**3.2 Macroeconomics Guided Reading Questions \*\*Class Copy**

1. What is the central bank of the United States?

2. When was the central bank created?

3. Why was the central bank created by Congress?

4. What are the roles of the Federal Reserve System?

5. What has been used for money in the past societies?

6. What is the term for official money that is used by governments of countries?

7. When does money function effectively?

8. How does money have value?

9. What are the three functions of money?

10. How is money used as a medium of exchange?

11. When does money function as a store of value?

12. Why must money have a unit of account?

13. Is the Federal Reserve a public (government) institution or a private bank?

14. How many Federal Reserve banks are there across the country?

15. Whose interests are represented by the district banks?

16. How are the board of governors appointed?

17. What is the FOMC?

18. What is the role of the FOMC?

19. Who serves on the FOMC?

20. Who always serves on the FOMC?

21. What are the three goals that the Federal Reserve (Fed) tries to meet?

22. What are the four main tools that the Fed can use to meet their economic goals?

23. Describe the purpose of the reserve requirement.

24. Describe the purpose of the discount rate.

25. Describe the purpose of paying interest on bank reserves.

26. What is the FFR?

27. What impacts the FFR?

28. What happens when the Fed increases the reserve requirement?

29. What happens when the Fed decreases the reserve requirement?

30. What effect does increasing the interest rate on reserves have on GDP?

31. What effect does decreasing the interest rate on reserves have on unemployment?

32. What happens when the Fed raises the discount rate?

33. What happens when the Fed lowers the discount rate?

34. What happens when the Fed sells government securities (bonds) on the market?

35. What happens when the Fed buys government securities (bonds) on the market?

36. What does the government try to achieve with fiscal policies?

37. What is the goal of lowering taxes and increasing government spending? (Expansionary Fiscal Policy)

38. What is the goal of increasing taxes and lowering government spending? (Contractionary Fiscal Policy)

39. How does the government add money to their budget?

40. What are some of the expenses the government has to pay for?

41. What is a budget surplus?

42. What is a budget deficit?

43. What is the difference between debt and deficit?

44. What happens to the debt if interest rates rise?

45. If you own a U.S. bond, then you own a piece of the U.S. \_\_\_\_\_\_\_\_\_\_\_\_.

46. Draw an aggregate demand graph after the government uses contractionary fiscal policy.

47. Draw an aggregate demand graph after the Fed lowers interest rates.