

FNCE 6230
MACROECONOMICS AND THE GLOBAL ECONOMIC ENVIRONMENT
THE WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA
PROFESSOR ANTHONY LANDRY
SPRING 2024 Q3

COURSE DESCRIPTION

Macroeconomics and the Global Economic Environment is a half-semester intermediate-level macroeconomics course with an emphasis on current events and policy applications. It gives business leaders the foundations to recognize and understand broad economic and financial movements shaping business and financial decisions. Key topics include national income accounting, production and economic growth, employment, consumption, investment, business cycles, fiscal and monetary policy, and international trade and finance. By the end of this course, students will be able to evaluate and discuss the global economic environment in which business and financial decisions are made.

COURSE MATERIAL

Canvas

The Canvas website contains the syllabus, lecture notes, quizzes, teaching assistants' office hours and contact information, and other helpful information. Canvas is also a valuable 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 within the syllabus and available on Canvas via the 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 during the semester. If you prefer podcasts, I recommend [Marketplace](#) and [Bloomberg's Surveillance](#) for daily news and economic stories.

There is no required textbook for this course. However, you will see references to sections of *Macroeconomics* (eleventh edition) from Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, Pearson, 2024 (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 strongly recommended readings that supplement the lectures and class discussions.

GRADING

Grades are based on an 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, your overall involvement in the lectures, and your respectful and meaningful participation in class discussions.

Your academic engagement, performance, and class attendance are essential to maximize your academic experience—and create a great learning experience for your classmates. Wharton students are admitted partly because of the experiences they bring to the community and what they can add to class discussions. Accordingly, absences are only appropriate in cases of personal emergency. In addition, late arrival is disruptive to the learning environment, and promptness is expected. Class attendance will be taken by video validation 10 minutes after the class starts.

Examinations

The exam is on Tuesday, February 27, 2023, 7:00-9:00pm. The exam is an in-person exam administered online on Canvas. It is comprehensive, and closed book. However, you may have **one single-sided 8.5" x 11" page of handwritten notes for the exam.** This handwritten page can only contain your notes in your 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 [MBA Code of Ethics](#) and the [Code of Academic Integrity](#). The exam can be rescheduled only if required by university policy and only during the official make-up period. Any regrade requests must be specific and submitted within one week of the date the exam grades are released.

Quizzes

There will be three quizzes available on Canvas. The quizzes are designed to reinforce key class concepts and to help you prepare for the exam. Your quizzes grade will be the average of your best two quizzes. You can work on quizzes with other students but must submit your answers individually. Due dates are indicated in the table below and under the course outline section of this syllabus. The quizzes must be submitted by 11:59pm ET 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 after the due date.

QUIZ #	TOPIC	AVAILABLE ON	DUE BY 11:59pm ON
1	Macro data, production, and economic growth	Monday, January 22	Sunday, January 28
2	The labor market, consumption, and investment	Wednesday, January 31	Sunday, February 11
3	Business cycles and U.S. monetary policy	Wednesday, February 14	Sunday, February 18

ACADEMIC INTEGRITY AND COURSE ETIQUETTE

The [MBA Code of Ethics](#) and all relevant University policies regarding [Academic Integrity](#) must be followed. The [Wharton Learning Agreement](#) is in effect to promote a good learning environment. Ethics, academic integrity, respect, and class attendance policies are strict. Any violation of the Code will automatically lead to a FAIL or F grade and may lead to additional sanctions.

Copyrights

All material posted on Canvas, including lecture slides, quizzes, and practice and past exams, are copyrighted and cannot be copied, 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. Any personal recording or other non-academic use of class sessions is strictly prohibited. Violating this policy will be considered a breach of the MBA Code of Ethics and of academic integrity, and legal action will be pursued against violators.

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: MBA Program Office, JMHH Suite 300

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

Name	Email address	Office hours
Vartika Agrawal	vartika@wharton.upenn.edu	Wednesday, 12:00-1:00pm
Wini Dandu	winid@wharton.upenn.edu	Tuesday, 2:00-3:00pm
Jimmy Gillespie	gillesjd@wharton.upenn.edu	Tuesday, 1:00-2:00pm
Sanchit Jain	sanchitj@wharton.upenn.edu	Thursday, 10:00-11:00am
Aidan Kutner	aekutner@wharton.upenn.edu	Monday, 5:30-6:30pm
Ethan Ruder	eruder@wharton.upenn.edu	Thursday, 2:00-3:00pm

COURSE SCHEDULE

LECTURE #	DATE	TOPIC
1	Wednesday, January 17, 2024	Macroeconomic Data
2	Monday, January 22, 2024	Production and Economic Growth
3	Wednesday, January 24, 2024	The Labor Market, Wages, and Unemployment
4	Monday, January 29, 2024	Consumption and Saving Decisions
5	Wednesday, January 31, 2024	Investment and Goods Market Equilibrium
6	Monday, February 5, 2024	Business Cycles and the Phillips Curve
7	Wednesday, February 7, 2024	Aggregate Demand and Aggregate Supply
8	Monday, February 12, 2024	The Federal Reserve and U.S. Monetary Policy
9	Wednesday, February 14, 2024	Trade, Exchange Rates, and International Finance
10	Monday, February 19, 2024	The Government and the Macroeconomy
11	Wednesday, February 21, 2024	FNCE 6230 Lessons and Review Session
	Tuesday, February 27, 2024	FINAL EXAM, 7:00-9:00pm

COURSE OUTLINE AND READING LIST

Wednesday, January 17: 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

[How countries calculate their GDP](#), *The Economist*, March 2014

[Reasons to be cheerful about the global economy](#), *The Financial Times*, December 2023.

