4.8	Name	Date	Period
	Analyze how the FED carries out monetary policy using the three tools.		
Changing the	Reserve re		
	keep a certain of		
reserve			
requirement	They do this in case one or more customers decide to large of cash from their checking		
	Do you think to		
	holidays?	requirements is lower o	during the
	•	rocoruo	of 10, 20%
	In, the FED has a		
	If a very small bank has of \$1000 the bank must keep in its vaults the other is used to loan credit and give loans order a with interest. The lower the the FED requires banks to keep the is also true.		
If was high the FED would _			
	to the money supply by making it more to get loans and credit.		
	Rarely usede	en small changes in the res	erve can have a
	major impact on the	As a result some bel	ieve that this is
	not precise or		
	saved for major		
			without enough cash on
	hand to meet the reserve		
Change the	or Themust then borrow funds from the Federal		
discount rate	, like all other loans the FED charges		
	Rate- intere		
	member banks		
	Open market	- huving and selling of the	IIS bytha
	FED to affect the		55 by the
Open Market			
Operations	This is the Major		a you and I have for
			e you and I buy for
	their secured rate		
	with other banks. T		to other banks in order to
	increase/ the mor		
	With new of say		
	more difficult than ever to track the supply using M1 and M2 The has made mistakes in policy before and is regularly criticized		
			efore and is regularly
		of rising inflation they the money supply making it	
	even more In instance of/recession the FED decreased the supply mak		
			the supply making
	it worse		
Answer			
Learning			
Target			