

Tools to regulate the Money Supply

Tools of the Federal Reserve	Expansionary Policy During: Recession	Contractionary Policy During: Overheated Economy
<p>Open Market Operation Definition: <i>Monetary policy in the form of bond sales or purchases in the bond market</i></p>	<p><i>Implementation of the policy:</i> <i>Buying bonds</i></p>	<p><i>Implementation of the policy:</i> <i>Selling bonds</i></p>
<p>Reserve Requirement Definition: <i>Amount of a depository institution's required reserves (can not be handed out as loans)</i></p>	<p>Implementation of the policy: <i>Decrease of reserve requirements</i></p>	<p>Implementation of the policy: <i>Increase of reserve requirements</i></p>
<p>Discount Rate: Definition: <i>Interest rate the Federal Reserve charges on loans to financial institutions</i></p>	<p>Implementation of the policy: <i>Decrease the discount rate</i></p>	<p>Implementation of the policy: <i>Increase the discount rate</i></p>
<p>Federal Funds Rate <i>The interest rate that banks charge each other for the use of Federal funds.</i></p>	<p>Implementation of the policy: <i>Decrease Federal Funds Rate</i></p>	<p>Implementation of the policy: <i>Increase Federal Funds Rate</i></p>