

Honors Econ Homework Ch 15 sec 1

1. All vocab
2. Read 15.1 carefully. Next, read the article "Fed rolls dice with tax cut." Do the following on the article:
 - a) Highlight all the functions of the Fed you see written about. Then list them on a separate sheet of paper.
 - b) Highlight anything in the story that correlates to the information in 15.1. List these items of your paper.
 - c) Highlight any familiar economic terms, write them on your paper, and define them.
 - d) Highlight any other terms that appear to be related to economics. List them and define them.
3. According to the article, what are the reasons the Fed (and us citizens) should be worried about inflation?
4. What affect did the cut in the Fed's benchmark federal funds rate have on "big banks?" What will be the impact of this cut on most borrowers?
5. If a small cut in the benchmark federal funds rate, and a cut in the discount rate the Fed charges banks for short-term loans are good ideas and will help stimulate economic growth, why won't the Fed slash these rates even more? Why not cut them in half, or even more than that?

Fed rolls dice with rate cut

Blocking recession:
Policymakers choose to stimulate economy, hoping move won't fire up inflation.

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Washington — Even as oil and gold prices were shooting up Wednesday, the Federal Reserve concluded that recession, not inflation, is still Public Enemy No. 1.

To avert a full-blown downturn, Fed Chairman Ben Bernanke and his fellow policymakers cut interest rates for the second time in as many months.

By lowering the benchmark federal funds rate by a quarter of a percentage point to 4.5 percent, they hope to stimulate economic growth. In September, they slashed the rate by half a percentage point after watching the housing market slow dramatically and threaten to pull down the economy.

"The Fed is clearly in a race against time," trying to stoke growth before the economy slumps into recession, Bernard Baumohl, managing director of the Economic Outlook Group LLC, said in a written assessment.

Banks use the federal funds rate as a benchmark for set-