



What's the Deal with the Federal Reserve?

The economy affects key aspects of families' everyday lives, including how much money they have, how they can spend it, and what jobs are available. Despite this, many people go through life without finding out how the economy is actually controlled. These days, many countries have central banks that govern economic and monetary policy – in the USA, that body is called the Federal Reserve.

*In the video "What's the Deal with the Federal Reserve," you heard **three reasons** to worry about the Fed. These were:*

1. No accountability: The Fed is not a part of the US government. It does not need to get government approval for its decisions. Since the Fed doesn't need to get approval from elected officials, it answers to no one.

2. No transparency: Some people worry that the Fed works in secrecy, since it receives little oversight from Congress.

3. It allows big risks: Fed policy enables banks and financial institutions to take big risks because they are protected from the consequences. During the 2008 economic crisis, the Fed used billions of dollars to rescue failing banks in huge "bail outs," showing that banks can take risks and do not need to worry about going out of business if things don't go well.



*Now, let's look at **three reasons** to support the Federal Reserve:*

1. It keeps prices stable: Central banks like the Federal Reserve work to keep the prices of goods and services stable, and maintain the value of currency – in this case, the US dollar. Imagine if prices were unstable and the cost of a loaf of bread became so expensive that most people could no longer afford this staple item – this has happened before in history! When the

prices of goods and services rise, it is called inflation. The Fed works to control and minimize inflation, which can make even basic necessities unaffordable in some instances.



2. It promotes the US dollar: The Fed allowed the US dollar to become one of the most reliable currencies around the world, so that it became accepted almost anywhere. In fact, the Federal Reserve prints all US banknotes (while coins are made at the United States Mint).

3. Economic stability: The Fed was first created to keep the economy stable. Although it may not always be successful

at stopping economic crises, some people argue that the Fed is still better than nothing. It is the Fed's job to ensure that banks can survive. It performs stress tests to help determine whether a bank has enough money to handle economic problems.