The new house

sen 1The action that I selected was to lower the reserve requirement. Lowering the reserve requirements allows the bank to free more funds for lending. This action also reduced the amount of money that the banks were required to keep in their reserves. This increased the money supply that is available for use to the economy and lowered the interest rate for consumers.

This action will assist the economy by providing more relaxed funding for all consumers and will aid in sparking economic growth. With more money available and easier funding by the banks, consumers are able to spend as needed. In this case, both businesses and consumers thrive economically. Increasing the reserve would reverse would have a negative effect on the economy and would take money away from consumers and businesses and could lead to an economic downturn. Effective use of reserve requirements ensures that the correct amount of money is flowing through the economy at any given time. Sen 2The discount rate affects the economy by determining the ease of lending to the banks. When the discount rate is increased or decreased it changes the amount of funds that banks have available for lending to consumers and businesses. I selected to raise the discount rate in order to stabilize growth of the economy.

I made this selection because with the cost of manufacturing household electronics becoming cheaper, the amount of profit coming in is much larger. If the interest rates remain at a lower price, inflation occurs and the dollar value of the product exceeds its actual worth. To prevent this, interest rates need to be raised which decreases excess reserves for banks and decreases money supply in the economy.

This also ensures that the value of the dollar remains consistent with the value of the product. Slowing economic growth allows consumers and businesses to benefit through steady consumption rather than inflated prices and decreasing growth financially. Sen3Open Market Operations affect the economy by controlling the interest rate and the amount of money supply available in the economy. Open Market Operations aid in determining the rate and size at which the economy should grow in order to run efficiently. The action that I selected based on the scenario was to have the Federal Reserve buy bonds from the banks. If the Federal Reserve purchases bonds from the bank, it gives money to the banks and increases their funds and money supply which increases the funds for lending to consumers and businesses.

This also lowers the interest and makes lending more affordable for both consumers and businesses. Economic growth will increase because spending increases. Using Open Market Operations aids in making lending easier which also increases investment potential and stimulates the economy overall.