

Finance 613
Macroeconomics and the Global Economic Environment
Professor Andrew Abel
Spring 2020

Course Description

Finance 613 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. 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. The course concludes by analyzing the conduct of monetary and fiscal policy in a rich institutional framework.

Lectures

Each lecture is one hour and twenty minutes. Most lectures are divided into two parts. The first hour is devoted to discussion of core analytic material, and the final twenty minutes are devoted to a current policy topic.

Electronics in the Classroom

Wharton MBA Academic Policies: Electronics in the Classroom Policy <https://mba-inside.wharton.upenn.edu/wharton-mba-academic-policies/>

- “Phones must be turned off and put away. If a student must keep a phone on by reason of a personal emergency, the student must inform the instructor before class begins.
- The use of laptops and tablets is not allowed unless for educational purposes as permitted by the instructor (e.g., notetaking, reading, or data analysis).”

Penalties for violation of the policies can include one or more of the following: requirement to sit in a seat designated by instructor, subtraction of points from the score used to compute the course grade, and, in the case of repeated violations, involuntary withdrawal from the course.

Reading Materials

The textbook for this course is Macroeconomics (tenth edition) by Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, Pearson, 2020. There are several ways to obtain the book. In addition to various options available from the Penn Bookstore, you can buy it directly from <https://www.pearson.com/store/p/macroeconomics-rental-edition-/P100002678554?viewAll=true>

Alternatively, if you want MyLab Econ and the ebook, go to www.pearsonmylabandmastering.com. When you enter the course ID (abel94625) you will have the option to buy the ebook and digital access.

Lecture notes are available on Canvas: Files/Slides. Notes for Current Policy Topics will be uploaded to Canvas: Files/Slides as the semester progresses.

GRADED MATERIALS: Your course grade will be based on your performance on two exams, Quizzes/Graded Homeworks, and the Student Presentation.

Exams

There will be **TWO EXAMS DURING THE SEMESTER, BEFORE THE END OF CLASSES**. There is **NO EXAM DURING THE FINAL EXAM PERIOD AFTER CLASSES END**. Exams will be **closed-book and closed-note**. You may bring **ONE** double-sided “cheat sheet” (no larger than 8.5” x 11”) to Exam I. **Exam II IS CUMULATIVE**, so you may bring **TWO** double-sided “cheat sheets” to Exam II.

Schedule of Exams

Exam I is scheduled for Wednesday, March 4, 2020, 6pm – 8pm.

Exam II is scheduled for Thursday, April 16, 2020, 6pm – 8pm.

Students will take exams on their own laptop computers equipped with LDB (Respondus Lockdown Browser). It is your responsibility to download the LDB onto your laptop.

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

“If you have documentable special circumstances such as time conflicts between multiple exams, illness, or grave personal difficulties such as a death in the family, you should petition the MBA Program Office, which will work with the faculty in appropriate cases to find a resolution. The MBA Program Office will require documentation of your conflict as a matter of course. See the Pennbook for policies covering absences resulting from religious observances. You should never approach an instructor with a request to reschedule an exam or make a special accommodation. Approaching an instructor with a request to reschedule an exam or to make a special accommodation can be considered use of a dishonest method to gain unfair advantage over other students.

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.”

Quizzes/Graded Homeworks

Quizzes/Graded Homeworks are on Canvas under the “Quizzes” tab on the left. Because they are graded exercises, you must work on these quizzes/graded homeworks alone. When you take these quizzes, you can use any written material from the course and you can use a calculator or computer, **but you cannot communicate in any way with any of your classmates or any other person.**

The due dates for quizzes/graded homeworks are shown in the table below. **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.** Canvas is configured so that it **WILL NOT ACCEPT QUIZZES AFTER THE DEADLINE.**

Quiz/Graded Homework		Due Date:
Number	Title	9:00am on Date Below
#1	National Income Accounts	Thursday, Jan. 30
#2	Production, Employment, Unemployment	Thursday, Feb. 6
#3	Consumption and Saving	Thursday, Feb. 13
#4	Investment and Goods Market Equilibrium	Tuesday, Feb. 18
#5	Open Economy – I	Tuesday, Feb. 25
#6	Money and Asset Markets	Thursday, Feb. 27
#7	Term Structure of Interest Rates and Tobin’s Q	Tuesday, Mar. 17
#8	IS-LM	Tuesday, Mar. 31
#9	Inflation and Unemployment	Thursday, Apr. 2
#10	Open Economy – II	Thursday, Apr. 9
#11	Monetary Policy and the Fed	Thursday, Apr. 16
#12	Government Spending and Its Financing	Tuesday, Apr. 21

Student Presentations

Details on student presentations will be provided later in the semester.

Course Grade

Your course grade is calculated as $X_I + X_{II} + H + P$, where

X_I = normalized score on first exam, which will have mean = 80 and standard deviation = 10.

X_{II} = normalized score on second exam, which will have mean = 80 and standard deviation = 10.

H = normalized sum of scores on all homeworks, which will have mean = 40 and standard deviation = 5.

