

1. Ben Bernanke is in charge of _____.
2. John Taylor works at _____.
3. We are in the _____ district of the Federal Reserve System.

Answer four (4) of the following six (6) questions:

1. What is meant by an inflationary gap, and a recessionary gap? How can these be used to explain conditions in our economy today? What role may expectations play?
2. What is fiscal policy? What choices are there in deciding what fiscal policy should be? What can cause the effectiveness of fiscal policy to vary?
3. What are the functions of money? What is the definition of money that can be used to measure the quantity of money in existence at any time?
4. What are the three basic tools of monetary policy? Compare and contrast the strength of these tools and how they work. What is the federal funds rate and how does it become a part of this discussion?
5. Given the following balance sheet for a bank when the reserve requirement is 20%: How much can it lend out? Why? What will happen to the money supply? How will this occur? Why? What might limit this?

| Assets | | Liabilities and Net Worth | |
|---------------|-----------|----------------------------------|-----------|
| Reserves | \$ 50,000 | Checkable deposits | \$150,000 |
| Loans | 70,000 | Stock Shares | 100,000 |
| Securities | 30,000 | | |
| Property | 100,000 | | |

6. What is meant by the velocity of money? How can it be measured? How can it affect monetary policy implementation? What can cause velocity to change? What limitations are there in the use of this term?