**FED CHALLENGE**

**Presentations: Week 15 (April 18-20)**

**Total Points: 50**

The Fed Challenge is designed to bring real-world macroeconomics into the classroom. You will do a short presentation analyzing current macroeconomic conditions in the United States (for example GDP growth, consumption, investment, unemployment, inflation etc.), and recommend a course for monetary policy. The Fed Challenge is designed to meet the following goals:

1. to increase your understanding of macroeconomics and the Federal Reserve's role in setting U.S. monetary policy and ensuring economic stability
2. to help you develop skills—the ability to think analytically and to present information clearly, effectively and professionally—that are valuable in both your academic and professional careers
3. to promote interest in economics as a subject for study and the basis for a career

You will do a two-part presentation. In the first part you will analyze current macroeconomic conditions in the United States. In the second part you will make the suitable monetary policy recommendation.

**Part I: Review of current economic conditions and economic outlook in US**

To analyze current macroeconomic conditions, you should analyze and discuss the following variables from <https://fred.stlouisfed.org/>.

To create graphs:

Download monthly/quarterly data for the following variables from FRED and create all graphs yourself using Excel. Select monthly data and time period of study as 2005-current. If monthly data is not available, then select quarterly data.

1. Real GDP (in growth, that is, % change from year ago)
2. Real Personal Consumption Expenditures (in growth, that is, % change from year ago)
3. Real Gross Private Domestic Investment (in growth, that is, % change from year ago)
4. Federal Government Expenditures as a fraction of GDP (the unit is %) / Debt to gdp ratio (the unit is %)
5. Index of Industrial Production (in growth, that is, % change from year ago)
6. Unemployment Rate (plot it as it is)
7. Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (in growth, that is, % change from year ago. This growth in consumer price index will show what is happening to inflation in the economy. Inflation is measured by growth in prices.)
8. Consumer Price Index for All Urban Consumers: Energy in U.S. City Average (in growth, that is, % change from year ago)
9. University of Michigan: Consumer Sentiment index (plot it as it is)
10. Real Broad Effective Exchange Rate for United States (plot it as it is)

**Part II: Monetary Policy Recommendation**

What are the current risks to the U.S. economy? After analyzing the current economic condition and risks, what course of monetary policy do you recommend? You should make suitable recommendations for both conventional and unconventional monetary policy.

To create graphs:

Download monthly/quarterly data for the following variables from FRED and create all graphs yourself using Excel.

1. Effective federal funds rate (plot it as it is)[[1]](#footnote-1)
2. Quantitative Easing/ Quantitative Tightening (discuss but graph not needed)
3. Forward Guidance (discuss)
	1. FOMC Summary of Economic Projections for the Fed Funds Rate (plot it as it is)
	2. FOMC Summary of Economic Projections for Inflation Rate (plot it as it is)
	3. FOMC Summary of Economic Projections for Real GDP (plot it as it is)

**Useful Resources:**

<https://www.federalreserve.gov/monetarypolicy.htm>

<https://www.federalreserve.gov/monetarypolicy/fomc.htm>

<https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

https://www.newyorkfed.org/outreach-and-education/high-school/high-school-fed-challenge-resource.html

**NOTE:** You are required to present professional graphs. Add appropriate titles, legends, labels, and notes. Do not simply copy pre-made graphs from the internet or FRED (you will receive a zero grade if you download pre-made graphs from FRED). You must download monthly/quarterly data from FRED and create all graphs yourself using Excel. Please be sure to mention the following in your notes below the graph: the variable name, whether the data is monthly or quarterly, source as FRED. For example, below the Real GDP graph you should write:

*Note: Real GDP Growth, Quarterly*

*Source: FRED*

For example, below the Unemployment Rate graph you should write:

*Note: Unemployment Rate, Monthly*

*Source: FRED*

Take care to make these graphs "professional" looking. See an example of a professional graph provided.

*Note: Consumption growth, monthly data*

*Source: FRED*

1. *(Please note the difference between percentage and percentage points)* [↑](#footnote-ref-1)