

Federal Reserve Bank of Dallas
Economic Education
Summer Professional Development

2012

Economic Summit

THE ECONOMY IN ACTION

Federal Reserve Bank of Dallas
June 12-13



The Federal Reserve System: An Evolving Central Bank

Stephen Clayton

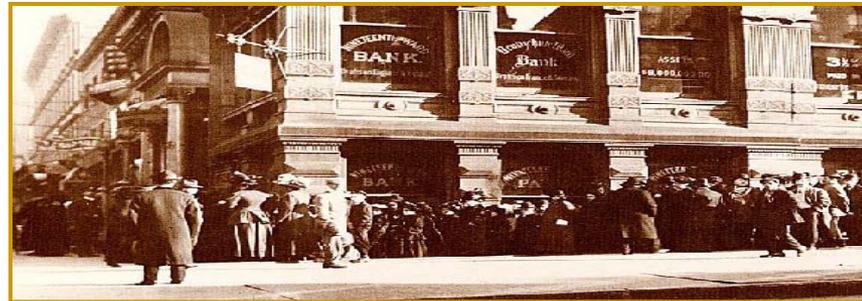
Economic Education Specialist

Federal Reserve Bank of Dallas



A History of Financial Panics

- Financial panics are a part of United States history
- The Panic of 1907
 - Jolted Wall Street
 - Highlighted need for financial reform



The Federal Reserve Act

An act to provide for the establishment of Federal Reserve Banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

Preamble
Federal Reserve Act of 1913



Economic Summit
THE ECONOMY IN ACTION



The Critical Balance

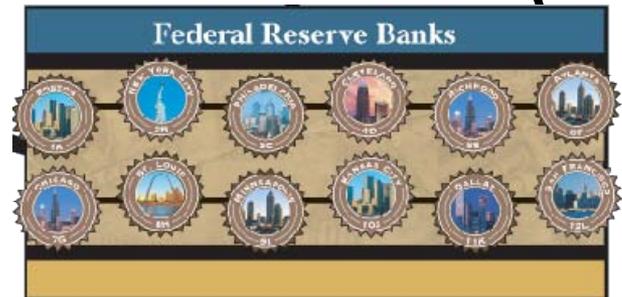
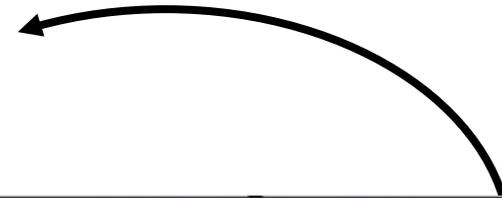
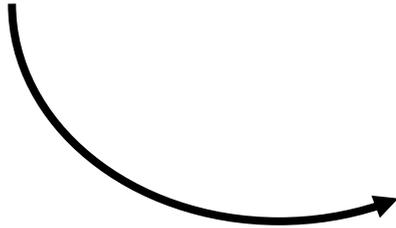
- Public versus Private
- National versus Regional



