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**Course Description:** Finance 101 is an intermediate-level course in macroeconomics, with a particular attention on monetary and international economics. The objective of the course is to develop a coherent framework for analyzing macroeconomic events (e.g. recessions and booms) and macroeconomic policies (e.g. monetary and fiscal policy). We apply this framework to understanding behavior of consumers and producers, and their interaction with financial markets and the government. Furthermore, we corroborate the analytical framework with real-world applications, ranging from the United States' historical experience to cross-country comparisons, to the 2008-09 financial crisis.

The course consists of three main parts. In **Part I** we will develop the foundations of goods, labor and capital markets. **Part II** puts the pieces together to develop the model of the entire economy. We will use this framework to study (i) business cycle fluctuations of GDP and its components, as well as prices, such as inflation and interest rates; (ii) long-run growth. **Part III** of the course extends the analysis of the aggregate economy to international setting. Here we will focus on exchange rates, current account and global imbalances. We will also take a deeper look at monetary policy and develop insight in the 2008-09 financial crisis.

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

### Course materials:

Majority of the course materials will come from three sources: class notes, the textbook, and the course readings.

#### 1. Class notes:

The class has a webCafé room that can be accessed through  
<https://webcafe.wharton.upenn.edu/eRoom/fnce/101-fa11-1>.

All class notes will be posted there. You need to have a Wharton account to enter the site. If you do not have a Wharton account, you can apply online at <http://accounts.wharton.upenn.edu>. I will do my best to post class notes in webCafé in advance of the lectures – the evening before the class, at the latest. The class notes will often contain important empirical facts about the macroeconomy. We will use these facts to motivate key questions, guide model choices and evaluate the usefulness of various models in understanding real life situations. The lecture notes should be downloaded and printed from the course website before each class. Note that the lecture notes are not intended to be substitutes for reading the text.

## 2. **Textbook:**

The required text is "Macroeconomics" by Andrew Abel, Ben Bernanke, and Dean Croushore [ABC] (Addison-Wesley, 7th edition, 2011), available for purchase at the Penn Bookstore. The 7th edition is brand new and contains substantial changes over the previous 6th edition. Students who want to use the 6th edition are responsible for the changes in the 7th edition. The book is accompanied by a study guide and an interactive website called MyEconLab. These additions are not required material for the class but you may benefit from using them for practice questions.

## 3. **Course readings and other materials:**

Course readings will draw on a number of sources. Majority of the readings will come from the Economist magazine. All assigned articles from the Economist can be accessed using Penn library subscription. You should be able to gain free access to all the Economist's content from an on-campus computer. Just perform a search for the title of the article and that should be enough to retrieve the full text. In addition, an obligatory course pack with readings is available on <http://www.study.net> (from where you can order a hard copy printed by Wharton Reprographics). Any additional readings will be posted on the course webpage at webCafé. All readings are mandatory and may be included in the exams.

Occasionally I will also post questions from students and my answers to them on webCafé (with any identifying information about the student removed). If you do not want your questions to be posted on the webCafé, please be explicit about this when sending me an email.

**Grading:** Homeworks (15%), Examinations (75%), Global Analysis Project (10%).

## 1. **Problem sets:**

There will be 5-6 problem sets assigned in the duration of the course. These problem sets will give you an opportunity to apply the concepts and theory presented in class and make sure you understand the topics. I advise you to work through all of the problems to prepare for the exams. No late problem sets will be accepted and no re-grade requests will be entertained. All problem sets have to be completed and submitted by each student individually.

## 2. **Midterm exams:**

Midterm exams are scheduled as follows:

1. The first Midterm exam is scheduled for the evening of **Thursday, October 13**.
2. The second Midterm exam is scheduled for the evening of **Tuesday, November 15**.

All examinations are comprehensive and closed book except for a single 8.5" x 11" sheet of notes for the first midterm, two sheets of notes for the second midterm, and three sheets for the final exam. Calculators are permitted, except cell phone calculators.

The final exam will be assigned twice the weight of the midterm exams, yielding effectively four exam grades. The total "examination grade" will be computed as the average of the best three out of the four grades. This formula provides a great deal of insurance against both scheduling conflicts (inability to attend a midterm) and anomalous performance (a bad day). As a result, no requests to reschedule or retake a midterm will be entertained unless specifically mandated by university policy. If you miss one midterm for any reason whatsoever, you can simply use your insurance policy and drop that exam.

### 3. **Final exam:**

Final exam will be scheduled by the Registrar during the final examination period. The final exam can be rescheduled only if required by university policy, and only during the official make-up period. Any request for make-up exams as well as notification of disability accommodations must be received **at least one week before the final exam** (in case of serious illness on the day of the final exam, you must notify me **before the exam begins** and provide an official doctor's note as soon as possible afterwards). If you do not contact me in advance, you will fail the course.

### 4. **Re-grading policy:**

Regrade requests must be submitted using the official Regrade Request form posted on webCafé and must be accompanied by your exam copy. Requests must be submitted within **seven days** from the date the examination is returned (irrespective of whether you actually pick up the exam on that date or not). For any regrade request the entire exam will be regraded. Any alteration of the exam is therefore strictly forbidden and will be considered as a violation to the Code of Academic Integrity.

### 5. **Global Analysis Project:**

This is a group assignment designed to promote team work. Each group will give an in-class presentation applying the course material to analyze the macroeconomic situation of a foreign country. All members of a group will receive the same grade, independent of individual performance. Details on the project will be provided in class.

## **Academic Integrity**

For every exam, problem set, etc., even if not explicitly stated, the honor code is always in effect. All relevant University policies regarding Academic Integrity must be followed strictly. Please consult the Code of Academic Integrity for details: <http://www.vpul.upenn.edu/osl/acadint.html>

## **Contact, office hours and other**

Office hours with the professor and the TAs will be announced in class and posted on webCafé. If you cannot make it to any of the office hours, you may make a personal appointment by email. Most information, including frequently asked questions and interactive discussions, is posted on webCafé. For additional information, I can be reached by email at [hvik@wharton.upenn.edu](mailto:hvik@wharton.upenn.edu).

**Course outline (preliminary and subject to change):**

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

**0: Introduction to Macro Data**

1. Macroeconomics and the Global Economy: ABC Ch. 1
2. Macroeconomic Indicators and Asset Prices: ABC Ch. 2
3. Measuring Unemployment: ABC Ch 3.5
4. Business Cycles: Facts: ABC Ch. 8.1-8.3

**I. The Key Economic Markets**

1. Production and Productivity: ABC Ch. 3
2. Labor Demand and Supply; Labor Market Frictions: ABC Ch. 3
3. Consumption, Savings and Investment: ABC Ch. 4
4. International capital and goods markets: ABC Ch. 5
5. Money, Prices and Asset Markets: ABC Ch. 7

**II. The Aggregate Economy**

1. The IS-LM / AS-AD general framework: ABC Ch. 9
2. The Classical Model of Business Cycles: ABC Ch. 10
3. The Keynesian Model of Business Cycles: ABC Ch. 11
4. Unemployment and Inflation: ABC Ch. 12
5. Economic Growth: ABC Ch 6.1 and 6.3 (some parts of 6.2)

**III. International Macroeconomics and Macroeconomic Policies**

1. Monetary Policy and the Federal Reserve System: ABC Ch. 14
2. The Fed during the recent Financial Crisis: additional readings
3. Global Economy and Exchange Rates: ABC Ch. 13
4. Macroeconomic Policy in the Open Economy: ABC Ch.13