**Unit 5 Study Guide Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Block:\_\_\_\_\_\_\_\_**

**Test Date**:

**Tutoring**:

1. What is **price stability**? (notes)
2. What is **full employment**? (pg. 335)
3. What is **economic growth**? (pg. 310)
4. What are the three uses of **money**? (pg. 243-244)
5. What are the six characteristics (and definitions) of money? (pg. 245-246)

**The Federal Reserve & Monetary Policy ------------------------------------------------------------------------------------**

1. What is **monetary policy**? (pg. 417)
2. What is the **Federal Reserve**? (pg. 254)
3. What are the two reasons that the Fed uses monetary policy? (notes)
4. What is **easy money policy**? (pg. 431)
5. What is **tight money policy**? (pg. 431)
6. What are the three tools the **Federal Reserve** uses to control the money supply? (check out questions 10, 11, and 12)
7. What are **open market operations**? Are they the most-used monetary policy tool? (pg. 428)
8. What effect would an *increase* in the **discount rate/federal funds rate** have on the money supply? (pg. 428, see figure 16.7)
9. What is the **required reserve ratio (RRR)** and how does changing it affect the money supply? (pg. 427 – see figure 16.6)
10. What is something the Fed could do if the economy was expanding quickly and inflation became a concern?
11. Can the Federal Reserve tax people? Can it ever use taxes as a way of fixing inflation or the economy?
12. How many **Federal Reserve Banks** are there? (pg. 417)
13. How could the Federal Reserve encourage banks to lend out more of their reserves? (pg. 427 - under “Reserve Requirements”)
14. What type of policy does the Fed use to counteract a contraction? (chapter 16, section 4)
15. What is the **FOMC**?

**The Government & Fiscal Policy ------------------------------------------------------------------------------------**

1. What is **fiscal policy**? (pg. 387)
2. What is the purpose of **expansionary fiscal policy**? (pg. 389-390)
3. What is the purpose of **contractionary fiscal policy**? (pg. 390-391)
4. What are the taxing and spending decisions of the government when using **expansionary fiscal policy**? (pg. 389-390)
5. What are the taxing and spending decisions of the government when using **contractionary fiscal policy**? (pg. 390-391)

**Taxes ------------------------------------------------------------------------------------------------------------------------------------**

1. What is a **progressive tax**? Give an example. (pg. 361)
2. What is a **regressive tax**? Give an example. (pg. 361)
3. What is **proportional tax**? Give an example. (pg. 361)
4. What happens when government expenditures exceed government tax revenue? (pg. 403)
5. What is a **budget deficit**? (pg. 403)
6. What is the **national debt**? (pg. 405)
7. What is the difference between a **deficit** and the **national debt**? (pg. 405)
8. What is **revenue**? (pg. 359)
9. Draw and label an aggregate supply and aggregate demand curve:

\*\*\*Also, you must know what an aggregate supply and aggregate demand graph would look like for expansionary and contractionary fiscal policy. (chapter 15, section 1) \*\*\*