

ECO 301: Money and Banking

Policy Brief #1: Monetary Policy Episode Annotated Bibliography

Economic policy briefs are produced in the real world by government and non-profit organizations to communicate an economic situation and make recommendations for economic policy to address the situation.

The first policy brief focuses on a monetary policy episode in history involving high unemployment and/or high inflation. Use data visualizations to show the economic situation. Describe how monetary policy responded. Did the central bank change the money supply and/or interest rates? How so? Did the central bank engage in other less traditional approaches to address the problem? Choose to endorse either the actual monetary policy that was enacted or your own suggestion for a different policy. Use economic theory and reasoning to predict the expected impact of the monetary policy that you suggest.

Data Description and Annotated Bibliography: The first step of the project is to do some of the background research that goes into writing a policy brief. This includes the following items:

- **Time and place:** Identify what country and during what years that your policy brief will focus on.
- **Description of economic event:** In no more than two sentences, describe the macroeconomic event that you will be analyzing.
- **Data description and plots:** Find and plot data that will be relevant for your analysis. Create plots of at least **three macroeconomic variables** that are relevant to the situation. *For each plot, give a one-sentence description* of how the variable and the visualization will contribute to your written policy brief. One convenient source for U.S. and international macroeconomic and financial data is the **Federal Reserve Economic Database**.
- **Annotated Bibliography:** An annotated bibliography identifies existing literature that you will cite in your policy brief. Find at least **three news stories and at least two peer-reviewed academic papers** on your topic. You will cite literature to introduce your reader to relevant knowledge on the topic and provide evidence for the impact of government policies. For each article, you will provide a short summary and a short description of how citing the article will contribute to your written policy brief.

Guidelines for Data Descriptions and Plots:

- **Find the data you want to use:** Identify at least **three variables to use for your project**. Browse **FRED** and/or **World Bank Data** for variables that speak to the economic situation and monetary policy response.
- **Units of measurement:** Be mindful that you are gathering variables with the right units of measurement.
 - **Real variables:** Make sure to use *real* variables when appropriate, real as in adjusted for inflation so that the variable reflects real purchasing power. For example use real GDP instead of nominal GDP. You might see a data description using terms like "real", "constant prices", "constant prices as purchasing power parity (PPP)", etc.
 - **Seasonally adjusted:** Many macroeconomic variables are reported with seasonal patterns. Get seasonally adjusted data when available. Variables that are typically not seasonally adjusted include interest rates, exchange rates, and financial market data such as stock prices and stock indices. Annual data is also not seasonally adjusted.
 - **Growth variables:** Calculate growth rates when appropriate. You may need to do this to calculate inflation, if the variable you have is a price level like the Consumer Price Index (CPI), and is not yet converted to an inflation rate. You may also be interested in real GDP growth instead of the level of real GDP.
- **Use relevant data:** If exchange rates are relevant to your analysis, get exchange rate data. If you anticipate discussing quantitative easing in your policy brief, get monetary policy variables beyond interest rates, such as the size of monetary aggregates like M1 or M2, or the quantity of mortgage-backed securities held by the Federal Reserve.

- **Use ECODATA R Package:**
 - Produce an .R script file that you will also upload with your submission that reproduces the download of all your data, any computations you performed, and all the visualizations you made.
 - For your convenience, use this [Posit cloud project workspace](#). Create a new R script file in the `project/Monetary Policy Project` folder.
 - Export the images of all the graphs you made, and include them in your data description document
- **Cite your data:** You can use the `ecodata_cite_table()` to get exactly the text you need.
- **Describe why you are using the data:** Give a one or two-sentence description of why each data series is relevant to your analysis. Include at least one sentence of what is happening in each data series.

Guidelines for the Annotated Bibliography:

Find at least **three news stories and at least two peer-reviewed academic papers on your topic**. Your sources should help provide background for the economic problem and provide evidence for how and why your economic policy suggestion would be effective.

1. Write the bibliography information in APA format. You can use the [Purdue Online Writing Lab](#) website for help on APA formatting.
2. Write a brief description of the article (4-6 sentences).
3. Write 1-3 sentences why you want to include a citation of this article in your paper. You do not want to cite every journal article on a topic for your paper. You should consider at least one of the following for each article:
 - **Background:** Does this article provide important background information that is not common knowledge? Is this background knowledge important for your audience to understand or appreciate learning more about the topic?
 - **Economic policy:** Does the article discuss the type of policies governments enacted to address the economic problem? Does the article give reasoning for why the policy was enacted and/or provide reasoning or evidence for whether the policy was effective?

Final Thoughts:

This assignment is intended to make the next step of writing the policy brief easier. You will have already done the research and data gathering that goes into writing a policy brief. You will also have a good idea of what your policy brief will look like.

It is possible that when you start writing, you will find you want to gather data on additional variables, or you may want to find different or additional articles to cite. This is expected. The goal of this assignment is to help you make significant progress on your project and stay on the right track.