

Recovery Act Essay Prompt

Intermediate Macroeconomics
Economics 3040-01
Fall 2018

On December 1, 2008, the National Bureau of Economic Research's Business Cycle Dating Committee [announced](#) that it had determined that the U.S. economy had reached a business cycle peak in December 2007, with the subsequent decline in economic activity constituting a recession. Two weeks later, the Federal Open Market Committee, which had steadily been lowering the federal funds rate since September 2007, [reduced](#) its target for the benchmark policy rate to a range between 0-0.25%.

You have recently been hired as a staff economist with the Council of Economic Advisors by the incoming Obama administration. The day is February 13, 2009, and the House of Representatives and Senate have both just agreed upon a conference version of the American Recovery and Reinvestment Act of 2009 (ARRA), a \$787 billion package of tax cuts, transfers payments, infrastructure spending, unemployment benefits, and state fiscal relief. You must draft a four-page memo analyzing the merits of this "Recovery Act," which will inform President Obama's decision to enact or veto it later in the week.

Your memo should formulate a clear stance and argument on the merits of the bill as of early 2009, one that is supported throughout by the application of the theory and models we have developed in this course, as well as pertinent data series. Applying what you learned from Chapters 8-11, would you have expected the Recovery Act to be effective if enacted in February 2009? Which of the typical arguments against fiscal stimulus would have been fair criticisms of the bill, and which would have been mitigated by the prevailing economic context? Based on U.S. macroeconomic data series, such as those for GDP, employment, business investment, and inflation, does enactment of ARRA appear merited when the bill was drafted in early 2009? Provide accompanying figures and appropriate references for the data series you analyze to advance your argument.

Much of your work in the professional sphere is likely to be collaborative, rather than individualistic; giving constructive feedback and receiving and incorporating such comments are important skills to develop before graduating, both of which should improve your writing and organization. With that in mind, a first draft of your paper will be due on November 14th, three weeks ahead of your final submission. You will be assigned a partner with whom to exchange your draft papers, and you will each have one week to give your partner feedback on their drafts, which must be returned to your partner by November 21st. Peer feedback should be submitted as an email to your partner, with suggested comments and edits made in track changes in Microsoft Word, additionally cc'ing the TA. You will then have an additional two weeks to incorporate any suggestions and revise your essays before final submission is due on December 5th; past this deadline, your submission will lose half a letter grade for each day it's late. Submissions should be roughly 4 pages long, 1.5 point spacing, and not including figures.

A rubric posted to the course website is intended to help guide you in drafting your essay, and to provide you with some structure and guidance in giving constructive feedback on the first peer draft. I will later use the same rubric to grade your final submissions. The assignment is worth 25% of your course grade, comprising of 20 percentage points for your final submission and 5 percentage points for the quality of your peer feedback.