Student D

Nam

Date 10/01/13

Low (very low range)
Score: 0
-no valid effect
-inaccurate and irrelevant evidence blended with relevant information

Directions: Using the evidence from the reading, your not class discussion, and visual aids answer the following questio

Check for Understanding

- How do actions by the Federal Reserve affect consumer answer with economic evidence.

Rubric

2-This response gives a valid effect with accurate and releva

1-This response gives a valid effect with inaccurate, irrelevar

Accurate (+)

Actions made by the Federal Reserve affect producers because when the money supply goes down, the demand goes down too, so producers will face low demand. The reason the money supply would be low is becaus when a bank goes broke the money becomes worthless. Actions made by the Federal Reserve affect consumers because when banks get shut down the money they have is worthless. So they have to face the problem of getting money that is worth a value.

Inaccurate & Irrelevant (-)

misunderstanding of historical events that lead to the dev't of The Fed and it's role today vesus the role of the Fed presently

The Role of the Fed - Student Reading

Keeping prices **stable** is part of the job of the Federal Reserve, which was created by Congress in 1913. There had been two attempts at **establishing** a central bank in the United States in the 19th century, **but politics killed them** even though they were successful. Back then, state-chartered banks issued their own paper money backed only by their individual gold and silver reserves. As a result, there were once more than 10,000 different kinds of bank notes in circulation. a citizen w/ worthless $ could give to another state & they could go bankrupt.

Suppose you owned a store in those days. How would you know which banks had enough gold reserves to make their currency worth its **face value?** Should you decrease the value of bills from a weaker bank? And how would you keep track of all those bank notes? You can imagine the shopkeeper's **dilemma.** If a bank went broke, its currency was instantly worthless, and those who held its notes could lose everything.

(face value)- you wouldn't know if the $ is valid

Naturally, people hurried to withdraw their money at the first hint of trouble in the economy. The **result** was **periodic** financial panics that could **devastate** the national economy for years. Finally, after a **particularly** bad panic in 1907, Congress decided to solve the problem. In 1913, **it established** the Federal Reserve System to provide for a safer and more **flexible** banking and monetary system.

With the Fed as safeguard, banks can perform their proper role of bringing savers and borrowers together for the benefit of both. For any economy to be successful, a country **first needs political stability** so its citizens feel safe; then it needs a **stable financial system** that includes both **trustworthy money** and **reliable financial institutions**. Healthy, profitable banks, therefore, are a vital part of the nation's **economic welfare**.

Banks provide many services, but for most people, banking **consists** of depositing their income into a checking account and writing checks or using a debit card on that account to buy things that cost more money than they want to carry in their wallets. People also have savings accounts in which they deposit money they don't need right away or they are saving for a **particular** purpose. The bank pays interest, or a price paid for use of the money, on savings accounts and often on checking accounts, too.

Very little of this money is kept in the bank's vault, however. While the Federal Reserve requires banks to keep a **specified** percentage of customer deposits on hand (reserves) to meet routine withdrawals, they lend the excess. Banks, like any other business, must make a profit **to stay in business**. Their profit comes from interest people pay on the money they borrow.

24 hours before the government was going to shut down the government made a decision, just like 1907.

