

Quiz 6

Name: ANSWER KEY

1. True or false (2 points):

FOMC (Federal Open Market Committee) decisions are largely influenced by the Congress.

Your answer: **F**

2. Short Answer (8 points):

- What is a government security?
- Name one type of a government security.
- Why does a government issue securities?
- Provide an example of one possible economic benefit and one possible economic loss that could result from issuing government securities.

Your answer:

- (2 points) A government security is a bond or other type of debt obligation that is issued by a government with a promise of repayment upon the security's maturity date.
- (2 points) T-bill/T-note/T-bond.
- (2 points) To cover its budget deficit.
- (2 points) Economic benefit: allows a government to stimulate economy during recessions
Economic loss: the loss of government's lenders investments if the government defaults on its debt

3. Short Answer (10 points):

- (1.5 points) Name one of the past or present chairmans of the Federal Reserve:
Janet Yellen
- (1.5 points) How many regional Federal Reserve Banks are there?
12
- (1.5 points) What is the main policy-making group in the Federal Reserve System (acronym is fine)?
FOMC
- (2 points) State the two main goals of the Fed (should be two words each):
Stable inflation and full employment
- (1.5 points) Do all depository institutions in the U.S. have to be members of the Federal Reserve System?
No
- (2 points) *Briefly* (in one sentence or less) describe how a depository institution can become a member of the Fed.
A bank can buy stock of one of the regional Federal Reserve banks in return for the membership.