Student S

Name

Date 4/30/13

8-3

Directions: Using the evidence from the reading, yo[...] class discussion, and visual aids answer the following q[...]

High Range (2+)

- Valid effects (multiple)
- Multiple uses of text, video, visual and discussion
- relevant and accurate economic evidence

Check for Understanding

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

Rubric

2-This response gives a valid effect with accurate and re[...]

1-This response gives a valid effect with inaccurate, irre[levant, or no] economic evidence.

The Federal Reserve bank has two primary jobs, keeping prices stable and keeping a balanced money supply. This was found in paragraph 1 of "The Role of the Fed". Actions by the Federal Reserve affect consumers and producers when there is a recession and an inflation. In our class discussion we learned that in an inflation, the prices are high because people are spending too much and businesses can't keep up with production. When this happens, the FED comes in and decreases the availability of loans so consumers spend less and producers can keep up with production since the demand has decreased. The FED increases the interest rate for loans in an inflation, so consumers borrow less and spend less and the circular flow of money or income is stable and regulated. We learned this in our class discussion, when discussed the article "The Role of the FED". We also learned while watching a FED video that in a recession, people are spending less, borrowing less and business have too much supply and their spending is low. The unemployment rate goes up because businesses can't afford to pay the producers. So the FED increases the availability of money through decreasing the interest rate, so people borrow more and spend more, so producers keep on producing goods and services and consumers spend and the unemployment rate goes down. Through our class dicussions, "The Role of the Fed" article, and the Federal Reserve video, we learned that the FED affects consumers and producers through monetary policy.

accurate relevant (+)

accurate relevant (+)

(X)

→ Connections to prior lessons w/ strong accurate relevant economic evidence →

All valid effects

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.

what they've got to back the money up

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.

Based on what you have in the reserve to back it up

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.

Congress stepped in to have less politics in central bank

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.**

Citizens know that the government is stable with no one trying to overthrow the government and all the rules are set

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.

· A central bank is the key bank of a economy

→ Making sure the economy is okay (not in a recession or inflation, unemployment rate goes down)

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

→

Stable

Person #1 $100.00

Interest = 20%

↓ Keeps $20

Federal Reserve Requirement

person lends $80

→ $80

↓ $16

$64 to person 3

$100 - 20

$80 - 16

$64 - 12.80

Recession

R = ↑ $ Supply

Interest 10%

↓

FDR Requirement goes down

100 - 10

90 - 9

81 → $8.10

Inflation =

I = ↓ $ Supply

Interest 30%

↓

FDR Requirement goes up

100 - 30

70 - 21

59 - 18

1. Keeping prices stable and keeping a balanced money supply.

2. To prevent recession and inflation
consumers can't buy, banks can't loan, businesses can't employ

one bank didn't know how much the other bank's money was worth

There were $10,000 different banks

The more interest in the account, the more a bank can loan out.

*Banking Sys

Federal Reserve Bank Notes

- A QUSAI government recomends what political economic decisions the government makes
- Federal Reserve Notes are part of a complex system called the Federal Rerserve system. It is the central bank of the nation.

prior to the Federal system

- states were allowed to create/use their own money
- Banks couldn't guarentee that they would have enough money when people wanted it.
- In 1913, Woodrow Wilson created the FDR and the money had to be printed in the same way.
- This allowed for better and stable banking systems
- The Federal Reserve Bank is involved with banks
- The FRB is a central bank that regulates the supply of money in a country, they issue currency, and they watch over/regulate the national bank
- The Fedral Reserve Bank is widespread over the country
- Ben Bernanke is the head of the Federal Reserve Bank
- The Federal Reserve bank influences our money
- The Federal Reserve bank determines how much it costs for someone to get a loan
- They also control the availability of money and loans
- The Fedral Reserve has to keep the economy on track
  1. Growing as fast as it can, prices needed to be stable, maximum employment, to oversee the financial system

- The Federal Reserve has 3 major parts: the board of govenors,

- Monetary Policy: actions the Federal Rerseve takes to limit or increase the availabity of money and loans, as well as the cost to get loans
  - The Fed wants to influecence our economy in a positive way

If the FED wants people to spend less, they increase the interest rate, if they want to increase spending, the decrease interest

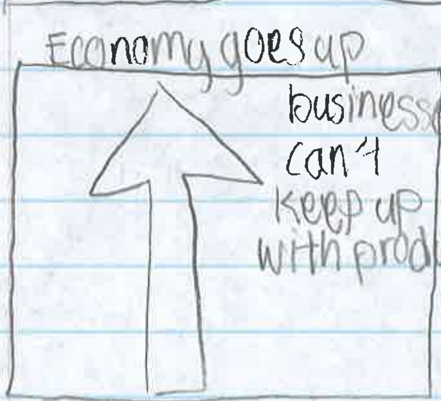
Rescession = people aren't spending
↓ Low spending / less bussiness activity +
↑ Unemployment Rate =
FED's solution: to increase the money supply so the people borrow more and spend more and unemployment ↓
Loans given to households are spent at busnesses and brings the unemployment rate down

Inflation: the prices are going through the roof
↑ High spending +
↑ High Price =
The FED's solution: to increase the interest rates on loans
Loans ↑ = ↓ Low spending = ↓ Prices go down

+

=

Recession
The Fed increases the availabity of loans and money.



+

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Inflation
The FED decreases the availability of loans and money

Text Dependent Questions
Stude... ...ut
The R...

... of the ... by ... two ... in the ... U ... politics ... ki... were ... succ... Routine withdrawls. When you buy a house you take money out of your account.	... the ... swer ... uthor ... killed ... th... Author ... mea... The primary jobs of the Federal Reserve was "keeping prices stable" since 1913. We found this in "Politics killed them" part #1 means that their political views got in the way of establishing as... Found in paragraph
Back then ... ks issued their own pa... ...nly by their individ... ...s. As a resu... ...10,000 dif... ...n. S... ...ays. H... had e... ...ency w... ...rease the... And how ... ...e bank notes... ...keeper's dilemma... ...s currency was instant... ...ose who held its notes could lose e...thing. There were too many notes in the country and they were different. If a bank went broke, the currency was worthless and the bank went broke. We found this in paragraph 2. The dilemma the shopkeepers may have face they had to manage the amount of notes and if the	What problem wa... ...ated by state-char... ...ir own paper mone... ...nswer with e... 'In... "... W... ha... Wi... ...s you... bank went broke, the currency was instantly worthless and people would lose their money. The evidence would be th sentence 4 and 6 in paragraph 2. It showed it in sentence 3 when it said the shopkeeper had to keep track of the notes and the bank worthless
Bank... People also have ... deposit mone... ...hey are savi... bank pa... ...f the m... ...n on c... Ve... ...bank's vau... ...eserve requi... ...centage of custo... ...serves) to meet rout... ...y lend the excess. It's beneficial to the bank because people keep on getting money, so they keep on coming to the banks and putting the money in the bank. In paragraph 5 it says that the bank provides many services and it says that the bank pays a price paid for the use of money	In pa... describes service... its cons... • ... st ... nt ... d ... t Wh... ...uire bank... ...ge of custom... ...ves)"? Support y... ...nce from the text. The Federal Reserve requires banks to keep a specified percentage of customer deposits just in case of excess loans and to meet routine withdrawls. This is found in paragraph 5 when it says "routine withdrawls."