

# Guided Reading Activity

## Monetary Policy

### Lesson 1 *Structure and Responsibilities of the Fed*

#### Review Questions

**Directions:** Read each main idea and complete the statements below. Refer to your textbook as you write the answers.

#### A. Structure of the Fed

**Main Idea:** The Fed is owned by its member banks and is run by a Board of Governors. Various committees evaluate the U.S. economy and decide if the Fed needs to take action to improve the economy.

1. The Fed is \_\_\_\_\_ owned by member \_\_\_\_\_ that are part of the Federal Reserve System.
2. The Board of \_\_\_\_\_ consists of seven members who are appointed by the president and approved by the \_\_\_\_\_.
3. There are \_\_\_\_\_ district banks in the Fed system that are located in different \_\_\_\_\_ of the country.
4. The Federal \_\_\_\_\_ Market Committee makes key decisions regarding monetary policy through its ability to raise or lower \_\_\_\_\_.
5. The most important Fed committee is the Federal \_\_\_\_\_ Council, which meets several times a year to provide advice to the Federal Reserve Board on matters concerning the overall \_\_\_\_\_ of the economy.

#### B. Responsibilities of the Fed

**Main Idea:** The Fed maintains the currency, clears all checks, regulates banks, and engages in some consumer protection activities.

1. All U.S. \_\_\_\_\_, including paper money and coins, is really Federal Reserve \_\_\_\_\_ that are created for public circulation.
2. The Fed oversees the \_\_\_\_\_ system, which involves clearing checks and the \_\_\_\_\_ transfer of money.

# Guided Reading Activity *cont.*

## Monetary Policy

- 3. The Fed establishes \_\_\_\_\_ for the running of banks and monitors banks to be sure they comply with \_\_\_\_\_.
  
- 4. The Fed protects \_\_\_\_\_ by providing information and help regarding \_\_\_\_\_ theft, credit, mortgages, and foreclosures.
  
- 5. Although the Fed acts as the government's \_\_\_\_\_, its most important responsibility is conducting \_\_\_\_\_ policy.

## Summary and Reflection

**Directions:** Summarize the main ideas of this lesson by answering the following question.

Considering what happened during the Great Recession of 2008–2009, what additional responsibilities or capabilities do you think the Fed might be given that would give it more power to help prevent financial crises? Explain how these additional powers might help prevent financial instability.

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