

INDEPENDENT PRACTICE WORKSHEET

CHAPTER 13

Name _____ Class _____ Date _____

13.3 THE FEDERAL RESERVE SYSTEM THE ROLE OF THE FED IN MONETARY POLICY

A. Complete each statement by filling in the blank or circling the correct word.

1. The Federal Reserve System has three ways of controlling the money supply. They are:
 - a. _____
 - b. _____
 - c. _____
2. Member banks can borrow from the Fed. The rate of interest these banks pay on such loans is called _____.
3. The amount of money that a bank can lend out is influenced by the amount of the _____.
4. If the Fed lowers the discount rate, member banks will borrow *more/less* from the Fed. This will *increase/decrease* the amount of money that a bank can lend its customers.
5. When the Fed buys government bonds through its open market operations, it must pay the banks and the other financial institutions that are holding the bonds. Therefore, when the Fed buys government bonds, it *increases/decreases* the amount of money available for loans.
6. If the reserve requirement is 10 percent, then for every \$10 a bank has in reserve it can lend _____.
7. How would the Fed use its tools of monetary policy if the Consumer Price Index was increasing at a rate of 9 percent a year?
 - a. Open market operations—The Fed would *buy/sell*.
 - b. Reserve requirements—The Fed would *raise/lower* them.
 - c. Discount rate—The Fed would *raise/lower* it.

B. Write T before each *true* statement and F before each *false* statement.

- _____ 1. Each commercial bank sets its own reserve ratio.
- _____ 2. The Fed has the power to order the Treasury and the Bureau of Printing and Engraving to print more money.
- _____ 3. Congress and the President tell the Fed what monetary policy to follow.
- _____ 4. The amount of currency that the Fed has printed determines the money supply.
- _____ 5. The Federal Reserve System is owned by the U.S. government.
- _____ 6. The authority to regulate the supply of money has been delegated to the Federal Reserve System by Congress.
- _____ 7. The President of the United States appoints the Chairman of the Federal Reserve Board.
- _____ 8. Members of the Federal Reserve's Board of Governors can be fired by a United States President who does not agree with their monetary policies.