

Extra Credit 2

The extra credit consists of two parts.

Part I.

Information about the following may be found at the Federal Reserve website.

1. What is the current required reserve ratio? How many times has it been changed in the last 2 years?
2. What is the current level of the discount rate? How has the rate changed in the last 2 years?
3. What is the current level of Federal Funds Rate? How has the rate changed in the last 2 years?
4. Write a paragraph analyzing the changes in the three monetary policy tools previously mentioned during 2009. Given the performance of the US economy in 2008, have the FED actions been what you would have expected?

Part II.

1. Obtain data for the growth rate of the monetary base. You may find it in the website of the Saint Louis Federal Reserve Bank.
2. Graph your data.
3. Write a paragraph about the implications of the growth rates of the monetary base for future inflation.