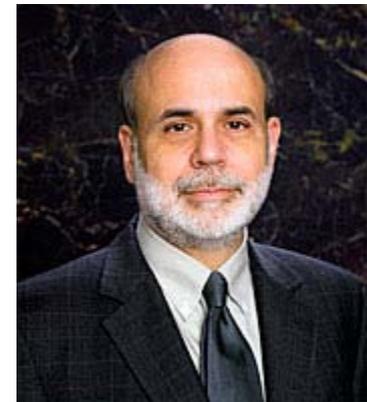
Economic Summit
THE ECONOMY IN ACTION



The Structure of the Fed



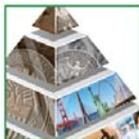
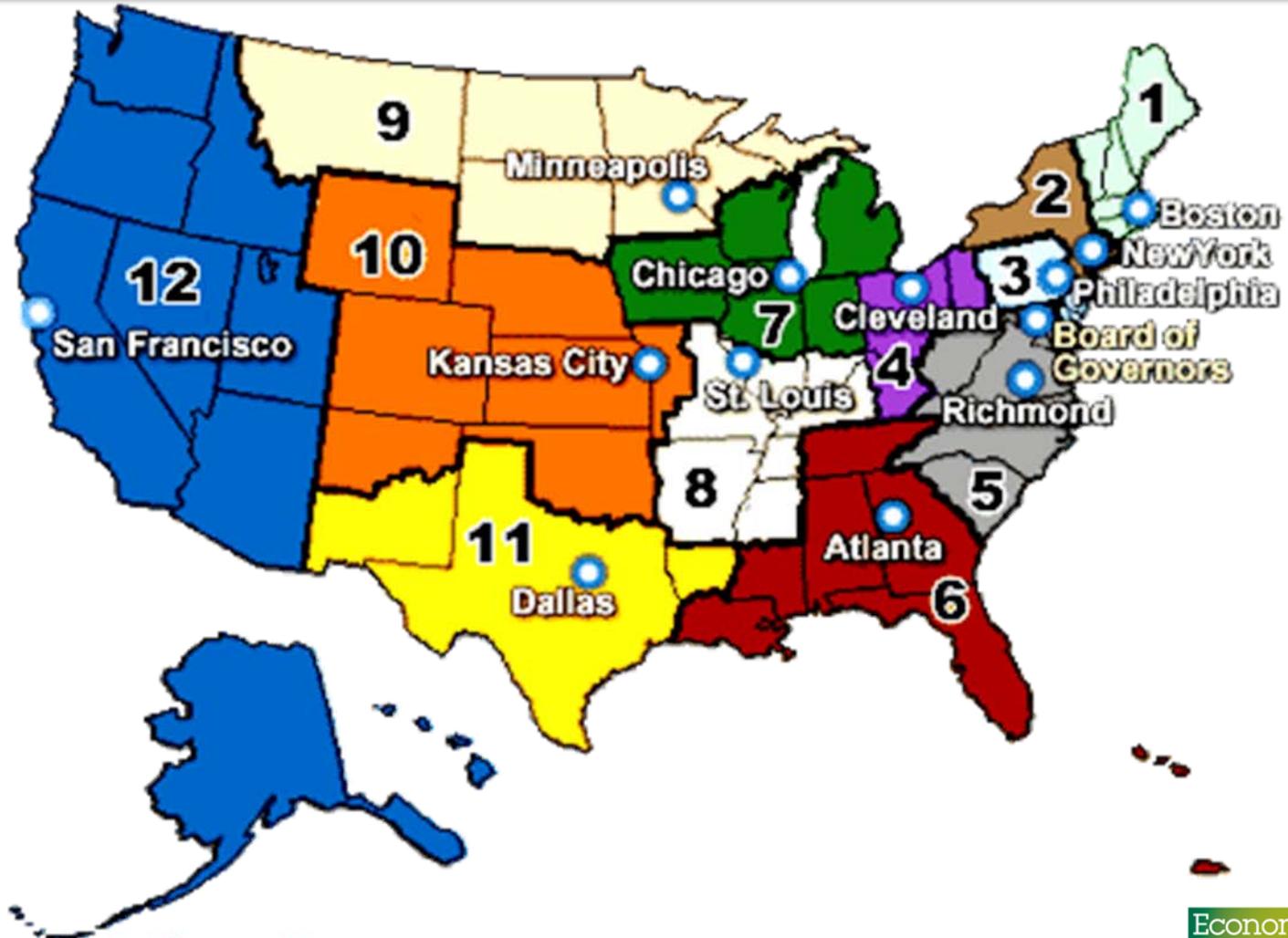
Structure of the Fed: The Board of Governors



