The Money Market: The Real Boss | Worksheet

Matching

Match the definition in Column A with the term in Column B.

Column A	Column B
________ Action increase money supply; encourage borrowing.	a. Supply
________ How much money people and businesses want.	b. Demand
________ Money banks must keep; not lend out.	c. Money Market Equilibrium
________ Actions decrease money supply; reduce borrowing.	d. Expansionary Policy
________ Total money available to earn, spend, borrow.	e. Contractionary Policy
________ Where money supply equals borrowing demand.	f. Reserve Requirement

Multiple Choice

1. **In the money market, the "price" of money is the…**
   a. dollar bill
   b. interest rate
   c. GDP
   d. reserve requirement
2. **If the supply of money increases, interest rates usually…**
   a. increase
   b. decrease
   c. stay the same
   d. disappear
3. **If interest rates are low, people and businesses are more likely to…**
   a. borrow and invest
   b. stop spending
   c. refuse loans
   d. lower prices immediately
4. **Why might the Federal Reserve use contractionary policy?**
   a. to increase inflation quickly
   b. to slow down inflation
   c. to make loans free
   d. to raise wages directly

Application

Answer in 3–5 sentences. Use at least two vocabulary terms in your response. A teen wants to start a small business and needs a loan. The Federal Reserve decides to use a contractionary policy.

- What is likely to happen to the money supply and interest rates?
- How might that affect the teen's ability to borrow money and start the business?
- How could it affect spending in the economy overall?

Scan to watch episode:

The Money Market: The Real Boss | Answer Key

Matching

Match the definition in Column A with the term in Column B.

Column A	Column B
d. Action increase money supply; encourage borrowing.	a. Supply
b. How much money people and businesses want.	b. Demand
f. Money banks must keep; not lend out.	c. Money Market Equilibrium
e. Actions decrease money supply; reduce borrowing.	d. Expansionary Policy
a. Total money available to earn, spend, borrow.	e. Contractionary Policy
c. Where money supply equals borrowing demand.	f. Reserve Requirement

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Sample Answer Key:
If the Federal Reserve uses ***contractionary policy****, the* ***money supply*** *will likely decrease and* ***interest rates*** *(the cost of borrowing) will rise. Higher interest rates make loans more expensive, so the teen may borrow less money, delay opening the business, or struggle to afford monthly payments. Because borrowing becomes harder and more costly, people and businesses often spend and invest less. That can slow overall economic activity across the economy.*

Guidance for Grading

- ☐ **Money supply + interest rate relationship:** Student states that contractionary policy **decreases money supply** and generally **raises interest rates**.
- ☐ **Impact on borrowing (teen/business):** Student explains that higher interest rates make borrowing **more expensive**, which could reduce or delay the teen's loan/business plans.
- ☐ **Economy-wide effect:** Student connects higher interest rates to **lower borrowing/spending/investment**, and notes this can slow economic activity overall.
- ☐ **Vocabulary use:** Student uses at least **two terms correctly** (recommended: contractionary policy, money supply, interest rate, borrowing, demand).
- ☐ **Clarity and cause/effect:** Student shows a clear chain of reasoning (policy → money supply → interest rates → borrowing/spending).