Readings from the Federal Reserve

A Companion Volume to *M&B*

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Chapter 2

Recent Developments in Consumer Credit and Payments
www.philadelphiafed.org/research-and-data/publications/business-review/2006/q1/Q1_06_ConferenceSummary.pdf
Ronel Elul, Joanna Ender, Bob Hunt, and James McGrath, Federal Reserve Bank of Philadelphia *Business Review*, First Quarter 2006, pp. 35–43.

Q1: Why is the Federal Reserve downsizing its check-processing operations?

Q2: What is predatory lending, and when is it likely to occur?

Q3: Is there empirical evidence that asymmetric information is a problem in loan markets?

Why Did So Many People Make So Many Ex Post Bad Decisions? The Causes of the Foreclosure Crisis
http://www.bostonfed.org/economic/ppdp/2012/ppdp1202.pdf
Christopher L. Foote, Kristopher S. Gerardi, and Paul S. Willen

Q1: Why do the authors think that adjustable-rate mortgages were not the main cause of the crisis?

Q2: Why don't the authors think that a change in government policy was responsible for the foreclosure crisis?

Q3: Which investors profited the most and which profited the least from the foreclosure crisis?

The Treasury Auction Process: Objectives, Structure, and Recent Adaptations
http://www.newyorkfed.org/research/current_issues/ci11-2.pdf
Kenneth D. Garbade and Jeffrey F. Ingher, Federal Reserve Bank of New York *Current Issues in Economics and Finance*, February 2005.

Q1: What type of auction does the U.S. Treasury Department use to sell new government bonds?

Q2: Why does the Treasury limit the bids that bidders may submit? What types of limitations exist?

Q3: Describe the system the Treasury uses to deliver new government bonds.

The Evolving Nature of the Financial System: Financial Crises and the Role of the Central Bank
http://www.federalreserve.gov/newsevents/speech/kohn20060518a.htm
Donald L. Kohn, Speech at the Conference on New Directions for Understanding Systemic Risk, New York, New York, May 18, 2006.

Q1: What financial innovations have enabled intermediaries to diversify and manage risk better?

Q2: Kohn argues that "actions to prevent a crisis should not raise the odds of creating more problems in the future. In particular, the problem of moral hazard is a significant concern." What does he mean by "moral hazard?" Look this term up in the index of your textbook and write out a definition of the term, then explain what Kohn means by it in the context of this speech.

Q3: Explain how the Federal Reserve has been working to reduce the chances of a systemic financial crisis.

Chapter 3

Island Money
http://www.clevelandfed.org/research/commentary/2004/0201.pdf
Michael F. Bryan, Federal Reserve Bank of Cleveland *Economic Commentary*, February 1, 2004.

Q1: Are Yap stones considered to be commodity money or fiat money? Why? What determined the value of Yap stones?

Q2: As which of the functions of money (medium of exchange, etc.) did Yap stones serve? How well did they serve each of those functions?

Q3: In what sense do Yap stones fit the description that "money is memory"?

The Tale of Gresham's Law
http://www.clevelandfed.org/Research/Commentary/2005/1001.pdf
Richard Dutu, Ed Nosal, and Guillaume Rocheteau, Federal Reserve Bank of Cleveland *Economic Commentary*, October 1, 2005.

Q1: Describe what is meant by Gresham's Law and briefly describe its historical origin.

Q2: How can the government cause bad money to drive out good money by imposing an unrealistic rate of exchange between different monies?

Q3: What is asymmetric information? How can it lead to bad money driving out good money?

Reforming Money Market Mutual Funds: A Difficult Assignment
www.richmondfed.org/publications/research/economic_brief/2014/pdf/eb_14-02.pdf
Huberto M. Ennis and Renee Haltom, Federal Reserve Bank of Richmond *Economic Bulletin* 14-02, February 2014.

Q1: How might the structure of prime MMMFs lead to a run?

Q2: What happened to prime MMMFs during the financial crisis?

Q3: How does the main reason for the existence of MMMFs (maturity transformation or investment management) affect the benefits of having a floating net asset value for MMMFs?

Trends in the Use of Payment Instruments in the United States
http://www.federalreserve.gov/pubs/bulletin/2005/spring05_payment.pdf

Geoffrey R. Gerdes, Jack K. Walton II, May X. Liu, and Darrel W.Parke, *Federal Reserve Bulletin*, Spring 2005, pp. 180–201.

Q1: Why is the percentage of transactions that involve paper checks declining in recent years? What is replacing checks?

Q2: Describe how the use of checks and electronic payments differs between the United States and other countries.

Q3: How does the use of different payment instruments vary geographically within the United States?

The Fate of One-Dollar Coins in the U.S.
http://www.clevelandfed.org/Research/Commentary/2004/1015.pdf
Sébastien Lotz and Guillaume Rocheteau, Federal Reserve Bank of Cleveland *Economic Commentary*, October 15, 2004.

Q1: How would eliminating paper dollar bills and replacing them with dollar coins save on costs of producing money in the United States? How much would the country save if it did so?

Q2: Define the term *network externalities* and explain how the term is a relevant concept for dollar coins.

Q3: What can we learn from the experience of other countries that replaced their bills with coins?

