

THE FEDERAL RESERVE SYSTEM AND ITS ROLE IN TACKLING THE GREAT FINANCIAL CRISIS

Andraž Konc

PhD Management programme
School of Advanced Social Studies

SLOVENIA

E-mail: andrazkonc@gmail.com

ABSTRACT

The article delves into the pivotal role and operations of the US Federal Reserve System (FED), a cornerstone institution in maintaining financial stability and executing monetary policy, paralleling the European Central Bank's function within the European Union. It outlines the Fed's evolution since its inception in 1913, detailing its decentralized structure comprising 12 regional banks and its overarching mandate to promote price stability, maximum employment, and manage systemic risks. A substantial focus is on the Fed's response to the 2008 Great Financial Crisis. Employing both traditional tools like open market operations and innovative measures including quantitative easing and liquidity provision, the Fed mitigated systemic risks and curbed the crisis's ripple effects. These interventions underscored the institution's adaptability in deploying unconventional strategies to stabilize the financial system. The analysis highlights the Fed's dual role: as a proactive crisis manager during economic upheavals and a stabilizing force during recovery phases. This dual function reflects its enduring significance in shaping both domestic and global economic landscapes while navigating complex challenges posed by evolving market dynamics. Looking forward, a gradual reduction in key interest rates is projected for 2025, aimed at fostering economic recovery. However, vigilance regarding inflationary pressures remains paramount.

Keywords: Federal Reserve, Federal Open Market Committee, key interest rate, financial instruments.