

Finance 1010 – Monetary Economics and the Global Economy
Spring 24 Syllabus
Professor Saka

Email: ProfSakaFin1010@gmail.com (best way to reach)

Lectures: Lecture 1: M/W 10.15 am – 11.45 am JMHH 265
 Lecture 2: M/W 12 pm – 1.30 pm JMHH 265
 Lecture 3: M/W 1.45 pm – 3.15 pm JMHH 265

Recitations: Recitation 201: F 10.15 am – 11.15 am SHDH 215
 Recitation 202: F 12 pm – 1 pm SHDH 211
 Recitation 203: F 1.45 pm – 2.45 pm SHDH 215

1. Course Description

Finance 1010 is an intermediate-level course in macroeconomics, with a particular emphasis on monetary and international aspects. The goal of the course is to provide a coherent framework for analyzing macroeconomic events (e.g. recessions) and macroeconomic policy, and thereby better understand the environment in which firms, households, governments and financial intermediaries operate. Throughout the course, the analysis is applied to current events, both in the US and abroad.

The course is structured into the following parts: measurement, long-run economic performance, business cycles and macroeconomic policy, and institutions. The first part discusses how economists gauge the performance of the economy as a whole, with an additional emphasis on economic indicators that are useful in the real-time analysis of the impact of macroeconomic events/news on the financial markets. 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, and 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 the recent financial crisis, global imbalances, demographic aging, or the recent European debt crisis. At the end of the semester, we apply foundational and empirical knowledge to review several global economic events.

Mondays will mostly be a theoretical lecture and Wednesdays will be focused on application, discussion, media articles. We will establish a rhythm of Theoretical Mondays, Application Wednesdays, and Practice Fridays (i.e. recitation).

2. Course Materials

The textbook for the course is “Macroeconomics” by Abel, Bernanke, and Croushore [ABC] (Pearson, 11th edition), with access to MyEconLab. Everyone must purchase a unique MyEconLab software. The book is also required but earlier editions are OK.

A few options:

1. Buy the book + MyEconLab packet at the bookstore.
2. Borrow/buy earlier editions of the textbook from a friend. Buy MyEconLab separately.
3. MyEconLab and e-text: If you purchase the 18 week access to MyLab, you will get access to the etext for the semester at no additional charge. \$109.99
4. The print rental (hard copy of the book) can be rented for the semester for 74.99 from Pearson. You'll need to buy MyEconLab separately.

<https://www.pearson.com/en-us/subject-catalog/p/macroeconomics/P200000007767/9780137876037>

Throughout the semester, you should keep current with economic news. A subscription to Wall Street Journal (available through Penn Libraries) or a close substitute is recommended.

Websites: Canvas and MyEconLab software (to be purchased)

On Canvas you'll be able to access:

- Announcements
- Modules
 - Syllabus
 - Lecture Notes- (slide deck for chapters)
 - Lecture Readings – from several media sources and the Fed
 - Lecture Videos
 - TA and Professor Contact Information, Office hour information
 - Sample Tests
 - Homework questions and answers
 - Links to important economic and financial institutions' blogs
 - Recitation guideline
- Your grades

Canvas materials are not substitutes for regular lecture attendance or textbook reading.

Instructions on how to sign on to MyEconLab are appended to the syllabus. Have an account by this weekend. Use your Penn email to sign up. If you don't, we may not be able to match your homework grade to you at the end of the semester. Course ID is **saka58583**

3. Deliverables and Grading:

Examinations: 66%

Problem sets: 15%

Global Analysis Project: 15% (peer + professor graded)

Attendance & Participation: 4%.

3. a. Exams:

There are 3 tests to be taken on the following dates, everyone in their own lecture slot. If you miss your own lecture, you'll lose 10% of your grade. No exceptions.

Exam 1: Sept 29

Exam 2: Nov 1

Exam 3: Dec 8

Method 1: for those who show consistent performance throughout the semester

Exam 1, Exam 2, Exam 3: 22% each

Method 2: for those who show improvement throughout the semester

Exam 1: 20%, Exam 2: 22%, Exam 3: 24%

We'll calculate your grade based on the two methods and automatically give you the higher grade.