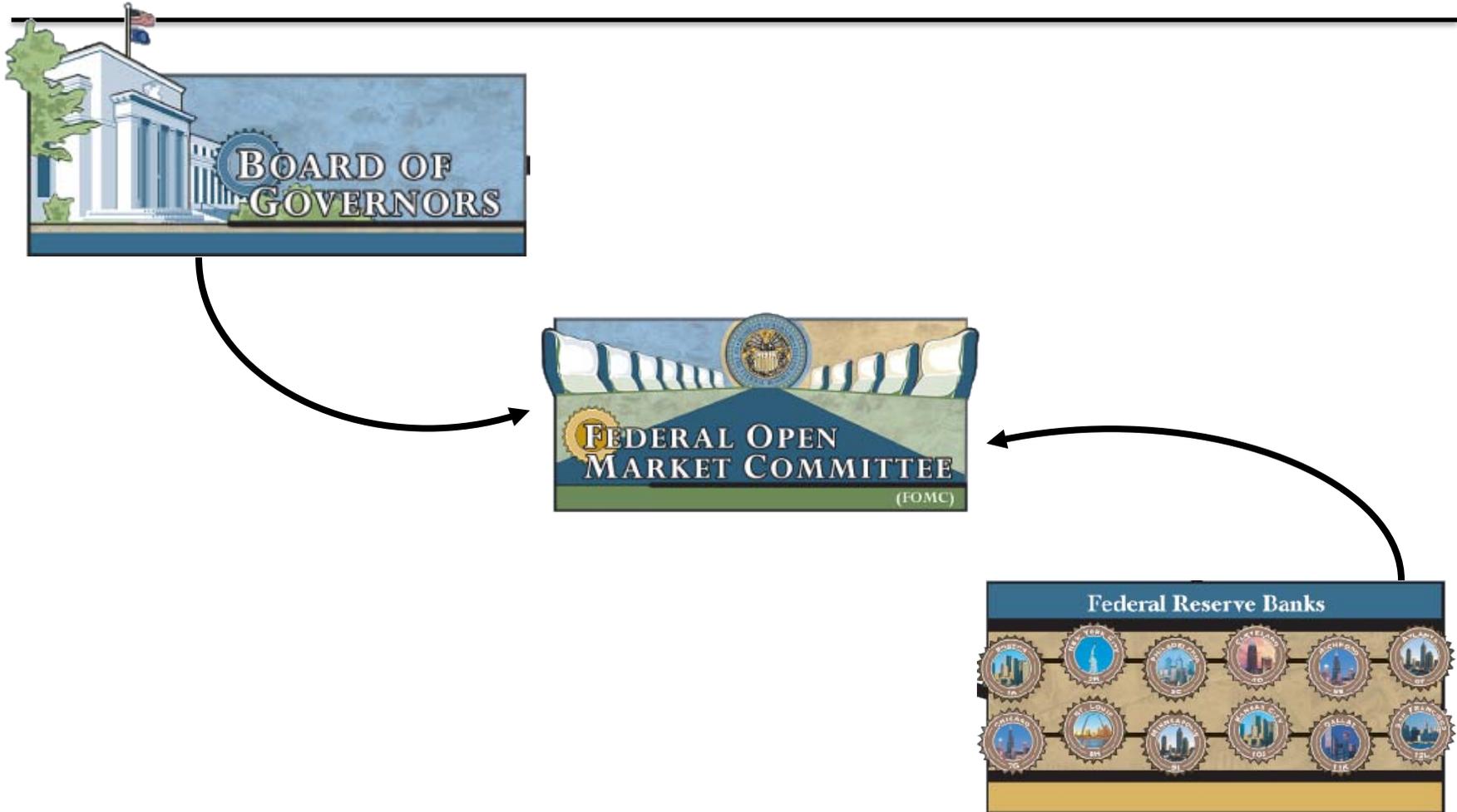
Economic Summit
THE ECONOMY IN ACTION



The Structure of the Fed: 12 Regional Banks

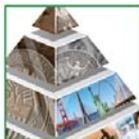


The Structure of the Fed: The FOMC



The FOMC and Monetary Policy

- Set target fed funds rate
- Take into account input from the Board and Reserve Banks to determine economic conditions
- Conduct open market operations



