

The Wharton School
University of Pennsylvania
Finance Department

Finance 1018 Honors
Monetary Economics & the Global Economy

Fall 2023
Prof. Martin Asher

Required Text and Materials:

Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, *Macroeconomics*, Eleventh Edition, Pearson Addison-Wesley Publishing Co., 2023.

The Wall Street Journal, including online version. Student subscriptions are available at:

<https://store.wsj.com/shop/us/us/wsstudentbts21>

Optional Materials:

Other periodicals (e.g., *Financial Times*, *Bloomberg BusinessWeek*, *The Economist*, *NY Times*, *Washington Post*)

MyLab™ Economics (accompanies Abel-Bernanke-Croushore text; **not required**, but may be helpful)

Objectives:

Finance 1018 is designed to introduce the student to competing theories regarding the functioning of the macroeconomy in a global environment and the effects of government policy. In doing so, it covers

- the measurement of macroeconomic activity (production, employment, interest rates, prices, national saving, investment, and international transactions),
- Classical macroeconomic analysis (the functioning of the macroeconomy assuming efficient markets), identifying the sources of long-run economic growth,
- business cycles and theories of cyclical fluctuations,
- the use of government policies to stabilize economic activity and promote long-term growth.

The principal text (Abel-Bernanke-Croushore [“ABC”]) presents a cohesive model for studying macroeconomic performance and for identifying the sources of controversy among economists and policy makers. Additional supplementary readings, to be made available through the course, reinforce conclusions found in Abel-Bernanke-Croushore regarding long-run economic growth and stabilization policy shared by both moderate liberals and moderate conservatives. Other perspectives will also be presented.

Lectures:

Though lectures will closely follow the material in the ABC text, they will also include many additional examples and may skip or modify the treatment of some topics (the ABC text is comprehensive, and not all of it will be covered and tested). You may take your cue from what is covered in class lectures.

Technology such as computers, iPads or other devices are allowed *only if* they are being actively used to take notes; no other use is permitted during class time. The course is highly graphical, mathematical, and tabular, for which computer usage is generally unhelpful unless used with an app and stylus. Moreover, lecture outlines are provided online through Canvas – which you may print out in advance.

Examinations:

There will be two midterm examinations and a final examination. Because the course continually builds on previous knowledge, the final examination will be *cumulative over the material from the entire course*, though it will stress material covered since the second midterm examination. The exams are scheduled as follows:

Midterm I:	Monday, October 9, 2023, 7:00-9:00 p.m.
Midterm II:	Wednesday, November 8, 2023, 7:00-9:00 p.m.
Final Exam:	TBA

It is anticipated that all exams will be in-person on campus at the above times. The exams will be closed-book, except that you may bring along a single 8.5”x11” two-sided sheet of notes to midterm #1; 2 sheets to midterm #2 (a new one plus the previous one); and 3 sheets to the final (a new one plus the previous two). These notes may not include reproductions of large sections of the text or class notes. You may use a calculator, but only if it cannot communicate with other devices (e.g., no cellphone calculators).

Should health conditions change causing the University to move to remote testing, students will be required to agree to course testing conditions, which will include at least the following:

1. No more time taken than allotted on the exam.
2. No communication with anyone about the exam before, during, or after taking it.
3. No copying, reproducing, or transmitting the exam or answers in any form, to anyone, at any time.

The final exam can be rescheduled only if required by University policy, and only during the official make-up period during the first week of the following semester.

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 the final exam day, you must notify the professor before the exam begins, and provide official documentation from a medical professional as soon as possible afterwards, maintaining appropriate confidentiality.

Regrade requests must be submitted using the official Regrade Request form (in Canvas) along with your entire exam. For the midterms, requests must be made within one week from the date the exam is returned. For the final exam, requests must be made within one week from the first day of classes the following semester. We retain the right to regrade the entire exam. Any alteration of the exam is strictly forbidden and will be considered a violation of the Code of Academic Integrity.

Practice Questions and Problem Sets:

You will be provided with a substantial number of practice questions in multiple forms to aid and check your understanding as you proceed through the course. Because you will also be provided with answers, these **will not be graded**. Nonetheless, **exam questions may be motivated by the practice questions**. The forms include End-of-Chapter questions from the ABC text and additional multiple-choice practice questions posted in Canvas.

Paper/Memo Assignment:

Later in the semester, you will be given a short paper assignment on a timely macroeconomic issue. The assignment will provide you with articles to read and summarize in a manner that will provide

understanding of that issue. No additional research or articles will be required, though you are welcome to provide additional support should you wish to do so. It will be **due by the end of the day on Wednesday, December 6, 2023** (earlier is fine).

