FINANCE 602/101
MACROECONOMICS AND FINANCIAL MARKETS

The University of Pennsylvania
The Wharton School

Prof. Jeremy J. Siegel                                    Spring, 2010
-----------------------------------------------------------------------------------------------------------------
Required Purchase

CP  Course Pack of Readings and Lecture Notes from Wharton Reprographics
-----------------------------------------------------------------------------------------------------------------

Course Description

This course presents the analysis of macroeconomic theory with a current events perspective. The material in the class concentrates on lecture notes, which are the primary learning source, and readings from a course packet of articles drawn from journals, magazines, newspapers, and other economic publications.

# FNCE 602/101

## MACROECONOMICS AND FINANCIAL MARKETS

### WEEKLY ASSIGNMENTS

<table>
<thead>
<tr>
<th>Date</th>
<th>Class</th>
<th>Topics and Assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 18</td>
<td></td>
<td>NO CLASS – Martin Luther King Holiday</td>
</tr>
<tr>
<td>January 20</td>
<td></td>
<td>Econ Stat (cont’d), Price Indices, RN 15-23;</td>
</tr>
<tr>
<td>January 25, 27</td>
<td></td>
<td>Government Budgets, Social Security, and Future Demographic Trends; RN 24-27 PS #1 (GDP &amp; Price Indices)</td>
</tr>
<tr>
<td>February 1, 3</td>
<td></td>
<td>Monetary Policy; Fed Funds Rate, RN 28-47</td>
</tr>
<tr>
<td>February 8, 10</td>
<td></td>
<td>NO CLASS – DEDICATED INTERVIEW PERIOD</td>
</tr>
<tr>
<td>February 15, 17</td>
<td></td>
<td>Central Bank Structure, RN 28-38</td>
</tr>
<tr>
<td>March 1,</td>
<td></td>
<td>Term Structure of Interest Rates, RN 60-67 PS #2 (Money Supply)</td>
</tr>
<tr>
<td>March 3</td>
<td></td>
<td>No Class, MBA Midterm Week</td>
</tr>
</tbody>
</table>
WEEK OF:              TOPICS AND ASSIGNMENTS

March 8, 10          NO CLASSES -- SPRING BREAK

March 15, 17         Equilibrium with money and goods
                      RN 68-81
                      PS #3 (Interest Rates)

March 22, 24         Equilibrium with money and goods cont.
                      PS#4 (Term Structure)

March 25             MIDTERM, Thursday MARCH 25   6-8:00P

March 29, 31         Money and Inflation
                      RN 82-88
                      PS#5 (Aggregate Demand)

April 5,7             Reactions of Financial Markets
                      RN  89-100
                      PS #6 (Money and Inflation)

April 12, 14          Price Level in a DD-RR Model
                      RN 101-114
                      PS #7 (Financial Markets)

April 19, 21          Phillip's Curve and Government Policy
                      Balance of Payments
                      PS #8 (Flexible Price DDRR Model)

April 26              Theory of Exchange Rates
                      RN 114-125
                      PS  #9 (Int. Exch. Rates)
                      RN 115-126

MAY 6                 FINAL EXAMINATION
                      Monday May 3, 6:00 – 8:00 p.m.
## PROBLEM SETS AND EXAMS
### COMPLETION DATES

<table>
<thead>
<tr>
<th>Number</th>
<th>Topic</th>
<th>When Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>GDP and Price Indices</td>
<td>Feb 7</td>
</tr>
<tr>
<td>2</td>
<td>Monetary Policy</td>
<td>Mar 1</td>
</tr>
<tr>
<td>3</td>
<td>Interest Rates</td>
<td>Mar 17</td>
</tr>
<tr>
<td>4</td>
<td>Term Structure</td>
<td>Mar 24</td>
</tr>
<tr>
<td></td>
<td><strong>MIDTERM</strong></td>
<td><strong>March 25</strong>&lt;br&gt;6:00 – 8:00 p.m.</td>
</tr>
<tr>
<td>5</td>
<td>Aggregate Demand</td>
<td>Mar 31</td>
</tr>
<tr>
<td>6</td>
<td>Money and Prices</td>
<td>Apr 7</td>
</tr>
<tr>
<td>7</td>
<td>Financial Markets</td>
<td>Apr 14</td>
</tr>
<tr>
<td>8</td>
<td>Flexible price DDRR</td>
<td>Apr 21</td>
</tr>
<tr>
<td>9</td>
<td>Exchange rates, PPP, and Interest Rate Parity</td>
<td>-----</td>
</tr>
<tr>
<td></td>
<td><strong>FINAL EXAMINATION</strong></td>
<td><strong>May 3</strong>&lt;br&gt;6:00 – 8:00 p.m.</td>
</tr>
</tbody>
</table>
COURSE FACTS

