

# Federal Reserve

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Three "Tools" of Monetary Policy

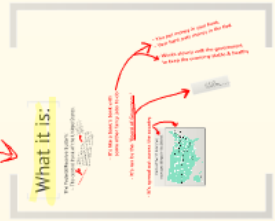
How it does Monetary Policy:

**Monetary Policy:**  
• The Fed's attempts to encourage a healthy economy  
• (promote employment, control inflation, etc.)  
• Completely based on making it easier or harder for banks, businesses, & citizens to get money

THE FEDERAL RESERVE

Also known as... "THE FED"

Part 1



Part 3

What it does:

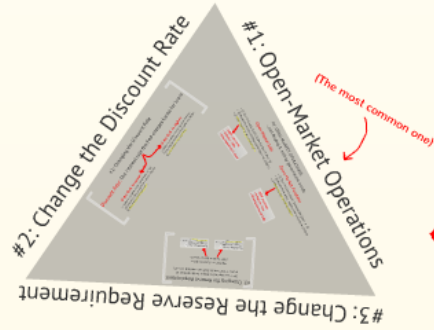
4 Functions:

- 1) Monetary Policy  
- Maintaining a healthy economy  
- More on that later...
- 2) Supervising & Regulating US Banks  
- Make sure banks are behaving themselves
- 3) Provide Special Financial Services  
- Check-clearing  
- Hold bank reserves @ the Fed  
- Release paper currency into the economy
- 4) Give Emergency Financial Support  
- Lender of last resort  
- Respond to & repair financial catastrophes

Part 2

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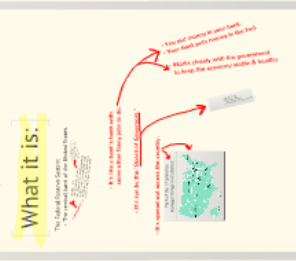
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Part 3

Part 1

Part 2

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# [ THE FEDERAL RESERVE ]

[ What it does: ]



# What it is:

The Federal Reserve System:

- The central bank of the United States.

(te)



• Created in 1913

Attempt #1: First Bank of the United States  
 • Created by Alexander Hamilton in 1791  
 • To improve USA's credit & handling of gov. finances  
 • Ended in 1811 after bank's charter expired (fiscal support for bank, Thomas Jefferson believed it held too much power over economy)  
 • Second Bank of the United States  
 • Created in 1816 to raise money to pay for the War of 1812