Economic Summit
THE ECONOMY IN ACTION



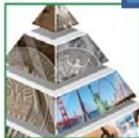
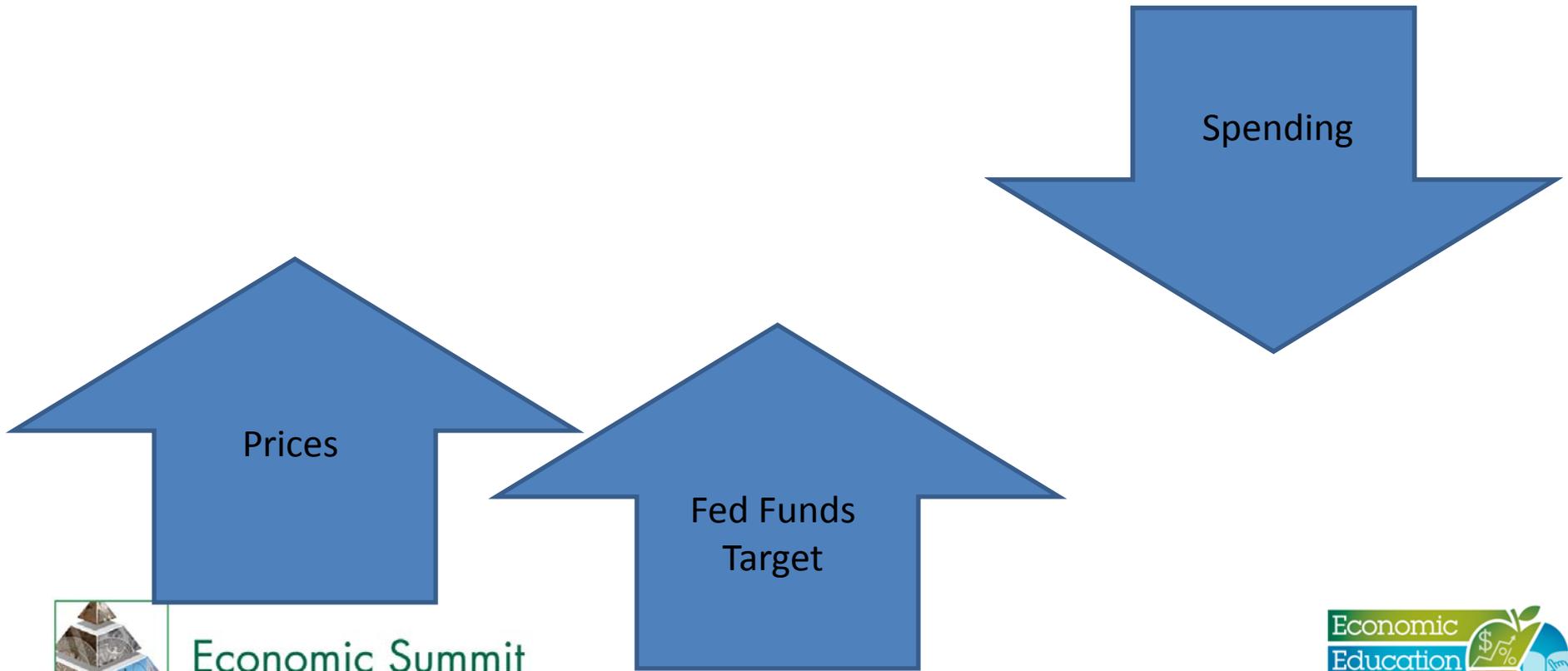
Dual Mandate of Monetary Policy