Professor Jeremy J. Siegel
SH-DH 2251 Ph 215-898-7742
E-mail Siegel@wharton.upenn.edu
Webcafe: https://webcafe.wharton.upenn.edu/eRoom/fnce/602-sp10-2

Office Hours: Tu 11:00 - 12:00 and by appointment

Teaching Assistants are located in SH/DH 2305
2nd Floor, turn right after entering Finance Department, TA Cubicles are located just beyond the Conference Room

EACH STUDENT WILL HAVE A FOLDER IN THE FILE CABINETS LOCATED ACROSS FROM THE TA CUBICLES MARKED SIEGEL 602/101. ALL EXAMS AND PROBLEM SETS WILL BE HANDED OUT IN THESE FOLDERS. DO NOT SEARCH FOR THEM IN STEINBER-DIETRICH OR HUNTSMAN HALLS

Problem Sets can be handed in during class or in the file cabinets marked SIEGEL 602 located opposite the TA cubicles

Office Hours and teaching schedule for TAs will be handed out during the second week of classes.

PROBLEM SETS

Problem sets must be handed in; they are graded and are designed as learning tools. They are more analytical than questions on the exams, although exam questions are often patterned after questions taken from the problem sets.

Students may work in groups to solve the problem sets but must hand them in individually. Worksheets cannot be shared. Students violating these rules will be considered to have cheated and will be treated accordingly.

EXAMINATIONS

Examinations are based on understanding and not memorization. All formulas will be provided on the examination sheets. The examinations are closed book, except students, if they wish, may bring in notes covering one, and only one side of an 8 ½ by 11 inch piece of paper for the midterm and two sides for the final examination. The final examination is cumulative.

One hand-held calculator may be brought into the examinations. All cell phones and other communications devices must be completely off and stowed.

Re-grade policy found on the next page.

There will be no make-ups for the final examination. Students who know in advance that, because of their schedule, they cannot sit for the May 6 final examination must drop the course.

Students who wish to subscribe to The Wall Street Journal should use the following hyperlink http://subscribe.wsj.com/semester or for Barron's to http://barron's.com/student

Please include my name as the Instructor.
GRADING IN COURSE

There are 200 total points (TP) in the course. Ten percent or 20 points will be allocated to the problem sets (PS) and 90% or 180 points to exams. Of the exams, the midterm (MT) will be 40% (or 72 points) and the final examination (F) will count for 60% (or 108 points).

You cannot do worse than your performance on the final examination.

Total Points (TP) in course will be computed as:

\[ TP = \text{Max} [MT, \frac{2F}{3}] + \text{Max} [PS, 0.185F] + F. \]

Course grade will be based on Total Points.

EXAM REGRADE POLICY

Re-grades will only be considered if a student writes in detail on a separate piece of paper why he or she deserves more points on a certain question. Such a request must come after carefully reading and understanding the answers given in the answer sheet for the exam, which will be posted on my website. This explanation must accompany your exam for a regrade.

If any question on the exam is submitted for a re-grade, the ENTIRE EXAM WILL BE RE-GRADED to make sure the proper grade has been given. Therefore it is possible to lose points on other questions even if you gain on the question submitted. For that reason, it usually does not pay to submit for one or two points unless you are confident of all the points allotted on your other questions. A tough grade on one question is often offset by an easy grade on another.

EXAMS RESUBMITTED BECAUSE OF AN ADDING MISTAKE WILL NOT HAVE THE QUESTIONS RE-GRADED.

I have learned that in almost all cases where a student asks for re-grades on 4 or 5 questions this means that the student is “fishing” for more points. I will not be sympathetic to such requests.

Please limit re-grades to those question(s) that you specifically believe have been mis-graded.

As stated in (2.) above, if any question is submitted for re-grade, the entire exam will be re-graded.

Deadline for submission of re-grades will be two weeks following the date of the examination. Re-grade requests can be submitted in class or placed in my mailbox in the Finance Department.