

## **ECONOMICS 1015H: PRINCIPLES OF MACROECONOMICS (HONORS)**

The course will develop your ability to analyze, interpret and explain the macroeconomy. This includes understanding macroeconomic data and building models to interpret that data. We will then apply our knowledge of data and models to analyze economic policy questions. While the course uses a textbook to provide key information on these topics, we will go well beyond the content in the textbook and draw upon current writing in the press and in blogs that cover debates related to each topic of the course. Important aims of the course include learning how to express the results of your analysis and interpretation of macroeconomic issues concisely both verbally and in written form. To be concrete, I spent one year on the White House Council of Economic Advisers, assigned to cover the field of macroeconomics. In doing so I wrote memos on economic data, weekly and monthly summaries of the economy, and ad-hoc policy memos for the President. The style of writing in these types of memos is applicable to both the public and private sectors. You will be expected to demonstrate an ability to analyze the economy using these written forms, as well as verbally during class discussions.

**CLASS MEETINGS (REQUIRED): Switzer Hall 101, Tue-Thursday, 9:30-10:45**

**INSTRUCTOR:** Professor Christopher Otrok  
**OFFICE:** Professional Building Room 236  
**OFFICE HOURS:** Tuesday 2:00-3:30 and by appointment  
**E-MAIL:** otrokc@missouri.edu

### **TEXTBOOK**

#### ***REQUIRED MATERIALS:***

1. **TEXTBOOK:** Principles of Macroeconomics by Lee Coppock and Dirk Mateer. There is a customized version of the book available through the course Canvas.
2. Select readings that relate to each topic will be assigned for each section of the syllabus. These include publications from Federal Reserve Bank economists as well as blog and press writings. These readings will be posted on the course website and will be free of charge.
3. You will be expected to sign up for the Federal Reserve Bank of St Louis FREDCAST forecast competition under our class website. We use this competition to learn different approaches to developing an economic forecast. FREDCAST is free of charge.

**EXAM SCHEDULE:** Midterm 1: Thursday February 21<sup>st</sup> (during class)  
Midterm 2: Thursday April 11<sup>th</sup> (during class)  
Final exam: Thursday, May 16, 12:30-2:30 p.m. (in classroom)

**GRADING CRITERIA:** Your grade will be weighted as: 20% for midterm 1, 25% for midterm 2, 25% for the final exam, 5% for homework and 25% for written assignments. You can also earn bonus points for your forecast accuracy with the top 5 forecasters getting an extra 2% added to their final grade.

**STATEMENT ON PENALTIES FOR LATE WORK .**

Assignments are due in class (beginning of period) the day it is due. Late assignments get no credit. Emailing an assignment to me on the rare occasion that you have a conflict or personal emergency is acceptable.

**A Brief Overview of Some Topics We Will Cover**

Week 1: Introduction to Macroeconomics: An overview of the key types of data we need to understand, a brief history of the evolution of economic thought on macroeconomic model building, a survey of some current challenges in economic policymaking, who makes policy decisions and what is the policy process, current forecasts of the economy in the context of the official White House forecast.

Week 2. Output and Income: How we measure production and income in the economy with an emphasis on breaking down the measures into sub categories, how do we interpret growth numbers in historical context, discussion of what is missed in official statistics (e.g income inequality, environment), building models of the components of GDP, applications of these issues to forecasting Gross Domestic Product (GDP), writing a data memo.

Weeks 3-4. Labor Markets: Official definitions of labor market outcomes and the need to consider multiple measures of the labor market (i.e. the unemployment rate is not a sufficient measure of the labor market), wage stagnation and its causes, demographic changes that are impacting labor markets and economic growth, developing forecasts of labor markets consistent with the theoretical (model based) relationship between labor markets and output and income, writing a weekly summary of the economy.

Weeks 5-6. Price Level and Inflation: Methods and issues with measuring inflation, the relationship with monetary policy, the cost of inflation and its impact on inequality, inflation in historical perspective in the US and abroad, predicting the rate of inflation, writing a monthly summary of the economy.

Week 7-8. Economic Growth: The importance of long run economic growth, experiences in the US and world over the past 200 years, the drivers of economic growth in advanced economies, explanations for stagnation in many countries, convergence (or lack of) across countries.

Weeks 9-10. Fiscal Policy: The tools of fiscal policy (taxes, spending, safety nets, transfer payments, deficits), optimizing aggregate growth versus tradeoffs across socioeconomic groups, setting policy for business cycles versus long run growth, taxes and inequality, writing an analysis of policy issues.

Weeks 11-12. Monetary Policy and the Federal Reserve: The official objectives of monetary policy, tools and targets of monetary policy, policy making in practice at the Fed, the role of economic forecasts in policymaking, negative nominal interest rates, rules vs. discretion in setting policy, the evolution of transparency in policymaking, analyzing Federal Reserve statements.

Weeks 13-14. International Trade and Finance: The benefits of trade, who suffers from trade openness, designing trade agreements, macroeconomic explanations of exchange rate movements, the relationship between trade flows and financial flows.

Week 15: TBA based on time available.

### **ACADEMIC INTEGRITY**

Academic integrity is fundamental to the activities and principles of a university. All members of the academic community must be confident that each person's work has been responsibly and honorably acquired, developed, and presented. Any effort to gain an advantage not given to all students is dishonest whether or not the effort is successful. The academic community regards breaches of the academic integrity rules as extremely serious matters. Sanctions for such a breach may include academic sanctions from the instructor, including failing the course for any violation, to disciplinary sanctions ranging from probation to expulsion. When in doubt about plagiarism, paraphrasing, quoting, collaboration, or any other form of cheating, consult the course instructor.

### **ACCOMMODATION OF DISABILITIES**

Students with Disabilities:

If you anticipate barriers related to the format or requirements of this course, if you have emergency medical information to share with me, or if you need to make arrangements in case the building must be evacuated, please let me know as soon as possible.

If disability related accommodations are necessary (for example, a note taker, extended time on exams, captioning), please register with the Office of Disability Services (<http://disabilityservices.missouri.edu>), S5 Memorial Union, 882-4696, and then notify me of your eligibility for reasonable accommodations. For other MU resources for students with disabilities, click on "Disability Resources" on the MU homepage.

### **INTELLECTUAL PLURALISM**

The University community welcomes intellectual diversity and respects student rights. Students who have questions or concerns regarding the atmosphere in this class (including respect for diverse opinions) may contact the Departmental Chair or Divisional Director; the Director of the [Office of Students Rights and Responsibilities](http://osrr.missouri.edu) (<http://osrr.missouri.edu>); or the [MU Equity Office](http://equity.missouri.edu) (<http://equity.missouri.edu>), or by email at [equity@missouri.edu](mailto:equity@missouri.edu). All students will have the opportunity to submit an anonymous evaluation of the instructor(s) at the end of the course.

### **ACADEMIC INQUIRY, COURSE DISCUSSION AND PRIVACY**

University of Missouri System Executive Order No. 38 lays out principles regarding the sanctity of classroom discussions at the university. The policy is described fully in Section 200.015 of the Collected Rules and Regulations. In this class, students may make audio or video recordings of course activity unless specifically prohibited by the faculty member. However, the redistribution of audio or video recordings of statements or comments from the course to individuals who are not students in the course is prohibited without the express permission of the faculty member and of any students who are recorded. Students found to have violated this policy are subject to discipline in accordance with provisions of Section 200.020 of the Collected Rules and Regulations of the University of Missouri pertaining to student conduct matters.