Chapter 4

Stock Return and Interest Rate Risk at Fannie Mae and Freddie Mac (PDF 378k)
http://research.stlouisfed.org/publications/review/05/01/Schmid.pdf
Frank A. Schmid, Federal Reserve Bank of St. Louis *Review*, January/February 2005, pp. 35–48.

Q1: What are the two potential sources of interest-rate risk faced by Fannie Mae and Freddie Mac?

Q2: How would a change in interest rates affect the value of the assets and liabilities of Fannie Mae and Freddie Mac?

Q3: What are the author's empirical findings about the effects of changes in interest rates on the equity value of Fannie Mae and Freddie Mac?

Chapter 5

Debt Maturity: What Do Economists Say? What Do CFOs Say?
http://www.philadelphiafed.org/research-and-data/publications/business-review/2006/q1/Q1_06_DebtMaturity.pdf
Mitchell Berlin, Federal Reserve Bank of Philadelphia *Business Review*, First Quarter 2006, pp. 3–10.

Q1: How might private information affect a firm's choice about the maturity of its debt?

Q2: Describe the underinvestment problem and explain how it can affect a firm's choice about the maturity of its debt.

Q3: Why do CFOs believe that they can time the market? Why are economists skeptical of that?

Does the Yield Curve Signal Recession?
http://www.clevelandfed.org/Research/Commentary/2006/0415.pdf
Joseph G. Haubrich, Federal Reserve Bank of Cleveland *Economic Commentary*, April 15, 2006.

Q1: Why is the yield curve thought to signal recession?

Q2: Why has the risk premium on long-term bonds declined since 1990?

Q3: Why would the degree of persistence in inflation affect the yield curve's ability to forecast recession?

Understanding the Term Structure of Interest Rates
http://research.stlouisfed.org/publications/review/05/09/Poole.pdf
William Poole, Federal Reserve Bank of St. Louis *Review*, September/October 2005, pp. 589–596.

Q1: What is the term structure puzzle?

Q2: Why are long-term interest rates so sensitive to inflation expectations?

Q3: How is the term structure puzzle resolved by looking at forecasts of inflation and future short-term interest rates?

Chapter 6

Macroeconomic News and Real Interest Rates

http://research.stlouisfed.org/publications/review/06/03/KliesenSchmid.pdf
Kevin L. Kliesen and Frank A. Schmid, Federal Reserve Bank of St. Louis *Review*, March/April 2006, pp. 133-144.

Q1: How do the authors measure the real interest rate? Describe the main idea behind the securities used in the study.

Q2: Which macroeconomic news announcements seem to have the biggest impact on the real interest rate?

Q3: Do Federal Reserve monetary policy actions affect the real interest rate? Do Federal Reserve communications affect the real interest rate?

Low Real Interest Rates

http://www.minneapolisfed.org/news_events/pres/kocherlakota_speech_04-18-13.pdf
Narayana Kocherlakota, Speech at the 22nd Annual Hyman Minsky Conference, April 18, 2013.

Q1: Describe how real interest rates changed from 2007 to 2013.

Q2: Why did the demand for safe assets rise and the supply of safe assets fall from 2007 to 2013?

Q3: What are the three main financial market outcomes caused by low real interest rates?

Inflation Expectations: How the Market Speaks

http://www.frbsf.org/publications/economics/letter/2005/el2005-25.pdf
Simon Kwan, Federal Reserve Bank of San Francisco *Economic Letter*, Number 2005-25, October 7, 2005.

Q1: What are TIPS and how do they work?

Q2: How can expected inflation be measured from the TIPS yield and nominal bond yield?

Q3: What are the drawbacks to using the TIPS yield as a measure of the real interest rate?

Chapter 7

Earnings Announcements, Private Information, and Liquidity
http://www.chicagofed.org/digital_assets/publications/economic_perspectives/2006/ep_1qtr2006_part3_furfine.pdf
Craig H. Furfine, Federal Reserve Bank of Chicago *Economic Perspectives*, First Quarter 2006, pp. 39–54.

Q1: Why does order flow affect prices? Does research confirm this theory?

Q2: Describe the impact over time of the effect of a large stock trade on the stock price. A graph of a typical stock might be a useful way to show this.

Q3: How does the impact on a stock price of a stock trade differ between a normal day and a day on which a firm announces its earnings?

Why Policymakers Might Care about Stock Market Bubbles
http://www.clevelandfed.org/research/commentary/2005/0515.pdf
Paul Gomme, Federal Reserve Bank of Cleveland *Economic Commentary*, May 15, 2005.

Q1: Why is average *q* used more often than marginal *q* in analyzing whether or not a firm should invest more?

Q2: How does Tobin's *q* theory explain the connection of stock prices to the macroeconomy?

Q3: Why should policymakers care about stock market bubbles?

Chapter 8

Profits and Balance Sheet Developments at U.S. Commercial Banks in 2008
http://www.federalreserve.gov/pubs/bulletin/2009/pdf/bankprofits09.pdf
Morten L. Bech and Tara Rice, *Federal Reserve Bulletin*, June 2, 2009, pp. A57–A97.

Q1: In general terms, how did banks' balance sheets change in 2008? In what areas did they gain business, and in what areas did their business shrink?

