The Federal Reserve

The nation's central bank, its dual mandate, and the one interest rate it controls directly.

Name: _____ Date: _____

OBJECTIVE

Describe the structure of the Federal Reserve System, its dual mandate, and how it uses monetary policy tools to influence interest rates across the economy.

1. Map the structure

Part	Role
12 District Banks	
Board of Governors	
Federal Open Market Committee (FOMC)	

The dual mandate is: 1) _____ 2) _____

2. Follow the ripple

The Fed raises the federal funds rate. Predict what happens to each.

Affected	Likely direction (up / down)
Mortgage rates	
Credit card APRs	
Savings account interest	
Business borrowing/expansion	

3. Match the economist to the idea

____ 1. Adam Smith

____ 2. John Maynard Keynes

____ 3. Friedrich Hayek

____ 4. Milton Friedman

A. Markets self-correct better than government planning; central control distorts information prices carry

B. Government spending can and should smooth out recessions when private demand falls

C. Controlling the money supply, not fine-tuning spending, is the key to economic stability

D. Free markets, guided by self-interest, tend toward efficient outcomes ('the invisible hand')

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DISCUSS

Capstone debate: split into pairs. One person argues Keynes' view, government should step in and spend during a downturn, the other argues Hayek's, let markets self-correct without intervention. Use the table above for ammunition, then decide together where the Fed should land.

4. Pick a side: should the Fed raise rates faster to fight inflation, even if it risks job losses? Give one reason for your position.