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Simulation of FOMC Meeting: Learning About Monetary Policy by Doing

Hiranya K Nath

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Abstract:

This paper describes a classroom simulation of the FOMC meeting designed for an upper-level monetary economics class. This is a role-playing exercise in which students are assigned various roles as individuals or as groups that directly or indirectly participate in the FOMC meeting and in the conduct of monetary policy. As the semester progresses, lectures explain central banking, monetary policy making and effects of money supply in the economy. Concurrently, the students research different aspects of the U.S. economy and prepare the green book, the blue book and the beige book. By the end of the semester, the FOMC meets and deliberates over the information gathered by various groups, determines the course of the overall economy and takes a decision on the monetary policy action.