

ECO 216, Fall 2017, Required Homework Assignment #2

Due by 9:30 AM on Thursday, October 5

This is a group assignment, to be completed collectively by each of the Fed Challenge teams. You need only submit one copy.

The instructions for the competition state:

“Teams make presentations to a panel of judges who are experts in economics and monetary policy. Presentations should consist of the following elements:”

1. An analysis of current economic conditions (as of the day of the competition); these conditions may include broad macroeconomic conditions as well as conditions experienced in different geographic areas, in urban/rural areas, or among different demographic and socioeconomic groups (e.g., racial and ethnic groups, age groups), borrowers and savers, etc.
2. A forecast of near-term economic and financial conditions relevant to the formulation of monetary policy.
3. A discussion of significant risks to the economy that should receive special attention in formulating monetary policy; these risks may include the possible effects (positive or negative) of monetary policies on different segments of the population.
4. A monetary policy recommendation, encompassing both traditional tools and newer approaches as warranted; presenters should give supporting reasons for their recommendation

Your assignment is to prepare a set of documents (in the general range of 1-3 pages each) on each of these points. Here are some suggestions:

- i. make an effort to provide data when appropriate and relevant.
- ii. the FOMC provided forecasts for interest rates, unemployment, inflation etc. in September. These may make a good starting point for #2. Do you disagree with any of them? If so, why?
- iii. In formulating your policy recommendation, take care to clearly articulate the trade-offs involved with your suggested policy. Don't just focus on the benefits.
- iv. In formulating your recommendation in interest rates, how does it compare with the FOMC's forecasted path, provided in September?
- v. You will be making your in-class presentations 5-7 days after this assignment is due. I suggest you get started early.