

FNCE 623
INTRODUCTION TO MACROECONOMICS
AND THE GLOBAL ECONOMIC ENVIRONMENT
THE WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA

PROFESSOR ANTHONY LANDRY
SPRING 2022

COURSE DESCRIPTION

Introduction to Macroeconomics and The Global Economic Environment is a half-semester intermediate-level course in macroeconomics, with an emphasis on current events and policy applications. It is an abbreviated version of the full-semester course FNCE 613 and is intended for non-finance majors. The purpose of this course is to provide an overview of the global economic and financial environment in which business and financial decisions are made. Key topics include national income accounting, production and economic growth, employment and the labor market, consumption, investment, business cycles, monetary and fiscal policy, and international trade and finance.

COURSE MATERIAL

Canvas

The Canvas website contains the syllabus, lecture notes, quizzes, teaching assistants' office hours, regrade request forms, and other useful information. Canvas is also a useful hub to start and participate in course-related discussions. **Please note that all materials posted on Canvas are copyrighted.**

Reading Material

The bulk of the course material comes from the lecture notes and course readings. The lecture notes are available on Canvas. Most course readings come from *The Financial Times*, *The New York Times*, *The Wall Street Journal*, *The Economist*, Federal Reserve Banks' and Brookings Institute publications. They are hyperlinked to web sources from within the syllabus and available on Canvas (Tab @Penn Libraries).

I will build many of the course concepts on current events. As such, you should keep current with economic news throughout the semester. A subscription to *The Economist*, *The Financial Times*, *The New York Times*, *The Wall Street Journal* or a close substitute is recommended. Selected articles from these sources may be added to the list of required readings later during the semester.

There is no required textbook for this course. However, you will see references to sections of *Macroeconomics* (tenth edition) from Andrew B. Abel, Ben S. Bernanke and Dean Croushore, Addison-Wesley, 2020 (referred to as **ABC**) and *Macroeconomics* (fifth edition) from Charles I. Jones, Norton, 2021 (referred to as **Jones**) in the course outline section below. These are supplemental, but strongly recommended, readings that supplement our class discussions.

GRADING

Grades are based on a final exam (80%), three quizzes (10%), and class participation (10%). Class participation includes attendance, but primarily depends on coming to class prepared to discuss the assigned material, on your overall involvement in the lectures, and on your respectful and meaningful participation in class discussions.

Attendance is an important aspect of the Wharton commitment. Wharton students are admitted in part because of the experiences they bring to the community and what they can add to class discussions. Without attending, learning as a collaborative process cannot exist. Accordingly, absences are only appropriate in cases of personal emergency. In addition, late arrival is disruptive to the learning environment and promptness is expected.

Examination

The final exam is on Monday, February 28, 2021, 7:00-9:00pm. The final exam should be administered online on Canvas, is comprehensive, and closed book. However, you may have one single-sided 8.5" x 11" page of handwritten notes for the final exam. This handwritten page can only contain your own notes in your own handwriting—and may not contain large portions of reproduced notes or any other course materials such as slides, solution manuals or answer keys. Calculators are permitted. All students must adhere to the [Code of Academic Integrity](#). The final examination can be rescheduled only if required by university policy and only during the official make-up period.

Regrade requests

Regrade requests must be submitted using the **regrade request form** and the **statement of honesty** posted on Canvas and must be accompanied by your exam. Requests must be submitted within one week from the date the exam grades are released. For any request, the entire exam will be regraded.

Quizzes

There will be three quizzes available on Canvas. The quizzes are designed to reinforce key concepts from the classes and to help you prepare for the exam. Your quizzes grade will be the average of your best two quizzes. Due dates are indicated in the table below and under the course outline section of this syllabus. You can work on quizzes with other students, but you must submit your answers individually. The quizzes must be submitted by 9:00am on the due date. Quizzes will not be accepted late and no regrade requests will be entertained. Answers to quizzes will be posted on Canvas shortly after the due date.

