

## ECO 610 Final Project Guidelines and Grading Guide

### Overview

The final project for this course is the creation of an **economic risk mitigation proposal**.

Professionals working in areas of finance and economics combine understanding of the business and management issues related to the real-world activities of public and private entities worldwide, with a sound knowledge of macroeconomic theory and policy tools and technical skills. They are frequently asked to interpret data to draw research-based conclusions regarding activities of the firms they manage, in relation to broader macroeconomic phenomena.

In this project, you will develop the ability to understand how economy-wide or regional economic forces affect decisions of senior business management officials in the private sector.

The project is divided into **three milestones**, which will be submitted at various points throughout the course to scaffold learning and ensure quality final submissions. These milestones will be submitted in **Modules Three, Five, and Seven**. Your comprehensive proposal will be submitted in **Module Nine**.

**In this assignment, you will demonstrate your mastery of the following course outcomes:**

- Propose strategies to enhance business opportunities by applying advanced macroeconomic theory to senior management level decisions
- Evaluate the implications of government fiscal and discretionary policies for business practice
- Draw connections between the business cycle and economic policies and trends in planning for business contingencies
- Assess the interrelationships between monetary policy and shifts in money and capital markets for their effects on the business climate
- Evaluate fiscal and monetary policies for their effectiveness in achieving their intended economic outcomes

### Prompt

With attention to the amount of information you are able to derive from sources reasonably available to you and which are amenable to citation and verification, select a publicly traded company headquartered in the United States and listed on a national securities exchange.

Imagine that you have been hired to consult with the publicly traded company's management team during a period of managerial transition. You have been hired to evaluate the risks this firm faces in the near and medium term, to allow the management team to advise the board of directors appropriately. Assume managers are new to the firm and unfamiliar with its operations and the economic environment in which it operates, but that they are familiar with general business practice. Evaluate the implications of government fiscal and monetary policies and business cycle phenomena for the firm you selected. In light of existing evidence, assess which areas of this firm's operations are significantly influenced by macroeconomic fluctuations in output, interest and prices associated with business cycle phenomena, or policy decisions made by the federal government. Present conclusions that can be drawn regarding challenges or opportunities specific to this firm, and provide a plan for mitigating any risks that the firm might face due to systematic factors in particular.

For your economic risk mitigation proposal, you must create a professional paper and apply the theories and concepts from the course to construct a polished proposal encompassing your analysis of systematic risks faced by this company, its economic outlook, and a plan that may be implemented to mitigate risks.

**Specifically, the following critical elements must be addressed:**

- I. Identification of Risk
  - a. Using the aspects of risk outlined in Chapters 5–8, identify the types of **economic risk** that certain broad varieties of activities expose business entities to.
  - b. Identify and describe two areas of your chosen firm’s operations that are subject to significant economic risk of each of the following: **idiosyncratic**, **systematic**, and **systemic** varieties.
  - c. Identify specific **macroeconomic variables** that are associated empirically with an increase in the identified varieties of risk, and which may indicate increase or decrease in systematic and systemic risk specifically.
  - d. Graphically and/or mathematically illustrate a **movement** in macroeconomic variables that would theoretically be associated with this risk.
- II. Analysis of Macroeconomic Data
  - a. Document recent **fiscal and monetary actions** taken by U.S. authorities addressing business cycle phenomena.
  - b. Calculate annual percentage changes in **GDP** and the **Consumer Price Index (CPI-U)** in the United States from 1948 to the current year.
  - c. Partition your data into the periods of 1948–1972, and from 1973 to the most recent year available. Plot annual percentage changes in GDP for these two periods. Compute a trend and **assess variation**, and describe patterns that you discern in relation to what you know about business cycle fluctuations.
  - d. Consult FRED (Federal Reserve Economic Data) to determine what has been identified to be the natural rate of unemployment and the current rate of unemployment in the current period. Using the FRED data, characterize the current relationship between **actual and potential output** (Okun’s law may be used to guide your assessment).
  - e. In light of what you identify to be the current *relationship* between actual and potential output, and the policy actions documented in “step a” above, graphically or mathematically illustrate the current **macroeconomic risk factors** and explain why this result is of significance to the firm that you are considering.
  - f. Describe the **theoretical basis** of each documented policy action that you have assembled and, using data collected here, evaluate its effectiveness. Did the policy achieve its intended economic outcomes? If so, what indicates that it was successful? If it was not successful, why did it fall short? Use examples to illustrate your point and back up your argument with research.
- III. Implications of Government Fiscal and Monetary Policies on Firm’s Business
  - a. Apply your analysis of macroeconomic data and recent policy and policy effectiveness completed in Part II to *predict trends* in GDP growth, inflation, and interest rates.
  - b. Identify likely **effects of predicted trends** on your chosen firm’s operations. In other words, what should managers be especially attentive to, based on your research? Use examples to illustrate your points and back up your argument with research.

