

Take Home Study Problem: 2021 Academic Session

Economic Analysis

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To members of the First-Year class:

Please select **ONLY ONE** of the following two topics as your 2021 take home study problem.

- 1) During the 2021 academic session, we discussed whether or not the current 2021 inflation spike is transitory or more or less permanent. Please list and discuss the arguments for and against the position that current inflation is transitory, and the position that current inflation is permanent. Finally, pick which side you support, and explain why.
- 2) The Federal Reserve is currently using basically two monetary policy tools to support the economy during the pandemic. These tools are firstly, maintaining the Fed Funds policy rate near zero percent, and secondly, engaging in a bond buying program of 120 billion per month. Please discuss the effectiveness of each of these tools in aiding the recovery from the Covid Recession of 2020. Finally, prepare a “most likely” timeline for the discontinuation of both of these tools by the Fed.

Best wishes,

Dr Ed