QUIZ #	TOPIC	AVAILABLE ON	DUE BY 9:00am ON
1	Macroeconomic data	Wednesday, January 19	Monday, January 31
2	Macroeconomic principles	Wednesday, February 2	Monday, February 7
3	Business cycles and macroeconomic policy	Wednesday, February 16	Monday, February 21

ACADEMIC INTEGRITY

All relevant University policies regarding Academic Integrity must be followed. Please consult the [Code of Academic Integrity](#) for details.

Copyrights

All material posted on Canvas, including lecture slides, quizzes, and practice and past exams are copyrighted and cannot be distributed, transferred, posted, shared or reproduced without my written permission. Taking or sharing pictures and videos of lectures, class materials, and materials written or projected during lectures are strictly prohibited. In addition, class recordings are made for the benefit only of enabling students who must miss a class to have access. Any personal recording or other non-academic use of class sessions is strictly prohibited. Violation of this policy will be considered a breach of academic integrity and legal action will be pursued against violators.

Course Etiquette

To promote a good learning environment, [Wharton's MBA Concert Rules](#) are in effect. The Concert Rule about ethics, respect, class attendance, and phones is strict.

CONTACT INFORMATION

Most information about the course is posted on Canvas. **All questions related to the course material should be posted on Canvas.** I will be happy to answer short and concise questions that are posted on Canvas. This is an efficient way to clarify concepts and to disseminate information. Please do not post, ask, or email me with questions that are clearly answered in class materials, including the syllabus.

Email: alandry@wharton.upenn.edu

Office hours: Tuesdays, 9:00 - 10:00am

Location: Access office hours through Zoom tab on Canvas

Teaching Assistants (Access office hours through Zoom tab on Canvas)

<u>Name</u>	<u>Email address</u>	<u>Office hours</u>
Pianpian Adelson	padelson@wharton.upenn.edu	Tuesday, 4:00-5:00pm
Tyler Bulakul	pbulakul@wharton.upenn.edu	Thursday, 1:00-2:00pm
Shalini Majumdar	shalinim@wharton.upenn.edu	Tuesday, 10:00-11:00am
Ankur Shah	arshah@wharton.upenn.edu	Thursday, 12:00-1:00pm
Olivia Utt	outt@wharton.upenn.edu	Thursday, 9:00-10:00am

COURSE SCHEDULE

LECTURE	DATE	TOPIC
1	Wednesday, January 19	Macroeconomic Data
2	Monday, January 24	Production and Economic Growth
3	Wednesday, January 26	The Labor Market, Wages, and Unemployment
4	Monday, January 31	Consumption and Saving Decisions
5	Wednesday, February 2	Investment and Goods Market Equilibrium
6	Monday, February 7	Business Cycles and the Phillips Curve
7	Wednesday, February 9	Aggregate Demand and Aggregate Supply
8	Monday, February 14	The Federal Reserve System and U.S. Monetary Policy
9	Wednesday, February 16	Trade, Exchange Rates, and International Finance
10	Monday, February 21	The Government and the Macroeconomy
11	Wednesday, February 23	FNCE 623 Lessons and Review Session
	Monday, February 28	FINAL EXAM, 7:00-9:00pm

COURSE OUTLINE AND READING LIST

Wednesday, January 19: Macroeconomic Data

Topics: National income accounting, Gross Domestic Product (GDP), income and wealth, nominal and real economic variables, price indices and inflation, nominal and real interest rates, the Fisher equation.

Readings: **ABC** Ch. 2

Jones Ch. 2

[America's boom has begun. Can it last?](#) *The Economist*, April 2021

[Ten economic trends that could define 2022](#), *The Financial Times*, January 2022

[The chained CPI](#), The Brookings Institution, March 2018

Quiz #1 due on Monday, January 31 by 9:00am

Monday, January 24: Production and Economic Growth

Topics: the production function, capital and labor inputs, Total Factor Productivity, shocks to labor, capital or TFP, the COVID-19 crisis impacts on production and economic growth, sources of economic growth, income differences across countries, growth accounting.

