

The Wharton School
University of Pennsylvania
Finance Department

Syllabus

Finance 103
Business Economics (Honors)

Fall 2004
Profs. M. Asher & W. Whitney

Required Text and Other Materials:

Joseph E. Stiglitz & Carl E. Walsh, *Economics*, 3rd Ed., Norton, 2002
Schultze, Charles L., *Memos to the President*, Brookings Institution, 1992.
Bulk pack of readings
The Wall Street Journal or *Financial Times* (including online version)

Optional Materials:

Jevons, Marshall, *Murder at the Margin*, Princeton University Press, 1993
Sutton, John, *Marshall's Tendencies: What Can Economists Know?* MIT Press, 2002
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

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%	Wednesday, September 29, 2004, <u>6:00 p.m.</u>
Exam (Midterm)	25%	Thursday evening, October 21, 2004, <u>6:00 p.m.</u>
Industry Study	7.5%	Tuesday, November 2, 2004
Class Participation	2.5%	

Macroeconomics:

Paper	15%	Thursday, December 9, 2004
Exam (Final)	35%	Tuesday, December 21, 2004, <u>8:30-10:30 a.m.</u>

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 will 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:	Tuesdays and Thursdays, 9:00-10:00 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)

Prof. Whitney

Days and Times:	Wednesdays 11:00 a.m.–3:00 p.m.
Office Location:	412 SHDH
Office Phone:	215-573-3737
Email:	whitneyw@wharton.upenn.edu

FINANCE 103 READING LIST & ASSIGNMENTS – PART I

Bill Whitney

- Week 1:** **Sept. 9**
Getting Organized
Murder at the Margin
Bulkpack Readings 1 & 3
- Week 2:** **Sept. 14 & 16**
Introduction
Chapter 1: Economics and the New Economy
Chapter 2: Thinking Like an Economist
Chapter 3: Trade
Bulkpack Readings 8, 9 & 10
- Week 3:** **Sept. 21 & 23**
Perfect Product Markets
Chapter 4: Demand, Supply, and Price
Chapter 5: Using Demand and Supply
Chapter 6: The Consumption Decision
- Week 4:** **Sept. 28 & 30**
Perfect Resource Markets
Chapter 7: The Firm's Costs
Chapter 8: The Competitive Firm
Chapter 9: Labor and Capital Markets
SEPT. 29, 6-8 p.m. -- QUIZ COVERING CHAPTERS 1-6
- Week 5:** **Oct. 5 & Oct. 7**
General Equilibrium
Chapter 10: The Efficiency of Competitive Markets
Imperfect Markets (Introduction)
Chapter 11: Introduction to Imperfect Markets
Chapter 12: Monopoly, Monopolistic Competition, and Oligopoly
Chapter 19: Strategic Behavior
- Week 6:** **Oct. 12 & 14**
Imperfect Markets (Continued)
Bulkpack Readings 4-5 & 7
- Week 7:** **Oct. 19 & 21**
The Role of Government
Chapter 13: Government Policies Toward Competition
Chapter 14: Imperfect Information and the Product Market
Chapter 15: Imperfections and the Labor Market
Chapter 16: The Public Sector
Review
Bulkpack Reading 2 & 6

THURSDAY EVENING, OCT. 21, 6-9 p.m.: MICROECONOMICS MIDTERM covering textbook and bulkpack readings

DUE TUESDAY, NOV. 2: INDUSTRY STUDY based on bulkpack readings 4 & 5

FINANCE 103 READING LIST & ASSIGNMENTS – PART II

Martin Asher

- Week 8:** **Oct. 26 & 28**
NO CLASS ON OCT. 26 – FALL BREAK
Introduction to Macroeconomics: National Income Accounting
Chapter 22: Macroeconomics and the Macroeconomy
Chapter 23: Macroeconomic Goals and Measures
- Week 9:** **Nov. 2 & 4**
The Full-Employment Model
Chapter 24: The Full-Employment Model
Chapter 26: Government Finance and the Open Economy at Full-Employment
Michael J. Boskin, Ellen R. Dulberger, Robert J. Gordon, Zvi Griliches, and Dale W. Jorgenson, "Consumer Prices, the Consumer Price Index, and the Cost of Living"
JEP, Winter 1998, pp. 3-26.
- Week 10:** **Nov. 9 & 11**
Economic Growth: Saving, Capital Formation, and Productivity
Chapter 27: Growth and Productivity
Memos, #20: The Supply of GNP: The Fundamentals of Long-Term Growth
Memos, #21: The Sources of Economic Growth and How Important Each One Is
Memos, #22: Saving, Investment, and Capital Formation
Memos, #23: Raising National Saving and Investment: A Target for the 1990s
Memos, #24: Increasing National Saving and Investment: Some Guiding Principles
Memos, #27: Education
Memos, #28: Technological Advance
- Weeks 11-12:** **Nov. 16, 18 & 23**
Macroeconomic Fluctuations
Chapter 28: Introduction to Macroeconomic Fluctuations
Chapter 30: Aggregate Demand and Inflation
- Weeks 12-14:** **Nov. (25), 30, & Dec. 7 (No class on Nov. 25 – Thanksgiving)**
Stabilization Policy and Its Effects on Long-Run Growth
Chapter 25: Money, Banking, and Credit
Chapter 32: The Role of Macroeconomic Policy
Chapter 36: Government Fiscal Policy, Deficits, and Surpluses
Memos, #16: Monetary Policy: The Tools of the Federal Reserve
Memos, #17: Monetary Policy: What It Can and Cannot Do
Memos, #18: Fiscal Policy: The Federal Budget and Its Stabilization Features
Memos, #19: Fiscal Policy: Using the Budget to Influence GNP
Memos, #29: A Summary of These Memos and How They Differ from What Others Have Told You
- Week 14:** **Dec. 9**
The Dynamics of Adjustment
Chapter 31: Inflation and Unemployment
Chapter 35: Controversies in Macroeconomic Policy
Memos, #11: Inflation: History, Measurement, and Economic and Political Costs
Memos, #12: The Causes of Inflation and the Inflation-Unemployment Trade-Off
Memos, #13: The Stubbornness of Inflation and Its Consequences
Memos, #14: Unemployment: Who, How Long, Why
Memos, #15: The Full-Employment Level of Unemployment

Paper Assignment on Macroeconomic/Global Issues:

A paper assignment regarding issues of a macroeconomic and global nature will be distributed later in the course. It will cover, among other things, the following material found in the text and bulkpack. It may cover additional material.

International Trade

Chapter 18: Trade Policy

Chapter 33: Policy in the Open Economy

Memos, #10: Exchange Rates, the Trade Balance, and the U.S. Economy

Robert C. Feenstra, "Integration of Trade and Disintegration of Production in the Global Economy" *JEP*, Fall 1998, pp. 31-50.

Dani Rodrik, "Symposium on Globalization in Perspective: An Introduction" *JEP*, Fall 1998, pp. 3-8.

Anne O. Krueger, "Are Preferential Trading Arrangements Trade- Liberalizing or Protectionist?" *JEP*, Fall 1999, pp. 105-124.

Capital Mobility and Globalization in Perspective

Chapter 34: The International Financial System

Memos, # 9: Exports, Imports, and International Investment

Maurice Obstfeld, "The Global Capital Market: Benefactor or Menace?" *JEP*, Fall 1998, pp. 9-30.

Dani Rodrik, "How Far Will International Economic Integration Go?" *JEP*, Winter 2000, pp. 177-186.