

ECO 313, Winter 2019

Final

Instructions: This final quiz consists of just a single question. Your answer need not be long. A consist (600-1200 words), well reasoned response is sufficient. You have one hour to complete this quiz and the exam is open-note. No electronic devices, however, are allowed

It is August 2006. Housing prices have risen almost 60% since 2002, the unemployment rate is 4.7%, and most analysts believe that the U.S. economy should continue to perform well in upcoming years. You, however, are fully aware of the financial stresses that will lead to the Great Recession.

Your task is to write a short note suggesting a few measures that policy makers could take to ameliorate the impact of the eventual bursting of the housing bubble. You may discuss monetary, fiscal, or regulatory policy measures. Make sure to explain how your proposed policy measures would affect household and firm behavior.