Study guide for MA2 Monetary Policy Quiz

1. The Federal Reserve ______________ the money supply of the country.
2. The Fed is called the nation's bank or the banks' bank. Does it deal directly with private business, other than banks?
3. When the Fed conducts monetary policy, it takes actions that _____________ or _____________ the money supply
4. When the Fed sells government securities on the open market, what happens to the nation's money supply and interest rates?
5. Unemployment, recession and deflation can be fixed by the Fed adopting a ________ money policy.
6. The interest rate that banks pay to borrow money from the Fed is called the __________________
7. If the Fed wants to slow economic growth to avoid inflation, etc., what could it do to the discount rate?
8. If the Fed increased the reserve requirement for banks, what would likely happen to the amount of money circulating in the economy?
9. The Fed is a mixture of public and private control. This gives it relative ________________ from the government and interference by politicians.
10. If the Fed buys securities on the open market, what happens to the money supply?

Writing portion topic:

Discussion question. Fully answer the following, using complete sentences. What is the difference between a "tight money" policy and a "loose money" policy? Choose either tight or loose, and explain how the policy works by answering the following in complete sentences:

- **a) In this policy, does the Fed buy or sell government bonds and securities?**
- **b) Impact on the federal funds rate (interest rate banks charge each other for overnight loans)**
- **c) Impact on general short-term interest rates**
- **d) Impact on consumers/businesses borrowing/spending**
- **e) How the policy impacts inflation**