# Money in a Modern Economy

## Keywords

Define the keywords in your own words.

Money supply: Money in circulation

Federal Reserve System (the Fed): Controls the money supply

Reserves: The amount of money that is stored and not in circulation

Expansionary monetary policy: Adds money by lowering discounted rates and lowering the reserve requirement and buying securities.

## Note It and Think About It

Answer Note It and Think About It questions as you read.

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| Note It | Think About It |
| Define the Federal Reserve System in your own words. Describe one reason it was created.  The Federal Reserve System controls the money supply, which is the money in circulation  What is the structure of the Fed?  The FED is made up of the Board of Governors, 12 Regional Banks, and the Federal Open Market Committee  List the 3 tools the Federal Reserve has for influencing the economy during hard times.  Discount rate, reserve requirement, buying and selling securities |  |