Economics

Sprenkle & Dollar

Packet 2

Chapter 16 Federal Reserve System

Students have been asked to define key terms associated with the Federal Reserve System and then use the appropriate academic vocabulary to describe the organization of the FED and the tools it uses to conduct "monetary policy."

Directions: Answer each standard in as much detail as possible.

SSEMA2 Explain the role and functions of the Federal Reserve System.

a. Explain the roles/functions of money as a medium of exchange, store of value, and unit of account/standard of value.

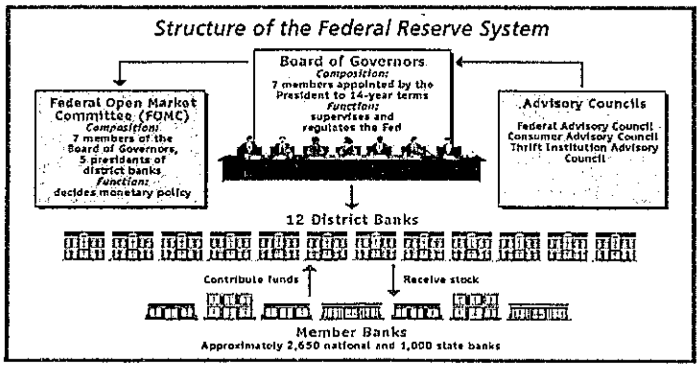
b. Describe the organization of the Federal Reserve System (12 Districts, Federal Open Market Committee (FOMC), and Board of Governors).

c. Define monetary policy.

d. Define the tools of monetary policy including reserve requirement, discount rate, open market operations, and interest on reserves.

e. Describe how the Federal Reserve uses the tools of monetary policy to promote its dual mandate of price stability and full employment, and how those affect economic growth.

Chapter 16 "The Fed" Please create a link, graphic and/ or complete sentence for each definition.



- **monetary policy**: the actions that the Federal Reserve System takes to influence the level of real GDP and the rate of inflation in the economy
- **reserves:** deposits that a bank keeps readily available as opposed to lending them out
- **reserve requirements**: the amount of reserves that banks are required to keep on hand
- **check clearing**: the process by which banks record whose account gives up money and whose account receives money when a customer writes a check
- **bank holding company:** a company that owns more than one bank
- **federal funds rate**: the interest rate that banks charge each other for loans
- **discount rate**: the interest rate that the Federal Reserve charges commercial banks for loans
- **money creation**: the process by which money enters into circulation
- **required reserve ratio (RRR):** the fraction of deposits that banks are required to keep in reserve
- **money multiplier formula**: a formula used to determine how much new money can be created with each demand deposit and added to the money supply
- **excess reserves**: bank reserves greater than the amount required by the Federal Reserve
- **prime rate:** the rate of interest that banks charge on short-term loans to their best customers
- **open market operations**: the buying and selling of government securities in order to alter the supply of money
- **monetarism**: the belief that the money supply is the most important factor in macroeconomic performance
- **easy money policy:** a monetary policy that increases the money supply
- **tight money policy**: a monetary policy that decreases the money supply
- **inside lag**: the time it takes to implement monetary policy
- **outside lag**: the time it takes for monetary policy to have an effect

L.I.N.C.S

A strategy for remembering the meaning of new words.

Introduction:

- Different pieces of knowledge are linked together like a chain. Focuses your attention on the parts of the definition you need to remember.
- Many times, if you can remember the information in one of the links in a chain, you will remember information in many of the other links. Uses knowledge you already have to have you learn new knowledge (association).
- When you apply the LINCS strategy to a word you need to remember, you create a strong chain between the word and its meaning. Involves testing yourself to check whether you can recall the meaning of a new word.
- The stronger the links between pieces of information, the easier you can remember them. The weaker the links, the more difficulty you'll have remembering them.

WORD → REMINDING WORD → LINCing STORY → IMAGE → DEFINITION

Step 1: List the parts

- List the word on a study card.
- List the most important parts of the definition on the back of the study card.

Step 2: Imagine a picture

- Create an image in your mind of what the word is about.

Step 3: Note a reminding word (do you know a synonym or antonym)

- Think of a familiar word that sounds like the word, or a part of the new word.