- Stable Prices
- Maximum Employment

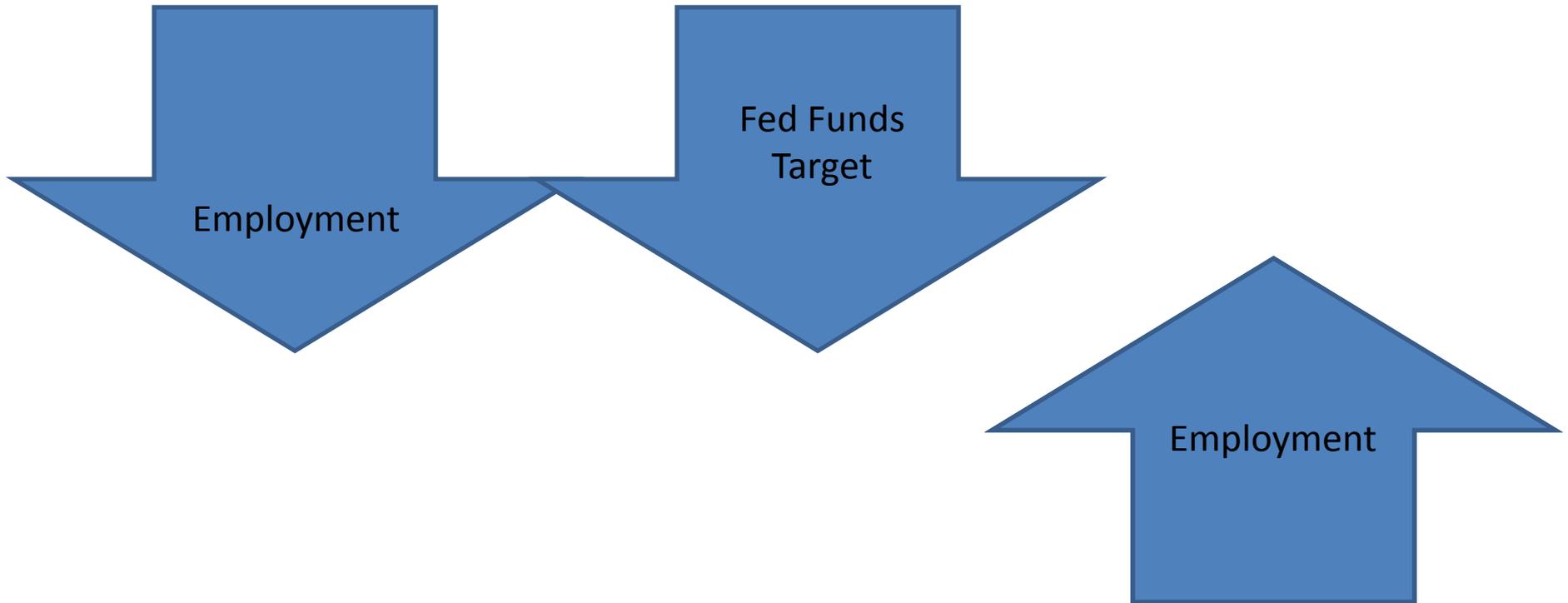


Inflation

- General rise in prices over time

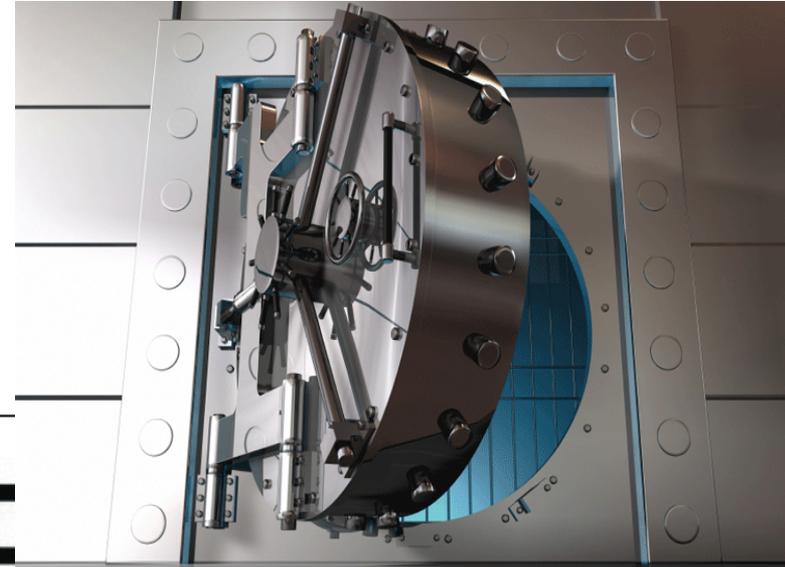


Employment



Other Tools of Monetary Policy

- Reserve requirements
- Discount rate



FEDERAL RESERVE press release



For immediate release

September 11, 2001

The Federal Reserve System is open and operating. The discount window is available to meet liquidity needs.

