Post #1 – William Gott

Before the Federal Reserve was a thing, America was plagued with financial crises. The failure of one bank often had a domino effect, in which customers of other banks rushed to withdraw funds from their own banks even if those banks were not in danger of failing. Banks needed a source of emergency reserves to prevent the panics and resulting runs from driving them out of business. This is what helped lead to the Federal Reserve Act of 1913.

The Federal Reserve System is the central bank of the United States. “It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system. Over the years, its role in banking and the economy has expanded” (Federalreserve.org 2004). Before this central bank was created, a lot of the financial panic was due to local banks having a lack of currency. This is where the central bank or “fed bank” can step in.

And as I mentioned earlier, before this system was in place, a lack of available currency had caused the earlier banking panics. “Regionally, the central bank would have to respond to the local needs for currency, which could vary across regions” (St. Louis Fed.org 2007).

Having this special allotment of currency in a central location helped put not only the banks at ease, but the public as well.  So, in my opinion, I feel like the economy after the Federal Reserve is much more stable. This is due to the availability of help from the government, which greatly slowed down panic situations, which in the past had caused financial crises.

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Post #2 – Ariel Middleton

According to the Encyclopedia the Federal Reserve system was started in 1913, the same year as the federal income tax was started. In comparing the economic performance for the U.S. before and after 1913 there were both pros and cons. The System itself "was created by the Federal Reserve Act, which President Woodrow Wilson signed into law on December 23, 1913. It consists of the Board of Governors of the Federal Reserve System, the 12 Federal Reserve banks, the Federal Open Market Committee, and the Consumer Financial Protection Bureau." (Federal Reserve System,2019,Britannica's On line)

The pros of the economic performance before 1913 are that it establishing a currency, the financial system was accurate,systemic risks were in the financial system of the United States. It also increased what was going to happen monetarily because they had a plan set in place. What is interesting is that "operations undertaken by the New York Fed on behalf of the Federal Reserve System were therefore allocated among Reserve Banks. The formula used for this purpose was originally intended to ensure that all Reserve Banks had sufficient holdings of interest-bearing government securities and adequate earnings." If I understand this concept correctly this was in place to make sure the financial system was stable from their point of view. From these pros there are also  several cons that are presented.

Cons include the system continually keeping the government in a form of debt, there is a difference in private versus public interest, and rule-making policy. "Between the desire, often on different grounds in diverse quarters, for rule-based policymaking, and the practicalities that, inevitably or not, lead central bankers to preserve an essential role for discretion in actual policy decisions."(Friedman,2012) It would seem that a government implemented policy would be one that keeps the people in mind. Fortunately, as we look in the scripture we are encouraged that God always keeps His children in mind. Isaiah 9 says "And the government shall be upon His shoulder,and His name shall be called Wonderful Counselor, Mighty God,Everlasting Father, Prince of Peace. There shall be no end to the increase of His government and of peace,[He shall rule] on the throne of David and over his kingdom,To establish it and to uphold it with justice and righteousness from that time forward and forevermore.The zeal of the Lord of hosts will accomplish this." (The Holy Bible, AMP)

Blessings,

Ariel

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