

# Federal Reserve Terms Word Search

Answer Key

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## ■ 10 Terms & Definitions

<p><b>FEDERAL</b></p> <p>The Federal Reserve, commonly called "the Fed," is the central banking system of the United States. Established in 1913, it manages monetary policy, supervises banks, maintains financial system stability, and provides financial services. Its decisions on interest rates affect eve</p>	<p><b>MONETARY</b></p> <p>Monetary policy refers to the actions taken by a central bank to manage the money supply and interest rates to achieve macroeconomic goals like price stability, full employment, and sustainable economic growth. The Fed's two main tools are setting the federal funds rate and condu</p>
<p><b>TAPERING</b></p> <p>Tapering refers to the gradual reduction of a central bank's asset purchase program — specifically quantitative easing. When the Fed tapers, it buys fewer Treasury bonds and mortgage-backed securities each month, slowly withdrawing stimulus. Tapering signals the economy no longer</p>	<p><b>INFLATION</b></p> <p>Inflation is the rate at which the general level of prices for goods and services rises over time, eroding the purchasing power of money. Central banks like the Federal Reserve monitor inflation closely and adjust interest rates to keep it within a target range — typically around</p>
<p><b>MANDATE</b></p> <p>The Fed's dual mandate is its two statutory goals: maximum employment and stable prices (low inflation). Congress established this dual mandate in the Federal Reserve Reform Act of 1977. When these goals conflict — for example, when fighting inflation risks raising unemployment —</p>	<p><b>RESERVE</b></p> <p>Bank reserves are the funds that banks hold in their accounts at the Federal Reserve or as vault cash. Reserve requirements set minimum amounts banks must hold. The Fed's interest rate on reserves (IOER/IOER) influences how much excess reserves banks hold and thus affects the mon</p>
<p><b>QUANTITATIVE</b></p> <p>Quantitative easing (QE) is an unconventional monetary policy tool where a central bank buys large quantities of financial assets — primarily government bonds and mortgage-backed securities — to inject money into the economy and lower long-term interest rates when short-term rate</p>	<p><b>TREASURY</b></p> <p>US Treasury securities are debt instruments issued by the federal government to finance spending. The Fed's buying and selling of Treasuries through open market operations is its primary tool for influencing the money supply and interest rates. Treasury yields are benchmarks for</p>
<p><b>STAGFLATION</b></p> <p>Stagflation is a rare and challenging economic condition combining high inflation, slow economic growth, and high unemployment simultaneously. It is particularly difficult to address because the standard cure for inflation — raising interest rates — can worsen unemployment and sl</p>	<p><b>BENCHMARK</b></p> <p>In the context of the Federal Reserve, the benchmark rate refers to the federal funds rate — the interest rate at which banks lend each other money overnight. This rate is the Fed's primary policy tool and serves as the foundation for all other interest rates in the economy.</p>