

Chapter 28 Project

Monetary Policy and Bank Regulation

Purpose

In this chapter, you learned about the structure and functions of the Federal Reserve Bank (Fed) in the U.S. You also learned how banks are supervised, regulated, and insured. Furthermore, you discovered how the Fed implements monetary policy and quantitative easing, along with how these policies affect broader macroeconomic variables. Last, you analyzed the potential pitfalls (downsides) of implementing monetary policy in regard to macroeconomic outcomes.

The purpose of this exercise is to understand how the Fed functions and the differences between monetary policy and quantitative easing (QE). You will also compare and contrast the Fed's historical monetary policies.

Directions

This exercise has two parts. In the first part, you will read about banks during the Great Recession. Then, you will reflect on this information, using what you learned in the chapter. In the second part, you will use resources to review and compare/contrast monetary policy with quantitative easing.

Part 1 - Compare How Bank Regulation Works in Theory versus Lived Experiences

Review Lesson 28.2 and read the following articles on the Great Recession and its effect on banking.

(hawkes.biz/Recession1)

(hawkes.biz/Recession2)

Explain how the classic model of bank regulation operates and then compare it to the behavior of U.S. banks leading up to and during the Great Recession.

Using specific examples from the articles, explain how the banking sector was reformed in the immediate aftermath of the Great Recession.

Part 2 - Compare and Contrast Traditional Monetary Policy with QE

Review Lesson 28.4 and read the following articles. Also, watch the video in the first article.

(hawkes.biz/QE1)

(hawkes.biz/QE2)

(hawkes.biz/QE3)

Compare and contrast traditional monetary policy with quantitative easing.

Evaluate the monetary policy/QE regimens during the Great Depression with those employed during the Great Recession. How are they the same? How are they different? What was the effect?

 Checklist**Part 1**

- Review Lesson 28.2.
- Read the provided articles.
- Explain how the classic model of bank regulation operates.
- Contrast the classic model with the behavior of U.S. banks leading up to and during the Great Recession.
- Explain how the banking sector reformed following the Great Recession.

Part 2

- Review Lesson 28.4.
- Review the provided resources.
- Compare and contrast traditional monetary policy with QE.
- Evaluate the monetary policy/QE regimens during the Great Depression with those employed during the Great Recession.