

Macro Economic questions

Part II

Which group in the Federal Reserve organization decides whether to raise or lower interest rates?

- a. Board of Governors
- b. Federal Reserve Banks
- c. Federal Advisory Council
- d. Federal Open Market Committee

ANSWER

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The Federal Reserve System is comprised of

- a. one central bank in Washington, D.C., and 14 branch banks.
- b. one central bank in Washington, D.C.
- c. 12 Federal Reserve Banks across the United States and a number of branch banks.
- d. the U.S. Treasury, Bureau of Engraving and Printing, and the Office of Management and Budget (OMB).

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- a. fiscal policy.
- b. federal budget.
- c. monetary policy.
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- c. **monetary policy.**
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- b. contractionary monetary policy
- c. tight money policy
- d. easy money policy

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Which combination of monetary policy tools will expand the money supply?

- a. Lower the reserve requirement
Lower the discount rate
Buy bonds
- b. Lower reserve requirement
Sell bonds
Raise the discount rate
- c. Raise the reserve requirement
Buy bonds
Raise the discount rate
- d. Raise the reserve requirement
Sell bonds
Raise the discount rate

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Lower the discount rate
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c. Raise the reserve requirement
Buy bonds
Raise the discount rate

b. Lower reserve requirement
Sell bonds
Raise the discount rate

d. Raise the reserve requirement
Sell bonds
Raise the discount rate

A decision by the Federal Reserve to lower the discount rate is intended to

- a. encourage borrowing and spending, thus increasing aggregate demand.
- b. make borrowing more difficult, thus reducing aggregate demand.
- c. increase the unemployment rate, thus increasing aggregate demand.
- d. contract the money supply, thus reducing aggregate demand.

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- a. own the factors of production
- b. limit international competition
- c. create a classless society
- d. promote full employment

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The Federal Reserve conducts open-market operations when it

- a. changes the reserve requirement for banks.
- b. raises or lowers the discount rate.
- c. buys or sells government securities.
- d. changes the prime interest rate.

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Which of the following is NOT true about the Federal Reserve?

- a. The Federal Reserve transfers profits to the United States government.
- b. The Federal Open Market Committee makes monetary policy decisions.
- c. United States paper currency is called a Federal Reserve Note
- d. The New York Federal Reserve Bank President also serves as the Vice Chairman of the Federal Reserve System

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Which of the following would result in a
increase in consumer and business spending?

- a. Increasing income taxes
- b. Increasing the reserve requirement
- c. Decreasing government spending
- d. Decreasing the interest rate

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Congress provides oversight of the Federal Reserve System by

- a. annually auditing Fed operations
- b. controlling the operating budget
- c. confirming or rejecting presidential nominees
- d. setting monetary policy executed by the Fed

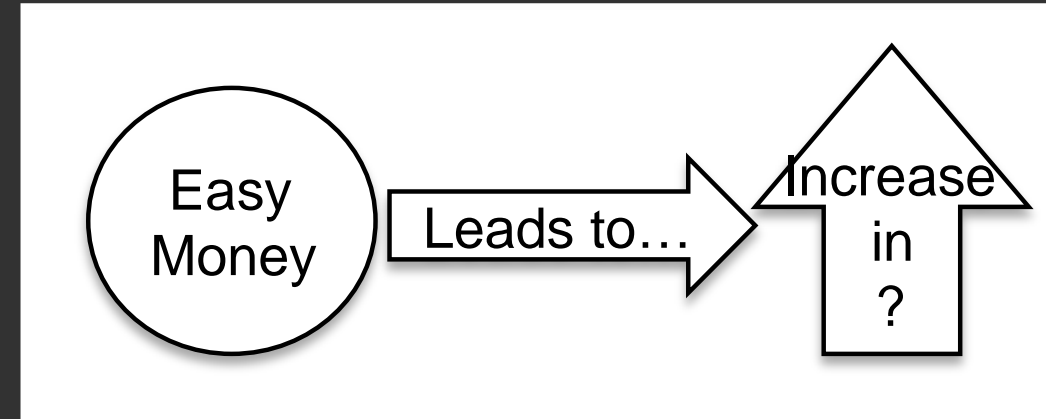
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Which result should be included where the question mark appears in the illustration?

