

Finance 613: Macroeconomics and the Global Economic Environment

Prof. Ali Shourideh
Spring 2014

Course Description

Finance 613 is a course in macroeconomic analysis and policy in the context of globally integrated economies.

Its purpose is to train students to think systematically about the current state of the economy and macroeconomic policy, and to be able to evaluate the economic environment within which business and financial decisions are made. The course emphasizes the use of economic theory to understand the workings of financial markets and the operation and impact of government policies. Specifically, we study the determinants of the level of national income, employment, investment, interest rates, the supply of money, inflation, exchange rates, and the formulation and operation of stabilization policies. The exact structure of the class and topic coverage will be linked to the current economic issues around the world.

A provisional schedule of topics and readings is attached. Changes to this may be announced during the semester.

Course Material

- The required textbook is Macroeconomics by **Abel, Bernanke, and Croushore [ABC]** (Addison-Wesley, **8th edition, 2013**). It is available in the Bookstore.
- The lecture notes and other course material (e.g. additional readings) will be available on course website that is accessed through Canvas: <https://wharton.instructure.com> To enter the site, you will need to have a Wharton account. If you do not have a Wharton account, you can apply for one online at <http://accounts.wharton.upenn.edu>. You are expected to consult this website regularly and keep current with the posted content.

Students should also follow related current events. While no subscription to any particular source is required, the following are good choices: the Wall Street Journal, the New York Times, the Economist, or the Financial Times.

Problem Sets

Canvas contains suggested 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 collected and graded.

Graded Materials

Your course grade will be based on your performance on the midterm and final exams, the Economic Update Project and Macro Policy Simulation, and Quizzes.

Exams

There will be one midterm and a final examination. The exams will be closed-book and closed-note. You may bring a single double-sided "cheat sheet" (no larger than 8.5" x 11") to the midterm exam, and you may bring two double-sided "cheat sheets" (again no larger than 8.5" x 11") to the final exam. The final exam will be cumulative over the material from the entire course.

Schedule of Exams

The midterm exam will be administered on Monday, March 3rd, 2014 at 6pm.

The final exam will be given during the final exam period as scheduled by the registrar. The tentative date of this exam is Tuesday, May 7.

Students should take note of the following paragraphs from the MBA Resource Guide 2013-2014 (<http://www.wharton.upenn.edu/mbaresource/misc/academic-policies.cfm>):

"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 University website (Pennbook) for policies covering absences resulting from religious observances. You should never approach your instructors with requests to reschedule exams or to make special accommodations. [underline added]

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."**

Regrading of Exams

Any requests for regrading of exams must be submitted in writing **within one week** from the date that exams are returned in class, and must be accompanied by the Regrade Request form and Statement of Honesty in Regrade Request form, which are available on Canvas (click on "Pages" for a list of Course Resources that includes links to these forms). The one-week period for submission of exams for regrading begins on the date that the exams are returned in class, not on the date that 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. Requests for regrading must be very specific. Do not mark or make notes on your exam, and do not alter in any way the answers to the questions. **Such alterations will be construed as violations of the Code of Academic Integrity and may be referred for disciplinary action.** When you request a regrade, I retain the right to regrade your entire exam. Please be aware that your exam score may fall as a result of regrading, if I determine that you received too many points for the question(s) you identify, or for other questions on the exam.

Macro Policy Simulation

On April 17th, 2014, we will have a Macro Policy Simulation. The Macro Policy Simulation will be conducted as a tournament. Winning teams will receive bonus points on the final exam and will be asked to discuss their decision making process.

Economic Update Project

The Economic Update Project is a group assignment involving a short in-class presentation summarizing current economic conditions in the US as well as global economic conditions. Further instructions will be provided in class.

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 below:

Quiz No.	Topic	Due Date at 9AM on
1	National Income Accounts	Jan 21st, 2014
2	Production, Employment, Unemployment	Feb 11th, 2014
3	Consumption and Saving	Feb 18th, 2014
4	Investment and Goods Market Equilibrium	Feb 25th, 2014
5	Open Economy	Mar 4th, 2014
6	Money and Asset Markets	Mar 25th, 2014
7	IS-LM	April 1st, 2014
8	Inflation and Unemployment	April 8th, 2014
9	Monetary Policy and Fed	April 15th, 2014
10	Macro Policy in the Open Economy	April 22nd, 2014
11	Government and Fiscal Policy	April 29th, 2014

Course Grade

The course grade will be based on the following: Exams 85%, Quizzes 10%, Economic Update Project 5%.

