

## Your Connection to the Economy and the Federal Reserve

Did you know households generate nearly 70 percent of economic activity in the United States? That means people like you have an important role to play in keeping our economy healthy. The Federal Reserve System has an important role, too. As the decentralized, central bank of the United States, the Fed fosters economic conditions to help your household thrive. In this activity, you will explore the interdependent relationship between households and the Federal Reserve as illustrated by the Richmond Fed’s [new infographic \(https://www.richmondfed.org/education/for\\_teachers/topics/your\\_connection\)](https://www.richmondfed.org/education/for_teachers/topics/your_connection), Your Connection to the Economy and the Federal Reserve.









### Grade Level

9–12

### Procedure

#### A. Analyzing your role in the economy

The infographic illustrates eight different roles most individuals in an economy play. In each circle below, give a personal example of how you play the role. If you do not have an example from the past, use something you plan to do in the future.

<b>BUY:</b> What have you purchased recently?	<b>SELL:</b> What have you sold to someone else?	<b>SAVE:</b> How much have you saved? For what did you save? Where did you keep your savings?	<b>BORROW:</b> How much have you borrowed and for what? From whom did you borrow?
			
			
<b>WORK:</b> Where have you worked? What did you do?	<b>BILLS:</b> What bills have you paid? To whom did you pay them?	<b>DECISIONS:</b> What major financial decisions have you made?	<b>VOTING:</b> What opportunity to vote for a person or a policy had an economic effect on you?

#### Your Connection to the Economy and the Federal Reserve (Updated 2020)

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Think about all the ways you are involved in the economy. How does your participation in these activities affect other people in your community? Give at least two examples and explain your answer.

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**B. Correlating the work of the Fed to your role in the economy**

The Fed has three primary functions in the economy: conducting monetary policy (MP), supervising and regulating financial institutions (SR), and providing payment services (PS). For each of the roles you identified in part A, write the function of the Federal Reserve you think would affect that role. If you think the Fed would have no effect on a particular role, use (NA).



<b>Your Role</b> 	<b>Fed Function Affecting This Role</b> 	<b>Explain</b>
Buying things		
Selling things		
Saving money		
Borrowing money		
Working		
Paying bills		
Making major financial decisions		
Voting		

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**C. Differentiating between independence and accountability**

The Federal Reserve is unique among the central banks of the world. Its design allows it to be independent within, yet accountable to, the government. Using the infographic, explain in few sentences how the Fed maintains its independence while still being subject to government oversight.

 <p>In what ways is the Fed independent from the US government?</p>	
 <p>In what ways is the Fed accountable to the US government?</p>	

## Your Connection to the Economy and the Federal Reserve (Answer Key)

Did you know households generate nearly 70 percent of economic activity in the United States? That means people like you have an important role to play in keeping our economy healthy. The Federal Reserve System has an important role, too. As the decentralized, central bank of the United States, the Fed fosters economic conditions to help your household thrive. In this activity, you will explore the interdependent relationship between households and the Federal Reserve as illustrated by the Richmond Fed's [new infographic \(https://www.richmondfed.org/education/for\\_teachers/topics/your\\_connection\)](https://www.richmondfed.org/education/for_teachers/topics/your_connection), Your Connection to the Economy and the Federal Reserve.

### A. Analyzing your role in the economy

The infographic illustrates eight different roles most individuals in an economy play. In each circle below, give a personal example of how you play the role. If you do not have an example from the past, use something you plan



BUY: What have you purchased recently?	SELL: What have you sold to someone else?	SAVE: How much have you saved? For what did you save? Where did you keep your savings?	BORROW: How much have you borrowed and for what? From whom did you borrow?
<i>Cell phone</i>	<i>Old video game</i>	<i>\$699 iPhone 11, in my bank</i>	<i>\$80 for a concert, my parents</i>
<i>At home, cut grass</i>	<i>Club dues, sponsor</i>	<i>Buying cell phone, not saving for a car</i>	<i>Class president, she reduced our class dues</i>
WORK: Where have you worked? What did you do?	BILLS: What bills have you paid? To whom did you pay them?	DECISIONS: What major financial decisions have you made?	VOTING: What opportunity to vote for a person or a policy had an economic effect on you?

Think about all the ways you are involved in the economy. How does your participation in these activities affect other people in your community? Give at least two examples and explain your answer.

*An Act of Congress created the Federal Reserve. The Fed must give regular reports to Congress and have routine audits of its operations. Congress can provide general oversight.*

**B. Correlating the work of the Fed to your role in the economy**

The Fed has three primary functions in the economy: conducting monetary policy (MP), supervising and regulating financial institutions (SR), and providing payment services (PS). For each of the roles you identified in part A., write the function of the Federal Reserve you think would affect that role. If you think the Fed would have no effect on a particular role, use (NA).



 <b>Your Role</b>	 <b>Fed Function Affecting This Role</b>	<b>Explain</b>
Buying things	MP, PS	<i>MP keeps prices stable and helps make jobs available. PS gives me the payment method to make the purchase.</i>
Selling things	MP, PS	<i>MP, by promoting price stability, helps my business plan by anchoring price expectations and helps my buyers find jobs so they will have income to buy my products. PS gives my buyers a payment method to make the purchase.</i>
Saving money	MP, SR	<i>MP affects interest rates; my savings earn interest in a bank. SR makes sure my bank is safe and sound.</i>
Borrowing money	MP, SR, PS	<i>MP affects interest rates and I pay interest when I borrow. SR makes sure the lending practices of my bank follow regulations. PS can facilitate electronic deposits of borrowed funds as well as electronic payments to my lender from my account.</i>
Working	MP, PS	<i>MP has a goal of maximum employment to help me find and keep a job. PS helps me receive my paycheck safely and on time.</i>
Paying bills	MP, PS	<i>MP keeps prices of goods and services stable. PS allows me to make payment on my bills using a variety of methods</i>
Making major financial decisions	MP, SR	<i>MP gives me confidence when planning my financial future. SR gives me trust in my financial institution when saving or investing my money</i>
Voting	MP	<i>MP affects the health of the economy and people will often vote based on how well the economy is doing.</i>

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 <p>In what ways is the Fed independent from the US government?</p>	<p><i>The Fed is decentralized and serves a particular region of the country. The Fed makes monetary policy without direct input from political leaders. The Fed writes rules and regulations for financial institutions to follow.</i></p>
 <p>In what ways is the Fed accountable to the US government?</p>	<p><i>An Act of Congress created the Federal Reserve. The Fed must give regular reports to Congress and have routine audits of its operations. Congress can provide general oversight.</i></p>

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