Q2: How did banks fare in terms of their profits in 2008? Did small, large, or very large banks have the highest return on equity?

Q3: How did the financial crisis affect banks in terms of loan-loss reserves and charge-offs, both from household and business lending?

The 1990's Financial Crises in Nordic Countries
www.riksbank.se/upload/Dokument_riksbank/Kat_foa/2009/6_8nov/Honkapohja.pdf
Seppo Honkapohja, Bank of Finland Research Discussion Papers, 2009.

Q1: How does the 1990s experience in the Nordic countries parallel the U.S. financial crisis that began in fall 2008?

Q2: How did the governments in Finland, Sweden, and Norway attempt to fight the financial crisis?

Q3: What were the main lessons from the Nordic crises that may be useful for the United States in handling its financial crisis?

Depression-Era Bank Failures: The Great Contagion or the Great Shakeout?
http://www.richmondfed.org/publications/research/economic_quarterly/2005/winter/walter.cfm
John R. Walter, Federal Reserve Bank of Richmond *Economic Quarterly*, Winter 2005, pp. 39–54.

Q1: What caused the number of banks to grow so rapidly from 1887 to 1921?

Q2: Why is contagion an incomplete explanation of bank failures from 1921 to 1933?

Q3: What is the evidence in favor of the view that overbuilding in the banking industry is the main reason for many bank failures from 1921 to 1933?

Chapter 9

Implementing a Macroprudential Approach to Supervision and Regulation
http://www.federalreserve.gov/newsevents/speech/bernanke20110505a.pdf
Ben S. Bernanke, Chairman of Federal Reserve, speech, May 5, 2011.

Q1: How does macroprudential supervision and regulation differ from microprudential supervision and regulation?

Q2: How does the Financial Stability Oversight Council intend to reduce systemic risk?

Q3: What changes has the Fed been making to engage in macroprudential supervision and regulation?

A Comparison of U.S. Corporate and Bank Insolvency Resolution
http://www.chicagofed.org/digital_assets/publications/economic_perspectives/2006/ep_2qtr2006_part4_bliss_kaufman.pdf
Roger Bliss and George Kaufman, Federal Reserve Bank of Chicago *Economic Perspectives*, Second Quarter 2006, pp. 44–56.

Q1: In general, how does insolvency resolution in banking differ from that for other corporations?

Q2: If a bank becomes insolvent and is sold, in what order are the claimants paid? How does this order differ from other corporations?

Q3: Why is speed of the essence in closing insolvent banks? How does the speed of resolution differ between banks and other corporations?

Stress Testing and Bank Capital Supervision
http://www.frbsf.org/publications/economics/letter/2011/el2011-20.pdf
Fred Furlong, Federal Reserve Bank of San Francisco *Economic Letter*, 2011-20, June 27, 2011.

Q1: What is the point of bank stress tests?

Q2: What was the main outcome of the bank stress tests in 2009?

Q3: How did the quality of bank capital change from 2008 to 2010?

Why Was Canada Exempt from the Financial Crisis?
https://www.richmondfed.org/publications/research/econ_focus/2013/q4/pdf/feature2.pdf
Renee Haltom, Federal Reserve Bank of Richmond *Econ Focus*, Fourth Quarter 2013, pp. 22-25.

Q1: In what ways did Canada fare better in the financial crisis of 2008 than the United States did?

Q2: What are the main differences between the U.S. and Canadian banking systems?

Q3: Would the United State be better off if it copied Canada's banking system?

What Should Banks Be Allowed To Do?
http://www.kansascityfed.org/publicat/econrev/pdf/11q4Morris.pdf
Charles S. Morris, Federal Reserve Bank of Kansas City *Economic Review*, Fourth Quarter 2011, pp. 55-80.

Q1: Describe how the volume of asset-backed securities has changed over time.

Q2: How does the dependence of complex financial institutions on short-term funding threaten the stability of the global financial system?

Q3: What are the six financial activities of the largest banking organizations and which three have little in common with core banking services?

Putting Banks to the (Stress) Test
http://www.richmondfed.org/publications/research/region_focus/2012/q4/pdf/federal_reserve.pdf
Seth Rubenstein, Federal Reserve Bank of Richmond *Region Focus*, Fourth Quarter 2012, pp. 7-8.

Q1: What is a stress test?

Q2: What are the main benefits of stress tests?

Q3: What are the benefits and costs of revealing the firm-specific results of stress tests?

Bank Diversification, Economic Diversification?
http://www.frbsf.org/publications/economics/letter/2006/el2006-10.pdf
Philip Strahan, Federal Reserve Bank of San Francisco *Economic Letter*, Number 2006-10, May 2006.

Q1: How has deregulation improved the cost efficiency of banks?

Q2: In theory, should bank deregulation cause local economies to be less volatile (with local output and employment becoming less sensitive to shocks) or more volatile?

Q3: What is the evidence on how the volatility of local economies changed after banking deregulation?

Confronting Too Big to Fail
http://www.federalreserve.gov/newsevents/speech/tarullo20091021a.htm
Daniel Tarullo, Federal Reserve Board of Governors, speech on October 21, 2009.

Q1: How does the too-big-to-fail problem affect the desire of financial institutions to take on risk?

