

Student

K

Date 11/30/13

Directions: Using the evidence from the reading, your class discussion, and visual aids answer the following question.

Check for Understanding

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

Rubric

2-This response gives a valid effect with accurate and relevant evidence.

1-This response gives a valid effect with inaccurate, irrelevant, or no economic evidence.

① - Medium Range

- gives accurate & relevant economic evidence in beginning and summary statements

- inaccurate statement/evidence in understanding of consumer spending when supply is restricted

How actions by the Federal Reserve affect consumers & producers is if we are in a time of recession they would give more money so business activity would go up which means more money for producers & unemployment would go down so that means more income for consumers. In a time of inflation the Fed would take away the money supply so the prices would go down so consumers would buy more & producers would get more money. The job of the Fed is to keep prices stable & to balance the money supply so no matter what they do it will have some kind of effect to producers & consumers.

accurate & relevant (+)

inaccurate (-)

accurate & relevant (+)

would reduce consumer spending (-)

Central Bank

main, central
Key bank

no one agreed so
there was no compromise

face value - having gold
to back up your federal
reserve notes

Bank went broke, its currency was instantly worthless, and those who held its notes could lose everything.

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 like any other business, must make a **profit to stay in business** comes from interest people pay on the money they borrow.

1907 Congress stepped
in & created FRS

Successful Economy

Political stability = everything
is in place (agreement)
(feel safe)

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

Economic welfare
- making sure
everything is ok in
an economy

1.) Keeping prices stable & (balance money supply)
control currency
(go to question's paper)

2.) trustworthy money & reliable financial institution
to prevent recession/inflation

bank can't lend \rightarrow then producers can't
buy \rightarrow then no jobs

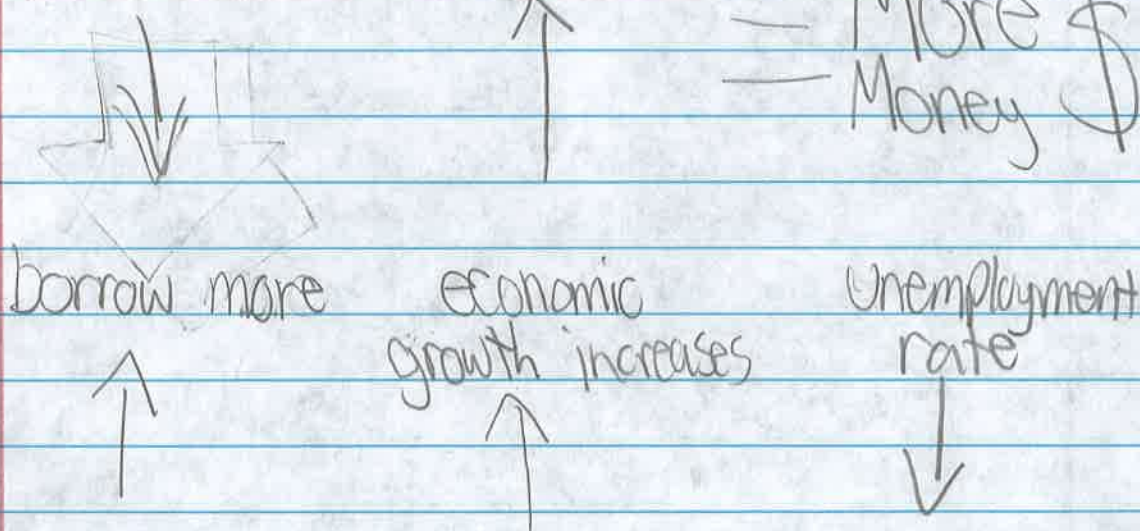
(this is a system)

Federal Reserve Bank Notes

- Federal Reserved Notes = money
- Federal Reserve System
 - Prior to the FRBS anyone could print money & banks couldn't guarantee that they allow's had enough "money" when people wanted to access it.
- 1913 the FRBS was created & no one could print money
- The FRB is the central bank
- central bank = regulates the supply of money (how much money banks have to spend, issues currency in our country, and oversees the countries banks)
- One of the main influence of our economy.
- the FR determines how much it cost for someone to get a loan (availability of loans & money)
- The Feds help keep the economy on track
- keep economy up, prices stable, & maximum employment
- Monetary Policy = actions the FRB takes to limit or increase the availability of money & loans as well

as the cost to get loans
everything the FRB does is to
influence the economy
Spend more = decrease interest rate
Spend less = increase interest rate

Recession (this is the FRB's job)
(spending & production)
Business Activity is down
Unemployment rate



recession = no spending

(business = do much product)

Inflation

Economy grows
to fast

Prices

Inflation

Take

money - \$



Text Dependent Questions
Student Handout
The Role of the Fed

Text	
<p>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.</p>	<p>One of the primary job for the FR is keeping prices stable. This was stated in the opening sentence.</p> <p>What the author means is that the dem & rep. did not agree & would not find a compromise. (1)</p>
<p>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.</p> <p>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.</p>	<p>The problem was that some of the state chartered banks decided to print their own money in result 10,000 different bank notes appeared. It was hard to keep track of it. The dilemma the shopkeeper may face is how would they know that the money is backed up. In paragraph 2 sentence 2 my answer is (2)</p> <p>Couldn't provide excess</p>
<p>More interest = more money = more to loan out</p> <p>Profitable banks = able to loan out money</p>	<p>It is valuable for banks & consumers because the consumer will get more money in the end & the banks profit from interest. My evidence is in our discussion in class.</p> <p>They keep a specified % of consumer deposits to meet routine withdrawals so they can lend the excess. My evidence is in the last sentence.</p>