Notes Day 6 – The Federal Reserve

Review - **Economic Flow**:

* Circular Flow of money between:
  + **Firms** (all businesses)
  + **households** (all consumers)
  + **Gov’t programs** (taxes)

**Inflation:** The devaluation of money as the supply increases

**Supply Price**

Federal Reserve is the “Banker’s Bank”

* Where bank’s go to borrow $$$
* Regulate Banks
  + Manage the Banking System
  + Protect your deposits
* Maintain the value of the dollar

**Big Idea:** “The Fed” can stimulate or slow down our economy

Stimulate (or increase consumer spending)

* Lower the bank’s Reserve Requirement
  + More $$$ - Banks More $$$ - People
* Lower Interest Rates
  + More $$$ - Banks More $$$ - People

Slow Down (or stop inflation)

* Do opposite on *Requirement* & *Rates*