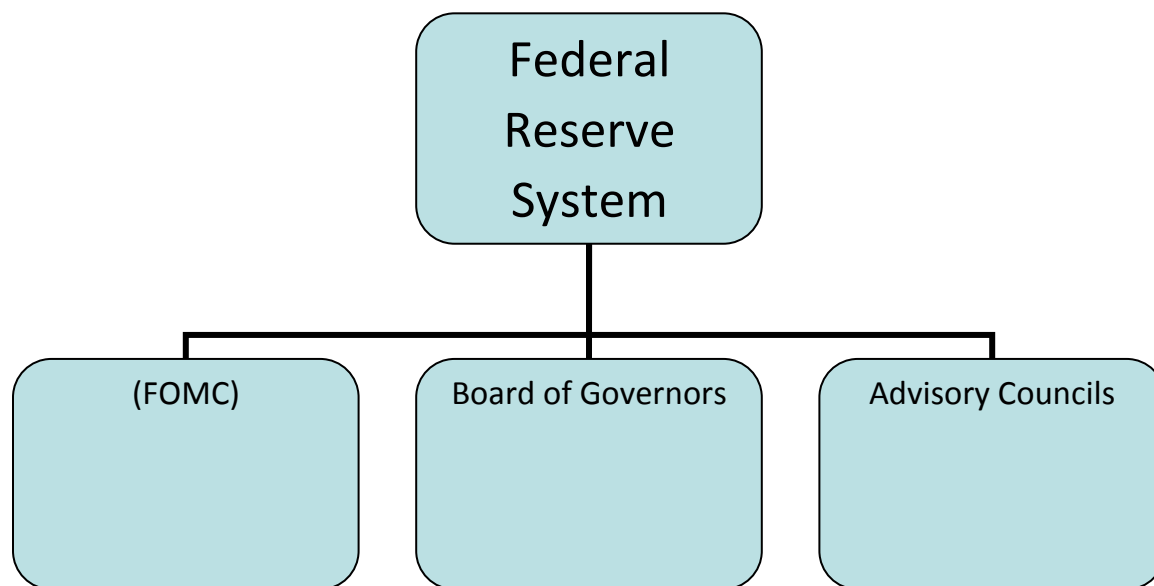


Federal Reserve and Monetary Policy

Directions: On a separate sheet of paper, answer the prompts/questions below. Write in complete sentences, and paragraphs where indicated. Use Chapter 15 Sections 1 and 2 (pgs. 407-424)

Part I—Create a graphic organizer like the one below. Then, explain what the function(s) are for each of the 3 parts of the Federal Reserve



Part 2—Key terms. Explain What each item is AND WHY it is important the economic system of the U.S.

1. Member Bank
2. Bank Holding Company
3. Regulation Z
4. Fractional Reserve System
5. Legal reserve
6. Reserve Requirement
7. Excess Reserves
8. Liabilities
9. Assets
10. Net worth

11. Liquidity
12. Time deposit
13. Easy money policy
14. Tight money policy
15. Open market operations
16. Discount rate

Part 3—Answer each question thoroughly.

17. What's the purpose of the Federal Reserve?
18. List 8 areas in which the Federal Reserve has responsibility.
19. Describe the 3 major tools of monetary policy.
20. Describe the relationship between the reserve requirement, reserves, and the size of the money supply.
21. Your local national bank is required to keep its reserves in the form of vault cash and member deposits with the fed. Why do you suppose that other assets, such as common stocks or real estate, are not suitable reserves?