DePaul University

ECON 106, Sections 504 and 505 – Winter 2025 Quarter - Term Paper

Analysis of Monetary and Fiscal Policies (2017-Present)

Instructor: Joseph Pilewski

Instructions: Please prepare a term paper and submit **one Word file (*.docx)** document. All graphs must be draw clearly with a straight-edge or graphing tool; large enough to be easily read; and thoroughly labeled (i.e. axis, graphs, intersection points, and direction of graph shifts). All graphs must be labeled as Exhibit 1, Exhibit 2 … and be **referenced and integrated into the text**. I will **not** accept assignments in which all graphs are grouped together in the first few pages of the document or in an Appendix. **Use of Chat GBT or other AI tool to write the term paper will likely be detected, and will result in a lower grade**

Purpose of the Assignment:

1. Through this assignment, ECO 106 students demonstrate a command of fundamental macroeconomic theories, such as Keynesian economics, classical models, and supply-side economics, which provide frameworks to evaluate real-world issues, such as inflation, unemployment, and economic growth.
2. Your term paper will demonstrate your ability to interpret graphs, charts, and tables that represent economic trends and relationships. This assignment will include analyzing unemployment rates, inflation data, or GDP growth figures.
3. In this assignment, ECO 106 students will evaluate economic policies critically, considering their potential outcomes and limitations bases on economic principles.
4. Lastly, preparation of the term paper will allow ECO 106 students demonstrate an understanding of how macro-level phenomena (like national income or inflation) affect individual wellbeing, by analyzing the impact of actual fiscal and monetary policies, on both society and individuals.

The Assignment:

The assignment is to analyze the impact of the Federal Reserve Bank's (the "Fed's") monetary policy and the federal government's (President's and Congress's) fiscal policies (i.e. tax and spending changes) from Nov. 2017 through the present day, **using the economic models presented in ECON 106**. Specifically, the Term Paper should address the following topics/questions in four (4) sections:

Topic: Analysis of the Economic Variables (Nov. 2017 – Present):

I.   Data Analysis
   a. Lookup the following data for 2017 through Present from the St. Louis Federal Reserve website (www.stlouisfed.org) for each of the following six (6) variables. Note: To access data, go to www.stlouisfed.org and select "Research and Databases" from the menu. Then under "Information Services" choose "FRED Economic Data". Search for "Real GDP". When Real GDP comes up, set the graph

years from Jan. 2017 to the most recent (Apr. 2024). Cut and past the graph and title into a word document. Repeat the above steps for each variable listed below.

  i. Real GDP
  ii. Money Supply (i.e. "M1") (Note: Increase in MI in May 2020 is due to change in MI definition – See footnote in FRED beneath graph)
  iii. Unemployment Rate
  iv. Federal Funds Target Range – Upper Limit
  v. Market Yield on Treasury Securities at 10-Year Constant Yield, Quoted on an Investment Basis
  vi. Annual federal budget deficit
  vii. U.S. Net Exports of Goods and Services

b. Review the graphs of the above macroeconomic variables and discuss the relative trend and movements of each variable and the timing associated with those movements. Describe your observations of the trends (if any) in each graphed variable (e.g. increasing inflation, increasing interest rates etc.). In addition, describe how the movement of each variable may exhibit a direct or indirect relationship to the other variables.

II. **U.S. Government Fiscal Policies**
  A. List and describe the major government tax policies during the period (2017 – Present)
    a. Use our ECO 106 models/graphs to describe the <u>expected</u> impact of those tax policies in the **<u>short run</u>**. Please graph the economic models which show how the tax policies affect GDP, inflation, unemployment and interest rates.
    b. Use our ECO 106 models to describe the <u>expected</u> impact of those tax policies in the **<u>long run</u>**. Please graph the economic models which show how the tax policies affect GDP, inflation, unemployment and interest rates.
    c. Describe the expected impact on the exchange rate of the dollar relative to foreign currencies and the expected impact of the tax policies on net exports.
    d. Please discuss whether the data in Section 1 supports (or does not support) what our ECO 106 models predict in a, b, and c?
    e. **IMPORTANT:** In a., b. and c above, please reference the respective graphs in your description of the policies' impacts.

  B. List and describe the major government spending policies during the period (2017 – Present)
    a. Use our ECO 106 models/graphs to describe the <u>expected</u> impact of those government spending policies in the **<u>short run</u>**. Please graph the economic models which show how the policies' affect GDP, inflation, unemployment and interest rates.
    b. Use our ECO 106 models to describe the <u>expected</u> impact of those government spending policies in the **<u>long run</u>**. Please graph the economic models which show how the government spending policies' affect GDP, inflation, and interest rates.

c. Describe and graph the expected impact (of government spending policies) on the exchange rate of the dollar relative to foreign currencies and the expected impact of the policies on net exports.

d. Please discuss how the data in Section 1 supports (or does not support) what our economic models predict in a, b, and c above?

e. **IMPORTANT:** In a., b. and c above, please reference the respective graphs in your description of the policies' impacts.

III. U.S. Monetary Policies

A. List the Fed's monetary policies during the period (2017 – Present)

a. Use our ECO 106 models/graphs to describe the <u>expected</u> impact of those monetary policies in the **short run**. Please graph the economic models which show how the monetary policies' affect GDP, inflation, unemployment and interest rates.

b. Use our ECO 106 models to describe the <u>expected</u> impact of those monetary policies in the **long run**. Please graph the economic models which show how the monetary policies' affect GDP, inflation, unemployment and interest rates.

c. Describe and graph the expected impact (of monetary policies) on the exchange rate of the dollar relative to foreign currencies and the expected impact of the policies on net exports.

d. Please discuss how the data in Section 1 supports (or does not support) what our economic models predict in a, b, and c above?
IMPORTANT: In a., b. and c above, please reference the respective graphs in your description of the policies' impacts.

IV. Economic Recommendations

a. Using the economic models/graphs in II and III (above), recommend future fiscal (tax and spending) policies.

b. Using the economic models/graphs in II and III (above), recommend monetary policy (i.e. federal funds rate target, reserve requirement, discount rate, and interest on federal deposits).

c. Explain how your recommended fiscal (tax and spending) and monetary policies could make the economy and individuals better off in the short-run and/or long-run.

d. Describe how your policies may impact individuals differently within the U.S. economy.

e. Describe what could go wrong to lead to worse economic outcomes – higher inflation, higher unemployment, and/or lower GDP. Comment on the following:
   i. Political implementation considerations
   ii. The well-established time lags between policy approval and impact on the economy in the short-run and long-run.
   iii. Concluding thoughts