

# Learning catalytics



**ASSIGN  
BUSTER**

Who owns the Federal Reserve banks? the private commercial banks in each district which are members of the Federal Reserve System

Assuming a required reserve ratio of 10%, interest rate on reserves of 2%, and interest rate on loans of 8%, what is the effective cost of the reserve requirement on a \$10,000 deposit?

\$60

ONLEARNING CATALYTICS SPECIFICALLY FOR YOU FOR ONLY \$13.90/PAGE

Order Now

Countries with the most independent central banks... have the lowest inflation rates. The principal-agent view of Fed motivation predicts that the Fed acts in order to increase its power, influence, and prestige. The interest rate the Fed charges on loans to depository institutions is known as the discount rate. Suppose that a bank with no excess reserves receives a deposit into a checking account of \$10,000 in currency. If the required reserve ratio is 0.20, what is the maximum amount that the bank can lend out?

\$8,000

Which of the following types of unemployment does the Fed attempt to reduce? cyclical unemployment

An open market purchase increases the price of Treasury securities and decreases their yield. Which of the following is not an advantage of open market operations with respect to the other policy tools? It is inexpensive

If the Fed uses the level of reserves as a policy instrument, then after an increase in the demand for reserves the equilibrium federal funds rate will increase (same direction)

If the Fed sterilizes the purchase of foreign assets, the monetary base is left unchanged. When gold production was high in the 1890s, the money supply grew \_\_\_\_\_ causing \_\_\_\_\_. rapidly; inflation

advantages of currency pegging it provides protection for firms that have taken out loans in foreign currencies.

it reduces exchange rate risk.

it is a check against inflation.