This email gives the prompt for your paper and instructions about graphs. Make sure you answer the prompt I have emailed to YOU and have read "General instructions for all assigned papers Spring 2020."

You may want to use **graphs** in your paper. The graphs can be hand drawn. If you have a way to attach the graphs to the text of your paper and turn in everything together as one pdf, do that. Put all the graphs together at the **end** of the paper. If you can't attach the graphs to the text of your paper, turn them in as a separate pdf or pdfs (or jpegs). Whether you attach graphs to your paper or turn them in separately, make sure you **number** the graphs (as Graph 1, Graph 2,...or Figure 1, Figure 2....) and refer to them by number in the text of your paper. Make sure you label the axes on the graphs.

On Thursday I will hold a Zoom meeting at class time. In this meeting you can ask questions about the format and writing of the paper. I will NOT allow you to ask questions about the paper topic. If you have a question about the paper topic, email me.

The paper should be about five pages long, double-spaced,  NOT including graphs. If your paper is shorter than that, it probably does not have everything that I want. If it is much longer than that, it is more than I want. It should be structured as a *paper.* It must have an introductory paragraph that introduces the topic and previews what you are going to say about it. Each paragraph should start with a topic sentence that tells the reader what that paragraph is about.

You should make specific references to relevant things in the readings, and quote from the readings as appropriate. If you fail to refer to something in one of the readings that is relevant for the assigned topic, I will reduce your grade on the paper. Avoid excessive discussion of things unrelated to your assigned topic.

You don't need a title page. Put your name and the title of your paper at the top of the first page.

The title of your paper is "Two systems of monetary policy implementation."

The phrase "monetary policy implementation" refers to the way that a central bank controls the economic variable that the central bank policy committee has chosen to "target." Most central banks today choose a target (or target range) for the market overnight interest rate. In this context, monetary policy implementation means the way the central bank keeps the market overnight rate equal to (or close to) the target overnight rate chosen by the policy committee. Two systems of monetary policy implementation discussed in the readings and notes are the "floor" system and the "symmetric corridor" or "symmetric channel" system. Explain how these two systems work. In your explanation, be sure to address the following points.

1) In each system, what relationship would you expect to observe between changes in the target overnight rate and changes in reserve supply?

2) In which system would you expect to see central bank staff (such as the "Desk" at the Fed) engage more frequently in open-market operations, or would the frequency of open-market operations be the same under the two systems?

3) In which system would you expect to see more deviations of the market rate from the target, or  would deviations of the market rate from the target be similar under the two systems?

4) In what way is the floor system used in the U.S. *different* from the floor system described hypothetically in "Divorcing Money from Monetary Policy" and "Understanding Monetary Policy Implementation"?