ECO 530 Final Project Milestone Two: Macroeconomic Forecast and Industry Analysis

Overview: The final project for this macroeconomics course is an analysis of a country of your choice and the impact of a fiscal, monetary, or trade related policy, as well as an industry that is likely to be affected either positively or negatively by the policy. For example, raising personal income or payroll taxes cuts back on disposable personal income, which can lower the amount of discretionary funds available for consumer spending on cars or vacation travel. You will analyze and evaluate the costs, benefits, implications, and potential impacts of your selected policy for that context. As a result, you will develop conclusions about the overall value of the policy as a means of correcting the economic problem it was designed to address. Finally, you will draw "big-picture" conclusions about the importance of understanding macroeconomic conditions for companies to compete and remain profitable. **This milestone is due in Module Six.**

Prompt: Submit a 3–4-page paper on an econometric analysis that answers the following prompt: What are the quantitative implications and actionable insights of the chosen business, policy, or economic issue?

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

I. Macroeconomic Forecast: Using the selected school of thought, create a qualitative, short-term (i.e., 12 to 24 months) forecast detailing the impacts of your chosen policy on the economy of your chosen country. For example, if your policy is raising the minimum wage, what is the expected direction of change for key macroeconomic variables like disposable personal income, labor costs, employment, prices, inflation, and GDP from a Keynesian perspective?

- **A.** Specifically, which macroeconomic **variables** (e.g., GDP, inflation, interest rates, employment, unemployment rate, consumer spending, investment spending, exports, imports, labor costs, exchange rates) should be considered? Address three to five variables and any uncertainty that exists with these variables.
- **B.** What are the expected **directions of change** for your identified variables as a result of the policy? What uncertainty exists given these macroeconomic conditions?

II. Industry Analysis

- **A.** What are the likely **effects** of the policy for your selected industry? Will the policy be beneficial to the industry? Will it cause costs to rise? Reduce or increase demand? Include charts and graphs to illustrate your claims where appropriate.
- **B.** What are the likely impacts to your selected industry's **international competitiveness**? Include charts and graphs to illustrate your claims where appropriate.
- **C.** What is likely to happen to the profitability of a **typical company** in the industry? Include historical examples, charts, and graphs to illustrate your claims where appropriate.

III. Conclusion

- **A.** As a result of your evaluations and analyses, what **final determinations** have you made about the policy? Would the benefits outweigh the costs for your given country and industry? Are there unintended consequences that should be considered, and if so, what? Do you recommend the policy be enacted, continued, or repealed?
- **B.** Finally, consider the "**big picture**." Why is it important to understand the different macroeconomic models? In other words, why are they significant? If you were a business leader, how would you make better decisions as a result of your knowledge of the macroeconomy? How would you use this knowledge to improve your strategies?