

CONCEPT: INTRODUCTION TO THE FEDERAL RESERVE

- **The Federal Reserve (the Fed)** is the _____ bank of the United States
 - The Federal Reserve was created in _____ after a series of banking failures
 - > **Bank Run** – when many depositors simultaneously decide to _____
 - > **Bank Panic** – when many banks simultaneously experience bank runs
 - The organization of the Fed:
 - > *Board of Governors* - _____ members appointed by the President and confirmed by the Senate
 - Governors serve _____ year terms
 - The Board is the central authority of the Fed
 - > *Chairperson of the Board* is the leader of the Board of Governors
 - Chairperson serves _____ year term (and may be re-appointed as chairperson by President)
 - As of filming, the chairperson of the board was _____

NOTE: A new chairperson was to be assigned soon, double check with your professor!

 - > *Federal Reserve Banks* - _____ regional banks located in major cities around the country
 - Each Federal Reserve Bank has its own board of directors and president
 - > *Federal Open Market Committee (FOMC)* – makes decisions to increase or decrease the _____
 - Composed of the Board of Governors (all members) and _____ of the regional bank presidents
 - FOMC meets approximately every six weeks in Washington D.C. to discuss monetary policy
- The role of the Fed:
 - > Regulating banks and ensure the health of the banking system
 - Carried out mainly by the regional Federal Reserve Banks
 - The Fed is considered the **lender of last resort**
 - **Discount Loans** – loans made by the Fed to banks
 - **Discount Rate** – interest rate on discount loans from the Fed to banks
 - **Federal Funds Rate** – the interest rate banks give to *other banks* on overnight loans
 - > Controlling the quantity of money available in the economy (money supply) through monetary policy
 - Carried out by the FOMC with open market operations, discount policy, and reserve requirements