

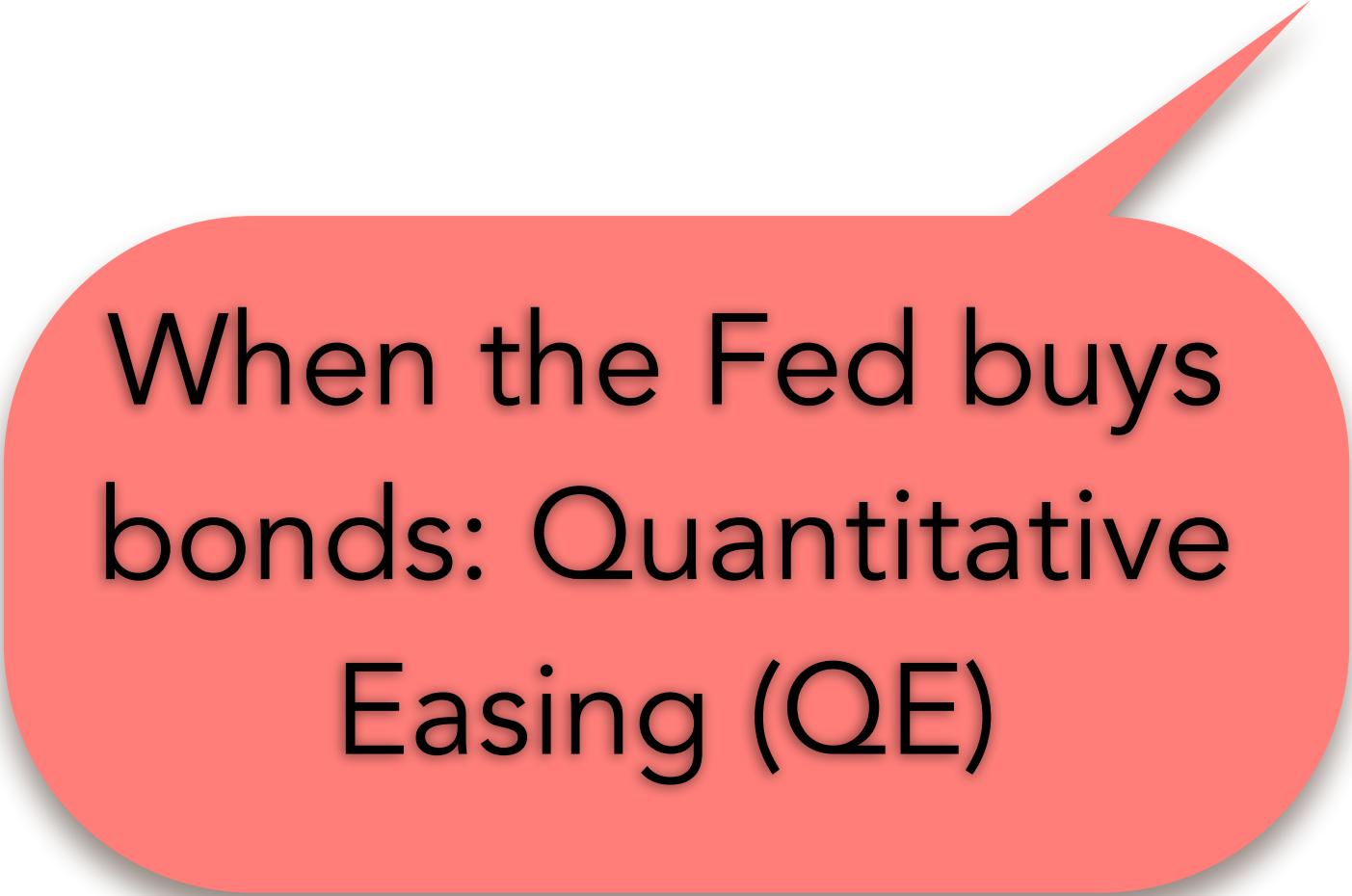
1. Open Market Operations

Fed buys or sells bonds in the open market

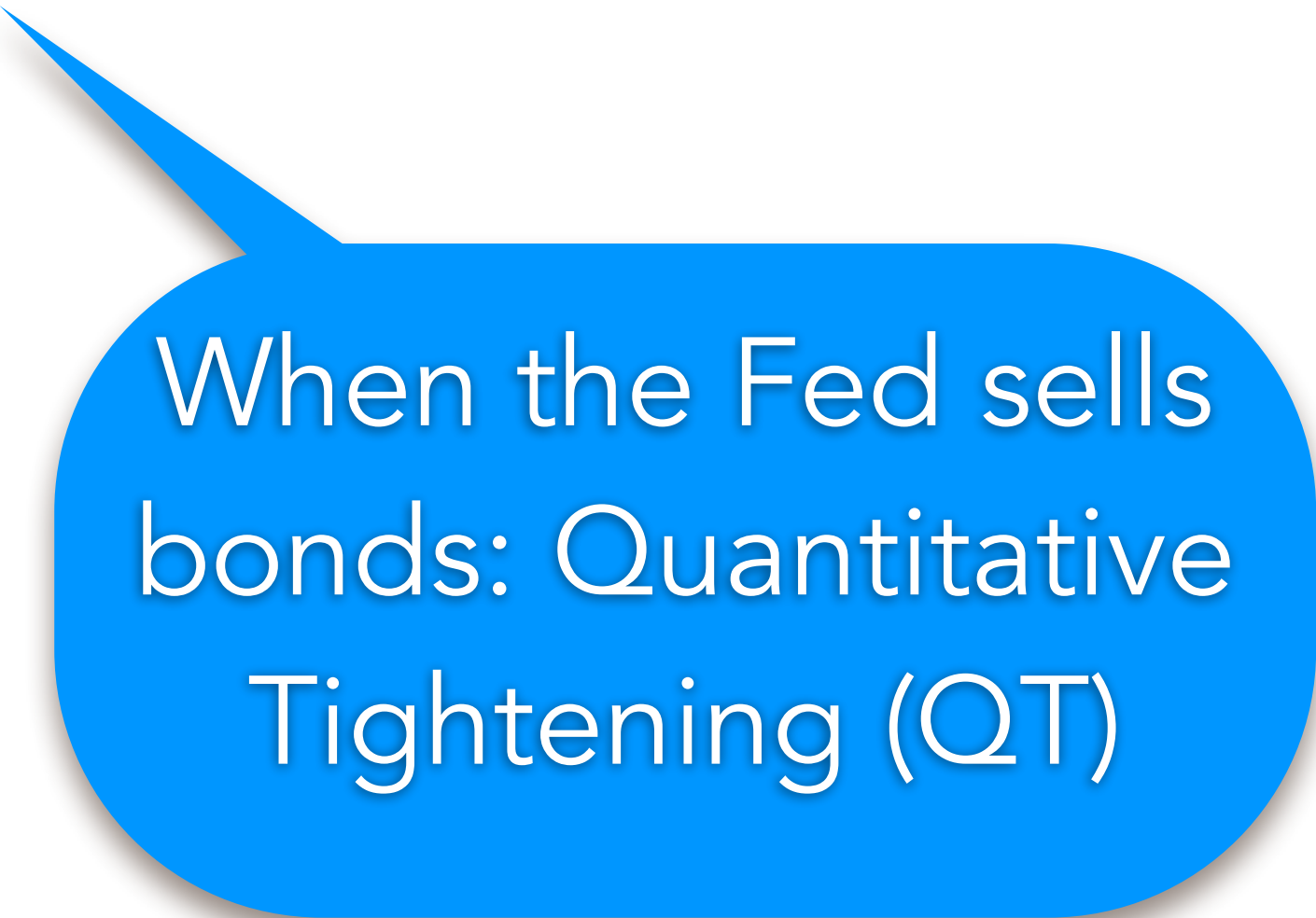
Monetary Policy Tools



Also called
"Balance Sheet"
Policy



When the Fed buys
bonds: Quantitative
Easing (QE)



When the Fed sells
bonds: Quantitative
Tightening (QT)

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Assets

Liabilities



Assume the Fed is
presently holding
100b in Bonds

Bank Reserves

$$R_A = 0.1 \times 250 = 25b$$

$$R_B = 0.1 \times 100 = 10b$$

$$R_C = 0.1 \times 150 = 15b$$

$$R_D = 0.1 \times 300 = 30b$$

$$R_E = 0.1 \times 200 = 20b$$

$$\text{Total Reserves} = 100b$$