

**The Wharton School**  
**University of Pennsylvania**  
**Finance Department**

**Syllabus**

Finance 103  
Business Economics (Honors)

Fall 2007  
Prof. M. Asher & W. Whitney

---

**Required Text and Other Materials:**

Joseph E. Stiglitz & Carl E. Walsh, *Economics*, 4th Ed., Norton, 2006  
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 evening, September 26, 2007, <b><u>6:00 p.m.</u></b>
Exam (Midterm)	25%	Wednesday evening, October 24, 2007, <b><u>6:00 p.m.</u></b>
Industry Study	7.5%	Tuesday, November 13, 2007
Class Participation	2.5%	
Macroeconomics:		
Paper	15%	Thursday, December 6, 2007
Exam (Final)	35%	Monday, December, 17, 2007, <b><u>12:00 - 2:00 p.m.</u></b>

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: 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](mailto: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](mailto:whitneyw@wharton.upenn.edu)

## FINANCE 103 READING LIST & ASSIGNMENTS – PART I

Bill Whitney

- Week 1:**       **Sept. 6**  
**Getting Organized**  
Murder at the Margin (Optional)  
Bulkpack Readings 1-3, 14
- Week 2:**       **Sept. 11 & 13**  
**Introduction**  
Chapter 1: Economics and the New Economy  
Chapter 2: Thinking Like an Economist  
Bulkpack Readings 4, 5, 16a, 16b, 16c
- Week 3:**       **Sept. 18 & 20**  
**Perfect Product Markets**  
Chapter 3: Trade  
Chapter 4: Demand, Supply, and Price  
Bulkpack Readings 6, 9, 16d, 16e
- Week 4:**       **Sept. 25 & 27**  
**Perfect Resource Markets**  
Chapter 5: Using Demand and Supply  
Chapter 6: The Consumption Decision  
Chapter 7: The Firm's Costs  
Chapter 8: The Competitive Firm  
Chapter 9: Labor and Capital Markets  
**SEPT. 26, 6-8 p.m. -- QUIZ COVERING CLASSES 1-5**
- Week 5:**       **Oct. 2 & 4**  
**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
- Week 6:**       **Oct. 9 & 11**  
**Imperfect Markets (Continued)**  
Bulkpack Readings 10, 11
- Weeks 7-8:**   **Oct. 16 & 18 & 23 [NO CLASS ON OCT. 16 – FALL BREAK]**  
**The Role of Government/Strategic Imperfect Competition**  
Chapter 13: Government Policies Toward Competition (to p. 299)  
Chapter 14: Imperfect Information and the Product Market  
Chapter 19: Strategic Behavior  
Chapter 20: Technological Change  
**Review**  
Bulkpack Readings 7, 13, 15, 16f, 16g and Sutton, Chapter 3(optional)

**WEDNESDAY EVENING, OCT. 24, 6-10 p.m.: MICROECONOMICS MIDTERM** covering textbook and bulkpack readings

**DUE TUESDAY, NOV. 13: INDUSTRY STUDY** based on bulkpack readings 4 & 5

## FINANCE 103 READING LIST & ASSIGNMENTS – PART II

Martin Asher

- Weeks 8-9: Oct. 25 & Oct. 30**  
**Introduction to Macroeconomics: National Income Accounting**  
Chapter 22: Macroeconomics and the Macroeconomy  
Chapter 23: Macroeconomic Goals and Measures
- Weeks 9-10: Nov. 1 & 6**  
**The Full-Employment Model**  
Chapter 24: The Full-Employment Model  
Chapter 25: Government Finance at Full-Employment  
Chapter 26: The Open Economy at Full-Employment
- Weeks 10-11: Nov. 8 & 13**  
**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 11-13: Nov. 15, 20 & 27 (No class on Nov. 22 – Thanksgiving)**  
**Macroeconomic Fluctuations**  
Chapter 29: Introduction to Macroeconomic Fluctuations  
*Chapter 30: Aggregate Expenditure and Income (skim as described in class)*  
Chapter 31: Aggregate Demand and Inflation
- Weeks 13-14: Nov. 29 & Dec. 4**  
**Stabilization Policy and Its Effects on Long-Run Growth**  
Chapter 28: Money, the Price Level, and the Federal Reserve  
Chapter 32: The Federal Reserve and Interest Rates  
Chapter 33: The Role of Macroeconomic Policy  
*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. 6**  
**The Dynamics of Adjustment**  
Chapter 37: Inflation and Unemployment  
Chapter 38: 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, international macroeconomic issues, such as contained in the following materials.

#### **International Trade [Tentative; Separate assignment will be handed out when finalized]**

Chapter 19: International Trade and Trade Policy

Chapter 34: The International Financial System

Chapter 35: Policy in the Open Economy

Chapter 36: Development and Transition

*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.