

Problem Set 2

Cornell University

Economics 4905: Financial Fragility and the Macroeconomy

Fall 2016

Due in-class Wednesday, September 28, 2016

1 Essay Questions

Write a brief, concise paragraph on each of the following topics:

1. The Federal Reserve System, including (a) the Board of Governors, (b) the Regional Banks, c) the Federal Open Market Committee, (d) monetary policy
2. The government budget deficit, the national debt, and monetary policy.
3. The zero lower bound (ZLB)
4. US banking history, including local banking, distrust of banks, distrust of central banks
5. Asset bubbles, rational and irrational
6. Alexander Hamilton and the First Bank of the United States
7. The GSEs including Fannie Mae and Freddie Mac
8. Fragility of Eurozone sovereign debt (i.e., government bonds)
9. Large denomination bank notes, e.g., the US \$100 bill
10. Taxes denominated in dollars
11. David Ricardo and retirement of the public debt