Q2: What three regulatory changes does Tarullo think would help mitigate the problems caused by too-big-to-fail?

Q3: What three measures does Tarullo think regulators should take to allow market discipline to help combat the problems caused by too-big-to-fail?

The 3-6-3 Rule: An Urban Myth?
http://www.richmondfed.org/publications/research/economic_quarterly/2006/winter/walter.cfm
John Walter, Federal Reserve Bank of Richmond *Economic Quarterly*, Winter 2006, pp. 51–78.

Q1: How did banks sidestep restrictions on branching?

Q2: What was regulation Q and how did it affect competition in banking?

Q3: Do aggregate measures of bank profits suggest that banks in the 1950s, 1960s, and 1970s had more monopoly power than in the 1980s and 1990s?

Chapter 10

What Is Behind the Rise in Long-Term Unemployment?
http://www.chicagofed.org/digital_assets/publications/economic_perspectives/2010/2qtr2010_part1_aaronson_mazumder_schechter.pdf
Daniel Aaronson, Bhashkar Mazumder, and Shani Schechter, Federal Reserve Bank of Chicago *Economic Commentary*, 2Q/2010, pp. 28-51.

Q1: Describe the Blinder/Oaxaca decomposition and explain how it can be used to explain the longer duration of unemployment observed recently.

Q2: Describe the nine transition rates discussed in the paper and explain how they can be used to explain changes in unemployment duration.

Q3: Describe the evidence that extended unemployment benefits have increased the duration of unemployment.

The Decline in Teen Labor Force Participation
http://www.chicagofed.org/digital_assets/publications/economic_perspectives/2006/ep_1qtr2006_part1_aaronson_et_al.pdf
Daniel Aaronson, Kyung-Hong Park, and Daniel Sullivan, Federal Reserve Bank of Chicago *Economic Perspectives*, First Quarter 2006, pp. 2–18.

Q1: Describe the recent trend in teen labor force participation rates.

Q2: Did teenage labor force participation fall because of lack of demand? Explain the evidence.

Q3: What are the main reasons why teens may be reducing their labor supply?

The Trend Growth Rate of Employment: Past, Present, and Future
http://www.kansascityfed.org/PUBLICAT/ECONREV/PDF/1q06clar.pdf
Todd Clark and Taisuke Nakata, Federal Reserve Bank of Kansas City *Economic Review*, First Quarter 2006, pp. 43–85.

Q1: What three methods are used to estimate trend employment growth? Why is it useful to examine more than one method?

Q2: What factors must be considered in forecasting the growth rate of payroll employment over the next ten years? Why are the forecasts lower than the average growth rate of payroll employment since 1955?

Q3: What is the authors’ forecast for average monthly payroll employment gains for the next 10 years? How much uncertainty is associated with this forecast?

Financial Stress: What Is It, How Can It Be Measured, and Why Does It Matter?
Craig S. Hakkio and William R. Keeton, Federal Reserve Bank of Kansas City *Economic Review* (Second Quarter 2009), pp. 5-50.
http://www.kansascityfed.org/PUBLICAT/ECONREV/pdf/09q2hakkio_keeton.pdf

Q1: Describe the key features of financial stress.

Q2: What variables are included in the Kansas City Financial Stress Index? How does each variable relate to the key features of financial stress that you described in RQ1?

Q3: What is the evidence linking financial stress to economic activity?

Does the Unemployment Rate Really Overstate Labor Market Recovery?
http://www.richmondfed.org/publications/research/economic_brief/2014/pdf/eb_14-06.pdf
Andreas Hornstein, Marianna Kudlyak, Fabian Lange, and Tim Sablik, Federal Reserve Bank of Richmond *Economic Brief* 14-06, June 2014.

Q1: What is the main idea behind the "non-employment index" that the authors create? What data are used in creating the index?

Q2: How does the non-employment index compare over time to the standard unemployment rate? Compare it in both levels and how much it changes over time.

Q3: How does the non-employment index compare with the standard unemployment rate in terms of what they imply about labor market utilization in 2014 compared with pre-recession levels?

Changes in Behavioral and Characteristic Determination of Female Labor Force Participation, 1975-2005
http://www.frbatlanta.org/filelegacydocs/erq206_hotchkiss.pdf
Julie Hotchkiss, Federal Reserve Bank of Atlanta *Economic Review*, Second Quarter 2006, pp. 1–20.

Q1: What are three sources of change in women’s labor force participation rates?

Q2: How can equations describing labor force participation be used to decompose changes in the labor force participation rate into changes in behavior and changes in characteristics?

Q3: What caused the labor force participation rate of women to decline between 2000 and 2005?

Will the Economic Recovery Die of Old Age?
http://www.frbsf.org/economic-research/publications/economic-letter/2016/february/will-economic-recovery-die-of-old-age/
Glenn D. Rudebusch, Federal Reserve Bank of San Francisco Economic Letter, 2016-03, February 8, 2016

Q1: What is the evidence that there is positive duration dependence for the death of a person?

Q2: How does the estimated probability that a recovery will end within the next month differ between recoveries before World War II and after World War II?

Q3: Why might postwar recoveries show little or no duration dependence, unlike prewar recoveries?

