

GUIDED READING Activity 15-1

For use with the textbook pages 399–405

ORGANIZATION AND FUNCTIONS OF THE FEDERAL RESERVE SYSTEM

OUTLINING

Directions: Locate the heading in your textbook. Then use the information under the heading to help you write each answer.

I. Organization of the Federal Reserve System

A. Introduction

1. What is the Federal Reserve System?

2. What is the Fed?

3. How does monetary policy affect businesses?

B. Board of Governors—Whom does the Board of Governors supervise and regulate?

C. Federal Advisory Council—What is the responsibility of the Federal Advisory Council?

D. Federal Open Market Committee—What large economic decision does the Federal Open Market Committee make?

E. Federal Reserve Banks—How are the Federal Reserve Banks organized?

F. Member Banks—Who is required to become a member of the Federal Reserve System?

II. The Functions of the Federal Reserve System

A. Introduction—What are some of the main functions of the Federal Reserve?

B. Consumer Protection—How does the Fed protect consumers?

GUIDED READING Activity 15-2

For use with the textbook pages 407–410

MONEY SUPPLY AND THE ECONOMY

RECALLING THE FACTS

Directions: Use the information in your textbook to answer the questions.

1. What is monetary policy?

2. What happens to the quantity demanded for credit if the cost of borrowing increases or decreases?

Increases:

Decreases:

3. What happens if the Fed has a loose money policy?

4. What happens if the Fed has a tight money policy?

5. Why would a nation implement a loose money policy or a tight money policy?

Loose money policy:

Tight money policy:

6. What are reserve requirements for banks?

7. How do banks make new money with the money left over after the reserve requirement is met?
