

Finance 6130
Macroeconomics and the Global Economic Environment
Professor Andrew Abel
Spring 2024

Finance 6130 is a course in macroeconomic analysis and policy in the context of globally integrated economies. The course begins by introducing national income accounts for an open economy and then focuses on a classical analysis of labor markets, goods markets, and asset markets. This part of the course examines the determination of employment, output, prices, wages, interest rates, national saving, investment, and international flows of goods, services, and assets in the long run, and concludes with an analysis of inequality. Then the course shifts its focus to the study of business cycles. The analysis of business cycles begins with a description of the cyclical behavior of various economic variables. This cyclical behavior motivates the development of business cycle models and the application of these models to study monetary and fiscal policy. The analytic engine of this part of the course is the IS-LM model, which is applied in both a classical mode and a Keynesian mode. The course extends the classical and Keynesian IS-LM models to analyze large open economies with flexible exchange rates to study the international transmission of business cycles. Then the course analyzes the conduct of monetary and fiscal policy in a rich institutional framework. The course concludes with an analysis of the macroeconomic effects of climate change.

Lectures and Current Policy Topics

There will be 24 90-minute class sessions. The first part (about an hour or a little more) of most sessions will cover core analytic material; the remaining part of the sessions will be devoted to Current Policy Topics, which are related to the core analytic material.

Attendance: You are required to attend all 24 lectures. Confirm your attendance at each lecture with the [student check-in app](#) on Canvas. **USING THE APP TO CHECK-IN FROM OUTSIDE THE CLASSROOM IS AN ETHICS VIOLATION.**

Excused absences are limited to illness, personal or family emergencies, and religious holidays. Please do not attend class if you are sick. If you miss two or more consecutive classes because of illness, you will need a note from a doctor explicitly stating that you should not attend class. If you have lingering symptoms when you return to class after being sick, I respectfully ask that you wear a mask to protect the health of others in the room.

You are permitted to have up to three unexcused absences without penalty. Examples of unexcused absences include missing class for reasons such as job search, extracurricular activities, and social activities—both school social activities and family social activities. You are limited to three unexcused absences without penalty, so use them wisely.

Reading Materials

The **textbook** for this course is Macroeconomics (11th edition) by Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, Pearson, 2024. You can rent the eTextbook version directly from Pearson at <https://www.pearson.com/en-us/subject->

catalog/p/macroeconomics/P200000007767/9780137876082. The Pearson website offers a MyLab version. I do not recommend that you buy the MyLab version.

Lecture notes and notes for **Current Policy Topics** are available on Canvas: Files/Slides.

Grades: Your course grade depends on three components: Exams, Homeworks, and Attendance.

Exams

1. There will be a Midterm Exam and a Final Exam.
2. The Final Exam is **CUMULATIVE OVER THE ENTIRE SEMESTER.**
3. Both exams are closed-book, closed-note exams, with one exception: You may use **ONE** double-sided “cheat sheet” (no larger than 8.5” x 11”) for the Midterm Exam and **TWO** double-sided “cheat sheets” for the Final Exam.
4. You must print out the “cheat sheets” on paper. **You are not allowed to use “cheat sheets” on your computer or other device.**
5. You will take the exams **in person in an assigned classroom.**
6. **You will take exams on your own laptop computers equipped with LDB (Respondus Lockdown Browser). It is your responsibility to download the LDB onto your laptop.**

Schedule of Exams

Midterm Exam: Tuesday, February 27, 2024, 7:00pm – 9:00pm.

Final Exam: Friday, April 26, 2024, 9:00am – 11:00am.

Take note of the following paragraph from Wharton MBA Academic Policies: Examination Conflict Policy (<https://mba-inside.wharton.upenn.edu/wharton-mba-academic-policies/>)

“If you find yourself with a conflict due to your career search or recruiting activity, you should work with the MBA Career Management Office to find a resolution. Employers cannot require a student, as a condition of his or her employment candidacy, to participate in recruiting-related activities at a time that conflicts with his or her academic schedule. An employer’s inflexibility on this issue is considered a violation of Wharton’s recruiting policies. A time conflict due to a job interview, a career pursuit or travel is not an appropriate reason to request accommodation on an academic commitment.”