The exam component of the grade will be calculated as follows: The midterm exam will count as one grade and the final exam (including bonus points from the Macro Policy Simulation) will count as two grades. The lowest grade among these three grades will be dropped. The policy of dropping the lowest exam grade provides insurance against having a bad day or against being unable to attend the midterm exam. Because this insurance is being provided to you, there will be **NO MAKE-UP EXAM FOR THE MIDTERM EXAM FOR ANY REASON.** If you miss the midterm exam for any reason whatsoever, then you can simply use your insurance policy to drop that exam; in that case, the exam component of your course grade will be based solely on the final exam.

The quiz/graded homework component will be calculated as follows: The lowest quiz/graded homework grade will be dropped. The quiz/graded homework component will be based on the remaining quizzes/graded homeworks.

Office Hours

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

Contact Information

Office location: Steinberg Hall/Dietrich Hall 2322 Email: shouride@wharton.upenn.edu

Teaching Assistants

Sonali Goila, Email: gsonali@wharton.upenn.edu

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Class Outline

Details of this outline are subject to change, as announced in class and posted on Canvas.

1	1/14/14	Introduction and Overview (Ch. 1)
2	1/16/14	National Income Accounting (Ch. 2)
3	1/21/14	Asset Prices and Economic News
	1/23/14	Focused Recruiting Period - No class
	1/28/14	Focused Recruiting Period - No class
	1/30/14	Focused Recruiting Period - No class
4	2/4/14	Productivity and Employment (Ch. 3.1, 3.2, 3.4)
5	2/6/14	Labor Supply and Unemployment (Ch. 3.3, 3.5, 3.6)
6	2/11/14	Consumption and Saving I (Ch. 4.1)
7	2/13/14	Consumption and Saving II (Ch. 4.1)
8	2/18/14	Investment and Goods Market Equilibrium (Ch. 4.2, 4.3)
9	2/20/14	A Framework for the Open Economy (Ch. 5.1,5.2)
10	2/25/14	Investment and the Current Account (Ch. 5.3-5.5)
11	2/27/14	Asset Markets, Money and Prices (Ch. 7)
	3/3/14	Mid-term Exam
	3/4/14	No Class
	3/6/14	Q3 Core Exams - No Class
	3/11/14	Spring Break
	3/13/14	Spring Break
12	3/18/14	Asset Returns and Prices
13	3/20/14	IS-LM Model (Ch. 8, 9.1-9.5)
14	3/25/14	IS-LM Model 2 (Ch. 10)
15	3/27/14	Inflation and Unemployment (Ch. 12)
16	4/1/14	The Federal Reserve System and US Monetary Policy (Ch. 14.1-14.2)
17	4/3/14	Monetary Policy Rules and Unconventional Monetary Policies (Ch. 14.3 and Ch. 15.4)
18	4/8/14	Exchange Rates (Ch. 13.1-13.2)
19	4/9/14	Class meets on Wed afternoon Richard Fisher President of FRB Dallas
	4/10/14	No Class
20	4/15/14	Macro Policy in the Open Economy (Ch. 13.3-13.5)
21	4/17/14	Macro Policy Simulation
22	4/22/14	Fixed Exchange Rates and Currency Crises (Ch. 13.5)
23	4/24/14	The Government and Fiscal Policy (Ch. 15.1-15.3)

Current Policy Topics

In each class, I discuss a current policy topic related to the topic of the day. A tentative list of policy topics is as follows:

1	1/14/14	Macroeconomic Data Sources
2	1/16/14	Interpreting GDP Releases/GDP and Happiness
3	1/21/14	Forecastability of Asset Prices
4	2/4/14	Minimum Wage
5	2/6/14	Jobless Recoveries/Taxing the Rich
6	2/11/14	The Future of Social Security
7	2/13/14	Tax Incentives to IRAs/Taxing capital; Is it a good idea?
8	2/18/14	Is Growth Over for Good?
9	2/20/14	Outsourcing
10	2/25/14	Current Account Balance in Mexico and Greece
11	2/27/14	Indexed Bonds
12	3/18/14	Bubbles
13	3/20/14	
14	3/25/14	Hyperinflations/Forecasts of the Price level
15	3/27/14	Political Business Cycles
16	4/1/14	Taylor Rule/Inflation Targeting
17	4/3/14	Quantitative Easing and Inflation
18	4/8/14	Is the Yuan Overvalued?
20	4/15/14	TBA
22	4/22/14	TBA
23	4/24/14	TBA