**Econ. 111: Principles of Macroeconomics**

**California State University Channel Islands**

**Fall 2012**

**Dr. Ali Akbari Office Hours:**

Fall 2012 Friday : 9:00-10:00

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**Course Description:**

Macroeconomics studies human behavior at an aggregate level or as it pertains to the entire economy. Macroeconomics includes such topics as aggregate demand and supply, unemployment, inflation, monetary and fiscal policy, and government deficits and debt. "Macro" is the stuff of headlines, and of high policy - Congress and the budget, the Federal Reserve. Unlike microeconomics, which focuses on the behavior of rational actors, individually or in markets, macro deals with an entire economy. Macroeconomics is concerned mainly with the economic aggregates, or the economy as a whole. The subject matter of macroeconomics deals to a large extent with the problem of unemployment and inflation. In large these problems also influence the total output of society and distribution of this output. In short, Macroeconomics attempts to answer the truly "big" questions of economic life, that is, full employment, capacity or undercapacity production, a satisfactory or unsatisfactory rate of growth, inflation or price stability.

**About This Course**

Economics is an important subject. Those who master the theoretical knowledge of the discipline are able to wield a powerful set of tools capable of affecting, for better or for worse, the material welfare of vast millions of people. Economics helps you to understand the nature and organization of our society, the arguments underlying many of great public issues of the day, and the operation and behavior of business firms and other decision making units.

The course will alert you to the implications of macroeconomics situations for managerial and personal decisions you will be making in the years ahead. Then, real world examples and current issues are used to explain the theory.

The organization of markets and its implications for firm behavior are also examined. Moreover, the process by which these markets reach equilibrium is explored. Finally, it will be established that government involvement and intervention in the market are legitimized only when the market fails to function efficiently on its own.

**Required Texts and Course Materials**

“Principles of Macroeconomics", Gregory Mankiw, 6th Edition, **ISBN10**: 0-538-45304-4, **ISBN13**: 978-0-538-45304-2 , © 2012

**Grading and Evaluation**:

Each student will be given a grade reflecting the professor's evaluation of the student's mastery of the course material. The letter grade in the class will be determined by the combined points or the **Total Score** on the following exercises:

Percent Points

**(a) Midterm Exam 25% 250**

**(b) Three Quizez 24% 240**

***(The best 2 out of 3)***

**(c) Project 16% 160**

**(d) Final Exam 35% 350**

### TOTAL 100% 1,000 Points

Please note that the letter grade in the class will not be calculated as an average of the letter grades for each test/project. In fact, I will not assign any letter grades for each test or project. For each exam or computer project, you will simply get a **score** and not a letter grade. At the end of the semester, the total score is a weighted average of all exams and projects. The letter grade will be determined at the end of the semester by using a relative frequency distribution (curve) of the Total Score.

The following scale will be used to determine the letter grade:

|  |  |
| --- | --- |
| **Percentage** | **Letter grade** |
| 95 – 100% | A |
| 90 – 94.9 | A- |
| 87 – 89.9 | B+ |
| 83 – 86.9 | B |
| 80 – 82.9 | B- |
| 77 – 79.9 | C+ |
| 73 – 76.9 | C |
| 70 – 72.9 | C- |
| 67 – 69.9 | D+ |
| 63 – 66.9 | D |
| 60 – 62.9 | D- |

**Examination Policy**:

All aspects of the class are "fair game" for the examinations. Class discussions are included as a source. The final exam is cumulative. The student is expected to make every reasonable effort to take all the examinations at the scheduled time. **Make-up examinations will not be allowed under any circumstances**. If a midterm or a quize is missed for an approved reason, the final exam weight will be increased to compensate for the missed grade. Approved for missed examinations will be rare indeed, and only with appropriate written documentation from an authoritative source indicating why the student was unable (repeat: unable) to appear for an examination. Normally, only a doctor's certification of a severe medical problem will suffice.

**I will not accept any project or any document via e-mail**. Projects and term paper should be submitted the old fashioned method i.e. paper. All examinations and quizzes will be closed book. No student will be allowed to take the final examination at a time or place other than that scheduled for this course. Note: "leaving early to catch a plane home" and "conflicts in the exam schedule" are not sufficient reason to violate this policy.

