

THE FEDERAL RESERVE SYSTEM & MONETARY POLICY

Questions:

a. Describe the organization of the Federal Reserve System. _____

b. What is monetary policy? _____

c. In the table below indicate how the Federal Reserve would use each of the three monetary policy tools to pursue an expansionary policy and a contractionary policy.

Monetary Tool	Expansionary Policy	Contractionary Policy
Open market operations		
Discount rate		
Reserve requirements		

d. What kind of monetary policy would the Federal Reserve probably follow if the country had an annual inflation rate of 15 percent? _____ Why? _____

e. What kind of monetary policy would the Federal Reserve probably follow if the country was in a severe recession with high unemployment and falling prices? _____ Why? _____
