Fed Board Builder

Authors

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Standards and Benchmarks (see pages 19 and 20)

Lesson Description

In this activity, students first watch a video to learn about the structure and roles of the Federal Reserve. They then read a blog post that imparts valuable historical context by tracing how the makeup of the Federal Reserve Board of Governors has shifted from members with banking, finance, and government experience to primarily academic economists. Working in small groups, students then participate in a card-sorting activity. Their task is to evaluate 22 fictional candidates and select seven to recommend to the president of the United States to fill vacancies on the Federal Reserve Board of Governors. The candidates' biographies include information about their current position, background, experience, and which Federal Reserve District they live in. As directed by Congress, the seven chosen must fairly represent the "financial, agricultural, industrial, and commercial interests, and geographical divisions of the country." Students will be challenged to negotiate with their group members while winnowing the possibilities to pick a team to (i) make good monetary policy and (ii) satisfy the requirements of the Federal Reserve Act.

Grade Level

9-12

Objectives

Students will

- define monetary policy, Federal Reserve, Federal Open Market Committee (FOMC), open market operations, federal funds rate, and dual mandate and

- explain qualifications relevant to membership on the Federal Reserve Board of Governors.

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Concepts

Board of Governors	Federal Reserve Act	Monetary policy
Community bank	Federal Reserve Bank	Open market operations
Dual mandate	Federal Reserve Districts	Quantitative easing
Federal funds rate	Federal Reserve System	
Federal Open Market Committee (FOMC)		

Materials

- One Fed Board Builder set for each pair of students: Order sets from https://www.stlouisfed.org/education/fed-board-builder or print pages 9 to 18 and cut pages 13 to 18 into cards. If reusing sets, check that all parts are included and reprint items as necessary. Each set should include the following:
  - Fed Board Builder Instructions
  - Federal Reserve District Map
  - Candidate Position Coding (key)
  - Ballot
  - 22 Candidate Cards
- One copy of 15 Questions About Monetary Policy (pages 5 and 6) for each student and the Answer Key (pages 7 and 8) for the teacher

Time Required

1 class period

Preparation

- Assign one of the following videos for students to view outside of class:
  - *In Plain English: Making Sense of the Federal Reserve*, Video (13:52); https://www.stlouisfed.org/education/in-plain-english-video or assign through the Econ Lowdown Instructor Panel; https://www.stlouisfed.org/education).
  - *The Fed Explains Monetary Policy*, Video (4:38); https://www.frbatlanta.org/about/fed-explained/2016/monetary-policy.aspx.
- Assign students the following blog post to read outside of class: "Fed Governors Increasingly Have Academic Backgrounds," by Michael S. Derby, *Wall Street Journal*, October 28, 2013; http://blogs.wsj.com/economics/2013/10/28/fed-governors-increasingly-have-academic-backgrounds/.

Procedure

1. Explain that members of the Federal Reserve Board of Governors are appointed by the president of the United States. Up to seven positions on the Board could potentially be open at one time, although it is usually only one or two. Today, they will recommend seven candidates to the president for positions on the Board. Each Board member may serve a 14-year term. One of the seven will be chosen by the president to serve as the Chair, or leader, of the Board for a 4-year term.

2. Divide the class into small groups of two to six students and provide each group with a Fed Board Builder set.

3. Direct students to the Fed Board Builder Instructions. Explain that the groups are to vet the 22 potential presidential candidates listed on the cards and recommend seven to the president. The cards include biographic information about each candidate's current position, education, experience, and which Federal Reserve District they live in. The cards are coded by background, and the Federal Reserve District is noted by a map of the District and the District number. The seven candidates must be chosen with the following in mind (which are also noted in Step 4 in the Instructions):

    •   Each selection must be drawn from a different Federal Reserve District (there are 12).

    •   One or more nominees must have experience in community banking.

    •   One will be nominated by the president to serve a four-year term as Chair.

    Define a **community bank** as a bank holding less than $10 billion in assets.

4. Direct students to the Ballot, which will help them with the selection process. Tell students to "X" out any candidates they believe are unqualified or who are from the same District as any nominee they believe is better qualified. They should also identify which nominees meet the community banking experience qualification.

5. Give students time to discuss, debate, and make selections. Remind students to double-check that each selection is from a different Federal Reserve District and that at least one nominee possesses community banking experience.

