

Essay and Discussion Questions

Monetary Policy Higher Education Questions

Help students understand monetary policy and currencies through these essay and discussion questions.

Question 1

Why are economies around the world so interconnected? What are the differences between expansionary and contractionary monetary policies? What are the consequences of each? With the largest economy, are the policies of the United States sufficient to promote stability of the global economy? Why or why not?

- In what ways is the United States vulnerable to financial pressure from other countries? What factors mitigate that vulnerability?
- What can the Great Recession tell us about the risks of future global financial crises?
- How did the United Kingdom's situation in 1956 make it vulnerable to financial pressure from the United States?

Question 2

What is the role central banks play in the global economy? In particular, what is the role of the U.S. Federal Reserve (also known as "the Fed")? What is its legal mandate? To what extent have the policies of the Federal Reserve proven to be useful tools in ensuring global financial stability? Defend your answer by citing specific examples.

- How does the Federal Reserve conduct monetary policy?
- How does the Fed influence money supply?
- How does the Fed influence interest rates?
- How did the Great Recession of 2008 impact the world? How did the Fed address these challenges?

Question 3

How did the U.S. dollar become the most popular currency in the world? Why is the U.S. dollar so desirable to other countries, considering they have their own currency? How important is the role of the dollar to U.S. wealth and power? Evaluate the benefits of maintaining the global role of the U.S. dollar.

- What were the advantages and disadvantages of the gold standard?
- What is de-dollarization?
- How does the global role of the dollar benefit the United States?
- How does the global role of the dollar benefit the international community?

Question 4

Why do most countries have their own currency, rather than sharing with other countries? Why do exchange rates between currencies fluctuate? Evaluate the advantages and disadvantages of a world with one currency. Use the European Union (and the Euro) as a case study.