Unit 5 Monetary Policy Study Guide

Key Concepts

1. What are the three functions of money?

2. Explain why a small increase in bank deposits cause a larger increase in the money supply and identify the equation for the Money Multiplier?

3. EXPLAIN the three tools of monetary policy and identify how each increase or decreases the M_S.
    a. Reserve Requirement-

    b. The Discount Rate-

    c. Open Market Operations-

4. In three graphs, show the effect of an increase in Money Supply

Money Market   Investment Market   AD/AS

5. In three graphs, show the effect of a decrease in Money Supply

Money Market   Investment Market   AD/AS

Name: _____

Team: _____

	Fiscal Policy	**Monetary Policy**
What is it?		
Who does it?		
Specific Tools		
Problems with Policy		
Expansionary Policies	**Recessionary Gap** Process=	**Recessionary Gap** Process=
Contractionary Policies	**Inflationary Gap** Process=	**Inflationary Gap** Process=