

The Fed and Monetary Policy: Problems

1. Why did Congress delegate the ability to conduct monetary policy to the Federal Reserve?
2. During the early stages of the covid-19 pandemic, the Federal Reserve cut the target Federal Funds rate to near zero. Why did the Fed hope that this would mitigate the economic impact of covid-19?
3. True or False? The Federal Reserve sets the Federal Funds rate.
4. Prior to 2008, how did the Fed manipulate interest rates?
5. Since 2008, how has the Fed manipulate interest rates?
6. What is quantitative easing?
7. Why do higher bond prices imply lower bond yields (interest rates)?
8. Why does the Fed typically raise interest rates when inflation is high?
9. Why does the Fed typically lower interest rates when unemployment is high?
10. How does the Fed define “price stability?”.
11. How can forward guidance affect the U.S. economy?
12. Why does the Fed target 2% inflation? What are the potential costs and benefits of choosing a different target?