6. Have students display their selections and prepare a short statement summarizing the reasons for each of their selections.

7. Have students review other teams' nominees and engage in classroom discussion and debate on possible reasons for alternative choices.

8. Review students' mastery of the Federal Reserve by giving them the quiz 15 Questions About Monetary Policy (see pages 5 and 6). As an alternative, present the questions

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and answers in an interactive quiz using a tool such as Kahoot! (see, for example, https://getkahoot.com/).

9. Option: Assign students one of the following prompts as a written assessment:

- Every president of the United States must appoint men and women to lead agencies such as the Federal Reserve Board of Governors. Some believe the president should seek out leaders with excellent judgment and high character over those who have subject-matter education and experience. The basis for this belief is that agencies can readily hire employees with the necessary technical skills, but judgment and integrity are often in short supply. Others contend that there is no substitute for technical expertise and that presidents should appoint leaders with deep agency experience. Evaluate both points of view and recommend adoption of one.

- You are an advisor to the president of the United States. The position of Chair of the Federal Reserve Board of Governors is vacant, and the president must nominate a candidate from the seven you have chosen to serve in this crucial position. Write a letter of recommendation to the president for the one person among the seven you think would make the best Chair. Provide supporting analysis regarding the person's qualifications and experience.

15 Questions About Monetary Policy (page 1 of 2)

1. The interest rate the Federal Reserve charges on loans it makes to member banks is the
    a. discount rate.
    b. open market operations.
    c. federal funds rate.
    d. reserve requirement.

2. The FOMC targets the federal funds rate using this tool:
    a. Reserve requirement ratio
    b. Discount rate
    c. Open market operations
    d. Consensus

3. This monetary policy tool involves the buying and selling of government bonds:
    a. Discount rate
    b. Federal funds rate
    c. Open market operations
    d. Reserve requirement ratio

4. This monetary policy tool is used to determine the amount of deposits that banks must hold:
    a. Open market operations
    b. Reserve requirement ratio
    c. Discount rate
    d. Federal funds rate

5. Who votes at FOMC meetings?
    a. The members of the Board of Governors
    b. Presidents of 5 Federal Reserve Banks
    c. Presidents of all 12 Federal Reserve Banks
    d. a and b

6. How is contractionary monetary policy expected to influence interest rates?
    a. Raise them
    b. Lower them

7. How is expansionary monetary expected to influence the unemployment rate?
    a. Increase it
    b. Decrease it

8. Which one is not part of the Federal Reserve's dual mandate?
    a. Control of the money supply
    b. Maximum employment
    c. Price stability

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## 15 Questions About Monetary Policy (page 2 of 2)

9. If the FOMC votes to buy bonds to raise the federal funds rate by 1.0 percent, it probably believes that
    a. there are risks of too much inflation.
    b. the economy is headed for a recession.

10. The leader of the Board of Governors and the FOMC is called the
    a. president of the Federal Reserve.
    b. Federal Reserve Chair.

11. If major newspapers feature the headline "Consumer Spending Rising Faster Than Production!" the FOMC most likely will focus on
    a. contractionary monetary policy.
    b. expansionary monetary policy.

12. If major newspapers feature the headline "Unemployment Jumps to 9.2%," the FOMC most likely will focus on
    a. contractionary monetary policy.
    b. expansionary monetary policy.

13. A certificate of indebtedness issued by a government is a
    a. stock.
    b. bond.
    c. type of money.

14. The Federal Reserve Act says that no more than one of the members of the Board of Governors may be selected from the same
    a. university.
    b. government agency.
    c. Federal Reserve District.
    d. Federal Reserve Bank.

15. Board of Governors members are appointed by the _____ and serve a _____ term.
    a. Fed Chair/4-year
    b. Reserve Bank presidents/14-year
    c. U.S. president/4-year
    d. U.S. president/14-year

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15 Questions About Monetary Policy—Answer Key (page 1 of 2)

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    d. U.S. president/14-year

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Instructions

1. You can sort the cards:

   • By the candidates' Bank districts, which are numbered on the map.

   • By education/expertise.

   • By background. Use the cards' coding.

2. Use the ballot sheet and map to make notes and to aid discussion.

3. Set aside cards for candidates you conclude are less qualified.

4. Narrow choices to seven, keeping in mind that

   • Each selection must be from a different Federal Reserve district.

   • One or more must have experience in community banking.

