NAME:_____ DATE: 02/05A-06B/2018

ASSIGNMENT: Monetary Policy by the Federal Reserve

1. If the Fed changes the amount of money a bank is required to retain rather than lend out, what policy tool is it using?

- Changing the discount rate
- Changing reserve requirements
- There is no such tool
- Engaging in open-market operations

2. If the Fed lowers the interest rate it charges banks, what monetary tool is it using?

- Changing the discount rate
- Changing reserve requirements
- There is no such tool
- Engaging in open-market operations

Which one of the following is the best explanation of monetary policy?

- A government's decision making regarding money supply and interest rates
- A government's decision making regarding interest rates
- A government's decision making regarding spending
- A government's decision making regarding taxation

In the 1980's, inflation averaged 5.8% per year. Paul Volcker was the Federal Reserve Chair. Describe the three strategies he could have used to push inflation rates in the right direction.