

The Federal Reserve

Outline Notes

LEARNING TARGETS

1) Knowledge

2) Reasoning

STRUCTURE OF THE FED

The Federal Reserve is the central bank in the U.S. To limit its power, its creators purposely gave it both centralized and decentralized features.

1) Board of Governors

A)

B)

2) Federal Reserve District Banks

3) Federal Open Market Committee

ORIGINS OF THE FED

The Federal Reserve System was not created until 1913. Before that time the financial system suffered from a lack of regulation and unstable currency.

1) 1st Bank of the United States

2) 2nd Bank of the United States

3) "Free Banking" Era

4) National Banking Era

5) The Federal Reserve System

THE GREAT DEPRESSION

The Fed initially did not respond well to the Great Depression (1929 - 1939), but some of its most important policies and tools were developed at this time.

1) Out With the Old Ideas...

A) Laissez-faire:

B) View on Prices:

C) Gold Standard:

2) ...In With the New

A) National Banking Act:

B) National Banking Act:

C) Glass-Steagall Act:

THE PAYMENTS SYSTEM

The Fed has three major functions. First, the Fed ensures that currency, check, and electronic transfers of money are safe, secure, and efficient.

- 1) **Currency Distribution**

- 2) **Automated Clearinghouse**

- 3) **Fedwire**

- 4) **Government's Fiscal Agent**

SUPERVISION AND REGULATION

The second major function of the Fed is to supervise and regulate financial institutions. This ensures they are run safely and consumers are treated fairly.

- 1) **The Bank Examination**
 - A)

 - B)

- 2) **The Fed Enforces the Law**
 - A) Truth in Lending Act:

 - B) Community Reinvestment Act:

 - C) Dodd-Frank Act:

THE FED AND MONETARY POLICY

The third major function of the Fed is to conduct monetary policy. This means the Fed alters the money supply to promote economic growth and stability.

- 1) **The FOMC Meeting**
 - A)

 - B)

- 2) **Four Tools of Monetary Policy**
 - A) Open-Market Operations:

 - B) Discount Rate:

 - C) Reserve Requirement:

 - D) Interest on Reserves:

A) The Fed...	Money Supply
	Decreases
	Increases

B) Discount Rate	Money Supply
	Decreases
	Increases

C) Reserve Requirement	Money Supply
	Decreases
	Increases

D) Interest on Reserves	Money Supply
	Decreases
	Increases