

Name _____

THE FEDERAL RESERVE SYSTEM

- clear checks ■ make loans to banks ■ control the money supply
- supervise banks ■ transfer bank funds ■ protect bank customers
- act as the government's bank ■ supply currency to banks

The Federal Reserve System has many functions. Read each account below and identify the job of the Fed in that situation.

1. Diego sells his painting for \$1,000. The buyer pays with a check, which Diego deposits in his bank.

Job of the Fed: _____

2. The United States pays its annual contribution to the United Nations.

Job of the Fed: _____

3. Many more people than expected withdraw money from the Holiday Savers' Club of Midtown Bank. The bank begins to run low on currency to pay to customers.

Job of the Fed: _____

4. Bank examiners look at the records of the Bank of the North to see if it is keeping the required minimum reserves on deposit with the Fed.

Job of the Fed: _____

5. Joe asks Allegheny Bank to send \$10,000 from his account to his mother's bank in Chicago so that she can pay off a loan. She needs the money as soon as possible.

Job of the Fed: _____

6. Cary is taking out a loan from Central Bank. The bank must tell Cary the amount of interest she will have to pay on the money she borrows.

Job of the Fed: _____

7. The Horseless Carriage Museum wants to borrow \$1.3 million from Great Midwestern Bank to buy antique cars for its collection. The bank borrows money from the Fed to make the loan.

Job of the Fed: _____

8. The Federal Reserve buys government bonds from banks so that they will have more money to lend to customers.

Job of the Fed: _____

Essay

Write two paragraphs describing the Federal Reserve System. In the first paragraph, explain how the Fed is organized. In the second, summarize the functions of the Fed.

Lined writing area for the essay response.