

- Analyze the Federal reserve system's organization and purpose.

# Back ground

- The FED was created by Congress in 1913 as the central banking system of America. Its major purpose was to end the periodic financial panics that had occurred the past 100 years.
- They were trying to get around the business cycle now they try to reduce or minimize it.

# What is the FED?

- It is a system, power spread throughout.
- The FED is made up of a Board of Governors who are assisted by the Federal Advisory Council, the Federal Open Market Committee, 12 Federal Reserve district banks and 25 branch banks, and about 4000 members

# The Organization of the Federal Reserve System

President appoints, Senate confirms

Federal  
Open Market  
Committee



Board of Governors



Federal  
Advisory  
Committee

12 Federal Reserve Banks

12 Federal Reserve Banks



- The board of governors- directs the operation of the FED. It supervises the 12 Federal Reserve District banks and regulates certain activities of Member banks.
- There are 7 full time members who are appointed by the President. Each member serves for 14 years. The terms are arranged so that an opening occurs every 2 years.
- Their decisions are not subject to approval by anyone. Their length of term, manner of selection, and independence in working frees members from political pressures.

# Federal Advisory council

- Assists the board of governors. It is made up of 12 members elected by the directors of each Federal Reserve District bank. The FAC meets as least quarterly (4 times a year) to report the general business conditions of the nation.

# Federal open Market Committee

- 12 members that meets 8 times a year to decide the course of action the FED should take to control the money supply. It is the FOMC's action that have a resounding effect throughout the financial world.

# Federal reserve banks

- The nation is divided into 12 districts banks. They are structured as a corporation owned by member banks. These 12 banks are responsible for the flow of money through the economy