**Class Sessions**:

Attendance and participation in class is expected and is a component of the final grade. The assigned problems and cases are intended to facilitate learning the concepts covered on each chapter. Homework will be assigned to assist the student in learning the material and preparing for the examinations. It is important to remember the more problems a student works, the better he/she should do on the examinations. You are also urged to solve study guide problems or other unassigned problems at the end of each chapter. At least one chapter will be discussed on each meeting (for detailed information, please look at the attached schedule). The assigned homework is due on the next meeting. It shall be assumed that students have read and are prepared to discuss the text assignments before coming to class, as well as any appropriate case or handout materials. There will be a total of three quizzes that will be given at three randomly selected times. **In general, email is the best way to get in contact with me.**

**Class Participation**:

Course content and tests will come from both the text and the lecture. In addition to overviewing the concepts developed in the text, class sessions will be devoted to probing, extending, and applying the text material and case studies. Each student is expected to contribute to class discussions. To a substantial extent, the benefit students derive from the assignments is related to their willingness to expose their viewpoint to the critical judgment of the class. Missing a class will put you at a significant disadvantage for both learning and performance in the class. Students are responsible for all announcements and material covered in class. If you must miss a class for some reason, recognize that it is your responsibility to get class notes and assignments from a classmate.

**Attendance is mandatory, that is, for each time you miss class your grade will go down by 15 points.** You will be exempt from the above policy only if: You have an emergency (e.g. car accident, illness or similar situation) and you provide a doctor’s letter or other appropriate documentation. You should bring the letter once you are back in class. Also, I should be notified regarding such conditions via email or phone, before class.

**Instructor/Student Interaction**:

If at any point during the course you have questions regarding the preparation of cases, exams or other course-related issues, please do not hesitate to contact the instructor. If scheduled office hours are inconvenient for you, contact the instructor after class to arrange an alternative appointment. Please talk to me about any problem relating to the course. Do not be reluctant to voice your opinion.

I care about your progress in the class, and if you are having difficulty, I would like to meet with you. It is my desire that this class will be a positive experience for you, and I want to help make it one. Please do not hesitate to contact me, either by phone or e-mail, for any reason whatsoever.

**Academic Honesty**

All work that students submit as their own work must, in fact, be their own work. Verbatim language taken from other sources -- books, papers, web sites, people, etc. -- must be placed in quotation marks and the source identified. Similarly, work on tests and exams must be the student's own work, not copied or taken from other students' work.

In accordance with the CSU Channel Islands policy on academic dishonesty, students in this course who submit the work of others as their own (plagiarize), cheat on tests or examinations, help other students cheat or plagiarize, or commit other acts of academic dishonesty will receive appropriate academic penalties, up to and including failing the course.

Assignments or papers with plagiarized language or ideas will receive a failing grade. Plagiarism or cheating on quizzes or exams will also result in a failing grade. In cases where the cheating or plagiarism was premeditated or planned, students may receive an F for the course.

Students are encouraged to consult with the instructor on when and how to document sources if they have questions about what might constitute an act of plagiarism or cheating.

Plagiarism, cheating, unethical computer use and facilitation of academic dishonest are examples of behavior which will result in disciplinary sanctions. Plagiarism includes, but is not limited to:

* word for word copying without using quotation marks or presenting the work as yours
* using the ideas or work of others without acknowledgement
* not citing quoted material. Students must cite sources for any information that is not either the result of original research or common knowledge.

**Learning objectives:**

At the end of this course, good students will be able to

* Explain the workings of the national economy
* Describe and apply the scientific method to macroeconomic behavior and the institutions within which that behavior occurs
* Measure aggregate levels of economic activity
* Describe the problems of unemployment and inflation
* Understand the basic macroeconomic models and the Business Cycle Theory
* Understand the workings of the US banking system and the role of Federal Reserve System
* Understand the tools of government fiscal policy
* Evaluate the costs and benefits of alternative forms of public policy
* Understand the basic elements of global economy

**Interesting Quotations about Economics**

*Blessed are the young, for they will inherit the national debt.*

***By: Herbert Hoover***

*An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.*

***By: Laurence J. Peter***

*Ask five economists and you'll get five different answers - six if one went to Harvard.*

***By: Edgar R. Fiedler***

*An economist is a man who states the obvious in terms of the incomprehensible.*

***By: Alfred A. Knopf***

*I've talked to you on a number of occasions about the economic problems our nation faces, and I am prepared to tell you it's in a hell of a mess—we're not connected to the press room yet, are we?*

***By: Ronald Reagan***

*The basic facts are straightforward, but interpretations vary.*

***By: Hazlett***

*There can be no real individual freedom in the presence of economic insecurity.*

