California State University, Bakersfield
Essentials of Macroeconomics (AECO 202)

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Course Description:
This course is a study of theories of income, employment, inflation, and money. Emphasis will be placed on macroeconomic theory and policy and analysis of macroeconomic data for decision-making. Course objectives are:

- To learn the principle concepts and theories of macroeconomics
- To analyze macroeconomic trends and apply them to societal conditions
- To be informed of historical and current economic events

These objectives are achieved by classroom lectures and discussions, data analysis projects, historical and current events, homework assignments and examinations.

Course Materials:


My lecture notes are available on my website under Course Materials. Please download and print as “handout” three to a page for note-taking and discussion purposes.

Course Policy:
**Attendance:** You are required to attend all class sessions and actively participate in class discussions. You are also required to come to the class on time and stay for the entire period. I will end the class on time and give you a brief break. If you must leave the class to attend a prior engagement before the session is over, you need to let me know in advance.

**Grading System:** Letter grades will be determined by total percentage points earned in the course. I do not intend to grade on the curve. I will use the following distribution corresponding to each letter grade:

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<th>Percentage</th>
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**Assignment Policy:**
There will be no make-up exams, quizzes, or assignments. Only serious and compelling medical reasons with supporting certifications from credible sources will be considered. Exams, quizzes, and assignments cannot be made up for other reasons. Assignments must be hand-delivered to me in the classroom on their respective due dates. Other forms of submission such as sliding under my office door or via e-mail are not acceptable. Late assignments will not be graded. Late arrival to exam or quiz sessions will not receive extra time. If you happen to miss any exams, quizzes, or assignments, your grade will be based on the requirements you have completed. Incomplete grades will not be assigned.

**Cheating & Plagiarism:**
I follow the university’s policy on Academic Honesty enumerated in the CSUB Catalog. In particular, seemingly identical examinations and assignments will be subject to this policy. Please read the policy carefully.

**Course Requirements:**

**Exams and Exercises:**
- Mid-term Examination 30%
- Final Examination 30%
- Homework Assignments 10%

**Historical Perspectives & Current Events:**
- Economics USA 10%
- Research Projects 15%
- News Journal 5%

**Explanation of Course Requirements:**

*Examinations:* There are two exams in this course. Each examination will consist of a combination of problem sets and multiple choice questions. The mid-term exam will cover Chapters 3-9 and the final exam will cover Chapters 10-17. Most multiple-choice questions are taken from the Study Guide.

*Homework Assignments:* There are several homework assignments consisting of problem sets. Late assignments will not receive credit.

*News Journal:* For Tuesday class session, you write a short essay (1/2 page typed double-spaced) and bring two copies: one for me and the other for yourself. In this essay, you summarize an important current economic event. This event could relate to the local, regional, national, or international economy. As you enter the classroom, give me my copy and be ready to share your news with the class. I will randomly select a number of students to share their economic news. You get credit for both written and oral presentations. News sources you use could include websites (e.g., CBS Market Watch), TV news programs (e.g., MSNBC), and print media (The Wall Street Journal).
Economics USA Quizzes: On Thursday class session, you view a videotaped presentation from the Economics USA series and take a quiz while viewing a film. Each presentation is a study of macroeconomic policy with historical applications from the United States.

Research Project: You’ll track data of gasoline prices, and rates of unemployment, inflation, and economic growth. You are required to complete 3 of the 4 writing assignments and have the option of doing 1 assignment for extra credit. You will analyze their trends, and apply their changes to general and personal economic conditions. Papers are graded on length, data accuracy, graphical illustrations, and writing mechanics and organization. To complete each assignment, follow the steps below:

Process:
1. Visit [www.economagic.com](http://www.economagic.com) to identify the dataset you need
2. Transform the data into an appropriate format and make a chart
3. Record and tabulate the data
4. Insert (copy and paste) your chart an appropriate location within the text and place your data table on the last page of your paper
5. Write a 3 to 4 page paper (typed double-spaced and edited for spelling and grammar, excluding the data charts and tables) to analyze the data trends and to answer questions

Organization of the Paper:
1. Introduction and Purpose
2. Data Source and Collection
3. Data Analysis and Illustration
4. General Question
5. Personal Question

Description of the Projects:

**Price of Gasoline**

Data: Regular Reformulated Area Retail Gasoline Price in California

**Process:** Transform weekly data into monthly averages and quarterly averages. Now record the data from the first quarter of 2000 to the fourth quarter of 2006

**Analysis:** Analyze the trend of gasoline prices for this period

**General Question:** How do falling and rising gasoline prices affect production cost and profitability of business?

**Question:** How do falling and rising gasoline price affect your monthly expense budget?

**Unemployment Rate**

Data: Unemployment Rate

**Process:** Transform monthly data into quarterly averages. Record quarterly data on the rate of unemployment from the first quarter of 2000 to the fourth quarter of 2006

**Analysis:** Analyze the trend of unemployment rate during this period. Find the average unemployment rate for this period and compare it with the “natural” unemployment rate of 5%.

**General Question:** Why is it critical for the economy to create jobs for its growing labor force?
**Personal Question:** How does a rise in the unemployment rate affect your chances of finding a job that would match your qualifications as a college graduate?

**Inflation Rate**

**Data:** Consumer Price Index; All Urban Consumers; SA (i.e., seasonally adjusted)

**Process:** Transform monthly data into quarterly averages. Transform quarterly averages into percentage change quarter-to-quarter. Record quarterly data on CPI and its inflation rate from the first quarter of 2000 to the fourth quarter of 2006

**Analysis:** Analyze the trend of CPI and its inflation rate during this period. Find the average inflation rate for this period and compare it with the “expected” inflation rate of 3%.

**General Question:** Why is it critical for the economy to keep inflation rate low?

**Personal Question:** How does a rise in the inflation rate affect your wages and salaries?

**Economic Growth**

**Data:** Real Gross Domestic Product in Chained 1996 (which is actually 2000) Dollars

**Process:** Transform quarterly averages into percentage change quarter-to-quarter. Record quarterly data on Real GDP and its growth rate from the first quarter of 2000 to the fourth quarter of 2006

**Analysis:** Analyze the trend of the Real GDP and its growth rate during this period. Find the average growth rate for this period and compare it with the “historical” growth rate of 3.2%.

**General Question:** Why is it critical for the economy to sustain steady economic growth?

**Personal Question:** How does sustained economic growth affect your employment and income?

**Schedule of Class Activities**

**Week 1**
Introductions
Course Review
Online Databases
Data Analysis on Excel
Chapter 3: Demand, Supply, and Market Equilibrium
Economics USA: Supply and Demand

**Week 2**
Chapter 3: Demand, Supply, and Market Equilibrium (continued)
Chapter 4: The Price System and Demand and Supply
Economics USA: What Did We Learn from The Great Depression?

**Week 3**
Chapter 5: Introduction to Macroeconomics
Chapter 6: Measuring National Output and Income
Economics USA: What Is the Gross National Product?
Week 4
Chapter 6: Measuring National Output and Income (continued)
Chapter 7: Long-run & Short-run Economic Growth
Economics USA: Fiscal Policy

Week 5
Chapter 8: Aggregate Expenditures & Equilibrium Output
Chapter 9: The Government and Fiscal Policy
Economics USA: Stagflation: Why Couldn’t We Beat It?
Review for Mid-term Exam

Week 6
Chapter 9: The Government and Fiscal Policy (continued)
Mid-term Exam

Week 7
Chapter 10: The Money Supply and Federal Reserve Bank
Chapter 11: Money Demand and Monetary Policy
Economics USA: The Federal Reserve System

Week 8
Chapter 12: Monetary Policy and Output Analysis
Chapter 13: Aggregate Demand and Supply and Inflation
Economics USA: Monetary Policy

Week 9
Chapter 14: The Labor Market: Unemployment & Inflation
Chapter 15: Macroeconomic Issues and Policy
Economics USA: Stabilization Policy

Week 10
Chapter 16: The Stock Market and the Economy
Chapter 17: Household and Firm Behavior (time permitting)
Economics USA: Inflation: How Did the Spiral Begin?
Review for Final Exam

Important Dates
Required Paper 1: Thursday January 18
Required Paper 2: Tuesday February 13
Required Paper 3: Tuesday February 27
Optional Paper: Tuesday March 6
Mid-term Exam: Thursday February 8
Last day of class: Thursday March 8
Final Exam: 8:00 a.m. Thursday March 15