MacJournal – Turning Students into Practitioners

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Abstract:
Incorporating currents events into an economics curriculum is a goal of many dedicated instructors. The benefits of doing so are obvious. Unfortunately, the costs associated with implementation are non-trivial. In the following, I introduce an experiential writing assignment, called the MacroJournal, which streamlines the process of incorporating current events into a macroeconomics course. The costs for the instructor are mitigated by a repeated structure of questioning and a well-defined grading rubric. By completing the assignment, students have an opportunity to become practitioners, and link current events to classroom theory.

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Incorporating currents events into an economics curriculum is a goal of many dedicated instructors. The benefits of doing so are obvious. Being able to interpret current (economic) events is a practical skill that provides tangible benefits to students after college. In addition, incorporating currents events keeps course material fresh and alive, which has the positive externality of engaging students in the classroom.

Unfortunately, incorporating current events is non-trivial. Without the guidance of a textbook, students often find filtering through newspapers unwieldy. Instructors may find linking current events to the theory discussed in class difficult. How are students to be assessed? How is the class supposed to be debriefed?

In the following I present a pedagogical device, called the MacroJournal (MJ), which streamlines the process of incorporating current events into a macroeconomics course. The paper proceeds as follows. In section 2 I provide a brief motivation for the exercise. In section 3 I detail the questions posed to the students, make recommendations for assessment, and propose a method for debriefing students after the assignment is complete. In section 4 I provide tips for implementation that may mitigate some of the costs to the instructor.

**MOTIVATION**

The economic education literature is full of ways to incorporate current events into the curriculum. Witness the efforts by Blinder 2010, Shiller 2010, and Freidman 2010, to revamp principles of economics classes to include an examination of the Great Recession and the associated financial crisis. One potential shortcoming of these approaches is that the focus is on the material, and little is provided as a means of guiding the instructor through exercises on this subject.
Under the rubric of the constructivist approach to learning, several techniques have been introduced into the literature to incorporate current events through active learning. Dalton 2010 asks her students to conduct interviews of individuals that have lived through the Great Depression, and summarize their experiences with special focus on the economic difficulties. This type of exercise could be extended easily to the more recent Great Recession or other current events.

Whitting 2006 develops an assignment where the students collect current economic data and use their work to conduct a mock FOMC meeting. This is similar in spirit and structure to the Fed Challenge competition that is sponsored by the Educational Outreach departments of the various Federal Reserve banks. Dolan and Stevens 2006 detail a robust experiential learning exercise called the Business Conditions and Economic Analysis (BCEA). Similar to student managed investment funds that are popular in finance programs, the BCEA exposes the participating students to experiential learning by having them create economic overviews for countries and industries, prepare and disseminate monthly written reports, and provide weekly oral presentations of their findings.

The techniques immediately above are excellent examples of active learning and certainly can move a student’s educational experience beyond the bottom rungs of Bloom’s Taxonomy. Unfortunately, these assignments are expansive projects that may take an entire semester to complete. In addition, the assignments described are geared for more advanced students, such as seniors, who can draw upon a wealth of knowledge they have accumulated throughout their academic tenure. What is lacking in the literature is an assignment that can reach a broader array of students and that can be assigned repeatedly in a low stakes environment.
Writing assignments, such as journals, offer a possible avenue for achieving this goal. Brewer and Jozefowicz 2006 outline two informal writing assignments that are designed to connect the student’s personal activities to classroom material. Short reflection papers and journal entries are repeated throughout the semester in order to reflect on how economics is tied to the students’ daily lives. Through the act of writing, the students necessarily must analyze and create. Unfortunately, it is difficult for writing assignments to be systemized in a way that retains their rigor.

The MJ builds upon the idea of a journal writing assignment. The context in which the assignment is couched is experiential in nature. The students are asked to role play. Their character is a practicing macroeconomist, someone whom they may want to emulate after college since they are taking an economics class. The job of the macroeconomist is to advise her clients on the current status of the U.S. economy. Unfortunately, the clients are not trained economists, and as such, the jargon we use in class must be simplified so that a novice can understand. Moreover, the economist faces the challenge of absorbing an almost endless amount of data and news in order to develop her opinion. The student must overcome these practical hurdles.

**DETAILS OF THE MJ QUESTIONS**

In the following I will detail the MJ exercise in its recommended form. In section 4 I will offer suggestions for alternative means of implementation.

Each week I ask my students three key questions that gauge their assessment of the U.S. economy. The stem of each question is identical, with only the subject of the question changing. The questions are as follows: “Given the data and news stories released in this past week, has your assessment of Overall Economic Activity improved, deteriorated, or remained the same as
compared to the previous week? In a short paragraph, justify your answer.” The subject of the sentence, which is underlined here, is then replaced with Labor Market, and then again with Price Level.

