students that cannot find a group, will be assigned randomly to a group with 3 or 4 members.

All members need to be present on the day of the presentation and teams may present in any way they choose. The exact days of the presentation will be informed later. I'll enforce the time constraint and will ask questions. I also expect question from the audience. The presenting team should make the material interesting and challenging enough so that listeners are motivated to ask questions and engage with the presentation. The presentation should combine macroeconomic data, theory, and potentially, policy proposals. You'll get much more detailed instructions as we get closer to the project.

Grading of the project:

The grade combines the grade of the Professor (70%), the grade of the TA (15%), and the grade given by your classmates (15%). Every student present during each team presentation will get a chance to grade the other teams. To be precise, you will only get to grade the presentations that you attended to (we will have a list of attendees for each presentation).

All students in the group will get the same grade regardless of their individual contributions. However, if a member doesn't show up on the day of the presentation, his GAP grade will automatically be 0%.[3] There is no regrading of the GAP score, because it will reflect the average opinion of all your peers, the TA, and the professor.

More details on the grading of the project will be given prior presentations.

4. How to study for Finance 101:

- *Before class*: Read the chapter material assigned for that day

- *After class*: Re-read your notes within 24 hours to make sure you understood the lecture. Re-read the text briefly, but do not memorize. You are welcome to work in groups for the homeworks, but make sure that you spend time by yourself before you meet your study

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[3] Students will be excused for attending the GAP presentations following the same rules we have followed for classes and Midterms/Final. In particular, COVID related symptoms and Red Passes and valid excused for not attending the GAP presentation.

partners. Even if you prefer to work on your assignments in groups, every homework must be individually written and submitted.

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

- *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.

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). 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 *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. Salgado.

6. Additional Policies

a. Late/missed work
No late homeworks are accepted. No make-up for homeworks 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: Tell us why your grading is inconsistent with the policy. You must submit the **entire exam for a regrade**. Your score could 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. 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 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 AND IMPORTANT DATES		
	Date	Topic	Text Chapter
1	29-Aug	Introduction, Syllabus	1
2	31-Aug	National Income Accounting	2.1-2.4
3	5-Sep	Price Indices, Production and Employment	2.5, 3.1-3.4
4	7-Sep	Employment and Unemployment	3.5, 3.6
5	12-Sep	Employment and Unemployment	4.1, 4.2
6	14-Sep	Consumption and Saving, Investment and Goods Market Equilibrium	4.3, 4A
7	19-Sep	Consumption and Saving, Investment and Goods Market Equilibrium	5
8	21-Sep	Open Economy	5, cont, 6
9	28-Sep	Long-Run Economic Growth	6 cont.
10	3-Oct	Asset Markets, Money, and Inflation	7
11	5-Oct	Business Cycle Facts	8
12	10-Oct	**Midterm 1 at 7 PM**	
13	12-Oct	*Fall Term Break*	
14	17-Oct	IS-LM Model/ AD-AS Model	9.
15	19-Oct	IS-LM Model/ AD-AS Model	9
16	24-Oct	Classical Model Part 1	10
17	26-Oct	Classical Model Par 2	10
18	31-Oct	Business Cycle and Macro Policy	11
19	2-Nov	Keynesian Model Part 1	11
20	7-Nov	Keynesian Model Part 2	11
21	9-Nov	Unemployment and Inflation	12
22	14-Nov	**Midterm 2 at 7 PM**	
23	16-Nov	Exchange rates & The Global Economy	13
24	21-Nov	Exchange rates & The Global Economy	13
25	23-Nov	**Thanksgiving Break**	
26	28-Nov	Monetary Policy and Fiscal Policy	14/15
27	30-Nov	Monetary Policy and Fiscal Policy	14/15
28	5-Dec	GAP	
29	7-Dec	GAP	
	15-Dec	**Final Examination**	