Departmental policy says:

There are only a few valid excuses for missing an exam. They are:

- documented illness/health emergencies
- religious observance
- UPENN Business that takes you away from Campus
- 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
- beginning fall or spring break early or returning after a scheduled exam
- end of semester early flights
- any other reason you would prefer not to be at the university when the exam is scheduled.

Students are responsible for making sure, at the beginning of the term, that they can attend the exams. Registering for a course means that you certify that you will be present for the exam (unless one of the explicitly stated exceptions above arises.)

Make-up policies:

- 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 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.

- If you miss your own section's test and take the test with the next group, you'll forfeit 10 points (93 will become 83, not $93 - 9.3 = 83.7$). 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.
- Make-ups are administered according to the department's room and staffing availability. Be prepared to take make-up exams at very short notice. For example, if an exam is on Tuesday, make-up could be scheduled at any point starting Wednesday am.

3.b. Problem sets

There will be 6 graded problem sets. Homework is due via MyEconLab and may have a separate written component. 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. You'll analyze real-time economic data that is made available by the Federal Reserve Bank.

Each homework will be worth 30 points, giving you the possibility of accumulating 180 points across 6 homeworks. The moment you accumulate 150 points, you will get the full 15% grade for the homework. For example, if you solve 2/3 of the questions in HW1 and submit it by the deadline, you'll accumulate 20 points (2/3 of 30) towards your goal of 150.

Any score below 150 will be prorated. Ex: 125 points will give you 12.5%, any score above 150 will be capped at 15%. Ex: 168 points will give you 15% 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 only 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 screenshots of why you couldn't access the website, etc.

3. c. Global Analysis Project (GAP)

You'll get much more detailed instructions as we get closer to the project. Here is a brief summary.

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 a foreign country. 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.

Style of the project:

All members need to be present on the day of the presentation and teams may present in any way they choose. As the professor I'll enforce the time constraint and may ask questions. I will try to make myself disappear from these discussions to promote peer engagement. The presenting team should make the material interesting and challenging enough so that listeners are motivated to ask questions and engage with the presentation.

Grading of the project:

This is a peer-graded project. Every student will get a chance to grade the teams, except their own. All students in the group will get the same grade regardless of their individual contributions. Part of the task is to organize the team so that all members contribute equally and their skills are utilized in the best way possible. If a member doesn't show up on the day of the presentation, his GAP grade will automatically be 0%. There is no regrading of the GAP score, because it will reflect the average opinion of all your peers and your professor.

3.d. Attendance, Attention and Participation

Attendance, attention and participation are mandatory. We'll be taking attendance in class as a sign-in sheet (no attendance app necessary).

Everyone gets 2 free passes in Fin 1010. This is the sum of all excused absences, including medical, religious, athletic or personal events. In a 4-month semester, everyone will have a legitimate reason to miss class once or twice. You may take those days off.

Check your schedule today. If you think you won't be able to attend class more than 2 times due to your extracurricular activities, this is not the right semester for you to be taking Finance 1010.

You'll lose 1% of your grade starting with your 3rd absence, up to 4%.

You may not be absent on presentation days. You may not be absent on our last meeting day when we'll do peer grading. You'll lose 1% of your grade if you're absent on those days.

We'll start taking attendance starting on our 3rd meeting.

4. How to study for Finance 1010:

- *Before class:* Read the chapter material assigned for that day. Also read the newspaper articles assigned for that day. Think about the article and try to interpret the author's point of view to the best of your ability.
- *During class:* Lecture notes are provided as a slide deck for your convenience. Still, I suggest that you work on graphs concurrently as I'm working on them on the board.
- *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

homework assignments, but make sure that you spend time by yourself before you meet your study partners. 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 10100, 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

- For *joining a section* or *changing sections* or *waitlists*: Stacy Franks in the Finance department, stacyf@wharton.upenn.edu (emailing the professor only delays the department's response).
- For problems relating to access to *Canvas*: support.wharton.upenn.edu and click on "Canvas and Learning Tools"

For *MyEconLab* software/technology related questions: the Pearson Help Center: 800-677-6337. Course ID is **saka58583**

- For *class material* (problems, math, graphing, concepts): Contact a Finance 1010 TA during office hours or recitations. 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. If you must, send an email to ProfSakaFin1010@gmail.com.
- *Special needs/arrangements*: Reasonable accommodation will be made for those with special needs. Please contact Student Disability Services (SDS) and Professor Saka asap.
- *For extra practice questions*: You will solve enough questions in this class. On top of your regular homework (graded), you have extra questions on the MyEconLab software (not graded); practice questions for each chapter as recitation guidelines (not graded); practice tests on Canvas (not graded).

