

The Federal Reserve System

When was the “Fed” created?

What are three jobs of the Fed?

Which banks must belong to the Fed and which banks may choose?

Who chooses the **Board of Governors** of the Fed?

What is the job of the Fed’s **Federal Open Market Committee** (FOMC)?

What are two purposes of the Fed’s **reserves**?

What are **bank holding companies**?

What job does the Fed have in regards to foreign banks that operate in the US?

What is the **check clearing process**?

What is the purpose of the **Truth in Lending Act**?

What role does the Fed play in our nation’s **currency**?

Who produces our nation’s **coins**?

What does the Fed do for the **IRS**?

Chapter 15 Section 2 - Monetary Policy

What is monetary policy?

Define the following four components of the Federal Reserve:

1. Fractional reserve system

2. Legal reserves

3. Reserve requirement

4. Excess reserves

What are a bank's liabilities?

What are a bank's assets?

When a bank accepts a \$100 deposit, how much must it keep in reserve if the reserve requirement is 10%?

How does a bank make money when it makes a loan?

What is an **easy money policy** followed by the Fed? What is the purpose of this policy?

What is a **tight money policy** followed by the Fed? What is the purpose of this policy?

If the Fed reduces the reserve requirement from 20% to 10%, what impact will this have on a bank's ability to loan money?

What does Open Market operations involve?

If the Fed wants to increase the money supply and lower the interest rate, will it sell or buy bonds?

What is the discount rate?

If the Fed raises the discount rate, what impact will it have on the money supply and interest rate?

Look at the table below and fill in the six boxes of missing information. Use the textbook to find the correct answers.

<u>Easy Money Policy</u> Used to Increase GDP and employment	Expands Money Supply and Lowers Interest Rate
Reserve Requirements	Lowers Reserve Requirements
Open Market Operations	1.
2.	Lowers the Discount Rate
<u>Tight Money Policy</u> Used to Decrease Inflation	3.
Reserve Requirements	4.
5.	Fed Sells Bonds on Open Market
Discount Rate	6.