EPISODE 10: Monetary Policy and the Federal Reserve

**S T U D E N T Q U E S T I O N S**

1. Who steers the largest economy in the world?
2. What is the central bank of the United States 3. An interest rate is a price. What is it the price of?
3. How does the Fed influence interest rates?
4. What kind of monetary policy is happening if the central bank increases the money supply, which leads to more borrowing and spending?
5. What kind of monetary policy is happening if the central bank decreases the money supply, which leads to less borrowing and spending?
6. When Paul Volcker’s policies drove down inflation, what increased?
7. What did Fed Chairman Ben Bernanke admit about the Fed’s role during the Great Depression.
8. What two things are needed to keep a banking system healthy?
9. Why can it be a bad idea to let several large banks fail?
10. What are liquid assets?
11. What could the Fed have done to increase the liquidity of banks during the Great Depression, which would have kept them from having to close their doors?
12. You deposit money in the bank. The bank loans most of it out and keeps a small amount in the bank. What is this system of banking called?
13. What is the name of the interest rate that the Fed charges to banks when it loans them money?
14. What are open market operations?
15. The Fed can increase or decrease the money supply fairly quickly; which method do they most often use to accomplish this?
16. Much more rarely, the Fed does Q.E. to increase the money supply. What do the letters stand for and what does the term mean?
17. Banks are free to loan out their excess reserves. What percentage of their deposits make up excess reserves?
18. What happened to banks’ excess reserves from 2008 to 2015?
19. What are the two main ways to speed up or slow down the economy?
20. Which one of the two main ways is more effective?