

University of Notre Dame

MBAE 60604 -- Macroeconomic Analysis Fall 2007

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Course Description:

This course is designed to provide students with a structured and analytically sound understanding of how the U.S. economy functions. Attention is given to understanding measures of economic performance -- productivity, economic growth, price stability, unemployment rates, interest rates, and government budget and international trade deficits -- and the information such measures convey. Prominent attention is given to how government (fiscal) policy and Federal Reserve (monetary) policy independently affect U.S. and world economic growth, unemployment, interest rates, and inflation rates. We will also examine factors that influence the supply side of the economy: technological change, the labor market, markets for intermediate inputs (such as oil), and the formation of expectations of wage and price inflation.

Course Methodology:

The course will use primarily interactive lectures and class discussion along with readings to help students develop a *systematic* analytical framework for understanding how the U.S. economy works. In the business world, most information about the state of the economy is absorbed through business publications, mass media, and discussions. Accordingly, an important objective of the course is that students be able -- using this systematic analytical framework -- to competently discuss orally and in writing economic activity, which ultimately impinges upon business decisions.

In support of this objective, written evaluations (projects and exams) will be primarily essay in nature. Class participation will account for 5% of the course grade. I will “cold call” in class; hence, students need to have read the assigned text chapters *before* class. One of two class projects will provide an opportunity to conduct realistic experiments using the FAIRMODEL -- a representative macroeconometric software model of the U.S. economy employed by many businesses to forecast economic trends.

Course Materials:

Lecture Notes.

Macroeconomics and the Global Business Environment, 2nd Ed., David Miles and Andrew Scott, Wiley, 2005.

Course Meetings:

Th., Sept. 6	Th., Nov. 8
Sat., Sept. 8	Wed., Dec. 5 (Review)
Th., Oct. 4	Th., Dec. 6 (Final Exam)
Sat., Oct. 6	

The following pages detail the materials that need to be read **before class**.

Course Evaluations:

The first project will be assigned on Sat, Sept. 8, is due in my office on Thurs., Sept. 27 (by Fedex), and counts for 20% of your grade. The second computer-based project with the FAIRMODEL will be assigned on Sat., Oct. 6, is due in my office on Thurs., Oct. 25, and counts for 30% of your grade. The final exam (2 hours) will be on Thurs., Dec. 6 and counts for 45% of your grade. Class participation will count 5%.

All projects should include the team name and list all members of the team on the cover page. All projects should be sent to me by Fedex (or equivalent) at:

Name:	Professor Jeffrey Bergstrand	(Phone 574-631-6761)
Company:	University of Notre Dame	
Address:	Mendoza College of Business, Room 338	
City, State:	Notre Dame, IN 46556	

Abbreviations:

M&S: Miles and Scott textbook.

General Outline of Course and Textbook Reading

Sessions 1 and 2: Th., Sept. 6 Sat., Sept. 8	LONG-RUN ECONOMIC ISSUES: Determinants of Long-Run Growth; National Income Accounting; Savings, Investment, the Real Interest Rate, and the Capital Stock; The Labor Market; Long-Run Equilibrium M&S, Chapters 1, 2, 3, 4 (excluding 4.7), 5, 7, 11.1-11.3, and 11.8
Sessions 3 and 4: Th., Oct. 4 Sat., Oct. 6	SHORT-RUN ECONOMIC ISSUES: Aggregate Demand; The Short-Run Keynesian Model; Financial Markets; Monetary Policy; Fiscal Policy; IS-LM Analysis M&S, Chapters 10, 11.4-11.7, 12.1-12.3, 12.6-12.9, 15
Session 5: Th., Nov. 8	UNDERSTANDING THE BUSINESS CYCLE: Integrating the Short-run, Medium-Run, and Long-Run M&S, Chapters 14 and 16
Sessions 6 and 7: Wed., Dec. 5 Th., Dec. 6	REVIEW SESSION FINAL EXAM