

PROBLEMS 1a. 27.9.2017

Recall (Week 0): *Anything important enough becomes political*. Politicians argue all the time: there is no right or wrong in politics. There *is* right and wrong in mathematics, which is why mathematicians don't argue with each other. Economics is in between the two, but closer to politics: economists *do* argue with each other.

The two most pressing issues facing us today (at least in the UK, and on the economics/financial front) are:

- (a) Brexit and related issues;
- (b) When/whether to raise interest rates back from their current near-zero level – historically low, and over an unprecedentedly long period – to more 'normal' levels.

As it happens, both are addressed in this week's *Observer*, Analysis, BUSINESS, p.41:

Q1. *Brexit*. See William Keegan, *In my view: Brexit isn't a new Black Wednesday. It's far darker than that*.

Read, ponder and discuss.

Q1a. What, where and when was Black Wednesday?

Q2. Business leader: *The Fed's momentous change of direction will only fuel America's growing problem with debt*.

Again: read, ponder and discuss.

Like the questions above, the questions below do not have definitive answers. They are put to encourage you to think about underlying issues, and to do a little digging in the Internet. The corresponding Solutions 1a consist largely of edited extracts from Wikipedia.

Q3. The two most influential economists of the last century were Keynes and (according to taste) one of Hayek and Friedman. Give brief accounts of their work, and of their influence on policy.

Q4. Compare the bailing-out of LTCB in 1998 with the decision to allow Lehman Brothers to go bankrupt in 2008. Do you have a view of what policy should be here?

Q5. Briefly review the history of the euro. Do you have a view on the future viability of the euro? on the impact of euro membership on the economic crisis in Greece? (The question as to whether the UK should have joined the eurozone has been overtaken by Brexit.)

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