

The Wharton School
University of Pennsylvania
Finance Department

Syllabus

Finance 103
Business Economics (Honors)

Fall 2013
Prof. Martin Asher

Required Text and Other Materials:

Joseph E. Stiglitz & Carl E. Walsh, *Economics*, 4th Ed., Norton, 2006
The Wall Street Journal or *Financial Times* (including online version)

Optional Materials:

The New York Times, *The Washington Post*, *The Economist*, *Business Week* or other periodical containing stories on current economic issues.

Martin, Lawrence W., *Study Guide to Stiglitz & Walsh Economics*, Norton, 2002
Schultze, Charles L., *Memos to the President*, Brookings Institution, 1992.

Objectives:

The first part of the course introduces the discipline of economics and develops the fundamental tools of microeconomics. Coverage will be given to the topics of scarcity, opportunity cost, and the workings of a price system -- including the theories of consumer and firm decision-making. On this foundation will be built analyses of particular markets characterized by perfect competition, monopoly, monopolistic competition, and oligopoly. This part of the course will conclude with a consideration of the strengths and weaknesses of a market economy, the government's role in limiting market power, correcting market failures and promoting competition, and an analysis of income/wealth distribution.

The second part of the course deals with macroeconomics and revolves around three principal themes:

1. Introduction to the nature and characteristics of the macro-economy: Analysis of domestic and international forces that govern the determination of the aggregate level of economic activity,
2. The determinants of long-run economic growth, and
3. Business cycles and the use of stabilization policies.

In the third part of the course the focus will shift to the global economy. After a consideration of comparative advantage and the determinants of trade, trade policy will be analyzed. Next, questions of capital mobility and international financial instability will be discussed. The course will conclude with an analysis of international economic integration and the extent of globalization.

Grading:

Microeconomics:		
Quiz	15%	Monday evening, September 23, 2013, <u>6:00 p.m.</u>
Exam (Midterm)	25%	Wednesday evening, October 23, 2013, <u>6:00 p.m.</u>
Micro Paper	7.5%	Tuesday, November 5, 2013
Macroeconomics:		
Macro Paper	12.5%	Thursday, December 10, 2013
Exam (Final)	35%	Thursday, December, 19, 2013, <u>12:00 - 2:00 p.m.</u>
Class Participation	5%	

The midterm exam and other first-half requirements will cover the microeconomics portion of the course. The final exam will primarily cover the macroeconomics and global portions of the course (though global economic issues will be addressed throughout the course), but can also contain overarching issues about economics as a discipline and its use in evaluating business decisions, public policy, and other social issues. The writing assignments include an industry study in the microeconomic portion of the course and a paper on macroeconomic and global issues in the latter portion of the course. Details regarding the papers will be furnished later in the semester.

Regrading of Exams:

Any requests for regrading of exams must be submitted using the Regrade Request Form (downloadable from the course web site) within one week from the date that exams are returned in class. Requests for regrading must be very specific. When you request a regrade, we retain the right to regrade your entire exam. Unambiguous errors in grading will be promptly corrected. The one-week period for submission of exams for regrading begins on the date that the exams are returned in class, not the day on which you pick up the exam, if for some reason you are absent from class the day the exams are returned. If you miss the class during which the exams are returned, it is your responsibility to pick up your graded exam within the one-week period. If you want to get in touch with me and I am not in my office, you can leave a note with the Undergraduate Division office, leave a message on my voice mail, or contact me by e-mail.

Office Hours and Contact Information:

Prof. Asher:

Days and Times: Wednesdays and Thursdays, 10:30-11:30 a.m. and by appointment
Office Location: G95 JMHH
Office Phone: 215-898-0285
Email: asherm@wharton.upenn.edu
Web: <http://finance.wharton.upenn.edu/~asherm/> (note: NO "www.")
Click **FNCE 103** and enter User Name and Password (provided in class)

Teaching Assistant:

Kevin Shellito
Day and Time: Fridays (Time TBA)
Office Location: SHDH 2305, (Desk TBA)
Email: shellito@wharton.upenn.edu

SCHEDULE – Part I on Microeconomics

(Additional readings will be assigned and either posted on the course web site or a link will be provided to the original source)

