The Federal Reserve and Monetary Policy

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Overview of the Federal Reserve System

• The “Fed” consists of three main entities:
  • Board of Governors: 7 members appointed by U.S. President
  • Federal Reserve Banks: 12 total; semi-independent by design
  • Federal Open Market Committee: 19 members; 12 voting

• As with most central banks, the Fed’s primary responsibilities fall within four general areas:
  • Lender of last resort – provide liquidity in times of crisis
  • Monetary policy – promote full employment and low inflation
  • Bank regulation – ensure safety and soundness of banks
  • Financial services – bank for banks, bank for federal govt.
Federal Reserve Districts and Office Locations
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

• **Functions – 35 staff**
  - Economic research and outreach for U.S. monetary policy purposes
  - Examinations and inspections of Oklahoma financial institutions
  - Economic and financial education outreach to teachers and citizens
  - Community development outreach to low and moderate income areas

• **2012 board of directors**
  - **Jim Dunn (chair)**, Chairman, Mill Creek Lumber and Supply, Tulsa
  - **Linda Capps**, Vice Chairman, Citizen Potawatomi Nation, Shawnee
  - **Pete Delaney**, Chairman, CEO, & President, OGE Energy Corp., OKC
  - **Jacque Fiegel**, Senior EVP and COO, Coppermark Bank, OKC
  - **Doug Tippens**, President and CEO, Bank of Commerce, Yukon
  - **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville
At its recent meeting, the FOMC expected solid GDP growth in 2012

Real Gross Domestic Product

Source: U.S. Bureau of Economic Analysis, FOMC
But for unemployment to only come down slowly the next few years
And for inflation pressures to stabilize after rising with oil and food prices in 2011
The majority of FOMC members expect rates to increase by 2014

Federal Funds Rate
Year-end target

Note – Number of participants who project the initial increase will occur in the specified year in parenthesis

Source: U.S. Bureau of Economic Analysis, FOMC