Homeworks

There are 13 Homework assignments. The Homework assignments are listed as Quizzes on Canvas.

1. You are allowed to work together on Homework assignments. However, each member of a group that works together must submit answers on their own Canvas page to get credit for the Homework assignment.
2. You are allowed multiple attempts on each Homework assignment.
3. There are 13 Homework assignments, each with 16 possible points. Total possible points = 208. If you receive at least 140 cumulative points over the semester, the homework component of your final course score will be 40 points. Otherwise, it will be zero.

4. You must submit your Homework answers before the deadline to get credit for those answers. The due dates for Homeworks are shown in the following table. **PLEASE NOTE THAT SOME DUE DATES ARE TUESDAYS AND SOME ARE THURSDAYS—IN TWO OF THE WEEKS, HOMEWORKS ARE DUE ON BOTH TUESDAY AND THURSDAY.**

Homework		Due Date:
Number	Title	8:30am on Date Below
#1	National Income Accounts	Thursday, Jan. 25
#2	Production, Employment, Unemployment	Thursday, Feb. 1
#3	Consumption and Saving	Thursday, Feb. 8
#4	Investment and Goods Market Equilibrium	Thursday, Feb. 15
#5	Open Economy – I	Thursday, Feb. 22
#6	Money, Asset Markets and Asset Returns	Tuesday, Mar. 12
#7	Inequality	Tuesday, Mar. 19
#8	IS-LM	Tuesday, April 2
#9	Inflation and Unemployment	Thursday, Apr. 4
#10	Open Economy – II	Thursday, Apr. 11
#11	Monetary Policy and the Fed	Thursday, Apr. 18
#12	Government Spending and Its Financing	Tuesday, Apr. 23
#13	Climate Change	Thursday, Apr. 25

Timing of Availability of Answers: The answers to each Homework assignment will be available at 8:30am on the due date. Therefore, to receive credit for these Homeworks, you must submit your answers by 8:30am on the due date. **You will not receive credit for answers you submit after the 8:30am deadline.**

Course Grade

Your course score is calculated as $M + F + H + A$, where

M = normalized score on the Midterm Exam, which will have mean = 80 and standard deviation = 10.

F = normalized score on the Final Exam, which will have mean = 120 and standard deviation = 15.

H = 40 if your total points on the Homeworks is greater than or equal to 140. Otherwise, $H = 0$.

$A = 2 \times \min\{a+e, 20\}$ is your Attendance Score, where a = number of lectures that you attended and e = is the number of lectures that you missed **with an excused absence**. Note that if you attend all lectures, or have 1, 2, or 3 unexcused absences, then $A = 40$.

Both sections (Sections 001 and 002) are in the same grading pool.

Office Hours

My office hours are Wednesday, 1:30pm – 3:00pm.