- a. unemployment
- b. Inflation
- c. the reserve requirement
- d. interest rates

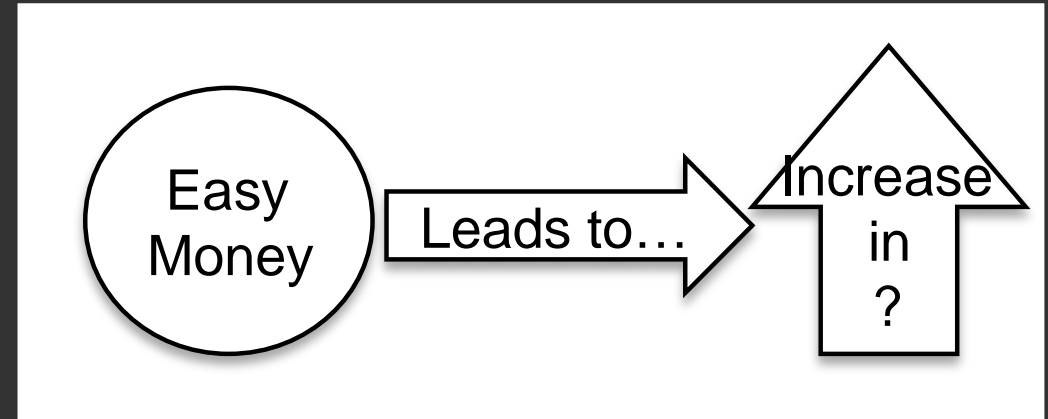
Expansionary Monetary Policy



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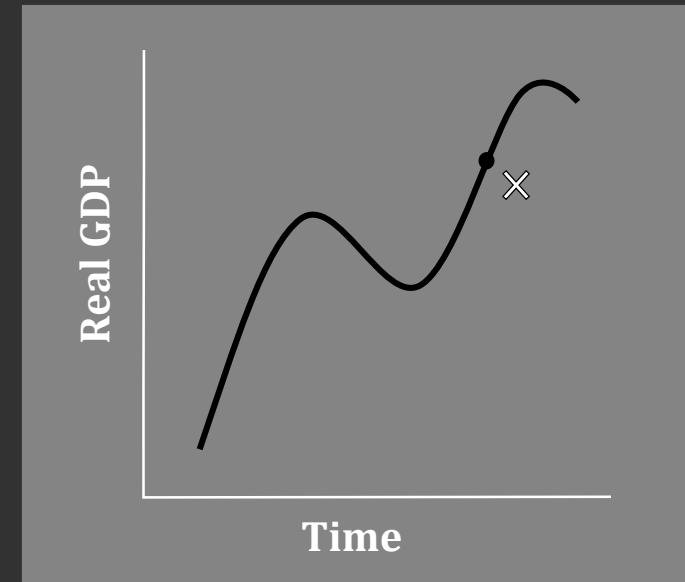
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Expansionary Monetary Policy



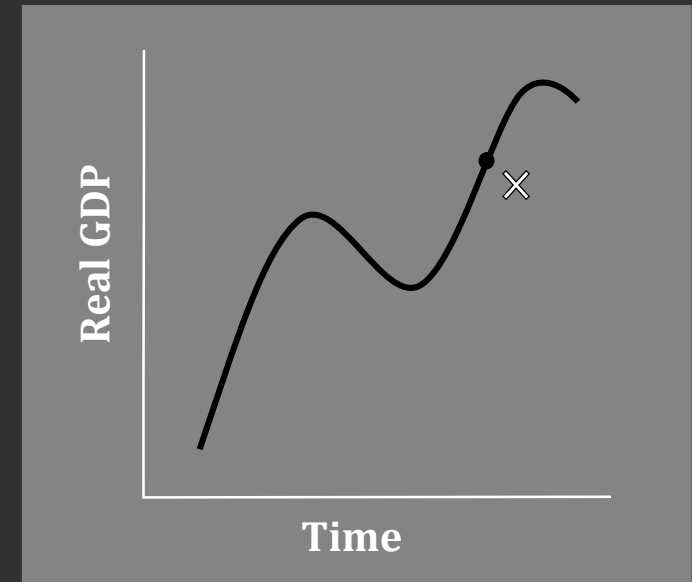
If the U.S. economy is operating at point X on the business cycle, an appropriate tool of monetary policy would be to

- a. decrease taxes
- b. lower the reserve requirement
- c. sell bonds on the open market
- d. lower the discount rate



