NAME______________________ DATE ____________ CLASS ________

Chapter 16 Test, Form A

Monetary Policy

DIRECTIONS: Matching Match each item with the correct statement below.

_________ **1.** requires financial institutions to set aside a portion of their deposits

_________ **2.** coins and currency that banks hold in their vaults, plus deposits at the Fed

_________ **3.** formula used to compute the amount banks are legally obligated to have on hand

_________ **4.** deposit kept at the Fed by banks under its authority

_________ **5.** involves changing the money supply to affect the amount and availability of credit to influence interest rates

_________ **6.** associated with an expansion of the money supply

_________ **7.** laws forbidding firms to change prices without government permission

_________ **8.** new tool used by the Fed to lower interest rates

_________ **9.** regulatory actions that do not require new actions to go into effect

_________**10.** people born in the United States during the historically high birthrate period of 1946 to 1964

A. baby boomers

B. easy money policy

C. fractional reserve system

D. legal reserves

E. member bank reserve (MBR)

F. monetary policy

G. passive fiscal policies

H. quantitative easing (QE)

I. reserve requirement

J. wage-price controls

Chapter 16 Test, Form A *cont.*

Monetary Policy

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

_________**11.** Which of these **best** describes the Federal Reserve System (the Fed)?

A. It is a mostly independent agency that supervises and manages the financial system.

B. It is the agency through which Congress supervises and manages the financial system.

C. It is the agency through which the judiciary supervises and manages the financial system.

D. It is the agency through which the executive branch supervises and manages the financial system.

_________**12.** Which of these describes the Fed's Board of Governors?

A. There are fourteen of them, elected by popular vote every four years.

B. There are seven of them, chosen by the president and Congress to serve fourteen-year terms.

C. There are fourteen of them, chosen by the president and Congress to serve seven-year terms.

D. There are seven of them, each of them also serving in a Congressional financial subcommittee.

_________**13.** Which of these exerts the **most** direct control over interest rates?

A. the Board of Governors

B. the Federal Reserve district banks

C. the Federal Open Market Committee

D. the Consumer Financial Protection Bureau

_________**14.** Which of these regulates the amount that a member bank can loan to its customers?

A. the prime rate

B. the discount rate

C. the reserve requirement

D. the quantity theory of money

_________**15.** Which of these results from the implementation of a tight money policy?

A. a decrease in interest rates

B. a decrease in the price of credit

C. an increase in the price of credit

D. an increase in wage-price controls

_________**16.** Which of these is a feature of open market operations?

A. The Fed sells government securities.

B. The Fed lowers the prime interest rate.

C. The Fed raises the reserve requirement.

D. The Fed purchases member bank reserves.

NAME____ DATE ____________________ CLASS _____________

Chapter 16 Test, Form A *cont.*

Monetary Policy

_________ **17.** Which of these statements **best** states the quantity theory of money?

A. The money supply is directly linked to the rate of inflation in the short run.

B. The money supply is linked to the prices of goods and services in the long run.

C. The prime interest rate is a given portion of the overall supply of money.

D. The unemployment rate is directly linked to the amount of money in circulation.

_________ **18.** Which of these is a prominent feature of monetary policy?

A. adjusting government expenditures to stimulate the economy

B. adjusting tax rates to stimulate the economy

C. adjusting interest rates to stimulate the economy

D. adjusting discretionary spending to stimulate the economy

_________ **19.** Which type of fiscal policies gained the **most** popularity in the aftermath of the Great Depression?

A. passive

B. supply-side

C. monetarism

D. discretionary

_________ **20.** For whose guidance was the Council of Economic Advisers created?

A. the U.S. President

B. the U.S. Congress

C. the Federal Reserve System

D. the Consumer Financial Protection Bureau

DIRECTIONS: Essay Write a short essay to answer each question.

21. Analyze and explain the structure of the Federal Reserve System, with an emphasis on why it can accurately be said to be "privately owned but publically controlled."

22.

> "Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it."
>
> — President Ronald Reagan

Assess the viewpoint being expressed in the quote, identify the type of fiscal policies being criticized, and describe why those policies had fallen out of favor by the time President Reagan took office.

Reagan, Ronald. "Remarks to State Chairpersons of the National White House Conference on Small Business." Speech, August 15, 1986. https://www.reaganlibrary.archives.gov/archives/speeches/1986/081586e.htm.