Extended Unemployment and UI Benefits
http://www.frbsf.org/publications/economics/letter/2010/el2010-12.pdf
Rob Valetta and Katherine Kuang, Federal Reserve Bank of San Francisco *Economic Letter*, 2010-12, April 19, 2010

Q1: How does the duration of unemployment change over the business cycle? How does the duration of unemployment in the recession that began in December 2007 compare with earlier recessions?

Q2: Why might extended unemployment benefits lead to an increase in the duration of unemployment?

Q3: What empirical evidence leads to authors to the conclusion that the extension of unemployment benefits had a modest effect on the large increase in duration during the recession that began in December 2007?

Chapter 11

A Stable Money Demand: Looking for the Right Monetary Aggregate
http://www.chicagofed.org/digital_assets/publications/economic_perspectives/2005/ep_1qtr2005_part4_teles_zhou.pdf
Pedro Teles and Ruilin Zhou, Federal Reserve Bank of Chicago *Economic Perspectives*, First Quarter 2005, pp. 50–63.

Q1: What are the major factors that caused the demand for M1 to become unstable?

Q2: What is MZM and why is it a useful monetary aggregate?

Q3: Is the real demand for MZM more stable than the real demand for M1? How can you tell?

Chapter 12

Your House Just Doubled in Value? Don’t Uncork the Champagne Just Yet!
http://www.philadelphiafed.org/research-and-data/publications/business-review/2006/q1/Q1_06_Housevalue.pdf
Wenli Li and Rui Yao, Federal Reserve Bank of Philadelphia *Business Review*, First Quarter 2006.

Q1: Why might economists need to modify their models of savings and consumption in a world populated by homeowners?

Q2: How do renters, young homeowners, and old homeowners differ in their sensitivity to housing prices?

Q3: How do renters, young homeowners, and old homeowners differ in terms of the change in their welfare when housing prices change?

Chapter 13

Macroeconomic Models with Heterogeneous Agents and Housing
http://www.frbatlanta.org/filelegacydocs/erq405_jeske.pdf
Karsten Jeske, Federal Reserve Bank of Atlanta *Economic Review*, Fourth Quarter 2005, pp. 39–56.

Q1: How does homeownership vary across age groups?

Q2: How does a typical household's earnings vary with age?

Q3: What was the main cause of the increase in the homeownership rate after 1995?

New Monetarist Economics: Methods
http://research.stlouisfed.org/publications/review/article/8273
Stephen Williamson and Randall Wright, Federal Reserve Bank of St. Louis *Review*, July/August 2010, pp. 265-302.

Q1: Why do New Monetarists think that the micro-economic foundations of macroeconomics are important?

Q2: How do New Monetarists believe that money should be modeled?

Q3: What is the New Monetarist view of price stickiness?

Introduction to "Models of Monetary Economies II: The Next Generation"
http://www.minneapolisfed.org/research/QR/QR2911.pdf
Randy Wright, Federal Reserve Bank of Minneapolis *Quarterly Review*, October 2005, pp. 2–9.

Q1: What key questions are discussed in the paper by Kiyotaki and Moore?

Q2: How does Shi integrate both money and bonds into his model?

Q3: What does the author think are the most important areas for future research in modeling money?

Chapter 14

Why Are Some Goods So Cheap in Some Countries?
http://www.phil.frb.org/research-and-data/publications/business-review/2008/q1/alessandria-kaboski_why-are-goods-so-cheap.pdf
George Alessandria and Joseph Kaboski, Federal Reserve Bank of Philadelphia *Business Review*, Q2 2008, pp. 1-11.

Q1: What problems arise in comparing price indexes across countries?

Q2: How does people's shopping time change as their income changes? What does this imply about the relationship between income and prices?

Q3: What conclusion can we draw about the relationship between income and the price of a given basket of goods, based on the model described in the article? What is the implication for the law of one price?

International Business Cycles: G7 and OECD Countries
http://www.frbatlanta.org/filelegacydocs/erq106_chauvet.pdf
Marcelle Chauvet and Chengxuan Yu, Federal Reserve Bank of Atlanta *Economic Review*, First Quarter 2006, pp. 43–54.

Q1: What type of model does the author use to construct a business-cycle indicator?

Q2: How do recessions in the United States compare with recessions in the OECD in terms of duration and frequency?

Q3: Which pairs of countries tend to enter and leave recessions at about the same time?

U.S. Jobs Gained and Lost through Trade: A Net Measure
http://www.newyorkfed.org/research/current_issues/ci11-8.pdf
Erica L. Groshen, Bart Hobijn, and Margaret M. McConnell, Federal Reserve Bank of New York, *Current Issues in Economics and Finance,* August 2005.

Q1: Has the outsourcing of jobs to foreign workers caused a sharp increase in layoffs?

Q2: Briefly describe the methodology used to calculate the number of U.S. jobs embodied in net imports.

Q3: How has the number of U.S. jobs embodied in net imports as a share of payroll employment changed over time?

The Chinese Renminbi: What's Real, What's Not
http://www.clevelandfed.org/Research/Commentary/2005/0815.pdf
Patrick Higgins and Owen E. Humpage, Federal Reserve Bank of Cleveland *Economic Commentary*, August 15, 2005.