The phrasing of these questions is very deliberate. First, notice that the question is dynamic in nature. We encourage the student to think “on the margin” by comparing this week to the previous. This helps the student solidify the notion of marginal analysis, which is the cornerstone of many introductory economics courses. Second, we are interested in the students’ perception of activity during the given period. As anyone familiar with rational expectations models knows, perception can be very different than the actual level of activity during the period. This aspect of the question helps the students recognize the challenge of conducting analysis when faced with incomplete information. For more mathematically inclined students, the link also can be drawn to a natural filtration from probability theory.

Third, the subjects of the questions are chosen to focus the students’ attention toward the best gauges of economic health, these being Overall Activity, Labor Market, and the Price Level. Roughly speaking, each of these measures can be associated with GDP, CPI and the Unemployment Rate, respectively. Using these rough proxies, evaluating whether or not the level of Overall Activity has improved, deteriorated, or remained the same, is straightforward. If evidence suggests that GDP has risen, then I would answer that my perception of Overall Activity has improved. Similarly, if evidence suggests that the Unemployment Rate has dropped, then I would answer that my perception of the Labor Market has improved.

Determining whether or not the Price Level has improved or deteriorated is not quite as straightforward. A rising price level may not always be bad. Moreover, disinflation may not
always be good. Rather, a steady pace of inflation typically is seen as optimal. Witness the recent historic shift in the Federal Reserve’s stance to outline an explicit inflation target. I recommend using this type of target as a guide, and suggest that a zone of price stability of 1% - 3% in the year over year change in the CPI is a useful target. Context is paramount to the interpretation. If inflation is growing at a rate beyond 3% and the latest report suggests that it is accelerating, this is deemed a negative for the Price Level because it is moving up and out of the zone of price stability. Meanwhile, if inflation currently is declining in a deflationary pattern, then an acceleration of the price level would be deemed a positive for the Price Level, since it is bringing prices back into the zone of stability.

**TIPS FOR STUDENTS**

Our students, and practicing macroeconomists, face significant challenges when undertaking the type of task outlined above. A real time gauge of economic activity is not available. Due to the enormity of the $13.5trln US economy, official data releases may occur with a lag. There may be anywhere from a week to a month or longer between the point when the activity takes place and when the data capturing that activity is compiled and released to the public.

In addition, the major data releases measuring the US economy are relatively low in frequency. The GDP is released quarterly by the Bureau of Economic Analysis, with monthly revisions. The CPI and Unemployment Rate are released monthly by the Bureau of Labor Statistics. How then are we to provide a high frequency (weekly) assessment of the economy? In the following, I provide a few tips to students completing this assignment.

First, I suggest aligning release dates, not activity dates. If this were a long term study of the relationship between inflation and unemployment, then we would gather the requisite data for
each month, and construct our database so that June’s price measure is associated with June’s labor market activity. Unfortunately, a practicing macroeconomist does not have the luxury of waiting for such a symmetric dataset to be constructed. They must make judgments in real time with incomplete information. As such, the student and the practitioner must assess any new piece of information that enters their information set in a given week, whether that data is a week or a month old. In doing so they act as a detective, searching for and compiling evidence in order to answer a question.

Consider the task of assessing the labor market. For expositional concreteness, assume the date is 5/28/12 and you are attempting to determine if your assessment of the labor market has improved, deteriorated, or remained the same over the period 5/21/12-5/27/12. The Unemployment Report was not released during that reference week, and won’t be released for the month of May until June 1, 2012. You need a higher frequency measure of labor market activity. You notice that on 5/24/12 the report on initial jobless claims was released. Even though it captures labor market activity for the week ending 5/19/12, which falls outside your reference week, it does represent a piece of information released during that time, which you did not know previously. It is a piece of information that has entered your information set, and therefore can be used to form your opinion.

In addition, the student need not restrict themselves to official data releases on the economic calendar. Valuable high frequency information might be contained in a more qualitative form, such as corporate press releases, political events, natural phenomena such as weather, or others.

Second, I suggest that my students think on the margin. Specifically, what is the marginal impact of a new piece of information to their assessment of the economic environment? In order
to make this determination, students can compare the current release of information to the previous release. If the current release is better than the previous, then, on the margin, that measure of the economy has improved. In addition, students could assess how the data in the current release has changed relative to expectations. For instance, to extend the labor market example above, we could envision a case wherein initial jobless claims rose for the week, but did not rise as much as expected, and therefore this release is deemed as an improvement. As the students become more experienced, they can begin to assign more or less weight to certain releases based on their perceived importance or volatility.

Third, I instruct my students to recognize that there is no “correct” answer to this assignment. The pedagogical goal is for students to form an opinion and justify that opinion using economic logic. As long as the opinion is well founded, it need not match the opinion of the instructor or the majority of the class. I convey this sentiment through a well-established grading rubric. The student can earn 1 point for simply providing their opinion (improved/deteriorated/remained the same). The student then can earn additional points for their justification. One point is awarded for an explanation that is incomplete, illogical, uses incorrectly the ideas developed in class, or is in some way unsatisfactory. Two points are awarded for a complete and logical rationale for the change in assessment from the previous week, with the ideal answer incorporating items learned in class and a focus on the marginal contribution of the most recent events upon their assessment.

