

“Responses to Federal Reserve Policy”
Chapter 8 in
U.S. Monetary Policy and Financial Markets
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Discussion Questions

1. How, according to Meulendyke, are changes in monetary policy transmitted to the economy?

What does Meulendyke mean by a transmission channel for monetary policy? What different channels does Meulendyke describe? How does each work?

How, according to Meulendyke, have views on policy transmission changed since the time of Keynes and the Great Depression?

Why, according to Meulendyke, do some economists believe that changes in monetary policy do not have any affect on economic activity?

2. What, according to Meulendyke, is the role of the treasury yield curve in explaining monetary policy transmission?

What is the yield curve?

What is the connection between monetary policy and long-maturity interest rates?

3. According to Meulendyke, does monetary policy have the same effects on all sectors of the economy or does it affect different sectors differently?

What is the most important effect of monetary policy on the household sector?

On the firm sector?

Why does monetary policy have an effect on federal, state, and local governments?

4. Why, according to Meulendyke, would a firm use scarce resources in order to “watch” the Federal Reserve? What are Fed watchers attempting to accomplish? What is to be gained by successfully watching the Fed?