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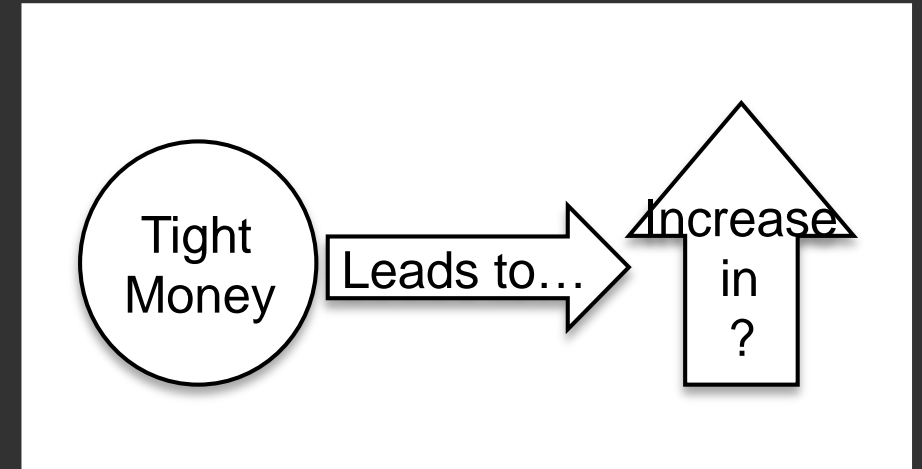
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Which result should be included where the question mark appears in the illustration?

- a. unemployment
- b. inflation
- c. consumer spending
- d. production

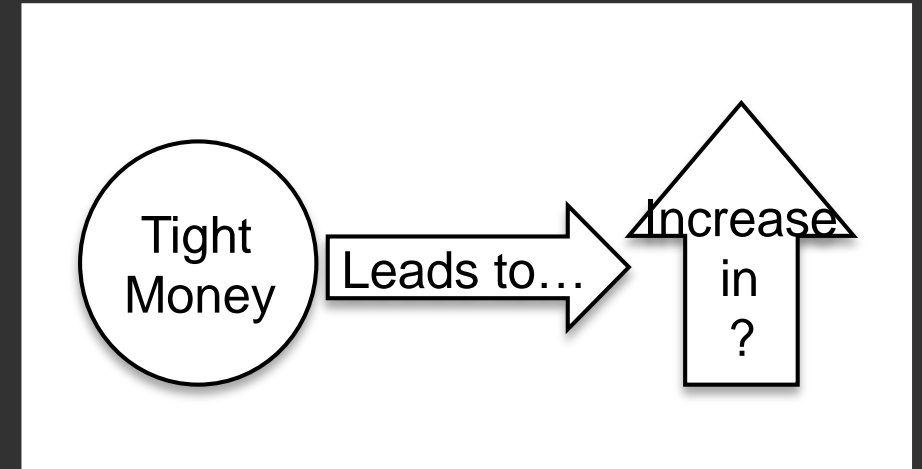
Contractionary Monetary Policy



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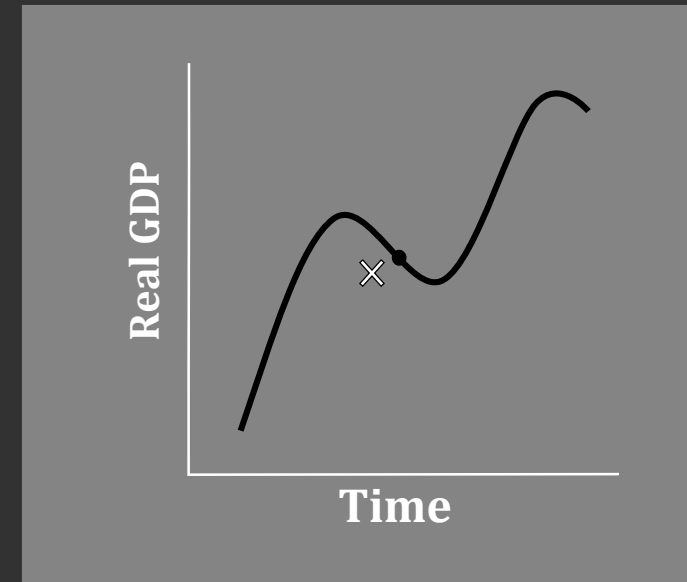
- a. unemployment
- b. inflation
- c. consumer spending
- d. production

Contractionary Monetary Policy



If the U.S. economy is operating at point X on the business cycle, an appropriate tool of monetary policy would be to

- a. increase taxes
- b. raise the reserve requirement
- c. sell bonds on the open market
- d. lower the discount rate



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- a. increase taxes
- b. raise the reserve requirement
- c. sell bonds on the open market
- d. lower the discount rate

