Students analyze current economic information

By CYNTHIA R. NELSON
Courier-Post Staff

A team of Rutgers undergraduates - including Mount Laurel resident Mark Klee - spent some time this week with Federal Reserve Chairman Alan Greenspan.

The students were in Washington to participate in the Federal Reserve Board's College Fed Challenge. Students hold a mock Federal Open Market Committee meeting where they analyze current economic data and offer an opinion on interest rate policy.

The Rutgers students took home the top prize in the New York Federal Reserve Bank's preliminary last month, beating 19 other college teams. Their win, which included a prize of $15,000, secured them a place in Washington, where they trailed the winner, Northwestern University, by a single point.

Greenspan tried to softened the loss. The often somber-appearing Fed chairman joked that other contestants should expect a strong competitor in Rutgers. Maybe the team, Greenspan was reported as saying, got some unofficial coaching from a prior Federal Reserve chairman, the late Arthur F. Burns. Burns had been a longtime economics faculty member at Rutgers.

"The students were disappointed with the outcome this year, but they are very excited with the overall program and the opportunity to hear from Chairman Greenspan," said Jeffrey Rubin, a professor of economics who advised the students. "They are already looking forward to next year's competition. We'd like another crack at Northwestern."

"It was pretty interesting to compare our outlook on the state of the economy with that of the people who actually control monetary policy," said Klee, a Lenape Regional High School graduate now in his senior year at Rutgers-New Brunswick. "Obviously, we hoped to win, but I know that I'm content that we performed well and learned a lot from the experience."

The Rutgers team advised the federal board to increase interest rates by one-quarter percentage point at its December meeting in a bid to head off inflation.

During the competition in New York, the team also suggested the same increase for the November meeting. Scoring was based on the students' assessment of the economy, the
reasoning behind their policy recommendations and their answers to the judges' questions.

In the weeks leading up to the competition, the Rutgers team spent a lot of time studying different economic data and current events and discussed what effects these things have on monetary policy, Klee explained.

"When we decided to raise rates, we took a lot of things into account, especially the current accommodative policy and the need to remove some of this stimulus," Klee said. "Personally, I looked at (the) international sector, focusing on the higher costs of imports and energy, and the influence that this could eventually have on inflation."

In addition to Klee, the other Rutgers presenters were Puneet Sondhi, a junior economics major from Kendall Park; sophomore James J. Williamson, a pre-business major from Louisville, Ky; and first-year students, Ravi Bharadwaj from Westfield, and Alan Gu from Upper Saddle River. Students Alton Worthington, Michael Zarrella, Priya Tandon and Kingkit Cheung assisted in development and research.

The team received a total of $30,000 for their achievements. The nine students split $15,000, with the remainder going to the Rutgers' economics department to fund programs and plan for next year.

THE FED CHALLENGE

- Sponsor: The Federal Reserve's Board of Governors and eight regional Federal Reserve Banks.
- Contestants: High school and college students.
- Purpose: To promote a greater understanding of economics.
- Rules: Teams of five analyze current economic situation by simulating an actual Federal Open Market Committee meeting in which members vote to set target short-term interest rates.
- More information: Contact Lloyd Bromberg, director of education services at the Federal Reserve Bank of New York at (877) 333-2444.