Q1: How much has the real exchange rate between China and the United States changed between 1995 and 2005? Do you think that has been enough to substantially change the competitive position of China versus the United States in selling goods?

Q2: If China was undervaluing the renminbi, what would eventually happen to the inflation rate?

Q3: How has China sterilized the increases in its foreign reserves since 1995?

Chapter 15

FOMC Communications and the Predictability of Near-Term Policy Decisions
http://www.clevelandfed.org/Research/Commentary/2006/June.pdf
John B. Carlson, Ben Craig, Patrick Higgins, and William R. Melick, Federal Reserve Bank of Cleveland *Economic Commentary*, June 2006.

Q1: How did market participants in the early 1990s learn about changes in monetary policy?

Q2: How is it possible to tell if communication enhances the predictability of monetary policy?

Q3: When in the business cycle do the greatest errors occur in predicting the course of monetary policy?

The Greenspan Era: Lessons for the Future
http://www.kansascityfed.org/PUBLICAT/ECONREV/PDF/4q05kahn.pdf
George A. Kahn, Federal Reserve Bank of Kansas City *Economic Review*, Fourth Quarter 2005.

Q1: What is the risk-management approach to monetary policy?

Q2: What three economic developments occurred during the Greenspan era that will challenge subsequent policymakers?

Q3: Why is clear communication and transparency important for a central bank?

The Changing Role of the Federal Reserve
http://research.stlouisfed.org/publications/review/05/03/part2/Schultz.pdf
Frederick H. Schultz, Federal Reserve Bank of St. Louis *Review*, March/April 2005, pp. 343–348.

Q1: What structural problems prevented the Fed from responding fully to the Great Depression?

Q2: In what sense are Federal Reserve Banks the “eyes and ears” of the Fed?

Q3: How well did credit controls work in the early 1980s?

Chapter 16

The Federal Reserve's Balance Sheet: An Update
http://www.federalreserve.gov/newsevents/speech/bernanke20091008a.htm
Bernanke, Ben S., Federal Reserve Board of Governors, speech on October 8, 2009.

Q1: What are the major ways in which the Fed's balance sheet changed during the financial crisis?

Q2: What does Bernanke mean by "credit easing" and how did the Fed engage in it?

Q3: What are the main components of the Fed's exit strategy to reduce the liquidity it supplied to the economy during the crisis?

Discount Window Borrowing: Understanding Recent Experience
http://www.chicagofed.org/digital_assets/publications/chicago_fed_letter/2005/cflmarch2005_212.pdf
Craig Furfine, Federal Reserve Bank of Chicago, *Chicago Fed Letter*, Number 212, March 2005.

Q1: Under what circumstances do banks borrow from the Fed?

Q2: Why do banks in recent years need to hold fewer reserves at the Fed?

Q3: What is driving the demand for reserve balances in recent years?

How Do Central Banks Control Inflation?
http://www.richmondfed.org/publications/research/economic_quarterly/2004/summer/pdf/hetzel.pdf
Hetzel, Robert L., Federal Reserve Bank of Richmond *Economic Quarterly*, Summer 2004, pp. 46–63.

Q1: What are the two hallmarks of quantity theory analysis?

Q2: What is the natural rate of interest?

Q3: How can central banks stabilize the inflation rate?

The Effect of Interest on Reserves on Monetary Policy
http://www.richmondfed.org/publications/research/economic_brief/2009/eb_09-12.cfm
John R. Walter and Renee Courtois, Federal Reserve Bank of Richmond, *Economic Brief* 09-12, December 2009.

Q1: Why did banks increase their excess reserves so much once the Fed began to pay interest on reserves in fall 2008?

Q2: Why did the federal funds rate trade below the interest rate on reserves after the Fed began paying interest on reserves, even though the interest rate on reserves should put a floor under the federal funds rate?

Q3: What are the budget implications of the Fed paying interest on reserves?

Chapter 17

The Benefits of Price Stability
http://www.federalreserve.gov/boarddocs/speeches/2006/200602242/default.htm
Ben Bernanke, speech at Princeton University; Federal Reserve Board of Governors, February 24, 2006.

Q1: How does price stability promote efficiency and long-term growth?

Q2: How does low inflation lead to greater stability of output and employment in the short to medium term?

Q3: Why will the tradeoff between inflation and unemployment be short-lived?

Inflation, Banking, and Economic Growth
http://www.clevelandfed.org/Research/Commentary/2006/0515.pdf
John H. Boyd and Bruce Champ, Federal Reserve Bank of Cleveland *Economic Commentary*, May 15, 2006.

Q1: How does bank lending vary with inflation, based on cross-country evidence?

Q2: Through what mechanisms does higher inflation lead to lower output growth?

Q3: What is the evidence on the effect of inflation on bank profits?

Are Some Prices in the CPI More Forward Looking Than Others? We Think So
http://www.clevelandfed.org/Research/commentary/2010/2010-2.pdf
Michael F. Bryan and Brent Meyer, Federal Reserve Bank of Cleveland *Economic Commentary*, May 19, 2010

Q1: Why do some prices change more frequently than others?

Q2: How do the authors use data on prices with different degrees of stickiness to create alternative inflation measures?

