

Fed Explained Infographic Activity

Answers Key for Questions 1 -15

1. Created by Congress in 1913, the Federal Reserve, the U.S. central bank, is responsible for overseeing the nation's monetary system, ensuring the safety and soundness of the U.S. banking and financial system, providing financial services to depository institutions, and serving as the fiscal agent for the U.S. government.
2. The Federal Reserve System has a Board of Governors located in Washington, DC, and 12 regional (district) Banks located throughout the United States. (Answers will vary for parts c and d.)
3. Five Fed presidents vote at every FOMC meeting. Four presidents rotate, and the New York Fed president is a permanent voting member.
4. When the Board is at full complement, there are seven governors.
5. The New York Fed president is a permanent voting member of the FOMC.
6. The FOMC meets eight times a year, approximately every six weeks.
7. The Fed's functions are monetary policy, payment services, and supervision and regulation.
8. Open market operations is a tool used to implement monetary policy.
9. The Federal Reserve's dual mandate is to promote price stability and maximum employment. The Fed has an explicit 2 percent inflation target and, based on the Summary of Economic Projections, the Committee works to achieve a 5–5.2 percent unemployment rate.
10. Banks must provide good collateral when borrowing from the Fed's discount window.
11. When acting as the lender of last resort, the Fed is providing loans to banks with good collateral that are otherwise unable to obtain credit elsewhere. The Fed's actions helps to promote the safety and soundness of financial markets and the broader economy.
12. The Fed is audited by the Government Accountability Office and an independent auditor.
13. The Fed's two primary sources of funding are the interest that it earns from the securities in its portfolio and the fees it charges depository institutions for the services it provides.
14. The Federal Reserve is subject to government oversight and works independently within the government to keep the economy healthy without pressure from short-term political interests.
15. FOMC statements are released shortly after each meeting. and the minutes of each meeting are published later. Presidents and governors deliver frequent public speeches. The chair testifies before Congress. The chair conducts quarterly press conferences after designated FOMC meetings. And, the FOMC has established an explicit 2 percent long-term inflation target.