-0-



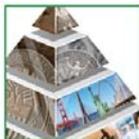
Economic Summit
THE ECONOMY IN ACTION



Monetary vs. Fiscal Policy

- Monetary Policy
 - Conducted by the Fed
 - Three main tools

- Fiscal Policy
 - Congress
 - Taxation and spending



Purpose of the Fed

- Conducting Monetary Policy
- Supervision and Regulation

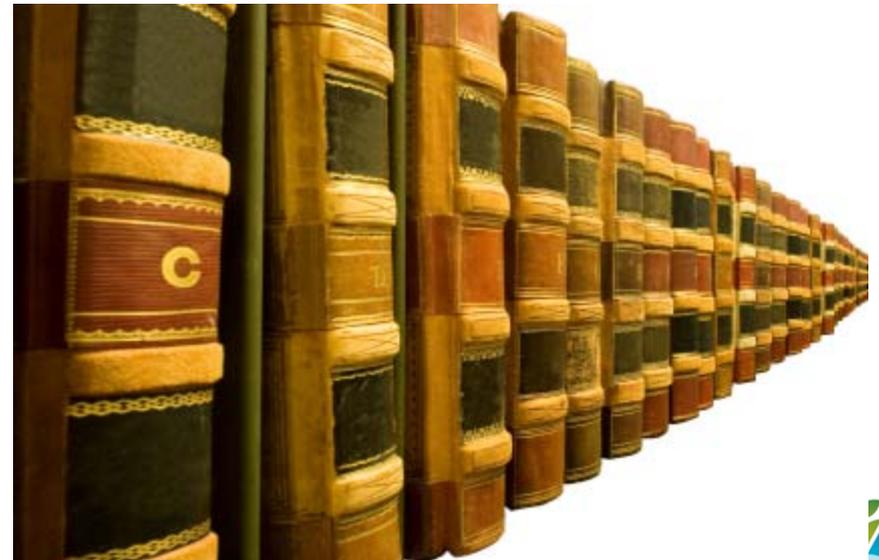


Economic Summit
THE ECONOMY IN ACTION



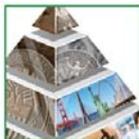
Regulations

- Written rules
- Written in response to legislation under the direction of Congress