Students need not, and cannot, watch every piece of global macroeconomic and geopolitical information that occurs in a given week. Instead, the student must rely upon their judgment to form an opinion. Over the course of the semester, students become comfortable with this task, and build an intuition that is necessary to be a practicing macroeconomist.
TIPS FOR INSTRUCTORS

The costs to the instructor for implementing this type of assignment are non-trivial. As always, there is a trade off with course material that can be introduced if students are expending their energy in this direction. Also, as with all writing assignments, grading is not automated. Moreover, this type of assignment is particularly labor intensive in terms of its preparation because the instructor must dedicate time to remain abreast of pertinent current events. In the following I provide some tips to mitigate these costs and provide suggestions for extensions and alternative forms of the assignment.

In order to overcome the logistical challenges of administering this assignment, I recommend the use of a classroom management system such as Blackboard or Sakai. The student opinions can be graded automatically by the computer software, leaving only the justifications to be graded by the instructor. The simplicity of the grading rubric outlined in the previous section is designed in part to expedite this task.

Although the classroom management systems are useful, incorporating technology always has its risks. A student’s computer may crash, the system may be down, etc… As such, I recommend restricting each weekly assignment to no more than 1% of the overall course grade. Moreover, I recommend dropping the lowest scoring assignment from each student’s grade book in order to accommodate for such technical problems.

This assignment likely is quite different from anything the students have encountered in their academic careers. I recommend assisting them by completing a sample exercise in class. I begin by introducing them to an online economic calendar. I introduce them to the anatomy of a data release, such as the release date, activity date, consensus expectation, previous value, current
value, and data definition. As a group, we then determine to which of the three questions a given data release most directly applies, form an opinion, and then justify that opinion. Doing so provides the students with a benchmark to use when completing their own assignment.

Once student opinions are formed and the assignment is submitted, a second learning opportunity arises. A classroom discussion about the previous week’s current events and student opinions is within grasp. As a means of facilitating that discussion I provide graphical summaries of the student opinions. The first graphic is a histogram of student opinions for each question in a given week. The second graphic is a time series of the net sentiment for each aspect of the economy. Examples can be found on my websitevi. These graphics are simple to create and provide a powerful visual anchor to motivate conversation.

Possibly more valuable than an open classroom discussion is an experiential exercise. The students are pre-assigned into groups. Each week one group presents their collective opinion and justification for each aspect of the economy. I’ve found that group sizes of 5-10 students are optimal. I have successfully implemented this assignment in classes as large as 200 students. Extra credit can be provided for groups that provide a well thought-out presentation, and address successfully questions from the audience.

In order to incentive the audience members during these presentations to remain active, I offer another opportunity for extra credit. I invite every group to submit to me prior to lecture questions regarding the state of the economy. I evaluate the submissions and award extra credit for well-formed questions. I then use the style of a televised debate, wherein I call on groups to come to the front of the room and pose their pre-screened questions to the presenting group. In
doing so, the entire class has a chance to think critically about the economy and remain active participants during the presentation.

Allocating class time to the discussions mentioned above obviously is costly. Some aspect of the course must be sacrificed. In order to mitigate this cost I attempt to incorporate classroom theory into the current events as much as possible. The grading rubric allocates credit to opinions that are couched within the models we develop in class. In addition, I frequently weave theory into my questions. For instance, if the presenting group is discussing the changes in the money supply during the previous week, I may ask how an adherent to the Quantity Theory of Money might assess that action. In doing so, I can reinforce class concepts while discussing current events.

CONCLUSION

Incorporating current events into an economics curriculum is challenging. Logistical issues surrounding implementation, pedagogical concerns surrounding student assessment, and the trade off with classroom theory are all non-trivial. The MacroJournal addresses these issues by providing a simple series of questions that can be assessed in a low stakes environment.

The questions are designed to reinforce simple economic concepts, such as marginal analysis. The assignment is accessible to students of varying levels of training, ranging from introductory economics to advanced macroeconomics. The assignment is easily reproduced on a weekly basis, and a well-defined grading rubric limits the costs to the instructor. The assignment is experiential in nature, and as such, can be a useful pedagogical additional to many courses.
REFERENCES


NOTES

i Information regarding the Richmond branch competition is available here:

http://www.richmondfed.org/education/for_teachers/academic_competitions/college_fed_challege/index.cfm

ii FOMC Press Release 1/25/12


iii In essence, this assignment thrusts our students in the very real challenge of nowcasting. See Giannone et al 2008 for details.

iv In fact, Montgomery et al 1998 document the empirical ability of initial claims to improve the forecasting power of a model of the US unemployment rate.

v As of the time of writing this article, economic calendars are freely available from the WSJ and Bloomberg, as well as other publishers.

vi www.unc.edu/~maguilar/MJDescription.htm