

OPEN & OPERATING – THE FEDERAL RESERVE

1. In what year was the Fed created?
2. The Fed was created for what purpose?
3. Roger Ferguson stated, “obviously, significant loss of life in New York and Washington was high on everyone’s mind, but with respect to the Federal Reserve, the main issue had to do with the financial system.” Write your prediction of what might have happened to the financial system as a result of the attacks if the Fed had not intervened.
4. In times of crisis people need faith in their financial institutions. How is this provided?
5. Liquidity = availability of _____
6. Purposes of the Federal Reserve
 - A. Monitoring _____ system
 - B. _____ banks
 - C. Implementing _____ policy
7. Payment System = Federal Reserve’s role in transferring money or _____ from one bank to another.

Handled through –

- A. _____ transfers B. _____ C. _____
8. _____ = large money electronic service that banks use to transfer payments to one another and to settle customer transactions.

On an average day how much does the Fed originate in electronic transfers in this role?

9. On an average day, how many in checks are processed by the Fed?

What was the problem with processing checks immediately following 9/11?

10. _____ = money that has been credited to accounts in depositing banks but has not yet been debited to the account check writers.
11. In response to 9-11 how much "float" did the Fed extend?
12. How many times the average did this represent?
13. With regards to monetary policy the Federal Reserve can take the following measures to maintain liquidity:
 - A. Discount Window = short-term loans to _____
 - B. Open Market Operations = buying and selling _____ on the open market to influence the volume of money and credit.
14. What measures did the Federal Open Market Committee take on 9/17 in order to increase liquidity even more?
15. What action taken by the Fed calmed the markets?
16. Federal _____ Rate = interest rate banks pay to _____ from one another
17. What milestone was set on the New York Stock Exchange on 9/17?
18. What is the benefit of a well-functioning central bank?