Readings: **ABC** Ch. 3.1 and 6.1

Jones Ch. 4

[Is Slow Still the New Normal for GDP Growth?](#) *Economic Letter*, FRB San Francisco, June 2019

Wednesday, January 26: The Labor Market, Wages, and Unemployment

Topics: the U.S. labor market, labor demand, labor supply, labor market equilibrium, wages and income inequality, the COVID-19 crisis impacts on income inequality, labor market measurements, natural rate of unemployment, Okun's law.

Readings: **ABC** Ch. 3.2-3.6

Jones Ch. 7

[Equal rights make sense for U.S. economy](#), *The New York Times*, May 2012

[The Employment Situation in December](#), The White House, January 2022

Monday, January 31: Consumption and Saving Decisions

Topics: consumption and saving decisions, the intertemporal budget constraint, permanent-income hypothesis, Ricardian equivalence, borrowing constraints, empirical evidence on consumption.

Readings: **ABC** Ch. 4.1 and appendix 4.A
Jones Ch. 16

Wednesday, February 2: Investment and Goods Market Equilibrium

Topics: firms' investment decisions, the user cost of capital, capital stock and investment, saving and investment equilibrium, nominal and real interest rates, the Fisher equation.

Readings: **ABC** Ch. 4.2-4.3
Jones Ch. 17
[Why are interest rates so low? Part 1](#), [Part 2](#), and [Part 3](#), by Ben Bernanke, April 2015

Quiz #2 due on Monday, February 7 by 9:00am

Monday, February 7: Business Cycles and the Phillips Curve

Topics: business cycles, trends and fluctuations, actual and potential output, firms' pricing behavior, unemployment and inflation, the Phillips curve, inflation measures.

Readings: **ABC** Ch. 8, 11.2, and 12
Jones Ch. 12
[The Phillips Curve](#), The Brookings Institution, August 2018.
[Return of the Original Phillips Curve](#), *Economic Letter*, FRB San Francisco, August 2021

Wednesday, February 9: Aggregate Demand and Aggregate Supply

Topics: the IS curve, the monetary policy rule, aggregate demand curve, aggregate supply curve, the AS/AD framework, expectations and economic activity, the COVID-19 impacts on economic activity.

Readings: **ABC** Ch. 9.5-9.6
Jones Ch. 13
[The neutral rate of interest](#), The Brookings Institution, October 2018.
[The key to 2022 will be how inflation is brought down](#), The Financial Times, January 2022

Monday, February 14: The Federal Reserve System and U.S. Monetary Policy

Topics: the Federal Reserve System, the Federal Open Market Committee, conventional monetary policy, the Taylor rule, the Great Recession, unconventional monetary policy, the monetary policy framework adopted during the COVID-19 crisis, financial stability, inequalities, and climate change.

Readings: **ABC** Ch. 14.2-14.5

[What do changes in the Fed's longer-run goals and monetary strategy statement mean?](#) The Brookings Institution, September 2020

[The flaws in the Fed's approach to inflation](#), The Financial Times, January 2022

Wednesday, February 16: Trade, Exchange Rates, and International Finance

Topics: trade and capital flows, open-economy saving and investment equilibrium, fiscal policy and the current account, nominal and real exchange rates, open-economy AS/AD, international transmission of monetary policy.

Reading: **ABC** Ch. 5 and 13

Jones Ch. 20

[How much do we spend on imports?](#) *Economic Letter*, FRB San Francisco, January 2019

Quiz #3 due on Monday, February 21 by 9:00am

Monday, February 21: The Government and the Macroeconomy

Topics: U.S. government spending and revenue, government debt and deficits, fiscal policy and aggregate demand, the fiscal policy framework adopted during the COVID-19 crisis, sustainability of public debt.

Readings: **ABC** Ch. 15.1-15.3

Jones Ch. 18

[The national debt is still a problem](#), *The New York Times*, June 2019

Wednesday, February 23: FNCE 623 Lessons and Review Session

Final Exam: Monday, February 28 from 7:00 to 9:00pm.