

**YouTube Title:** “(Macro) Episode 32: Monetary Policy” [www.youtube.com/watch?v=HdZnOQp4SmU](http://www.youtube.com/watch?v=HdZnOQp4SmU)

**Video Length:** 7:19 minutes

***The Economy Today* Chapter 15:** Monetary Policy, p. 314

***The Macro Economy Today* Chapter 15:** Monetary Policy, p. 314

**Topic:** Monetary tools

**Topic:** Powerful levers

**Key Terms:** Monetary policy, discount rate, federal funds rate, open market operations, money multiplier

**Learning Objective 2:** How monetary policy affects macro outcomes.

### **Economic Application**

This clip provides an overview of the three primary tools that the Fed uses to influence macroeconomic activity. It explains how each tool is used in an attempt to either expand or restrict aggregate demand.

### **Multiple Choice Question**

All but which ONE of the following are basic tools of monetary policy?

- a) Open-market operations
- b) Changes in tax rates
- c) Reserve requirements
- d) Discount rates
- e) All of the above are tools employed by the Fed.

### **Discussion Question:**

Why don't banks keep enough reserves on hand so that they never have to borrow reserves from the Fed?