- c. Based on your conclusions regarding areas of risk that are *systematic* in origin, describe one or more ways that the firm's operations may be significantly influenced by **shifts in money and capital markets**, and government regulation of these.
- d. Identify and describe one ongoing **policy initiative** currently underway that might raise or mitigate systematic risk, if it is successful. Describe the empirical or historical basis of this action, and evaluate the potential effectiveness of this policy. Illustrate the theoretical basis of this action using research. If this action is successful, how will this be beneficial or detrimental to the firm you have selected to review here?

#### IV. Conclusion: Economic Risk Mitigation Proposal

- a. Propose strategies to mitigate **systematic economic risk** for your firm. Be sure that your strategies are justified, based on your own research of macroeconomic data, economic outlook, and identification of possible risks expected in the next 1-5 years.

## Milestones

### Milestone One: Identification of Risk (Section I)

In **Module Three**, you will submit a 2–3 page paper introducing a firm based in the United States. Following steps outlined in Section I above, and using the aspects of risk outlined in Chapters 5–8 of your textbook, identify the types of economic risk that certain broad varieties of activities expose business entities to. Identify areas of your chosen firm's operations that are subject to significant economic risk and identify, using relevant data, those areas of risk to the firm that are idiosyncratic. Contrast these with areas of risk that are systematic and result from macroeconomic factors, such as swings in consumer and business confidence brought on by global economic conditions, or changes in policy, which produce systematic risks that affect *all* firms and individuals in the entire economy. Identify specific macroeconomic variables that are associated empirically with an increase in the areas of risk identified for this firm, and which may indicate an increase or decrease in systematic and systemic risks specifically. Graphically and/or mathematically illustrate a movement in macroeconomic variables that would theoretically be associated with this risk. After incorporation of instructor feedback, this milestone will be incorporated into your economic risk mitigation proposal. **This milestone is graded with the Milestone One Rubric.**

### Milestone Two: Analysis of Macroeconomic Data (Section II)

In **Module Five**, you will submit a 4–6 page paper presenting your analysis of macroeconomic data following the steps outlined in Section II above. Document recent fiscal and monetary actions taken by U.S. authorities addressing business cycle phenomena. You will use your GDP and Consumer Price Index (CPI-U) calculations to compute a trend, assess variation, and describe patterns that you discern in relation to what you know about business cycle fluctuations. Consult FRED (Federal Reserve Economic Data) to determine what has been identified to be the natural rate of unemployment and the current rate of unemployment in the current period. Use the current relationship between actual and potential output to graphically or mathematically illustrate the current macroeconomic risk factors and explain why this result is of significance to the firm that you are considering. Describe the theoretical basis of each documented policy action that you have assembled and evaluate its effectiveness. After incorporation of instructor feedback, this milestone will be incorporated into your economic risk mitigation proposal. **This milestone is graded with the Milestone Two Rubric.**

### Milestone Three: Implications of Government Fiscal and Monetary Policies on Firm's Business (Section III)

In **Module Seven**, you will submit a 4–6 page paper identifying and analyzing the implications of your macroeconomic analysis on your chosen firm. Using the data analyzed in the context of Milestone Two, predict the level of GDP growth, price inflation, and movements in interest rates that can be expected in the next five years. Assess implications on your firm of your macroeconomic analysis, and identify factors, given the operational features of the firm and the operational



features of the industry to which the firm belongs, which you characterize as requiring planning for business contingencies. After incorporation of instructor feedback, this milestone will be incorporated into your economic risk mitigation proposal. **This milestone is graded with the Milestone Three Rubric.**

Final Submission: Economic Risk Mitigation Proposal

In **Module Nine**, you will submit a 12–14 page comprehensive economic risk mitigation proposal. Your submission should be a polished artifact containing **all** of the critical elements of the final project. Conclude your project with proposed strategies to mitigate systemic economic risk as outlined in Section IV. It should reflect the incorporation of feedback gained throughout the course. This submission will be graded using the Final Project Rubric (below).

