Name Student E

Date 10-1-13

Directions: Using the evidence from the reading, your no[tes], class discussion, and visual aids answer the following questi[on]

Check for Understanding

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

Rubric

2-This response gives a valid effect with accurate and relevan[t]

1-This response gives a valid effect with inaccurate, irrelevan[t]

① - Low 1 (low range) at best
- blend of both accurate and inaccurate pieces of information
- misconception of the "cause" of a recession or inflation; lack of understanding of the Feds role in preventing both R/I

inaccurate

The actions by the FED (Federal Reserve) affect consumers and producers because it can cause a recession or inflation. A recession lowers business activity and there is a rise in unemployment. Inflation affects consumers because prices rise which means it costs more for goods and services.

"cause" misconception

Accurate relevant evid.

Producers are affected by inflation because it costs more to make the item so to make a Profit they have to raise prices. The Fed affects consumers and producers also because if the prices are not stable which is one of the jobs of the Fed than consumers have less money to spend because it is worth less and the consumer will have to get a loan. Producers will be able to produce less items.

accurate & relevant

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 cen... killed them even though they were successful. Back then ... their own paper money backed only by their inc... As a result, there were once more than 10,000 ... circulation.

differ...

di...

- Fed looses lots of money in depression
- Banks must make a profit to stay
- If you are in a recession they will lower percent loans

R↑ MS ↑ consumers spend

↑ loans fr. bank ↑ hire more

Suppose you owned a store in those days. Ho... had enough gold reserves to make their curren... you decrease the value of bills from a weaker ... track of all those bank notes? You can imagine ... bank went broke, its currency was instantly w... notes could lose everything.

Naturally, people hurried to withdraw their mo... the economy. The **result** was **periodic** finan... the national economy for years. Finally, after a... Congress decided to solve the problem. In 1... 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.

Centeral Bank-One of 12 centeral banks

- A citizen with valueless money could not use it
- In 1907 the congress worked out something

...artered
...d maintained ...l states

...tes
...ncy

...al panics
...cern for safety of ...oney

safeguard
form of protection

vital
necessary

Inflation

↓ supply mo...

↓ loans fr. b...

vault
safe holding place within the bank

↓ consumer spe...

reserves
funds which cannot be loaned

↓ business...

excess
unused funds

Back

Notes

- **Political Stability** - is when your society is safe
- **Economic Welfare** - "OK" economy
  no inflation or recession
- **Welfare Checks** - Call police to check on people to see if they are "OK"
- **Depression** - Catastrophic ~~event~~ economic event when more people aren't working ~~[illegible]~~ than people who do
- How to get out of a depression ~~[illegible]~~ is ~~[illegible]~~ Fed makes drastic changes

Overspending - inflation
paid money (too much)

→ Recession
Fed doesn't control

Depression ← worst

Welfare - Status of a whole country

Economy grows too fast ↑ Prices rise drastically ↑ Inflation increases ↑ = (Inflation)

money supply ↓ business activity slows down ↓ Inflation decreases ↓ = (money supply ↓)

Notes (Federal Reserve Banks)

- Dollars come from the federal reserve system

- The federal reserve systems job is to make a stable economy

- There used to be 30,000 types of currency

- Sometimes the banks didn't have enough money to give people money. The banks made some people to lose all of their savings

- There are 12 banks which is referred to as private sector

Stable Economy

Stable Prices

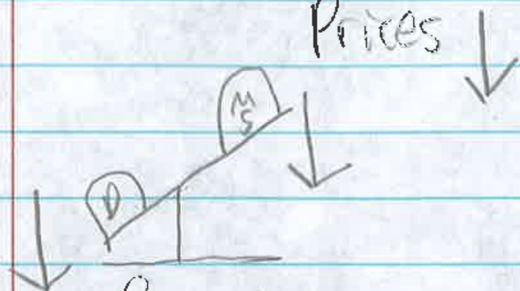
Steady Growth

Higher Employment and Production

- The amount of money and credit that is availible to the economy

- As the money supply goes up the demand goes up

Inflation



Recession

- Taking money out of economy stableizes to avoid inflation (Inflation)

- Putting money in the economy stableizes to avoid recession (Recession

- govt. jobs are to keep banks safe
- Fed is a Bankers Bank
- The fed clears 20 billion checks per year

Text Dependent Questions
Student Handout
The Role of the Fed

Text	
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.	One job of the Federal Reserve is to keep prices stable I think the quote means that politicians denied the banks and there was too many debates and it did not meet standards
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. 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.	1. The problem with State-chartered banks was there was so many different kinds of currency (10,000) 2. The problem was with the currency and face value. It asks "how would you make currency worth it's face value?"
1. It is beneficial for the consumer because you can save it in an account and it is safe and the bank gains interest. In the text it says that consumers deposit their money in a savings account and the bank charges interest	The percentage was the amount of interest. In the text it says a specific percentage