

Chapter 16: The Federal Reserve and Monetary Policy Opener

Prentice Hall

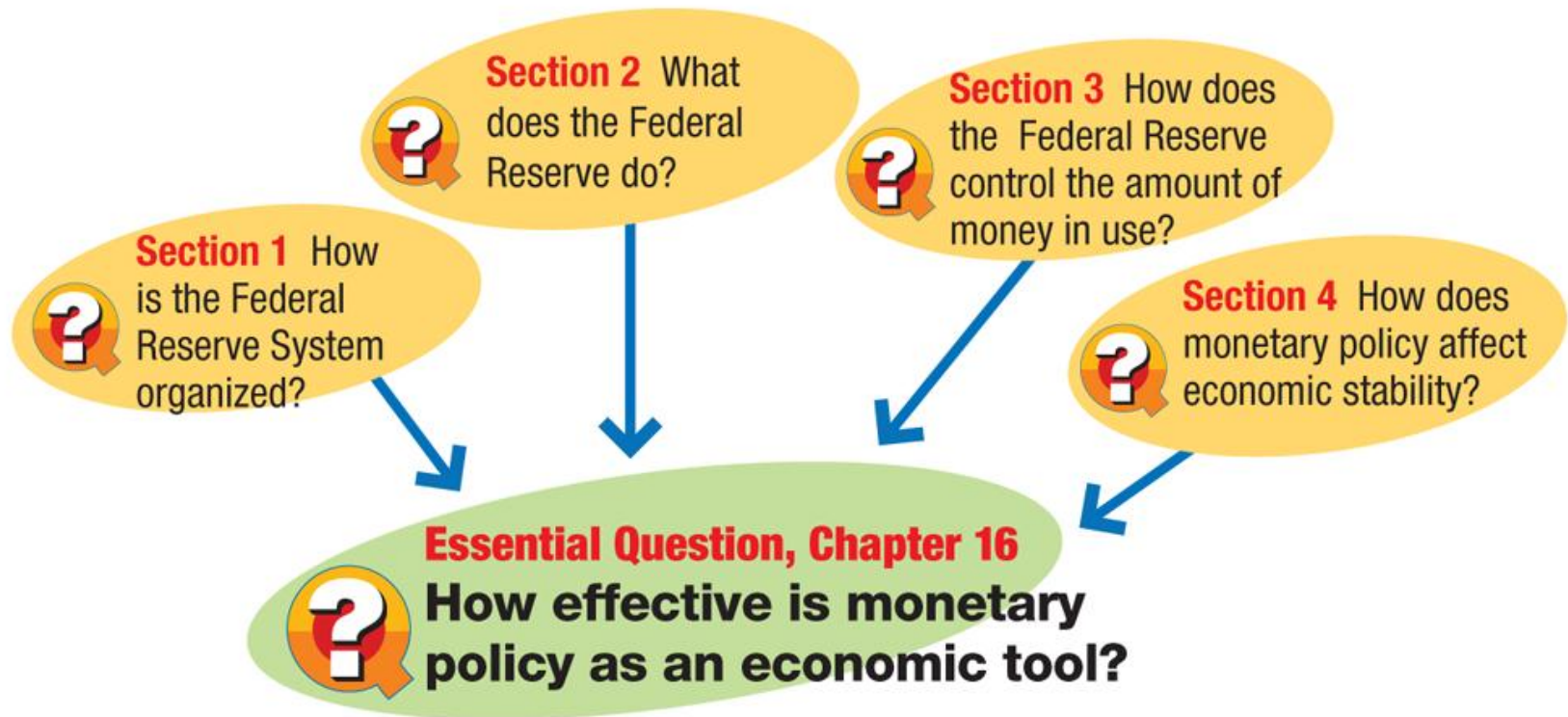
ECONOMICS

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Essential Question

- How effective is monetary policy as a government tool?



Guiding Questions

- Section 1: The Federal Reserve System
 - How is the Federal Reserve System organized?
 - The Federal Reserve System has a seven-member Board of Governors and one person who acts as the chair. It also has 12 Federal Reserve Banks and 2,600 member banks across the country.



Guiding Questions

- Section 2: Federal Reserve Functions
 - What does the Federal Reserve do?
 - The Federal Reserve provides banking and fiscal services to the United States government. It also clears checks, supervises lending practices, acts as a lender of last resort, regulates the banking system, and regulates the money supply.



Guiding Questions

- Section 3: Monetary Policy Tools
 - How does the Federal Reserve control the amount of money in use?
 - In order to control the amount of money in use, the Federal Reserve can change the required reserve ratio, raise or lower the discount rate, and buy or sell bonds through open market operations.



Guiding Questions

- Section 4: Monetary Policy and Macroeconomic Stabilization
 - How does monetary policy affect economic stability?
 - The actions taken by the Fed to alter the supply of money in circulation are used to keep the economy stable and avoid the pitfalls of recessions and inflation.

