

American central banking and changed role of the FED

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Abstract: Tradition of U. S. central banking, before creation of the Federal Reserve, was more than one century long. The Fed, however, was the first institution that has enjoyed a renewal of a license and thus the long-term existence. Soon after its inception, the FED entered to a radically changed world as a consequence of the First World War. USA shifted from debtor to creditor, the Fed began to finance the national debt. The passive role of the Federal Reserve during the Great Depression led to numerous bank failures and setbacks of economy. As a result of the Humphrey-Hawkins Act the FED became co-responsible for unemployment and economic growth. Contrary to his conduct during the Great Depression, the Fed has been acting very actively during the financial crisis. The results are smaller macroeconomic shocks of the economy, the long-term impact of quantitative easing policy, however, are unknown.

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