

**FNCE 615: INTRODUCTION TO MACROECONOMICS
AND THE GLOBAL ECONOMIC ENVIRONMENT**
THE WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA

PROFESSOR ANTHONY LANDRY
SPRING 2013, 4th QUARTER

COURSE DESCRIPTION

Introduction to Macroeconomics and the Global Economic Environment is a survey course in macroeconomic analysis, with an emphasis on current events and policy applications. The goal is to provide the background needed to understand the broad movements in the global economy. Key topics include national income accounting, long-run economic growth, technological changes, the labor market, business cycles, inflation, interest rates, monetary and fiscal policy, international trade and investment, exchange rates and international finance. By the end of the course, students will be able to read, understand and discuss current economic developments presented in newspapers such as *The Economist*, *The Wall Street Journal* and *The Financial Times*.

COURSE MATERIAL

Canvas

The Canvas site contains the syllabus, lecture notes, quizzes, teaching assistants' office hours, regrade request forms, and other useful information. You need to have a Wharton account to enter the site. If you do not have a Wharton account, you can apply for one [online](#).

Reading Material

The bulk of the course material comes from the lecture notes, the textbook, and course readings. The lecture notes are available on Canvas. The textbook is *Macroeconomics* (seventh edition) from Andrew B. Abel, Ben S. Bernanke and Dean Croushore (referred to as **ABC**), Addison-Wesley, 2011. Most other course readings come from *The Economist* newspaper and from Federal Reserve Banks publications. They are hyperlinked to web sources from within the syllabus. As such, I suggest you buy a subscription to *The Economist* to access these readings online. If you do not want to buy a subscription to *The Economist*, you can use the Penn library subscription. However, your online access will be limited to Penn computers. Access to Federal Reserve Banks publications is free.

In addition to the regular course material, you are expected to follow current economic events. While no subscription to any particular journal is required, it is recommended that you regularly read *The Wall*

Street Journal and *The Financial Times*. Other good sources of business news are daily podcasts such as the BBC World Business Report, NPR's Planet Money, and APM's Market Place (broadcasted on NPR).

GRADING

Grades are based on a final examinations (65%), five quizzes (25%), and class participation (10%).

Final examination

The final is a comprehensive examination over the material from the entire course. The final is closed book, except for one single 8.5" x 11" double-sided sheet of notes. Calculators are permitted. The final examination is on Tuesday, May 7 from 6:00 to 8:00pm. The final examination can be rescheduled only if required by university policy and only during the official make-up period.

Quizzes

There will be 5 quizzes available on Canvas. The quizzes are designed to reinforce key concepts from the classes and to help you prepare for the final examination. Due dates are indicated under the course outline section of this syllabus. They are all due by 9:00am of the due date indicated. 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.

Scheduling conflicts

Scheduling conflicts should be resolved according to the [MBA Resource Guide](#). 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. You should never approach your instructors with requests to reschedule exams or to make special accommodations.

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 examination is returned (whether or not you actually pick up the exam on that date). Regrade requests must be very specific. For any request, the entire exam will be automatically regraded; meaning, the grade may stay the same, go up or go down after regrading. Any alteration of the exam is therefore strictly forbidden and will be considered as a violation to the Code of Academic Integrity.

ACADEMIC INTEGRITY

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

CONTACT INFORMATION

Email: alandry@wharton.upenn.edu

Office Hours: Thursday, 3:30-5:00pm

Office: SHDH 2440

Teaching Assistants

Name	Email address	Office hours	Location
Vandit Shah	vandits@wharton.upenn.edu	Thursdays, 12:00-1:20pm	Finance TA cubicles, desk B
Zein Tawil	ztawil@wharton.upenn.edu	Tuesdays, 12:00-1:20pm	SHDH Room 105

Most information about the course is posted on Canvas. For additional information, I can be reached by email. I will be happy to answer short questions on the course material by email. However, I will typically concentrate email answering on Tuesdays and Thursdays (except for urgent communications).

On occasion, I will post some of the questions I receive (with my answer) on the course webpage. This is an efficient way to disseminate information. Student identifiers will be removed if I post a question (if you do not want your question to be posted, just say so in your email).