Q3: How do the authors combine their alternative inflation measures into a Phillips curve to be able to predict inflation?

Rethinking the Welfare Cost of Inflation
http://www.clevelandfed.org/Research/Commentary/2005/0301.pdf
Ben Craig and Guillaume Rocheteau, Federal Reserve Bank of Cleveland *Economic Commentary*, March 1, 2005.

Q1: Describe Friedman's "welfare triangle" of the costs of inflation.

Q2: Why does use of a search model lead to greater measured costs of inflation than the welfare triangle?

Q3: How do trading frictions increase the costs of inflation?

Okun's Law and the Unemployment Surprise of 2009
http://www.frbsf.org/publications/economics/letter/2010/el2010-07.pdf
Mary Daly and Bart Hobijn, Federal Reserve Bank of San Francisco, *FRBSF Economic Letter,* 2010-07, March 8, 2010

Q1: Describe the unemployment surprise of 2009.

Q2: What factors did the authors consider as possible explanations of the unemployment surprise of 2009?

Q3: What do the authors believe is the main factor causing the unemployment surprise of 2009 and what are the key questions that need further investigation?

The Housing Drag on Core Inflation
http://www.frbsf.org/publications/economics/letter/2010/el2010-11.pdf
Bart Hobijn, Stefano Eusepi, and Andrea Tambalotti, Federal Reserve Bank of San Francisco, *FRBSF Economic Letter,* 2010-11, April 5, 2010

Q1: What concept captures housing prices in the PCE price index? How is that concept measured?

Q2: How does core inflation including housing differ from core inflation without housing?

Q3: Does housing cause a significant distortion to the underlying trend in the overall price level?

The Risk of Deflation
http://www.frbsf.org/publications/economics/letter/2009/el2009-12.pdf
John Williams, Federal Reserve Bank of San Francisco, *FRBSF Economic Letter,* 2009-12, March 27, 2012.

Q1: Describe two alternative versions of the Phillips curve that are useful in describing inflation.

Q2: How does the evidence from the U.S. Great Depression and Japan in the past ten years lead to the conclusion that the unanchored Phillips curve model is not appropriate?

Q3: What actions can a central bank take to prevent deflation?

Chapter 18

Reflections on a Year of Crisis
http://www.federalreserve.gov/newsevents/speech/bernanke20090821a.htm
Bernanke, Ben S., Federal Reserve Board of Governors, speech on August 21, 2009.

Q1: What were the main elements of the policy response to the financial crisis?

Q2: In what ways did the crisis contain elements of a classic panic?

Q3: Why does Bernanke think that a system-wide approach to regulation is necessary?

The Federal Reserve: Looking Back, Looking Forward
http://www.federalreserve.gov/newsevents/speech/bernanke20140103a.pdf
Bernanke, Ben S., Federal Reserve Board of Governors, speech on January 3, 2014.

Q1: What were the main accomplishments of the Fed towards fostering transparency and accountability during Chairman Bernanke's term in office?

Q2: How did the Fed follow Bagehot's advice in responding to the financial crisis in 2008 and 2009?

Q3: What two major tools did the Fed use to provide additional monetary accommodation in the face of the zero lower bound on interest rates?

Seven Faces of "The Peril"
http://research.stlouisfed.org/publications/review/10/09/Bullard.pdf
James Bullard, Federal Reserve Bank of St. Louis *Review*, September/October 2010, pp. 339-352.

Q1: How might a declaration by the Fed that it was raising its inflation target lead to an outward shift of the Taylor rule curve and a more desirable equilibrium?

Q2: How does the Bank of England try to keep the economy from deflation?

Q3: Why does Bullard favor quantitative easing as the best response to the threat of deflation?

Excess Reserves and the New Challenges for Monetary Policy
http://www.richmondfed.org/publications/research/economic_brief/2010/pdf/eb_10-03.pdf
Huberto M. Ennis and Alexander L. Wolman, Federal Reserve Bank of Richmond *Economic Brief* 10-03, March 2010.

Q1: Why is the level of bank reserves so high in 2010 compared with historical standards?

Q2: What are the benefits and costs of banks having high levels of excess reserves?

Q3: Why will the Fed have to rely more heavily on bank lending as an indicator?

Shifting Data: A Challenge for Monetary Policymakers
http://www.frbsf.org/publications/economics/letter/2005/el2005-35.pdf
John Fernald and Stephanie Wang, Federal Reserve Bank of San Francisco *Economic Letter*, Number 2005-35, December 9, 2005.

Q1: By how much did the July 2005 annual revision affect the core PCE inflation rate?

Q2: Had the FOMC known that inflation was really higher than it thought in 2004, how might policy have been different?

Q3: How can policymakers reduce their susceptibility to data revisions?

A Citizen's Guide to Unconventional Monetary Policy
www.richmondfed.org/publications/research/economic_brief/2012/pdf/eb_12-12.pdf
Haltom, Renee, and Alexander L. Wolman., Federal Reserve Bank of Richmond *Economic Brief*, EB12-12, December 2012.

Q1: Describe the 3 episodes of quantitative easing used by the Fed between 2008 and 2013.

Q2: Describe two different ways in which the Fed has engaged in altering the composition of its balance sheet.