Step 4: Construct a LINCing Story

- Make up a short story about the meaning of the new word that includes the reminding word.
- Change your image to include your story.

Step 5: Self-test

Self-test "forwards:

1. Say the new word.
2. Say the reminding word.
3. Think of the LINCing story.
4. Think of the image.
5. Say the meaning of the new word.
6. Check to see if you're correct.

Self-test "backwards":

1. Say the meaning of the new word.
2. Think of the image.
3. Think of the LINCing story.
4. Think of the reminding word.
5. Say the new word.
6. Check to see if you are correct.

Unit 5: "International Trade of Mystery"

<u>Directions</u>: Read your chapter 17 vocabulary carefully, study each term then proceed with the following:

You are going to provide a summary (see instructions below over a specific standard from Chapter 17 International Trade. Choose just one standard- , IN1, IN2 or IN3, your choice. Please answer the standard in as much specific detail as possible.

SSEIN1 Explain why individuals, businesses, and governments trade goods and services.

a. Define and distinguish between absolute advantage and comparative advantage.

b. Explain that most trade takes place because of comparative advantage in the production of a good or service.

c. Define balance of trade, trade surplus, and trade deficit.

SSEIN2 Explain why countries sometimes erect trade barriers and sometimes advocate free trade.

a. Define trade barriers such as tariffs, quotas, embargoes, standards, and subsidies.

b. Identify costs and benefits of trade barriers to consumers and producers over time.

c. Describe the purpose of trading blocs such as the EU, NAFTA, and ASEAN.

d. Evaluate arguments for and against free trade.

SSEIN3 Explain how changes in exchange rates can have an impact on the purchasing power of groups in the United States and in other countries.

a. Define exchange rate as the price of one nation's currency in terms of another nation's currency.

b. Interpret changes in exchange rates, in regards to appreciation and depreciation of currency.

c. Explain why some groups benefit and others lose when exchange rates change.

<u>Instructions</u>:

1) Each element (a, b, c, d) in the standard must be covered.
2) Each lesson must contain the following.
    a. Hand Written Notes covering your specific Standard (may be a handout , or simple answer to the standard, etc)
       -OR-
    b. Some type of Visual (PowerPoint, transparency, chart, drawing, political cartoon, organizer)

- **export**: a good or service sent to another country for sale
- **import:** a good or service brought in from another country for sale
- **absolute advantage**: the ability to produce more of a given product using a given amount of resources
- **comparative advantage**: the ability to produce a product most efficiently give all the other products that could be produced
- **law of comparative advantage:** the principle that a nation is better off when it produces goods and services for which it has a comparative advantage
- **interdependence**: the shared need of countries for resources, goods, services, labor, and knowledge supplied by other countries
- **trade barrier**: a means of preventing a foreign product or service from freely entering a nation's territory
- **tariff:** a tax on imported goods
- **import quota**: a set limit on the amount of a good that can be imported
- **sanctions**: actions a nation or group of nations takes in order to punish or put pressure on another nation
- **embargo**: a ban on trade with a particular country
- **trade war**: a cycle of escalating trade barriers
- **protectionism:** the use of trade barriers to shield domestic industries from foreign competition
- **infant industry**: an industry in the early stages of development
- **free trade**: the lowering or elimination of protective tariffs and other trade barriers between two or more nations
- **free-trade zone**: region where a group of countries agrees to reduce or eliminate trade barriers
- **exchange rate**: the value of a nation's currency in relation to a foreign country
- **appreciation:** an increase in the value of a currency
- **depreciation**: a decrease in the value of a currency
- **foreign exchange market**: system of financial institutions that facilitate the buying and selling of foreign currencies
- **fixed exchange-rate system**: a system in which governments try to keep the values of their currencies constant against one another
- **flexible-exchange rate system**: a system in which the exchange rate is determined by supply and demand
- **balance of trade:** the relationship between the value of a country's exports and the value of its imports
- **trade surplus**: situation in which a nation exports more goods and services than it imports
- **trade deficit**: situation in which a nation imports more goods and services than it exports
- **balance of payments**: the value of all monetary transactions between a country's economy and the rest of the world