6. Policies

a. Late/missed work

No late homeworks are accepted. No make-up for homeworks or Group Analysis Projects 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. Regrade requests for the exams must be submitted using the Regrade Request form (on Canvas) along with your entire exam.

For Exams 1 and 2, 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 Exam 3, requests must be made within one week from the first day of classes the following semester.

Any alteration of the exam is strictly forbidden and will be considered a violation of the Code of Academic Integrity. To enforce this policy, some or all exams will be photocopied before returning them to the students.

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 1010.

Class schedule:

- Theoretical Tuesdays: Theoretical discussion of the textbook, focus on graphs, math, models.
- Application Thursdays: Clarify any questions you have after having studied the Tuesday lecture, and focus on applications, examples, policy questions, media articles.
- Practice Fridays: Solve practice questions in recitation (assigned by Prof) to further solidify material

| Date | Topic | Text Chapter | Notes |
|------|---|------------------|--|
| 1/22 | Syllabus | Ch 1 | |
| 1/24 | GDP, Price Indexes | Ch 2 | Complete readings for Ch 2 |
| 1/29 | Labor Markets | Ch 3 | Complete readings for Ch 3 |
| 1/31 | Unemployment | Ch 3 | |
| 2/5 | Consumption, Saving & Investment | Ch 4 | Complete readings for Ch 4 |
| 2/7 | Good Market Equilibrium | Ch 4 | |
| 2/12 | Open Economy | Ch 5 | Complete readings for Ch 5 |
| 2/14 | Open Economy, cont. | Ch 5 | |
| 2/19 | Review Session for Exam 1 | | |
| 2/21 | Exam 1 | | |
| 2/26 | Money and Inflation | Ch 7 | Complete readings for Ch 7 |
| 2/28 | Business Cycle Facts | Ch 8 | Complete readings for Ch 8 |
| 3/11 | IS-LM model | Ch 9 | Complete readings for Ch 9 |
| 3/13 | IS-LM model, cont. | Ch 9 | |
| 3/18 | Business Cycle and Policy | Ch 10, 11 | Complete readings for Ch 10,11 |
| 3/20 | Classical v Keynesian debate on policy issues | Ch 10, 11 | |
| 3/25 | Review Session | | |
| 3/27 | Exam 2 | | |
| 4/1 | Exchange Rates | Ch 13 + Appendix | Submit Global Analysis Project Team and Subject Complete readings for Ch 13 |
| 4/3 | Monetary Policy | Ch 14 | Complete readings for Ch 14 |
| 4/8 | Fiscal Policy | Ch 15 | Complete readings for Ch 15 |
| 4/10 | No class | | Meet with your group to prep for presentations |
| 4/15 | Global Analysis Project | | Group Presentations |
| 4/18 | Global Analysis Project | | Group Presentations |
| 4/22 | Global Analysis Project | | Group Presentations |
| 4/24 | Review Session | | |
| 4/29 | Exam 3 | | |
| 5/1 | Closing Remarks | | Peer grading of GAP |

All readings are on Canvas, Course Materials @ Penn Libraries. Starts with Lecture Number.

“2- 2020 Year in Review” is to be completed before Lecture 2.

