

EDUCATION

PUBLICATIONS

## Dr. Econ

Dr. Econ answers many questions with a focus on monetary policy and Federal Reserve related issues. The Doctor does not do homework, give financial advice or provide research support.

2013	
2012	
2011	
2010	
2009	
2008	
2007	
2006	
2005	
2004	
2003	

2002	⊕
2001	⊕
2000	⊕
1999	⊕
1998	⊖

**The Economist** magazine these days is concerned that 1. Americans have created “asset inflation” through their continuing purchase of equities and 2. Americans are spending more than they’re saving. I must assume that equities are not considered “savings” by economists, though laymen will consider them so. How come?

Posted December 1, 1998

Discussion concerning what constitutes saving or investment with regard to equities, particularly during a period of “asset inflation” in the stock market.

**How would Russian use of the dollar as a medium of exchange along with the ruble affect U.S. monetary policy?**

Posted November 1, 1998

The proposal to go to a dollar-based economy in order to alleviate the Russian currency crisis would not greatly impact U.S. monetary policy. However, because the use of the dollar as a medium of exchange with the ruble would increase the quantity of U.S. currency in circulation, the establishment of a currency board would help lessen any effects on the U.S. monetary base and help facilitate the conduct of monetary policy.

## Are commodity prices a good leading indicator of general price inflation?

Posted July 1, 1998

The usefulness of commodity prices as a leading indicator of general price inflation is questionable because they are dependent upon the type of demand shift that occurs, for example, economy-wide demand shocks (i.e. oil shock of the 1970s) or shifts in the relative demand for commodities and goods.

## Does inflation hurt long-run economic growth?

Posted June 1, 1998

Discusses the relationship between inflation and distortions in economic decisions, which can have adverse effects on long-term economic growth by creating additional costs such as an inflation risk premium, and in the case of high rates of inflation, an inflation tax.

## Why is M2 above its 1998 range, and what does it mean for monetary policy?

Posted May 1, 1998

Because overall economic activity has been robust, demand for M2 has risen. However, due to deregulation and innovation, M2 and the monetary aggregates in general play only a minor role in the formulation of monetary policy.

## What is behind the currency crisis in East Asia?

Posted April 1, 1998

Details some of the factors that led to the East Asian currency crisis and how some countries tried to fight off attacks on their currencies in order to avoid currency depreciation.

## What is Taylor's rule?

Posted March 1, 1998

One of the few rules referenced in designing and implementing monetary policy, the Taylor Rule provides recommendations for setting real-short term interest rates according to factors such as actual inflation vs. targeted inflation and the level of full employment. In all, it guides policy to help a central bank achieve both its short-run goals for stabilizing the economy and its long-run goals for keeping inflation low.