

Problem Set 1
2004
DUE DATE: Feb 24, 2004

Please give your comments in NO MORE than 3 pages – including everything: text, figures and jokes – well, if the jokes are extremely good we will allow an additional page. The teams can be of 3-4-5 no other restrictions whatsoever.

Please see the article: Torres, Craig. "Greenspan Seen Upbeat on Economy as Job Growth Tepid." Bloomberg, 10 February 2004.

As you probably noticed, the most important aspect of the news is that they interview me. And because I'm so arrogant, I decided to have this wire-news as your problem set. It really doesn't matter what the content is. Just the fact that it is me, me, me, me, and only and always, me.

Because I'm forced to ask a question, here you have it: Please react to one the following questions. Please, answer within the ISLM framework (and the multiplier babysitter example if needed).

ANSWER ONLY ONE OF THE FOLLOWING TWO QUESTIONS:

1. Is the Central Bank doing the right policy? in which sense do you agree or disagree with the FED?
2. Should the FED be concerned with the fiscal deficit? Why?