***By: Chester Bowles (1901 - 1986)***

*If all economists were laid end to end, they would not reach a conclusion.*

***By: George Bernard Shaw (1856 - 1950)***

*Economics is extremely useful as a form of employment for economists.*

***By: John Kenneth Galbraith (1908 - 2006)***

*The last 2 quotations are: “I- I promise that the materials that you will learn in this class will help you in your future career. II- Trust me, it is not difficult to get an “A” in this course. All you have to do is: 1- Keep up with the course and do your homework* ***on time.*** *Remember, procrastination is your biggest enemy. 2- If you need help, I promise help is available.”*

*by Ali Akbari, Professor of Economics at CLU.*

**Tentative schedule**

Below is the tentative schedule for this course.

|  |  |  |
| --- | --- | --- |
| **Week** | **Friday** | **Chapters to be covered,**  Tests and Project Due Dates |
| 1 | 8/31/2012 | Introduction- Chapter 1 |
| 2 | 9/7/2012 | Chapter 2- Appendix |
| 3 | 9/14/2012 | Chapter 3, Chapter 4 |
| 4 | 9/21/2012 | **Quiz I**, Chapter 5 |
| 5 | 9/28/2012 | Chapter 6, 10 |
| 6 | 10/5/2012 | Chapter 11 |
| 7 | 10/12/2012 | **Quiz II**, Chapter 12 |
| 8 | 10/19/2012 | MID TERM EXAM |
| 9 | 10/26/2012 | Chapter 13 |
| 10 | 11/2/2012 | Chapter 15 |
| 11 | 11/9/2012 | **Quiz III**, Chapter 16 |
| 12 | 11/16/2012 | Chapter 17, 18 |
| 13 | 11/23/2012 | Thanksgiving Recess; campus closed |
| 14 | 11/30/2012 | Chapter 19 , 20, , First Draft of the project |
| 15 | 12/7/2012 | Chapter 21, 22, Prject is due - Review |
| 16 | 12/14/2012 | **10:00 AM Friday 14 December 10:30-12:30 PM** |

**Assignments By Chapter:**

|  |  |  |
| --- | --- | --- |
| **Chapter** | **Questions** | **Problems** |
| **1** | **Q1-10** | **P 1-5, P8, P18, P15-16** |
| **2** | **Q1-10** | **P 1-2, P5-6** |
| **3** | **Q 1-7** | **P1-2, P7-9, P11** |
| **4** | **Q 1-9** | **P 2-6, P 9-14** |
| **5** | **Q 1-11** | **P 1-8, P10-13** |
| **6** | **Q 1- 7** | **P 1-4, P6-7, P11-12** |
| **7** | **Q 1- 6** | **P 1-8** |
| **9** | **Q 1- 6** | **P 1-2, P4, P8-11, P13** |
| **10** | **Q 1- 6** | **P 1-3, P6-11** |
| **11** | **Q 1- 4** | **P 1-5, P 10-11** |
| **12** | **Q 1- 8** | **P 1-12** |
| **13** | **Q 1- 8** | **P 1-3, P 5-10, P 12** |
| **14** | **Q 1- 8** | **P 1-4, P9-12** |
| **15** | **Q 1- 8** | **P 1-6, P 9-11** |
| **16** | **Q 1- 5** | **P 1-8** |
| **17** | **Q 1- 8** | **P 1-2, P4-8** |
| **18** | **Q 1- 6** | **P 1-8** |
| **20** | **Q 1- 7** | **P 1, P 3-8** |
| **21** | **Q 1- 10** | **P 1-5, P 8-11** |
| **22** | **Q 1- 7** | **P 1-5, P 8-11** |

**WWW Resources for Economic Research**

**The following is a list of useful macroeconomic data bases. It is easy to check these sites; all you have to do is to press the “Ctrl” key while you click on the link.**

### Macro summary statistics (major data series for recent years):

* [STAT-USA](http://www.stat-usa.gov) - State of the Nation (broad and current coverage). *The Federal government's best resource for monitoring the U.S. economy*
* [Econ Data & Links](http://zimmer.csufresno.edu/~johnsh/econ/econ_EDL.htm) - current values and links to sites that generate them   |
* [Economic-Indicators.com](http://www.Economic-Indicators.Com/) - links to data and current numbers   |

[Economic Statistics Briefing Room (ESBR)](http://www.whitehouse.gov/fsbr/esbr.html) - handful of most important data series with graphs (White House site)   |

U.S. Department of Commerce:

<http://www.commerce.gov/>

The Commerce Department's mission is to help make American businesses more innovative at home and more competitive abroad. Comprised of 12 different agencies responsible for everything from weather forecasts to patent protection, the Commerce Department touches the lives of Americans every day.