COURSE OUTLINE AND READING LIST

Topic 1: Introduction to Macroeconomic Data

Tuesday, March 12: National Accounting

Readings: ABC Ch. 2.1-2.3

[The real wealth of nations](#), *The Economist*, June 2012

Topics: origin of national income accounting, definitions and measurements of Gross Domestic Product (GDP), GDP components, production, income, and expenditure approach of measuring GDP, saving and wealth, GDP and happiness

Thursday, March 14: Measuring Economic Changes over Time

Readings: ABC Ch. 2.4 and 2.5

[Feeling the heat](#), *The Economist*, June 2006

Topics: nominal and real GDP, GDP across countries, growth rates, the rule of 70, price indexes and inflation, nominal and real interest rates, the Fisher equation

Quiz #1 due on Tuesday, March 19 at 9:00am

Topic 2: Production, Economic Growth, and the Labor Market

Tuesday, March 19: Production and Economic Growth

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

[Economic rebounds in U.S. and the Euro zone: deceptively similar, strikingly different](#),
Economic Letter, Federal Reserve Bank of Dallas, February 2012

Topics: production function, return to scale, Cobb-Douglas production function, capital and labor inputs, marginal product of capital and labor, diminishing marginal returns, capital and labor income share, Total Factor Productivity (TFP or technology), growth accounting, sources of economic growth

Thursday, March 21: The Labor Market, Wages, and Unemployment

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

[What is the new normal unemployment rate?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, February 2011

Topics: the U.S. labor market, labor demand, labor supply, income and substitution effects, labor market equilibrium, wages and inequality, labor market measurements, frictional vs. structural unemployment, natural rate of unemployment, labor markets around the world

Quiz #2 due on Tuesday, March 26 at 9:00am

Topic 3: The Business Cycle

Tuesday, March 26: Business Cycles Facts

Readings: ABC Ch. 8.1-8.3

[Japanese lessons](#), *The Economist*, August 2012

Topics: business cycle trends and fluctuations, actual and potential output, international aspects of business cycles, Okun's law, price behavior over the business cycle, price adjustment and the inflation expectations, the Phillips curve

Thursday, March 28: Aggregate Demand and Aggregate Supply

Readings: ABC Ch. 8.4

[The morning after](#), *The Economist*, June 2010

[Invested interests](#), *The Economist*, January 2010

Topics: overview of the short-run model, aggregate demand curve, aggregate supply curve, the AS/AD framework, the liquidity trap, the dangers of deflation, expectations and economic activity

Quiz #3 due on Tuesday, April 2 at 9:00am

Topic 4: Monetary Policy

Tuesday, April 2: The Federal Reserve System and U.S. Monetary Policy

Readings: ABC Ch. 14.2 (skip 544-556), 14.3

[The Federal Reserve's unconventional policies](#), *Economic Letter*, Federal Reserve Bank of San Francisco, November 2012

Topics: the Federal Reserve System, central banking around the world, the Federal Open Market Committee, money supply creation, conventional monetary policy, open market operations, the federal fund market

Thursday, April 4: Money and Inflation

Readings: ABC Ch. 7 and 12.3

[Monetary policy, money, and inflation](#), *Economic Letter*, Federal Reserve Bank of San Francisco, July 2012

Topics: monetary policy rules, the Taylor rule, the limits of conventional monetary policy, the Great Recession, unconventional monetary policy, definition of money, portfolio allocation and the demand for assets, the quantity theory of money, money growth and inflation, the costs of inflation

Tuesday, April 9: The Term Structure of Interest Rates

Readings: "Term Structure of Interest Rates," by Frederic Mishkin on Study.Net

Case study: "The yield curve and growth forecasts," by Francis Warnock
Harvard Business School #UV5689 on Study.Net

Quiz #4 due on Tuesday, April 16 at 9:00am

Topic 5: The Global Economy

Thursday, April 11: International Trade

Readings: ABC Ch. 5

[Trade statistics: iPadded](#), *The Economist*, January 2012

Topics: facts about international trade, reasons for trade, risk sharing, absolute and comparative advantage, costs and benefits of international trade, trade and capital flows, twin deficits

Tuesday, April 16: Exchange Rates and International Finance

Readings: ABC Ch. 13.1 and 13.2

[The Big Mac: A global-to-local look at pricing](#), *Economic Letter*, Federal Reserve Bank of Dallas, September 2008

Topics: nominal and real exchange rate, the law of one price, the foreign exchange market, short-run determinants of the nominal and real exchange rates, interest rates movements and the nominal exchange rate, the real exchange rate and net exports, the open-economy AS/AD framework

Thursday, April 18: The European Debt Crisis and the Future of the Euro

Case study: "Eurozone convergence, divergence, and then what?" by Francis Warnock
Harvard Business School #UV5691 on Study.Net

Quiz #5 due on Tuesday, April 23 at 9:00am

Topic 6: Fiscal Policy

Tuesday, April 23: The Government and the Macroeconomy

Readings: **ABC** Ch. 15.1-15.3, and 5.5

[U.S. fiscal policy: headwind or tailwind?](#) *Economic Letter*, Federal Reserve Bank of San Francisco, July 2012

Topics: U.S. government spending and revenue, fiscal policy and aggregate demand, government debt and deficits, sustainability of public debt, Ricardian equivalence, crowding out effect

Final examination: Tuesday, May 7 from 6:00 to 8:00pm