

EC303: Money and Banking

In-class exercise 12

Spring 2022

Exercise 1

Why was the Federal Reserve System set up with twelve regional Federal Reserve Banks, rather than one central bank as in other countries?

Exercise 2

“The Federal Reserve System resembles the U.S. Constitution in that it was designed with many checks and balances”. Is this statement true, false, or uncertain? Explain your answer.

Exercise 3

Which entities in the Federal Reserve System control the following?

1. discount rate
2. reserve requirements
3. open market operations
4. federal funds rate

Exercise 4

In what ways can the regional Federal Reserve Banks influence the conduct of monetary policy?

Exercise 5

Why is it important for the regional Federal Reserve Bank presidents to attend the FOMC meetings, even if they are nonvoting members?

Exercise 6

Why might eliminating the Fed's independence lead to a more pronounced political business cycle?

Exercise 7

“The independence of the Fed leaves it completely unaccountable for its actions”. Is this statement true, false, or uncertain? Explain your answer.

Exercise 8

The Fed promotes secrecy by not releasing the minutes of FOMC meetings to Congress or the public immediately. Discuss the arguments for and against this policy.