



# ECOCB/535 Competency 2 Assessment and Rubric

**Course Title:** The Digital Economy

**Competency Assessment Title:** Corrective Actions: The Federal Reserve and Government Intervention Programs

## Assignment Directions

Assume the role of a business consultant helping interns understand the finer points of economics. You have been tasked with developing a report comprised of two parts. The goal of your report is to help the interns focus on real world application highlighting corrective actions by the Federal Reserve and a government intervention program during the time of crisis.

**Create** an analysis incorporating the following:

### Part 1: Federal Reserve

**Choose** 1 of the following topics related to the Great Recession:

- The housing price bubble, collapse, foreclosures, bailout of underwater mortgages
- Subprime mortgages and derivatives, bailout of FNMA, Freddie Mac, and AIG
- The banking industry crisis, bailout of commercial and investment banks

**Write** a 500- to 750-word analysis (Part 1 of your report) of 1 of the following corrective actions taken by the Federal Reserve as a result of the crisis:

- Quantitative easing
- Purchase of toxic assets from financial institutions
- Paying interest on reserve balances

**Address** the following in your analysis:

- Actions taken by the Federal Reserve to mitigate the crisis
- How the corrective action helped to restore stability to the financial system and how it should prevent recurrence of a similar crisis

Note: Use of charts and graphs is encouraged, with appropriate citations. Any charts or graphs retrieved from the Federal Reserve Bank of St. Louis FRED website may only be included when the data sources used by FRED are U.S. government sources, such as the Bureau of Economic Analysis or the Bureau of Labor Statistics.

**Cite** at least 2 academically credible sources.

## **Part 2: Government Intervention Program**

**Review** the [Competency 2 Resources: The Roles of Government in the Economy](#).

**Analyze** 1 of the following government intervention programs:

- Counter cyclical fiscal policies (countering economic disruptions such as the housing bubble and the Great Recession)
- U.S. agriculture support programs
- Assistance for low Income families (choose 1):
  - Housing vouchers
  - Earned Income Tax Credit (including Child Tax Credit)
  - Supplemental Nutrition Assistance Program (SNAP)
- Low-income health care (choose 1):
  - Medicaid (including Children's Health Insurance Program).
  - Affordable Care Act expansion
- Social insurance programs (choose 1):
  - Old Age, Survivors, and Disability Insurance (OASDI)
  - Medicare
  - Unemployment insurance

Now that you have identified a government intervention and the market failure leading up to this intervention you are ready to continue moving forward.

**Write** a 750- to 1,050-word summary of your analysis (Part 2 of your report) in which you address the following:

- Analyze the arguments for government intervention versus those for market-based solutions. Hint: See the information about market failures.
- Examine who has been helped and who has been hurt by the selected government intervention.
- Examine externalities and unintended consequences of the intervention.
- Explain whether the cost of the intervention you selected, as a share of GDP or the number of participants, is increasing, decreasing, or varying with the state of the economy. Your analysis should be based on the cost trend (or number of participants) since 2000 or since its inception if after 2000.

- Analyze credible economists' opinions on the success or failure of the intervention in achieving its objectives.
- Recommend whether the program should be continued as is, discontinued, or modified based on your conclusions. Defend your recommendation.

Note: Use of charts and graphs is encouraged with appropriate citations. Any charts or graphs retrieved from the Federal Reserve Bank of St. Louis FRED website may only be included when the data sources used by FRED are U.S. government sources such as the Bureau of Economic Analysis or the Bureau of Labor Statistics.

**Cite** at least 2 academically credible sources.

**Compile** Parts 1 and 2 into one report.

**Submit** your report.