P = score on your student presentation, which can range from 0 to 20.

Optional Additional Problem Sets

Canvas contains problems and answers arranged by textbook chapter. Most of the questions are taken directly from the textbook. In addition, for most chapters, Canvas contains one or two questions that are not in the textbook. Unlike the Quizzes/Graded Homeworks discussed below, the problem sets are optional and will NOT be graded.

Office Hours

My office hours are Wednesday, 1:30pm – 3:00pm. In addition, you may schedule appointments to talk with me at other times.

Lunches

There will be several student/faculty lunches with small groups of students. If you would like to attend one of these lunches, please sign up on Canvas.

Contact Information

Office location: Steinberg Hall/Dietrich Hall 2315

Email: abel@wharton.upenn.edu

1	Tues., Jan. 21	Introduction and Overview (Ch. 1) current policy topic: Macroeconomic Data Sources
2	Thurs., Jan. 23	National Income Accounting (Ch. 2) current policy topic: Interpreting GDP Releases
3	Tues., Jan. 28	Production and Employment (Ch. 3, Secs. 1, 2, 4) current policy topic: Minimum Wage
4	Thurs., Jan. 30	Labor Supply and Unemployment (Ch. 3, Secs. 3, 5, 6) current policy topic: Jobless Recoveries
5	Tues, Feb. 4	Consumption and Saving: Basic Analytics (Ch. 4, p. 108- middle of 116; App. 4.A pp. 155-166) current policy topic: The Future of Social Security
6	Thurs., Feb. 6	Consumption and Saving: Applications of the Basic Analytic Framework (Ch. 4, middle of p. 116 - middle of 125; App. 4.A, pp.167-171) current policy topic: Tax Incentives to Saving
7	Tues, Feb. 11	Investment and Goods Market Equilibrium (Ch. 4, Secs. 2 - 3) current policy topic: Is There a New Industrial Revolution?
8	Thurs., Feb. 13	A Framework for the Open Economy (Ch. 5, Secs. 1 - 2) current policy topic: Border Adjustments
9	Tues., Feb. 18	Saving, Investment, and the Current Account (Ch. 5, Secs. 3 - 5) current policy topic: Current Account Balances in Mexico and Greece
10	Thurs., Feb. 20	Asset Markets, Money, and Prices (Ch. 7) current policy topic: Indexed Bonds
11	Tues., Feb. 25	Asset Returns and Prices: Term Structure and Tobin's Q current policy topic: Bubbles
12	Thurs., Feb. 27	Business Cycles (Ch. 8)
12A	Tues., Mar. 3	Optional Review Session for Exam I
--	Wed., Mar. 4	EXAM I: 6PM – 8PM
--	Thurs., Mar. 5	CORE EXAMS IN OTHER COURSES – NO CLASS
--	Tues., Mar. 10	SPRING BREAK – NO CLASS
--	Thurs., Mar. 12	SPRING BREAK – NO CLASS
13	Tues., Mar. 17	The IS-LM Model (Ch. 9, Secs. 1 - 5)
14	Thurs., Mar. 19	Classical and Keynesian Versions of the IS-LM Model (Ch. 10, Secs. 1 – 2; Ch. 11) current policy topic: Hyperinflations
15	Tues., Mar. 24	Aggregate Demand and Aggregate Supply (Ch. 9, Sec. 6; Ch. 10, Sec. 3) current policy topic: Forecasts of the Price Level
16	Thurs., Mar. 26	The Phillips Curve: Unemployment and Inflation (Ch. 12) current policy topic: Political Business Cycles
17	Tues., Mar. 31	Exchange Rates (Ch. 13, Secs. 1 - 2) current policy topic: Is China a Currency Manipulator ?
18	Thurs., Apr. 2	Macroeconomic Policy in the Open Economy (Ch. 13, Secs. 3 - 5) current policy topic: Monetary Policy in Argentina
19	Tues., Apr. 7	Monetary Policy and Institutions (Ch. 14, Secs. 1 - 2) current policy topic: Taylor Rule
20	Thurs., Apr. 9	Issues in Monetary Policy (Ch. 14, Sec. 3 and Ch. 15, Sec. 4) current policy topic: Inflation Targeting
21	Tues., Apr. 14	Government Spending and Its Financing (Ch. 15, Secs. 1 -3) current policy topic: Outlook for the Federal Budget
22	Thurs., Apr. 16	Optional Review Session for Exam II
--	Thurs., Apr. 16	EXAM II: 6PM – 8PM
23	Tues., Apr. 21	Student Presentations
24	Thurs., Apr. 23	Student Presentations

Ethics Matrix

	Materials							People				
FNCE 613: 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
Quizzes/Homeworks	A	A	A	A	A	A	A					
Exam Prep	A	A	A	A	A	A	A	W	W	W	W	W
Exams	A	See note*	A									
	A = Allowed material Shaded Cell = Not allowed *Students will take exams on their own laptops equipped with LDB (Respondus Lockdown Browser)							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.												