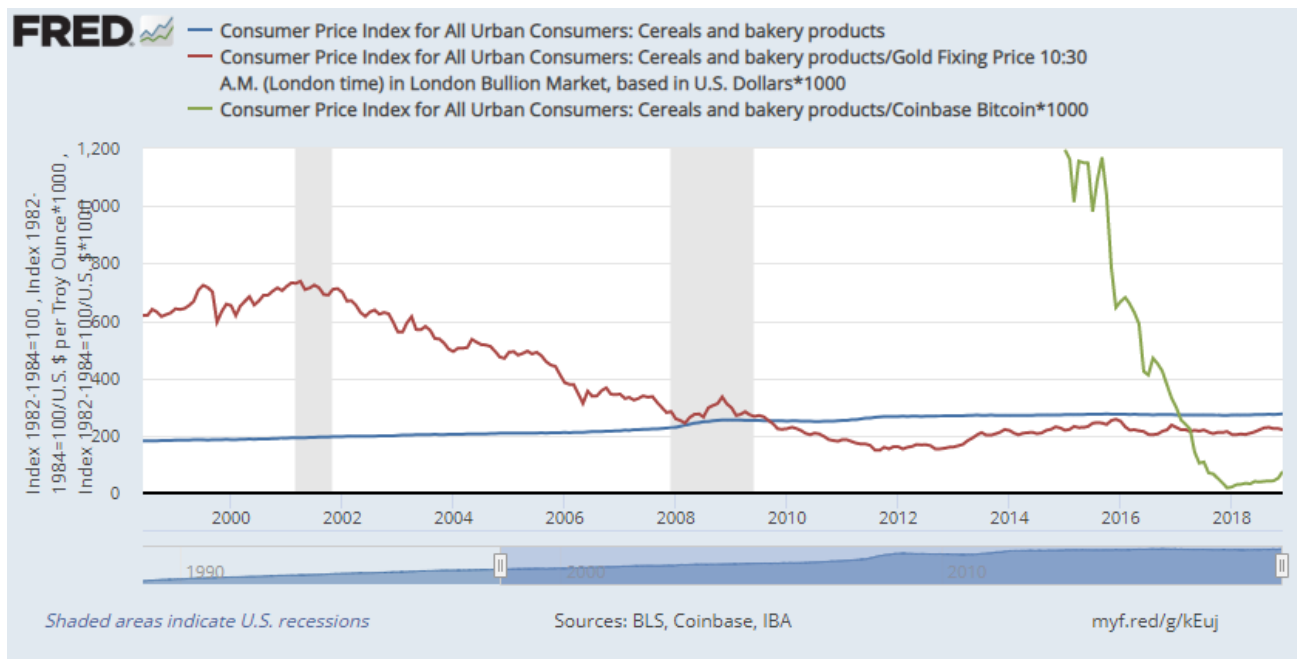


## The Federal Reserve System of the United States

It would be disastrous if there were large changes in money's value from one day to the next. Imagine thinking you had enough money to purchase something only to find out that the price increased dramatically overnight. Thankfully, the Federal Reserve System is in place to try and make sure that does not happen. Since 1913, their goal is to provide the U.S. with a stable monetary and financial system. That means they try to stabilize the price of the U.S. dollar and adapt to changes in its demand so there aren't large fluctuations.



Other forms of currency, such as gold or digital money, are not backed by the U.S. government so it cannot help protect consumers. Gold, for example, is mined across the world so the U.S. government cannot control its availability or production. The same principle applies to digital money, such as Bitcoin, because the U.S. government has no control of its availability. The chart below provides an example of purchasing a basket of baked goods. The blue line is the U.S. dollar, the red line represents purchasing the basket in gold, and the green line shows the price in Bitcoin. By analyzing the graph, you can see that the blue line (U.S. dollar) is much more stable over the years. The red line (gold) has considerable fluctuations compared to the blue line. The green line (Bitcoin) shows extreme fluctuations.



What are your thoughts? Do you think it is important for governments to play a role in the value of money?

*The Structure and Functions of the Federal Reserve System*, [www.federalreserveeducation.org/about-the-fed/structure-and-functions](http://www.federalreserveeducation.org/about-the-fed/structure-and-functions).

“The FRED® Blog.” *FRED Blog*, [fredblog.stlouisfed.org/2018/08/alternative-money-for-transactions/](http://fredblog.stlouisfed.org/2018/08/alternative-money-for-transactions/).