

Finance 30220

Macroeconomic Analysis

Spring 2010

John Stiver
231 Mendoza College of Business
Notre Dame, IN 46556
Phone: (574) 631-2803
Fax: (574) 631-5255
Email: jstiver@nd.edu
Web: www.nd.edu/~jstiver

Office Hours: T, TH 1:00-3:00 or by appt.

TAs: Amanda Clark (aclark5@nd.edu): Mon 2-4 PM, Tues 4-6PM

James Ouderkiirk (jouderki@nd.edu): Sun 4-6PM, Tues 6-8PM (Café Commons)

Class Objectives:

Macroeconomics is all about understanding the performance of national economies and designing policies to influence that economic performance. Over the course of the semester, we will address the following issues:

- *How can we measure economic performance?* Economists use a variety of statistics to measure the performance of the economy (unemployment, inflation, etc.). We will take a closer look at these statistics and discuss the strengths and weaknesses of these measurements.
- *What determines a country's long run rate of economic growth?* China is currently growing at a pace that is three times that of the US. Will China eventually surpass the US in standard of living? We will examine a simple model to explain a country's growth rate and discuss policies to increase a country's rate of economic growth.
- *What causes the business cycle?* While the US grows at an average rate of 3.5% per year, some years the US experiences well above average rates of growth while other years the US sees below average or even negative rates of growth. These regular fluctuations in economic performance are what we call the business cycle. We will attempt to explain the underlying cause of the business cycle by constructing a model of the US economy.

- *Can government policies be used to improve economic performance?* With our economic model in place, we will discuss two avenues by which the US government can influence the economy – fiscal policy and monetary policy.
- *How does being part of a global economy system influence a country's national economy?* Lastly, we will expand our economic model to allow a country to trade with the rest of the world. This will allow us to address the issues involved in globalization.

This course will help you:

- Understand how business and personal decisions interact with and are impacted by the U.S. economy.
- Work with economic performance measures such as productivity, economic growth, inflation, unemployment, and interest rates.
- Understand how these macroeconomic concepts are determined and interact
- Analyze the state of the economy—both its business cycles as well as longer term economic growth,
- Appreciate how government policy—both monetary and fiscal policy— influences U.S. and world economic growth and development.

Reading:

- Abel, Andrew, Bernanke, Ben and Dean Croushore [*Macroeconomics 6th Ed.*](#), Addison, Wesley, 2008
- [*The Wall Street Journal*](#)
- [*The Economist*](#)
- [*Business Week*](#)

Other Sources:

- Williamson, Stephen, *Macroeconomics*, Addison-Wesley, 2002
- Hall, Robert and John Taylor, *Macroeconomics 5th Ed.*, W.W Norton &Co.,1997
- Gordon, Robert, *Macroeconomics 8th Ed.*, Addison-Wesley, 2000
- Barro, Robert, *Macroeconomics; A Modern Approach*, Thomson-Southwestern, 2008
- Mankiw, N. Gregory, *Macroeconomics 6rd Ed.*, Worth Publishers, 2007.

Grading: There will be three non-cumulative exams given during the course as well as weekly quizzes. The quiz questions will look similar to the problem set questions available on the web site. The final grade will be computed as follows:

Highest two midterms	= 200
Quizzes	= 100
Total	300

There is also the possibility of random, unannounced quizzes, so attending class and keeping up with the material is very important. Bonus points will be awarded for exceptional class participation.

The median score (out of 300 points) will receive a 'B' for the course. The ranges for other grades will be at intervals around the median based on the class variance. For example, if the median score for the class is 230 (this is what I'm shooting for), a typical grade distribution might be as follows:

280 - 300:	A
260 - 280:	A-
240 - 260:	B+
220 - 240:	B
200 - 220:	B-
180 - 200:	C+
160 - 180:	C
140 - 160:	C-
120 - 140:	D
<120	: F

Honor Code: This course, like all other courses at Notre Dame, is subject to the *Academic Code of Honor*. Please read the Handbook to refresh your understanding of the code.

Course Content:

I: Introduction

- Abel/Bernanke, Chapter 1

II: Measuring the US Economy: Output and Inflation

- Abel/Bernanke, Chapters 2

III: Economic Growth

- Abel/Bernanke, Chapter 6

IV: Labor Markets

- Abel/Bernanke, Chapter 3

V: Capital Markets

- Abel/Bernanke, Chapter 4

VI: The Basic Real Business Cycle Model

- Abel/Bernanke, Chapters 8,10

VII: Money Markets and Nominal Prices

- Abel/Bernanke Chapter 7

VIII: IS-LM-FE Analysis

- Abel/Bernanke, Chapter 9

IX: Fiscal Policy: Government Spending, Taxation and Deficit Finance

- Abel/Bernanke, Chapter 15

X: The Federal Reserve and Monetary Policy

- Abel/Bernanke, Chapters 14

XI: International Macroeconomics

- Abel/Bernanke, Chapter 5, 13