“7- the Destruction of Money” is to be completed before Lecture 7

Readings to be completed before corresponding lectures:

- 2- 2020 Year in Review_ The impact of COVID-19 in 12 charts.pdf
- 2- Nations Seek Success Beyond GDP - WSJ.pdf
- 3- FRBSF Temporary Layoffs and Unemployment in the Pandemic.pdf
- 3- Manufacturing Jobs Aren't Coming Back - MIT Technology Review.pdf
- 3- Most US manufacturing jobs lost to technology, not trade - FT.pdf
- 4- FRBSF News Sentiment in the Time of COVID-19.pdf
- 5- Why are interest rates so low, Part 1- Bernanke.pdf
- 5- Why are interest rates so low, Part 2 - Bernanke.pdf
- 5- Why are interest rates so low, Part 3 - Bernanke.pdf
- 7- covid-19s-effects-on-the-economy-and-the-feds-response_SE.pdf
- 7- The Destruction of Money_ Who Does It, Why, When, and How_ - The Atlantic.pdf
- 7-Currency processing and destruction- Federal Reserve Bank of New York.pdf
- 8- Will the Economic Recovery Die of Old Age - FRBSF.pdf
- 9- Diagnosing depression - The Economist.pdf
- 10 - FRBSF 2020 Lessons, 2021 Priorities.pdf
- 11- FRBSLMonetary Policy and Fiscal Policy Responses to the COVID-19 Crisis _ St. Louis Fed.pdf
- 11- The COVID-19 Fiscal Multiplier_ Lessons from the Great Recession.pdf
- 13- Brexit- Whither the pound, FRBSF 2017.pdf
- 13- China's exchange rate policies and US Financial Markets, FRBSF 2017.pdf
- 13- Guardian Exchange rates have been stable in the Covid crisis – are we heading for a storm_ _ Economics _ The Guardian.pdf
- 14- FRBSF How Much Can Monetary Policy Mitigate COVID-19 Effects_.pdf

Recitation schedule:

Q. What will recitations cover?

A. Your TA will solve the assigned “Recitation Guideline” questions during the recitation sessions. Find these questions under Canvas\Modules\Recitation Guidelines.

Q. May I attend any recitation?

A. Yes.

Q. Is recitation attendance mandatory?

A. Questions assigned in recitation closely match questions you’ll get in exams. I strongly recommend you attend each recitation. Due to the pandemic, attendance is not mandatory.

Q. I missed a recitation due to having covid/having a red pass/any other reason. May I get answers to the recitation questions?

A. You will not be handed out answers to recitation questions. Attend a recitation or attend an office hour to solve these questions.

| Friday | Recitation Coverage (all coverage provided by me) |
|--------|--|
| 1/26 | Ch 2 |
| 2/2 | Ch 3 |
| 2/9 | Ch 4 |
| 2/16 | Ch 5 |
| 2/23 | No recitation, Exam 1 has ended |
| 3/1 | Ch 7, 8 |
| 3/15 | Ch 9 |
| 3/22 | Ch 10,11 |
| 3/29 | No recitation, Exam 2 has ended |
| 4/5 | Ch 13 |
| 4/12 | Ch 14, 15 |
| 4/20 | No recitation, GAP week |
| 4/26 | No recitation, GAP week |

Homework Summary:

- Homeworks are completed on the MyEconLab software. Sign up course code: **saka58583**
- When signing up, use your Penn email.
- If your purchase arrives late and you're now late to complete HW1, open a "guest account" at MyEconLab. You may work on the software for free for 2 weeks, and when you purchase the software, transfer your information.
- Assignments appear 7 days before the due date. A courtesy announcement on Canvas will remind you that a homework is ready. If there is no announcement, it's your job to still go ahead and complete the assignments. Copy the schedule below to your calendar today.
- You can work on the assignment and save your progress. But you have to "submit" before the due date.
- You may work together for the homework. But everyone needs to submit their own copy.
- Late homework is not accepted.
- Each homework has 30 points, for a possibility of 180 points. Collect 150 points for 15% full homework credit.

| | Coverage | Due Date All homework due at 9 am |
|------|------------------|--|
| HW 1 | Chapters 1,2,3 | 2/5 |
| HW 2 | Chapters 4,5 | 2/19 |
| HW 3 | Chapters 7,8 | 3/11 |
| HW 4 | Chapters 9,10,11 | 3/25 |
| HW 5 | Chapters 13 | 4/8 |
| HW 6 | Chapters 14,15 | 4/18 |