Day	Date	Topic / Reading
R	29-Aug	Introduction
T	3-Sep	Scarcity I Chapter 1: Economics of the New Economy
R	5-Sep	Scarcity II Chapter 2: Thinking Like an Economist
T	10-Sep	Self-Equilibrating Markets I Chapter 3: Demand, Supply, and Price
R	12-Sep	Self-Equilibrating Markets II Chapter 4: Using Demand and Supply
T	17-Sep	Equimarginal Decisions I Chapter 5: The Consumption Decision
R	19-Sep	Equimarginal Decisions II Chapter 5 Appendix: Indifference Curves and the Consumption Decision
M	23-Sep	6-8 P.M. -- QUIZ COVERING CLASSES 1-7
T	24-Sep	Equimarginal Decisions III Chapter 6: The Firm's Costs
R	26-Sep	Equimarginal Decisions IV Chapter 7: The Competitive Firm (including introduction to isoquants and factor substitution in Lecture Outlines)
T	1-Oct	General Equilibrium Chapter 10: The Efficiency of Competitive Markets
R	3-Oct	Deterministic Markets I Chapter 11: Introduction to Imperfect Markets
T	8-Oct	Deterministic Markets II Chapter 12: Monopoly, Monopolistic Competition, and Oligopoly
R	10-Oct	FALL BREAK - NO CLASS
T	15-Oct	Issues in Public Policy I Chapter 13: Government Policies Toward Competition
R	17-Oct	Issues in Public Policy II Chapter 17: The Public Sector Chapter 18: Environmental Economics
T	22-Oct	Strategic Imperfect Markets Chapter 14: Strategic Behavior
W	23-Oct	6-8 P.M. -- MICROECONOMICS MIDTERM , covering all textbook, lecture, and additional required readings since the quiz

SCHEDULE – Part II on Macroeconomics

(Additional readings will be assigned and either posted on the course web site or a link will be provided to the original source)

Day	Date	Topic / Reading
R	24-Oct	Introduction to Macroeconomics I: National Income Accounting Chapter 21: Macroeconomics and the Economic Perspective Chapter 22: Measuring Economic Output and Unemployment
T	29-Oct	Introduction to Macroeconomics II: Measuring Inflation and Unemployment Chapter 22: Measuring Economic Output and Unemployment Chapter 23: The Cost of Living and Inflation
R	31-Oct	The Full-Employment Model I Chapter 24: The Full-Employment Model
T	5-Nov	The Full-Employment Model II Chapter 24: The Full-Employment Model Chapter 25: Government Finance at Full-Employment Chapter 26: The Open Economy at Full-Employment
R	7-Nov	Economic Growth: Saving, Capital Formation, and Productivity Chapter 27: Growth and Productivity Selected readings from Charles M. Schultze, Memos to the President
T	12-Nov	Macroeconomic Fluctuations I Chapter 29: Introduction to Macroeconomic Fluctuations
R	14-Nov	Macroeconomic Fluctuations II Chapter 30: Aggregate Expenditure and Income (skim as described in class) Chapter 31: Aggregate Demand and Inflation
T	19-Nov	Stabilization Policy and Its Effects on Long-Run Growth I Chapter 28: Money, the Price Level, and the Federal Reserve Chapter 32: The Federal Reserve and Interest Rates
R	21-Nov	Stabilization Policy and Its Effects on Long-Run Growth II Chapter 32: The Federal Reserve and Interest Rates Chapter 33: The Role of Macroeconomic Policy Selected readings from Charles M. Schultze, Memos to the President
T	26-Nov	The Dynamics of Adjustment I Chapter 37: Inflation and Unemployment Selected readings from Charles M. Schultze, Memos to the President
R	28-Nov	THANKSGIVING BREAK - NO CLASS
T	3-Dec	The Dynamics of Adjustment II Chapter 38: Controversies in Macroeconomic Policy
R	5-Dec	International Trade Chapter 19: International Trade and Trade Policy Chapter 34: The International Financial System
T	10-Dec	International Trade and Capital Mobility Chapter 35: Policy in the Open Economy Chapter 36: Development and Transition