

BACKGROUND QUESTIONS:

“Is Current US Monetary Policy Too Expansionary?”

In order to prepare your presentations, you should use the following questions and references as a starting point. You may also want to look for additional references. In preparing your slides, please remember your presentation should take a maximum of 5 minutes and leave at least 10 minutes for an interesting class discussion.

- What is a central bank? What is the Federal Reserve and where does it sit in relation to the rest of the U.S. government? What are the responsibilities and powers of the Federal Reserve? What is the relationship between monetary and fiscal policy? How do they impact each other?
- What are the primary tools available to the Federal Reserve when charged with safeguarding the American economy? What is the relationship between nominal interest rates, real interest rates, and inflation?
- How does the Federal Reserve gauge the health of the economy? Is the U.S. economy healthy today? What is a healthy level of inflation and unemployment and is the United States there today? Should the Federal Reserve prioritize short term victories or the health of the economy long term? Why and why not?
- What is expansionary monetary policy and when is the best time to employ it? What is quantitative easing and who does it benefit? How does this relate to the money supply? Why would a government ever employ a contractionary monetary policy?
- What does it mean for an economy to be overheated? How does an overheated economy fuel a “bubble”? Are there any bubbles in the U.S. economy today?
- Historically, when has the Federal Reserve chosen an expansionary versus a contractionary monetary policy? How has the economy responded to different monetary policies?
- How has growth changed since the Great Recession? How has monetary policy around the world changed since then? Should central bankers seek to return monetary practices back to the old normal or adapt to new standards?