Inside the Fed

Read how the Federal Reserve serves as the nation's central bank.

CE.13.d "explaining the structure and main function of the Federal Reserve System and how it acts as the nation's central bank;"

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline the sentences that explain what the Federal Reserve does. Circle the names of the groups or parts that make up the Federal Reserve System.

A Bank for the Whole Nation

1 The Federal Reserve System, often called the Fed, is the central bank of the United States. Congress created it in 1913 after earlier banking panics showed a need for a more stable system. The Fed does not replace the banks people use for checking accounts. Instead, it helps the whole banking system work safely and smoothly. As the nation's central bank, it manages parts of the money and banking system for the public good, rather than for one bank's profit.

2 The Fed has a Board of Governors in Washington, D.C., and 12 regional Federal Reserve Banks across the country. The president nominates governors, and the Senate confirms them. Each regional bank serves a part of the nation and gathers information about its area's economy. The Federal Open Market Committee, or FOMC, includes the governors and Reserve Bank presidents. It meets to make major monetary policy decisions. This shared structure connects national leadership with regional knowledge.

3 One central bank job is to guide monetary policy, which influences money and credit conditions. The FOMC can raise or lower its target for a key short-term interest rate to respond to inflation or weak economic activity. The Fed also supervises certain banks, helps banks send payments, and provides services such as clearing checks. During serious financial stress, it can lend to qualified banks, helping prevent a shortage of cash from spreading. These roles help support a stable financial system.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why is the Federal Reserve called the nation's central bank instead of a bank people use for checking accounts?

2. Name the two main parts of the Federal Reserve System described in the passage.

3. How does the Federal Reserve's structure connect national leadership with local economic information?

4. Give two ways the Federal Reserve helps keep the financial system stable.

3 YOUR TURN

Your own words

A regional Reserve Bank reports that prices in its area are rising quickly. Write 3 sentences explaining how information from that region could reach the FOMC and one action the Fed could consider as the nation's central bank.

Inside the Fed

PART 1 · READ AND MARK

Underline the sentences that explain what the Federal Reserve does. Circle the names of the groups or parts that make up the Federal Reserve System. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why is the Federal Reserve called the nation's central bank instead of a bank people use for checking accounts?	**It helps manage the nation's money and banking system for the public good, rather than providing checking accounts to people.**
2	Name the two main parts of the Federal Reserve System described in the passage.	**The Board of Governors in Washington, D.C., and 12 regional Federal Reserve Banks.**
3	How does the Federal Reserve's structure connect national leadership with local economic information?	**The Board of Governors provides national leadership, while the 12 regional Reserve Banks serve regions and gather information about their local economies.**
4	Give two ways the Federal Reserve helps keep the financial system stable.	**Answers may include guiding monetary policy, supervising certain banks, helping banks send payments, clearing checks, and lending to qualified banks during serious financial stress.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The regional Federal Reserve Bank could gather information about rising prices in its area. Its president is part of the FOMC, which includes governors and Reserve Bank presidents. The FOMC could consider raising its target for a key short-term interest rate to respond to inflation.

Accept equivalent descriptions of the Fed's structure and central-bank functions when they match the passage. For the open response, look for a regional bank's economic information, the FOMC's role, and a plausible monetary policy action.