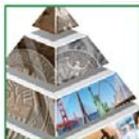
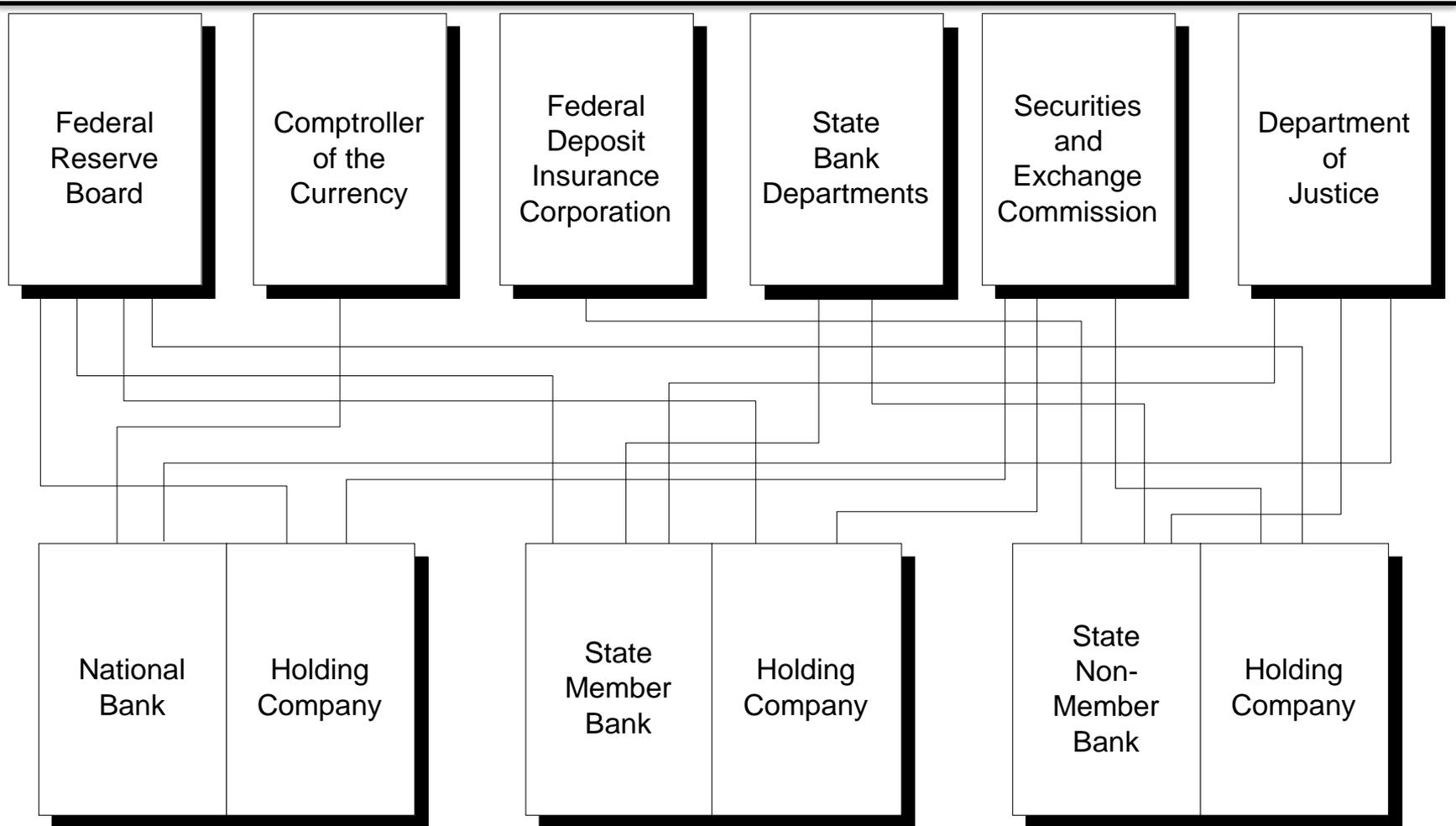


Supervision

- The enforcement of regulations

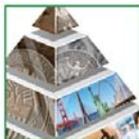


Existing Regulation



Purpose of the Fed

- Conducting Monetary Policy
- Supervision and Regulation
- Provide Financial Services

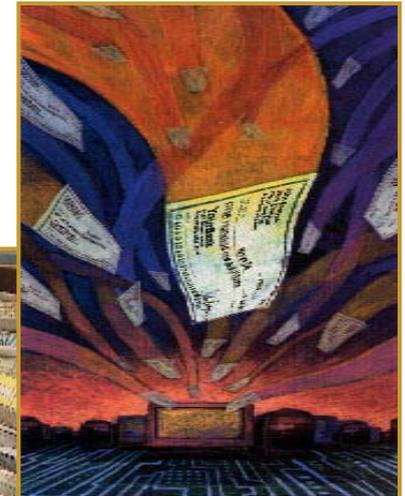


Economic Summit
THE ECONOMY IN ACTION



Providing Financial Services

- Bankers' Bank
 - Cash Services
 - Check Processing
 - Electronic Payments



Eleventh District Note



Economic Summit
THE ECONOMY IN ACTION



Eleventh District Note



Economic Summit
THE ECONOMY IN ACTION



Printed in Fort Worth (BEP)



Composition of a Note



Economic Summit
THE ECONOMY IN ACTION



Summary

- The Federal Reserve System is a three-part system.
 - The Board of Governors
 - The Reserve Banks
 - The Federal Open Market Committee
- The Federal Reserve System has three main purposes.
 - Monetary policy
 - Supervision and regulation
 - Financial services



Economic Summit
THE ECONOMY IN ACTION



This, not That

- The Federal Reserve System conducts monetary policy, not fiscal policy.
- The Federal Reserve System is self-sufficient, not paid for by tax dollars.
- The Federal Reserve is responsible for putting money into circulation, not printing money.