## Final Project Rubric

**Guidelines for Submission:** Your **economic risk mitigation proposal** must be 12–14 pages in length (including a cover page and references) and must be written in APA format. Use double spacing, 12-point Times New Roman font, and one-inch margins. Include at least eight references cited in APA format.

**Instructor Feedback:** This activity uses an integrated rubric in Blackboard. Students can view instructor feedback in the Grade Center. For more information, review [these instructions](#).

| Critical Elements                                      | Exemplary (100%)   | Proficient (90%)  | Needs Improvement (70%)  | Not Evident (0%)   | Value |
|--|--|---|--|--|-------|
| <b>Identification of Risk: Economic</b>                | Meets “Proficient” criteria and substantiates claims with research           | Identifies the types of economic risk that certain broad varieties of activities expose business entities to                                    | Does not sufficiently identify the types of economic risk that certain broad varieties of activities expose business entities to                     | Does not identify the types of economic risk that certain broad varieties of activities expose business entities to  | 5.5   |
| <b>Identification of Risk: Idiosyncratic</b>           | Meets “Proficient” criteria and description is especially clear and detailed | Identifies and describes two areas of the chosen firm’s operations that are subject to significant idiosyncratic risk                           | Identifies but does not sufficiently describe two areas of the chosen firm’s operations that are subject to significant idiosyncratic risk           | Does not identify two areas of the chosen firm’s operations that are subject to significant idiosyncratic risk   | 5.5   |
| <b>Identification of Risk: Systematic</b>              | Meets “Proficient” criteria and description is especially clear and detailed | Identifies and describes two areas of the chosen firm’s operations that are subject to significant systematic risk                              | Identifies but does not sufficiently describe two areas of the chosen firm’s operations that are subject to significant systematic risk              | Does not identify two areas of the chosen firm’s operations that are subject to significant systematic risk  | 5.5   |
| <b>Identification of Risk: Systemic</b>                | Meets “Proficient” criteria and description is especially clear and detailed | Identifies and describes two areas of the chosen firm’s operations that are subject to significant systemic risk                                | Identifies but does not sufficiently describe two areas of the chosen firm’s operations that are subject to significant systemic risk                | Does not identify two areas of the chosen firm’s operations that are subject to significant systemic risk  | 5.5   |
| <b>Identification of Risk: Macroeconomic Variables</b> | Meets “Proficient” criteria and substantiates claims with research           | Identifies specific macroeconomic variables that are associated empirically with an increase in the identified varieties of risk                | Does not sufficiently identify specific macroeconomic variables that are associated empirically with an increase in the identified varieties of risk | Does not identify specific macroeconomic variables that are associated empirically with an increase in the identified varieties of risk                      | 5.5   |
| <b>Identification of Risk: Movement</b>                | Meets “Proficient” criteria and substantiates claims with research           | Graphically and/or mathematically illustrates a movement in macroeconomic variables that would theoretically be associated with identified risk | Does not sufficiently illustrate a movement in macroeconomic variables that would theoretically be associated with identified risk                   | Does not include a graphic or mathematical illustration of a movement in macroeconomic variables that would theoretically be associated with identified risk | 5.5   |

