

Outline of Lecture on
FEDERAL RESERVE POLICY
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- I. Review of Extension Problem on the Federal Reserve
- II. Objectives of Policy and Related Programs of Action
 - A. Specific objectives and their implications

Objective	Conditions requiring or permitting an easing of credit	Conditions requiring or permitting a tightening of credit	Inherent Bias
1. Stable price level	<u>Declining prices</u>	<u>Rising prices</u>	
2. Full employment	<u>Less than full employment</u>	Jobs in excess of workers	Expansive
3. Convertibility	High and/or rising primary reserves	<u>Low and/or declining primary reserves</u>	Contractive
4. Productive credit	<u>Increase in monetary volume of output</u>	<u>Decrease in monetary volume of output</u>	Chain-reaction
5. A fixed rate of interest	<u>When savings are inadequate</u>	<u>When savings are excessive</u>	Chain-reaction

B. Reconciliation of conflicts

III. Methods of Influencing Conditions in the Credit Markets

- A. The discount rate and discount administration
- B. Open market operations
- C. Regulation of reserve requirements
- D. Selective credit controls

IV. Effects of Federal Reserve Policies on Commercial Banking

V. Federal Reserve Policy in Operation