### "Primary" macro and regional sites that generate data (many long series):

* Bureau of Economic Analysis
* <http://www.bea.gov/>- National Income and Produce Accounts (GDP, etc.), international and regional data   |
* [Bureau of Labor Statistics (BLS)](http://stats.bls.gov/) - more than 250,000 long series; unemployment and price (inflation) series most prominent   |
* [Conference Board](http://www.tcb-indicators.org) - "Leading Economic Indicators" and non-govt. data   |
* [Congressional Budget Office (CBO)](http://www.cbo.gov/) - current federal spending and revenue; macro forecasts   |
* [Federal Budget for the Fiscal Years 1997 to 2005](http://www.gpoaccess.gov/usbudget/index.html) - summary and very detailed federal budget info   |   [\.](http://rfe.org/showRes.php?rfe_id=14&cat_id=3)
* [**Federal Reserve**](http://rfe.org/showCat.php?cat_id=4) – Monetary data.
* [Survey of Consumers from the Univ. of Michigan](http://www.sca.isr.umich.edu/) - well-known survey of consumer attitudes
* [What Was the Exchange Rate Then?](http://eh.net/hmit/exchangerates/) - historical exchange rates   |
* [What Was the GDP Then?](http://eh.net/hmit/gdp/) - GDP estimates starting in 1789   |

### "Secondary" macro sites (data from primary sources packaged together, sometimes with analysis) :

* [Center for Capital Flow Analysis](http://www.capital-flow-analysis.com) - data and analysis of the Fed's Flow of Funds
* [Council of Economic Advisers (CEA)](http://www.whitehouse.gov/cea/) - White Papers on policy
* [Economic Report of the President: 1995 to the Present](http://www.gpoaccess.gov/eop/download.html) - President's policies and a fair number of time series   |
* [Economic Reports of the President: 1992-94](gopher://gopher.umsl.edu:70/11/library/govdocs/erps/) - old reports   |
* [EconData](http://inforumweb.umd.edu/Econdata.html) - very extensive data, but requires a downloadable program
* [Economagic](http://www.Economagic.com) - excellent source of macro time series (some 100,000 series available)   |
* [EconStats](http://www.EconStats.com) - variety of U.S. and international data   |
* [Federal Budget: Detailed Numbers](http://www.truthandpolitics.org/budget-numbers-intro.php) - retrieve federal budget numbers   |
* [FRB of St. Louis](http://research.stlouisfed.org/fred2/) - very convenient macro data source with 1000+ key macro series
* [FreeLunch.com](http://www.economy.com/freelunch/) - more than 100,000 times series   |
* [Haver Analytics](http://www.haver.com/) - emphasis on rapid delivery, quality checks, and very wide coverage (fee-based)   |
* [NationMaster.com](http://www.nationmaster.com/) - compare variety of data across countries   |
* [NBER Data Library](http://www.nber.org/data/) - variety of data types and sources
* [NBER's Macro-Historical Database](http://www.nber.org/databases/macrohistory/contents/index.html) - pre-WW II data from the U.S., U.K., France, and Germany

### "Secondary" regional data (data from primary sites nicely packaged) :

* [County and City Databooks](http://fisher.lib.virginia.edu/collections/stats/ccdb/) - useful extraction engine   |
* [EconData.Net](http://www.econdata.net/) - links to more than 1,000 regional data sites   |
* Consensus forecasts
* [Survey of Professional Forecasters](http://www.phil.frb.org/econ/spf/index.html) - free Philadelphia Fed Survey   |
* [Blue Chip Economic Indicators](http://www.aspenpublishers.com/bluechip.asp) - well-known consensus forecasts   |
* [Consensus Economics](http://www.consensuseconomics.com/) - U.S. and international consensus forecasts   |
* [Tradesports.com](http://tradesports.com/) - markets in economic releases   |

### Economic calendars and releases :

* [Briefing.com Economic Calendar](http://www.briefing.com/Silver/Calendars/EconomicCalendar.htm) - lists release dates and consensus forecasts
* [Econoday](http://www.econoday.com/) - lists release dates of U.S. macro data   |
* [Economic Releases and Indicators (NBER)](http://www.nber.org/releases/) - links to current releases

**United Nations Data Source:**

<http://unstats.un.org/unsd/sna1993/introduction.asp> UN Data Base.

Interesting comparison of economic indicators for different countries (Very interesting, I promise!)

<http://www.photius.com/wfb1999/rankings/unemployment_rate_0.html>

<http://www.photius.com/wfb1999/rankings/gdp_per_capita_0.html>

For additional international data, please look at the document called “International Data Base-Macroeconomic Data-Global-Regional-Individual country”.