# 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.*