Name

Reading Guide – Pages 218 – 242

25 points – Due 10/7

1. From where does the Federal Reserve derive the significant power that it has? (219)
2. How does it do that? (219 – same paragraph)

3. How is the Federal Reserve organized? (219)

4. What are the specific jobs of the Fed? (219)

6. Why doesn’t the Fed keep interest rates low all of the time? (220-221)

8. What is the FOMC and what does it do? (223)

9. What is the Fed’s most powerful tool? It’s second most powerful tool? (223-224)

10. What role do government bonds play in the Fed’s ability to create new money? (224-225)

11. Review – what are the (4) things the Fed does in the economy? (227)

12. What is the role of the Federal Reserve in controlling the purchasing power of the dollar? (231)

13. How can inflation be good for debtors? (233)

14. Why is predictable inflation ok, while unpredictable inflation is bad? (234-235)

15. Why is political independence for central banks necessary? (235-237)

16. Explain the response of the Federal Reserve to the most recent economic crisis. What did they do? (240-241)