Q3: What are the risks associated with forward guidance?

Estimated Rules for Monetary Policy
http://kansascityfed.org/publicat/econrev/pdf/12q4Kahn.pdf
George A. Kahn, Federal Reserve Bank of Kansas City Economic Review, 2012Q4

Q1: How important are data revisions in determining the outcome of the Taylor rule?

Q2: What are the differences between Taylor's 1993 rule and his 1999 rule? What are the advantages and disadvantages of each version?

Q3: How does the estimated equilibrium real fed funds rate differ from that assumed by Taylor? What are the implications of this difference?

John Taylor Rules
http://www.federalreserve.gov/newsevents/speech/kohn20071012a.htm
Donald L. Kohn, Federal Reserve Board of Governors speech, October 12, 2007

Q1: What is the Taylor principle and how would following the principle help to prevent inflation?

Q2: Describe the three main benefits of the Taylor rule.

Q3: Describe the four main limitations to the Taylor rule that concern the author.

Inflation Targeting and the Conduct of Monetary Policy
http://www.richmondfed.org/press_room/speeches/president_jeff_lacker/2005/lacker_speech_20050301.cfm
Jeffrey M. Lacker, president, Federal Reserve Bank of Richmond, speech at the University of Richmond, March 2005

Q1: What did president Lacker conclude after the Fed fought off an inflation scare in 1993-1994?

Q2: What are the three main benefits of an explicit numerical objective for inflation?

Q3: What is president Lacker's preferred target for inflation? How does he justify that choice?

Understanding the Interventionist Impulse of the Modern Central Bank
http://www.richmondfed.org/press_room/speeches/president_jeff_lacker/2011/lacker_speech_20111116.cfm
Jeffrey M. Lacker, president, Federal Reserve Bank of Richmond, speech at Cato Institute, November 2011

Q1: Why does president Lacker think that central banks have a propensity to intervene in credit markets?

Q2: What does he mean by a "time consistency problem"?

Q3: What changes does president Lacker think would be useful for preventing the Fed from engaging in credit allocation?

Time-Consistency and Credible Monetary Policy After the Crisis
http://www.philadelphiafed.org/research-and-data/publications/business-review/2012/q2/brq212_time-consistency-and-credible-monetary-policy-after-the-crisis.pdf
James M. Nason and Charles I. Plosser, Federal Reserve Bank of Philadelphia *Business Review* Q2 2012, pp. 19-25.

Q1: Why does the floor system of paying interest on excess reserves cause a potential problem for the Fed's credibility and independence?

Q2: How might the Fed's holdings of mortgage-backed securities cause moral hazard?

Q3: What do the authors propose to help prevent moral hazard?

Exit
http://www.phil.frb.org/publications/speeches/plosser/2011/03-25-11_shadow-open-market-committee.pdf
Charles I. Plosser, president, Federal Reserve Bank of Philadelphia, speech to Shadow Open Market Committee, March 25, 2011.

Q1: Why does President Plosser think the Fed should use the fed funds rate as its policy instrument instead of the interest rate on reserves?

Q2: What types of assets should the Fed hold in its portfolio, under President Plosser’s preferred operating system?

Q3: What are the three main elements of President Plosser’s exit plan?

Good Intentions in the Short Term with Risky Consequences for the Long Term
http://www.philadelphiafed.org/publications/speeches/plosser/2012/11-15-12_cato-institute.pdf
Charles I. Plosser, president, Federal Reserve Bank of Philadelphia, speech at Cato Institute 30th Annual Monetary Conference, November 15, 2012

Q1: What are the three main risks of the Fed's extraordinary policies?

Q2: What does president Plosser think are the four guiding principles of monetary policy?

Q3: Describe what is meant by a systematic approach to monetary policy.

Inflation Targeting
research.stlouisfed.org/publications/review/06/05/Poole.pdf

William Poole, Federal Reserve Bank of St. Louis *Review*, May/June 2006, pp. 155–163.

Q1: What is Poole's explicit goal for inflation?

Q2: What is the difference between high frequency inflation and low frequency inflation?

Q3: Does inflation targeting turn policymakers into inflation nutters?

The Fed's Exit Strategy for Monetary Policy
http://www.frbsf.org/publications/economics/letter/2010/el2010-18.pdf
Glenn D. Rudebusch, Federal Reserve Bank of San Francisco *Economic Letter*, Number 2010-18, June 14, 2010.

Q1: If the simple policy guideline could have been followed, how low would the nominal fed funds rate have become in 2009? Why couldn't the fed funds rate be lowered to this level?

Q2: Why did the Fed begin buying long-term securities in late 2008? What effect did these purchases have?

Q3: What impact has the doubling of the quantity of liabilities issued by the Federal Reserve had on long-term inflation expectations? Bonus question not in article: who holds the bulk of those liabilities?

Enhancing Fed Credibility
http://www.frbsf.org/publications/economics/letter/2006/el2006-05.pdf
Janet Yellen, Federal Reserve Bank of San Francisco *Economic Letter*, Number 2006-5, March 17, 2006.

Q1: How might "markets do all the work of monetary policy"?

Q2: How did the Fed gain credibility since the 1970s?

Q3: What is Yellen's explicit goal for inflation?