

**“The Fed’s Monetary Policy Rule”****William Poole****Discussion Questions**

1. What does Poole mean when he says that the Fed must choose between “rules and discretion”?
  - a. What does Poole mean by rules? By discretion?
  - b. What, according to Poole, are the benefits and costs of rules?
  - c. What, according to Poole, are the benefits and costs of discretion?
  - d. According to Poole, is a rule better than discretion? Why or why not?
  
2. Why, according to Poole, is it desirable that monetary policy is predictable?
  - a. What is the connection between policy predictability and policy rules?
  - b. Would Poole like the Federal Reserve to set and publicly announce a target rate of inflation?
  
3. What, according to Poole, is the connection between the “Taylor rule” and the predictability of monetary policy?
  - a. What is the Taylor rule?
  - b. Why, according to Poole, would it make sense for the Fed to adjust interest rates in accordance with the equations in the second column of page 4?
  - c. What is Poole trying to show in figures 1 and 2?
  
4. Why, according to Poole, might the Fed not follow a rule?
  - a. What does Poole mean by a data anomaly?
  
  - b. What does Poole mean by crisis management?
  
  - c. Why might it make sense for the Fed to suspend adherence to a rule when data anomalies or crises occur?
  
5. Why, according to Poole, has the Federal Open Market Committee (FOMC) taken great care in recent years to fine tune the language of its policy statements?
  - a. What is the connection between FOMC language and policy predictability?
  - b. What are some examples of language changes and the rationales for those changes?
  
6. What do you think? Should the Fed announce and follow a policy rule?