

Bank holding company	A company that owns more than one bank.
Board of Governors	The seven-member board that oversees the Federal Reserve System.
Check clearing	The process by which banks record whose account gives up money and whose account receives money when a customer writes a check.
Discount rate	Rate the Federal Reserve charges for loans to commercial banks.
Easy money policy	Monetary policy that increases the money supply.
Federal Advisory Council (FAC)	The research arm of the Federal Reserve.
Federal funds rate	Interest rate banks charge each other for loans.
Federal Reserve Districts	The twelve banking districts created by the Federal Reserve Act.
Inside lag	Delay in implementing monetary policy.
Monetarism	The belief that the money supply is the most important factor in macroeconomics performance.

<p>Monetary policy</p>	<p>The actions the Federal Reserve takes to influence the level of real GDP and the rate of inflation in the economy.</p>
<p>Money creation</p>	<p>The process by which money enters into circulation.</p>
<p>Money multiplier formula</p>	<p>Amount of new money that will be created with each demand deposit; <math>1 / RRR</math>.</p>
<p>Net worth</p>	<p>Total assets minus total liabilities.</p>
<p>Open market operations</p>	<p>The buying and selling of government securities to alter the supply of money.</p>
<p>Outside lag</p>	<p>The time it takes for monetary policy to have an effect.</p>
<p>Prime rate</p>	<p>Rate of interest bank charge on short-term loans to their best customers.</p>
<p>Required reserve ratio</p>	<p>Ratio of reserve to deposits required of banks by the Federal Reserve.</p>
<p>Tight money policy</p>	<p>Monetary policy that reduces the money supply.</p>
<p>Monetarism is  (a) the time it takes to enact monetary policy.  (b) the belief that the money supply means little to macroeconomic performance.  (c) the time it takes for monetary policy to take effect.  (d) the belief that the money supply is the most important factor in macroeconomic performance.</p>	<p>d. the belief that the money supply is the most important factor in macroeconomic performance.</p>

Monetary policy is

- (a) the research arm of the Federal Reserve.
- (b) the twelve banking districts created by the Federal Reserve Act.
- (c) the actions the Federal Reserve takes to influence the level of real GDP and the rate of inflation in the economy.
- (d) the actions taken by the Bank of the United States

The Fed provides banks with all of the following services except

- (a) issuing interest free loans
- (b) check clearing
- (c) acting as a lender of last resort
- (d) supervising lending practices

All of the following will increase the money supply except

- (a) increasing the required reserve ratio
- (b) bond purchases by the Fed
- (c) reducing the required reserve ratio
- (d) reducing the discount rate.

c. the actions the Federal Reserve takes to influence the level of real GDP and the rate of inflation in the economy.

a. issuing interest free loans

a. increasing the required reserve ratio