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| <b>Macroeconomic Data:<br/>Fiscal and Monetary Actions</b>                            | Meets “Proficient” criteria and description is especially clear and detailed   | Identifies and describes recent fiscal and monetary actions taken by U.S. authorities addressing business cycle phenomena           | Identifies but does not sufficiently describe recent fiscal and monetary actions taken by U.S. authorities addressing business cycle phenomena  | Does not identify recent fiscal and monetary actions taken by U.S. authorities addressing business cycle phenomena                                       | 5.5 |
| <b>Macroeconomic Data:<br/>GDP and CPI-U</b>  | Meets “Proficient” criteria and calculation is especially clear and detailed   | Calculates annual percentage changes in GDP and the Consumer Price Index (CPI-U) in the United States from 1948 to the current year | Incorrectly calculates annual percentage changes in GDP and the Consumer Price Index (CPI-U) in the United States from 1948 to the current year | Does not include calculation of annual percentage changes in GDP and the Consumer Price Index (CPI-U) in the United States from 1948 to the current year | 5   |
| <b>Macroeconomic Data:<br/>Trends, Variation, Pattern</b>                             | Meets “Proficient” criteria and demonstrates a nuanced understanding of the relationship between data and trend, variation, and patterns | Uses annual percentage change data to compute a trend, assess variation, and describe patterns                                      | Does not accurately compute a trend, assess variation, and describe patterns  | Does not include a computation of a trend, variation, and patterns   | 6   |
| <b>Macroeconomic Data:<br/>Actual and Potential Output</b>                            | Meets “Proficient” criteria and substantiates claims with research   | Characterizes the current relationship between actual and potential output  | Does not accurately characterize the current relationship between actual and potential output   | Does not characterize the current relationship between actual and potential output   | 5.5 |
| <b>Macroeconomic Data:<br/>Risk Factors</b>   | Meets “Proficient” criteria and demonstrates a nuanced understanding of the relationship between risk factors and firm                   | Graphically or mathematically illustrates the current macroeconomic risk factors and explains why result is significant to firm     | Graphically or mathematically illustrates the current macroeconomic risk factors but does not explain significance to firm                      | Does not graphically or mathematically illustrate the current macroeconomic risk factors   | 5.5 |
| <b>Macroeconomic Data:<br/>Theoretical Basis</b>                                      | Meets “Proficient” criteria and uses clear and relevant research to justify argument   | Describes the theoretical basis of each documented policy action assembled and evaluates its effectiveness                          | Describes the theoretical basis of each documented policy action assembled but does not evaluate its effectiveness                              | Does not describe the theoretical basis of each documented policy action assembled or evaluate effectiveness   | 5.5 |
| <b>Implications of Government Fiscal and Monetary Policies:<br/>Trends</b>            | Meets “Proficient” criteria and demonstrates a nuanced understanding of relationship   | Accurately predicts trends in GDP growth, inflation, and interest rates   | Does not accurately predicts trends in GDP growth, inflation, and interest rates  | Does not include prediction of trends in GDP growth, inflation, and interest rates   | 5   |
| <b>Implications of Government Fiscal and Monetary Policies:<br/>Effects of Trends</b> | Meets “Proficient” criteria and substantiates claims with research   | Identifies likely effects of predicted trends on chosen firm’s operations   | Does not sufficiently identify likely effects of predicted trends on chosen firm’s operations   | Does not identify likely effects of predicted trends on chosen firm’s operations   | 6   |

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| <b>Implications of Government Fiscal and Monetary Policies: Shifts in Money and Capital Markets</b> | Meets "Proficient" criteria and exceeds criteria by describing more than one way that the firm's operations may be significantly influenced               | Describes at least one way that the firm's operations may be significantly influenced by shifts in money and capital markets, and government regulation of these | Does not sufficiently describe one way that the firm's operations may be significantly influenced by shifts in money and capital markets, and government regulation of these | Does not include description of one way that the firm's operations may be significantly influenced by shifts in money and capital markets, and government regulation of these | 5.5         |
| <b>Implications of Government Fiscal and Monetary Policies: Policy Initiative</b>                   | Meets "Proficient" criteria and substantiates claims with research  | Identifies and describes one ongoing policy initiative currently underway that might raise or mitigate systemic risk   | Identifies but does not sufficiently describe one ongoing policy initiative currently underway that might raise or mitigate systemic risk                                    | Does not identify one ongoing policy initiative currently underway that might raise or mitigate systemic risk   | 5.5         |
| <b>Conclusion: Economic Risk Mitigation Proposal</b>  | Meets "Proficient" criteria and substantiates claims with research  | Proposes logical strategies to mitigate systematic economic risk for chosen firm   | Does not provide adequate strategies to mitigate systematic economic risk for chosen firm  | Does not provide strategies to mitigate systematic economic risk for chosen firm  | 7           |
| <b>Articulation of Response</b>   | Submission is free of errors related to citations, grammar, spelling, syntax, and organization and is presented in a professional and easy-to-read format | Submission has no major errors related to citations, grammar, spelling, syntax, or organization  | Submission has major errors related to citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas               | Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent understanding of ideas   | 5           |
| <b>Earned Total</b>   |   |  |  |   | <b>100%</b> |