ECON545 Paper Project 2

The Macroeconomic Paper tests your ability to apply economic principles to a business decision considering the impact of macroeconomic variables. Select one situation from the items outlined below: A to D. Complete the paper on the selected situation as specified below. The completed paper is a professional report and is due in Week 6 (180 points). See the grading rubric at the end of this document. Be sure to use the DeVry library to find data, and avoid questionable sources, such as Wikipedia.

Each of the scenarios has a list of macroeconomic areas you are to address, with sources, in your answer. Briefly, you are to research and show how these apply to your scenario: GDP growth rate (20 points), the business cycle, unemployment, and inflation (40 points), fiscal policy and level of unemployment (30 points), monetary policy and interest rates (30 points), and demographics (10 points).

**Situation A**

Rick, your friend, runs a small manufacturing plant that produces parts for the auto industry. Rick is thinking of expanding his operations to meet the increasing demand from car manufacturers. Hearing of your taking this course in business economics, he asks you for advice on how to go about making the expansion decision.

You realize that Rick needs to take a number of macroeconomic variables into consideration for the expansion decision. You decide to research the economy in terms of GDP growth rate, interest rates, level of unemployment, the business cycle, fiscal policy, monetary policy, international trade, and demographics. You want to provide Rick with the most informed advice possible.

**Situation B**

Your neighbor Cindy wants to start a contracting business for installing solar panels. She has heard of the cost savings that households and businesses can make each year by installing solar panels on their roofs. Cindy has also heard of government incentives for installing solar panels. Being concerned about the environment and wishing to reduce pollution, Cindy thinks installing solar panels also serves a good social purpose. But she does not want to risk her life savings on a venture that might not succeed or become profitable enough. After hearing from you about taking this course in business economics, she decides to ask you for advice.

You realize there are more pieces to the decision than Cindy is considering. You decide to research the economy in terms of GDP growth rate, interest rates, level of unemployment, the business cycle, fiscal policy, monetary policy, international trade, and demographics. You want to provide Cindy with the most informed advice possible.

**Situation C**

Cousin Edgar is always thinking of the next business idea. This time, he plans to invest in buying four gas stations. He reckons American consumers have come to accept the high gasoline prices, and estimates world prices for gasoline to increase even further with high demand from India and China. Besides, Cousin Edgar thinks he will make a good profit on the sale of convenience items at each station. But before buying the gas stations, he decides to ask for your advice because you are taking this course in business economics.

Cousin Edgar needs financing for his new business, but you realize there are more macroeconomic factors he needs to consider in timing his decision. You decide to research the economy in terms of GDP growth rate, interest rates, level of unemployment, the business cycle, fiscal policy, monetary policy, international trade, and demographics. You want to provide Cousin Edgar with the most informed advice possible.

**Situation D**

After hearing of you taking this course in business economics, Uncle Dan has e-mailed you asking for advice on his 100-acre corn farm. He mentioned how, after 30 years of growing corn, he wishes to leave that commodity’s market and enter a more profitable market instead. He is thinking of subdividing his land and building homes and shops. He reckons he could make a good profit by selling the homes and renting the shops.

Recognizing the costs and risks for Uncle Dan in making the switch, you decide to research the economy in terms of GDP growth rate, interest rates, level of unemployment, the business cycle, fiscal policy, monetary policy, international trade, and demographics. You decide to educate yourself about macroeconomics so that you can provide Uncle Dan with the most informed advice possible.

**Macroeconomic Paper as a Professional Report**

Your paper should be organized into five parts as listed below.

1. **Title Page: Name, class, and date**
2. **Introduction to situation but do NOT copy the scenario.** Briefly summarize the situation and identify the macroeconomic issue(s) to be decided from the perspective of the organization.
3. **Business cycles, unemployment, inflation, international—comparative advantage, exchange rates, trade, etc., monetary policy and interest rates, and fiscal policy and unemployment.** Identify the variables that are critical in addressing the issue(s). Gather and present the relevant data on the variables by searching the DeVry Online Library. Ask a librarian for help if needed. Use in-text citation to report the source(s) of the data. Graphs may be included here.
4. **Recommendations and Economic Justification**

Formulate and present your recommendations for addressing the issue(s) based on the relevant data and economic principles identified above. Justify your recommendations in terms of the economic impact on those affected.

1. **References**

List the full references for at least five sources alphabetically in APA format.

**Grading Rubric**

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| --- | --- | --- | --- |
| **Section** | **Points earned** | **Points** | **Description** |
| Paper Presentation |  | 10 | Good format, citations, lack of spelling errors, etc.  Correct title page and reference page |
| Relevant Data:  GDP, Business Cycle, International, Monetary Policy, Fiscal Policy, Demographics |  | 130 | GDP (20 points)  Business cycles, unemployment, inflation (40 points)  Monetary Policy and interest rates (30 points)  Fiscal policy and unemployment (30 points)  Demographics (10 points) |
| Recommendations |  | 40 | What are your recommendations explained by your analysis? |
| **Total** |  | **180** | **A quality paper meets or exceeds these requirements** |