[Which economy did best in 2023?](#) *The Economist*, December 2023

[Has America really escaped inflation?](#) *The Economist*, January 2024

Monday, January 22: Production and Economic Growth

Topics: The production function, capital and labor inputs, Total Factor Productivity, diminishing marginal products, production and shocks to labor, capital and productivity, capital and labor inputs allocation, sources of economic growth, and income differences across countries.

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

Jones Ch. 4

[Is slow still the new normal for GDP growth?](#) *Economic Letter*, FRBSF, June 2019

[Europeans are becoming poorer. 'Yes, we're all worse off.'](#) *The Wall Street Journal*, July 2023

[Does Working from Home Boost Productivity Growth?](#) *Economic Letter*, FRBSF, January 2024

Quiz #1 is due on Sunday, January 28 by 11:59pm

Wednesday, January 24: The Labor Market, Wages, and Unemployment

Topics: Labor demand and labor supply, income and substitution effects, labor market equilibrium, full-employment output, U.S. wealth and income inequalities, unemployment and the current state of the U.S. labor market, the natural rate of unemployment, the Beveridge Curve, Okun's law

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

Jones Ch. 7

[Where the job market is heading in 2024, in six charts](#), *The Wall Street Journal*, January 2024

[A strong year for the labor market](#), The White House, January 2024

[From hiring difficulties to labor hoarding?](#) *Economic Letter*, FRBSF, December 2023

[Estimating natural rates of unemployment](#), *Economic Letter*, FRBSF, May 2022

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

Monday, January 29: Consumption and Saving Decisions

Topics: Consumption and saving decisions, the lifetime budget constraint, the utility function, the Euler equation, the permanent-income hypothesis, borrowing constraints, Ricardian equivalence, consumption as a random walk, precautionary savings, empirical evidence on consumption.

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

Jones Ch. 16

[The Rise and Fall of Pandemic Excess Savings](#), *Economic Letter*, FRSF, May 2023 ([update](#))

Wednesday, January 31: Investment and Goods Market Equilibrium

Topics: Components of physical investment, the firm's investment decision, the firm's desired capital stock, the user cost of capital, investment and the corporate income tax, the goods market equilibrium, saving and investment equilibrium, the real interest rate.

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 is due on Sunday, February 11 by 11:59pm

Monday, February 5: Business Cycles and the Phillips Curve

Topics: Business cycle trends and fluctuations, actual and potential output, firms' pricing behavior, the Phillips curve, the role of inflation expectations.

Readings: **ABC** Ch. 8, 11.2, and 12

Jones Ch. 12

[The Phillips Curve](#), The Brookings Institution, August 2018.

[Yes, There Is a Trade-Off Between Inflation and Unemployment](#), *The NYT*, August 2019

[How much do labor costs drive inflation?](#) *Economic Letter*, FRBSF, May 2023

[Why are inflation expectations important?](#) The Brookings Institution, June 2022.

Wednesday, February 7: Aggregate Demand and Aggregate Supply

Topics: The *IS* curve, the monetary policy rule, the aggregate demand curve, the aggregate supply curve, the AS/AD framework, the liquidity trap, the dangers of deflation, expectations and economic activity, understanding the impact of the Covid-19 pandemic on economic activity.

Readings: **ABC** Ch. 9.5-9.6

Jones Ch. 13

[The neutral rate of interest](#), The Brookings Institution, October 2018.

[How Much Do Supply and Demand Drive Inflation?](#) *Economic Letter*, FRSF, June 2022

Monday, February 12: The Federal Reserve System and U.S. Monetary Policy

Topics: The Federal Reserve System, the Federal Open Market Committee, open market operations, conventional monetary policy, the Taylor rule, the Great Recession, unconventional monetary policy, the term structure of interest rate, financial stability, 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

[What is forward guidance?](#) The Brookings Institution, July 2023

[The Evolution of Disagreement in the Dot Plot](#), *Economic Letter*, FRSF, August 2023

[The Singularity of the Dual Mandate](#), *Economic Letter*, FRSF, October 2022

[How does the Fed define "maximum employment"?](#) The Brookings Institution, February 2022

Wednesday, February 14: 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 business cycles and monetary policy shocks.

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

Jones Ch. 20

Quiz #3 is due on Sunday, February 18 by 11:59pm

Monday, February 19: The Government and the Macroeconomy

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

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

Jones Ch. 18

[What is discretionary spending in the federal budget?](#) The Brookings Institution, July 2023

[Rising Interest Rates Mean Deficits Finally Matter](#), *The Wall Street Journal*, October 2023

[The Long-Run Fiscal Outlook in the United States](#), *Economic Letter*, FRBSF, February 2024

Wednesday, February 21: FNCE 6230 Lessons and Review Session

Exam: Tuesday, February 27 from 7:00 to 9:00pm.