September FOMC Meeting: Problems

1. The Fed is mandated to pursue maximum employment. Higher interest rates usually raise unemployment. How then can the Fed justify raising interest rates in September as being consistent with its Congressional mandate?

2. Consider the market for cars. If the Fed lowers interest rates, how would we expect that to affect car prices and car sales?

3. Why do most economists pay more attention to core measures of inflation instead of overall (headline) inflation?

4. True or False? Ideally, the Fed would achieve inflation rates of zero.

5. What was the original purpose of Central Banks?

6. If inflation is around 5% and unemployment is around 8%, would you expect the Fed to raise or lower interest rates?