

Ch 15 The Fed and Monetary Policy

I. The Federal Reserve System

- created December 23, 1913

A. Structure of the Fed

1. Private Ownership

- its privately owned by its member banks
 - commercial banks that are members of, and hold stock in the Fed.
- organized just like a corporation
- National Banks had to join, State banks had the option.

2. Board of Governors

- 7 members, appointed by the president
- approved by the Senate, 14yr term, but appointments are staggered.
- sets general policies for the Fed.
- reports to Congress

3. Federal Reserve District Banks

- 12 independent but equally powerful banks
- each reserve bank is in charge of a given geographic areas.
- each bank has its own president
- make loans to banks in its areas.

4. Federal Open Market Committee (FOMC)

- makes decisions about the growth of the money supply and interest rates
- 12 voting members: 7 from the board of governors, pres of NY district bank, and 4 Fed District Bank presidents (1yr rotating terms)

5. Advisory Committees

- Federal Advisory Council: provides advice
- Consumer Advisory Council: 30 members consumer credit laws.
- The Fed Institutions Advisory Council: Savings/loans

B. Regulatory Responsibilities