8-1

state-chartered
organized and maintained by individual states

bank notes
paper currency

financial panics
urgent concern for safety of personal money

safeguard
form of protection

vital
necessary

vault
safe holding place within the bank

reserves
funds which cannot be loaned

excess
unused funds

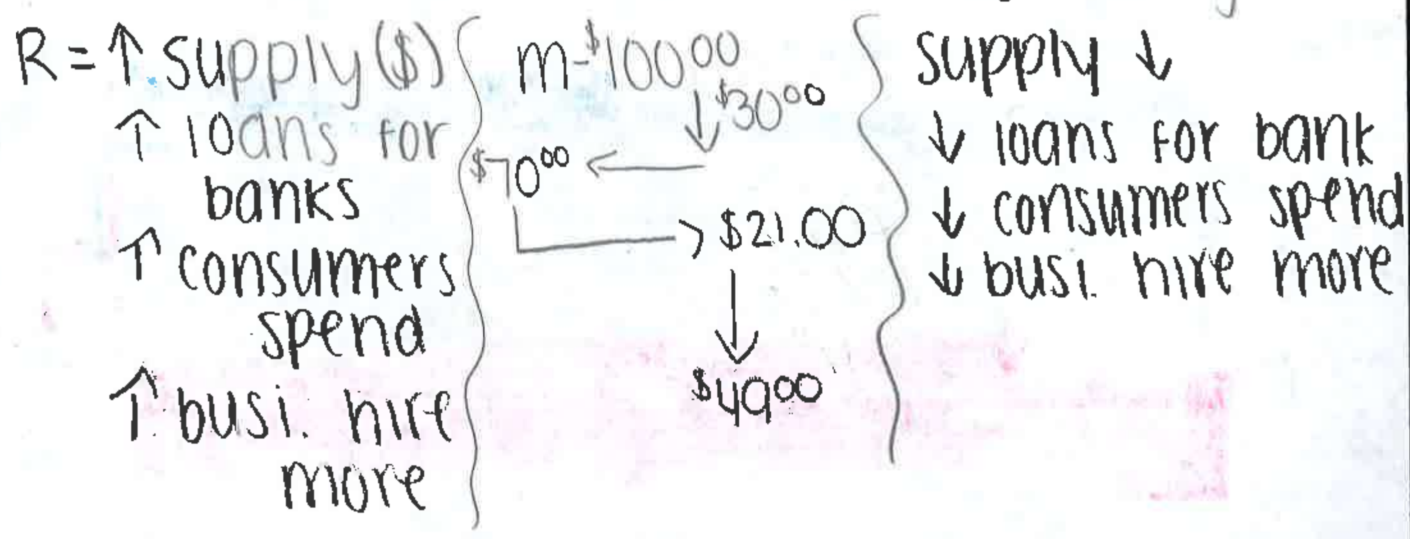
main bank|center

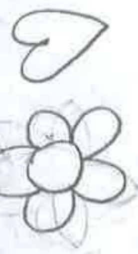
Notes - Role of the Fed!

political stability - citizens are safe, society is safe; not risky.

economic welfare - economy's ok: inflation and recession aren't high

if you're in a recession banks hold less money.





Federal Reserve Bank - 2013!

- They regulate the supply of money and issues currency
- There are 12 regional banks.
- Keeping prices stable, growing the economy, and maximize employment.
- Board of Governors - over see Federal reserve
- each of the 12 banks is different
- each bank has 9 members

- Federal Reserve regulates how easy or hard it is to get credit.

- Interest rates affect the whole economy.
- They adjust interest rates.

Recession-

Business activity: ↓ unemployment rises: ↑ = federal reserve increases money supply.

Borrowing increases - ↑ Economic growth = ↑ unemployment - ↓

In a recession the federal reserve bank increases money supply.

Inflation-

economy = ↑ prices = ↑ inflation = ↑ = take money

Interest rate = ↑ Business activity = ↓ inflation = ↓

Federal Reserve Bank - 1913

8-1

- central bank of the united states.
- establish and maintain the public's confidence
- established in 1913.
- provide a variety of financial services
- In order to have a stable economy you need to have: high employment, steady growth, higher production and overall stable prices.
- Monetary policy - price ability
- amount of money and credit that's available for our economy.
- supply of money grows: more money available

Money supply = MS & Demand = D:

MS ↑ | D ↑ = prices rising; inflation

MS ↓ | D ↓ = prices fall; recession = people aren't spending

- we want stable prices
- taking money out of circulation stabalizes our economy.
- they are the banker's bank.
- fed clears over 20 million checks a year

Text Dependent Questions
Student Handout
The Role of the Fed

Primary job of Fed:
The job is to keep prices stable.
Evidence- "keeping prices stable is part of the Federal Reserve"
Politics killed them: there were a lot of debates, and they decided to change it.

←1

Text	
Keeping prices stable is part of the ... Federal Reserve, which was c... Congress in 1913. There had ... attempts at establishing a central b... United States in the 19th century, b... killed them even though th... successful.	...y jobs of the ... your answer ... the Author ...litics killed ... the Author
Back then, state-chartered banks issued their own paper mone... individual gold a... result, there were... different kinds of b... Suppose you own... How would you ... enough gold reser... worth its face val... the value of bills f... how would you ke... notes? You can ... dilemma. If a bar... was instantly wort... its notes could lose...	... a ... y ... s
Banks provide many ... eople also have savings accounts in which they deposit money they don't need right away or they are saving for a particular purpose. The bank pays interest, or a price paid for use of the money, on savings accounts and often on checking accounts, too. Very little of this money is kept in the bank's vault, however. While the F... requires banks to keep a speci... of customer deposits on han... meet routine withdrawals, ... excess.	In para... services... consum... • Wh... on... ben... con... • Wh... sup...

2→

"And those who held its notes could lose everything" (evidence)

They didn't know how much money was worth.

They didn't know what the face value was.
"There were 10,000 different kinds of bank notes."
Shopkeepers would face low demand cause when money goes ↓ so does demand.

←2

↑ continued

1) Interest helps a consumer because it will provide them w/ more services.
Interest helps banks because they get more $ for services.
"Banks provide many services"

←3

"To meet routine withdrawals, they lend to excess."

←3