1	Tues Jan 16	Introduction and Overview (Ch. 1)
2	Thurs Jan 18	National Income Accounting (Ch. 2, Secs 1, 2, 4, 5) current policy topic: Interpreting GDP Releases
3	Tues Jan 23	Production and Employment (Ch. 3, Secs. 1, 2, 4) current policy topic: Minimum Wage
4	Thurs Jan 25	Labor Supply and Unemployment (Ch. 3, Secs. 3, 5, 6) current policy topic: Unemployment Insurance
5	Tues Jan 30	Consumption and Saving: Basic Analytics (Ch. 4, p. 112 to middle of 119; App. 4.A, p. 158 to top of p. 170) current policy topic: The Future of Social Security
6	Thurs Feb 1	Consumption and Saving: Applications of the Basic Analytic Framework (Ch. 4, middle of p. 119 - top of p. 128; App. 4.A, top of p. 170 to p. 174) current policy topic: Tax Incentives to Saving
7	Tues Feb 6	Capital Investment (Ch. 4, Sec 2) current policy topic: Is There a New Industrial Revolution?
8	Thurs Feb 8	National Saving, Investment and Goods Market Equilibrium (Ch. 2, Sec. 3 and Ch. 4, Sec 3) current policy topic: Saving and Investment During the Pandemic
9	Tues Feb 13	A Framework for the Open Economy (Ch. 5, Secs. 1 - 2) current policy topic: Trade Patterns
10	Thurs Feb 15	Saving, Investment, and the Current Account (Ch. 5, Secs. 3 - 5) current policy topic: Saving and Investment Around the World
11	Tues Feb 20	Asset Markets, Money, and Prices (Ch. 7) current policy topic: Indexed Bonds
12	Thurs Feb 22	Asset Returns and Prices current policy topic: Bubbles
	Mon Feb. 26	Review Session for Midterm Exam (optional) 3:30pm – 5:00pm
--	Tues Feb. 27	MIDTERM EXAM 7:00pm – 9:00pm
--	Thurs Mar 1	NO CLASS (transition from core exams to Spring Break)
--	Tues Mar 6	NO CLASS - SPRING BREAK
--	Thurs Mar 8	NO CLASS - SPRING BREAK
13	Tues Mar 12	Inequality Current policy topic: Charitable Contributions
14	Thurs Mar 14	Business Cycle Facts (Ch. 8)
15	Tues Mar 19	The IS-LM Model (Ch. 9, Secs. 1 - 5)
16	Thurs Mar 21	Classical and Keynesian Versions of the IS-LM Model (Ch. 10, Secs. 1 – 2; Ch. 11) current policy topic: Hyperinflations
17	Tues Mar 26	Aggregate Demand and Aggregate Supply (Ch. 9, Sec. 6; Ch. 10, Sec. 3) current policy topic: Forecasts of the Price Level
18	Thurs Mar 28	The Phillips Curve: Unemployment and Inflation (Ch. 10, Sec. 5; Ch. 12) current policy topic: Political Business Cycles
19	Tues Apr 2	Exchange Rates (Ch. 13, Secs. 1 - 2) current policy topic: Is China a Currency Manipulator ?
20	Thurs Apr 4	Macroeconomic Policy in the Open Economy (Ch. 13, Secs. 3 - 5) current policy topic: Monetary Policy in Argentina
21	Tues Apr 9	Monetary Policy and Institutions (Ch. 14, Secs. 1 - 2) current policy topic: Modern Monetary Theory
22	Thurs Apr 11	Issues in Monetary Policy (Ch. 14, Secs. 3-4 and Ch. 15, Sec. 4) current policy topic: Inflation Targeting
23	Tues Apr 16	Government Spending and Its Financing (Ch. 15, Secs. 1 -3) current policy topic: Outlook for the Federal Budget
24	Thurs Apr 18	Climate Change current policy topic: Carbon Pricing
	TBD	Review Session for Final Exam (optional) TBD
--	Fri Apr. 26	FINAL EXAM 9:00am – 11:00am

Ethics Matrix

	Materials							People				
FNCE 6130: Macroeconomics and the Global Economic Environment	Approved calculator	Laptop / other electronics	Summary sheet	Current book / class notes	Past notes / summaries	Past exams / assignments	Internet content / other outside materials	Learning team / approved work team	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
Homeworks	A	A	A	A	A	A	A	W	W	W	W	W
Exam Prep	A	A	A	A	A	A	A	W	W	W	W	W
Exams	A		A									
	A = Allowed material Shaded Cell = Not allowed							W = Allowed to work together D = Discussion of general concepts and procedures is allowed but no sharing of specific answers. Shaded Cell = Not allowed				
The information above covers many common situations but will not cover every circumstance. Remember: The Wharton MBA Code of Ethics that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others. Should you have questions, please contact your ethics liaison or professor.												