Macroeconomic Modeling - FAIRMODEL Simulations and Guest Speakers:

One of the distinctives of the Fall 2023 honors sections of FNCE 1018 will be an introduction to macroeconomic modeling, also known as macroeconometric modeling. This will be accomplished by

1. **The study and use of FAIRMODEL** – an empirical macro model made available by Prof. Ray Fair of Yale University. Exercises and model simulations provided in FAIRMODEL will add considerable understanding to the functioning of the US economy (students are welcome, on their own, to explore Prof. Fair’s international model).
2. **Guest lectures** by noted economists experienced in macro modeling for public and private sector clients. It is anticipated that a number of speakers, some trained under the late Prof. Lawrence R. Klein – the University of Pennsylvania’s Nobel Laureate for his contributions to econometrics generally and macro modeling specifically – will address the class regarding the relevance of macro modeling for decision-making in the public and private sectors.

Grading:

The overall course grade will be based on the following:

Exams: **80%**

- Method 1: For students showing consistent performance: Exam 1 - **25%**; Exam 2 - **25%**; Final - **30%**
- Method 2: For students showing improvement: Exam 1 - **20%**; Exam 2 - **25%**; Final - **35%**
- Both scores will be computed for each student, who will automatically receive the highest of the two scores.

Macroeconomic forecasting exercises (FAIRMODEL): **10%**,

Macroeconomics Memo/Paper assignment: **10%**.

Violations of the course or University rules may be referred to appropriate authorities for disciplinary action. Please review the Code of Academic Integrity at:

http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html.

Office Hours:

Office hours with the Professor and TAs may be in-person or via Zoom. More information will be provided in class.

Professor Asher:

Office Hours: Mondays and Wednesdays, 3:45 - 4:45 p.m. and by appointment.

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Teaching Assistants:

Jessica Riedman

and

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and

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and

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[Schedule is on following page.]

Schedule of Lectures and Examinations

Details of the outline are subject to change, as announced in lectures and posted on Canvas

Class	Day	Date	Topic (Abel-Bernanke-Croushore Macroeconomics Chapter)
1	Weds.	8/30/2023	Introduction and Overview (Ch. 1)
	Mon.	9/4/2023	LABOR DAY - No Class
2	Weds.	9/6/2023	National Income Accounting, Part I (Ch. 2)
3	Mon.	9/11/2023	National Income Accounting, Part II (Ch. 2)
4	Weds.	9/13/2023	Production and Employment (Ch. 3, Secs. 1 - 4)
5	Mon.	9/18/2023	Employment and Unemployment (Ch. 3, Secs. 5-6)
6	Weds.	9/20/2023	Consumption and Saving: Part I (Ch. 4, Sec. 1; and Appendix 4.A)
7	Mon.	9/25/2023	Consumption and Saving: Part II (Same reading as previous lecture)
8	Weds.	9/27/2023	Investment and Goods Market Equilibrium (Ch. 4, Secs 2 and 3)
9	Mon.	10/2/2023	A Framework for the Open Economy (Ch. 5, Secs. 1 - 2)
10	Weds.	10/4/2023	Saving, Investment, and the Current Account (Ch. 5, Secs. 3 - 5)
11	Mon.	10/9/2023	Midterm Review
		10/9/2023	MIDTERM EXAM I - 7:00-9:00 p.m. (location TBA)
12	Weds.	10/11/2023	Long-Run Economic Growth, Part I (Ch. 6)
13	Mon.	10/16/2023	Long-Run Economic Growth, Part II (Ch. 6)
14	Weds.	10/18/2023	Money and Inflation (Ch. 7)
15	Mon.	10/23/2023	Business Cycle Facts (Ch. 8)
16	Weds.	10/25/2023	Aggregate Demand and Aggregate Supply (Ch. 8)
17	Mon.	10/30/2023	The IS-LM Model, Part I (Ch. 9)
18	Weds.	11/1/2023	The IS-LM Model, Part II (Ch. 9)
19	Mon.	11/6/2023	The IS-LM Model, Part III (Ch. 9)
20	Weds.	11/8/2023	Midterm Review
	Weds.	11/8/2023	MIDTERM EXAM II - 7:00-9:00 p.m. (location TBA)
21	Mon.	11/13/2023	Policy Analysis (Chs. 9 & 11)
22	Weds.	11/15/2023	Policy Analysis (Chs. 9 & 11)
23	Mon.	11/20/2023	Policy Analysis (Chs. 9 & 11)
	Weds.	11/22/2023	NO CLASS - WEDNESDAY IS A FRIDAY CLASS SCHEDULE
24	Mon.	11/27/2023	The Classical Model (Ch. 10)
25	Weds.	11/29/2023	The Phillips Curve: Unemployment and Inflation (Ch. 12)
26	Mon.	12/4/2023	International Revisited -- (Selected topics from Ch. 13)
27	Weds.	12/6/2023	Guest Lecturer on Macroeconomic Forecasting
28	Weds.	12/11/2023	Course Review

FINAL EXAM - TBA BY REGISTRAR