   • One will be nominated by the president to serve a four-year term as Chair.

5. Display and report your choices as your teacher directs.

Federal Reserve Districts
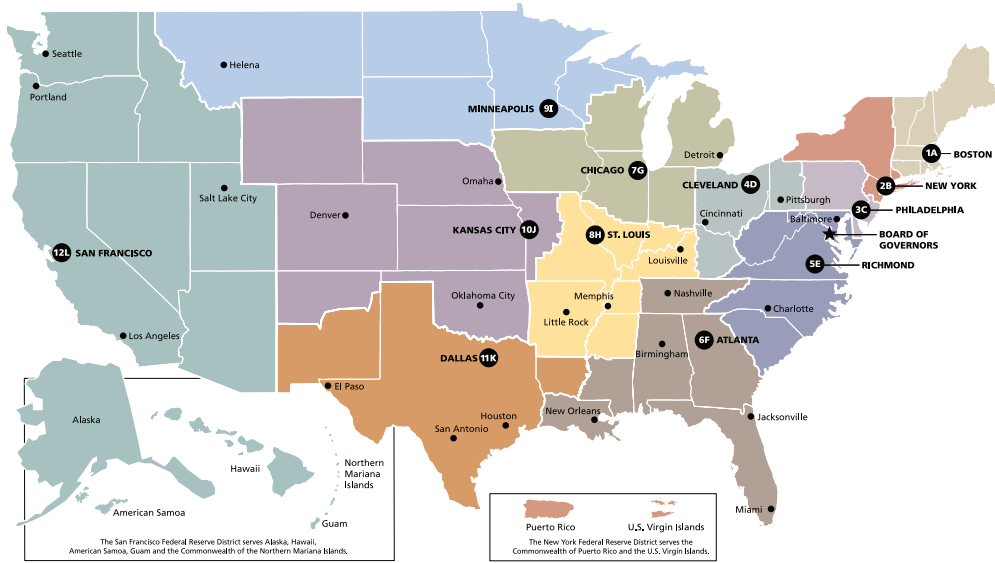
Candidate position coding

 Banking/finance

 Economist/academia

 Agriculture

 Regional Fed

 Government/public office

 Commerce/industry

Ballot

	NAME	YES	NO	REMARKS
	Bond, Diana	☐	☐	_____
	Edgey, Larisa	☐	☐	_____
	Globus, John	☐	☐	_____
	Ortiz, Hazel	☐	☐	_____
	Price, Carl	☐	☐	_____
	Soto, Eileen	☐	☐	_____
	Toil, Bart	☐	☐	_____
	Xavier, Lee	☐	☐	_____
	Lenz, Abigail	☐	☐	_____
	Stage, Jonathan	☐	☐	_____
	Vault, Martha	☐	☐	_____
	Pitts, Joshua	☐	☐	_____
	Smart, Natasha	☐	☐	_____
	Ying, Katherine	☐	☐	_____
	Zen, Leo	☐	☐	_____
	Debit, Debbie	☐	☐	_____
	Fiat, Rolando	☐	☐	_____
	Public, Juliette	☐	☐	_____
	Coder, Vera	☐	☐	_____
	Fred, Frank	☐	☐	_____
	Farmer, Paul	☐	☐	_____
	Sucre, Samuel	☐	☐	_____

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Scorecard

Diana Bond, 12
-Academic
-Government
 experience

Larisa Edgey, 7
-Academic
-Trading, regulation
-Mathematics Ph.D.

John Globus, 5
-Academic
-International
 expertise

Hazel Ortiz, 11
-Academic
-Migration expertise

Carl Price, 3
-Academic
-Monetary policy

Eileen Soto, 3
-Academic
-Business expertise
-MBA

Paul Farmer, 9
-Research director
-Agribusiness
-Ph.D.

Samuel Sucre, 6
-Research director
-Agribusiness
-CPA

Abigail Lenz, 10
-CEO
-Community bank
-MBA

Jonathan Stage, 6
-Chairman
-Large bank
-Regional bank
 experience

Martha Vault, 10
-President
-Community bank

Vera Coder, 2
-Banking regulator
-MBA

Bart Toil, 4
-Academic
-Labor expertise

Lee Xavier, 1
-Academic
-Monetary policy

Debbie Debit, 7
-U.S. government
-Public policy
 expertise

Rolando Fiat, 5
-Treasury Secretary
-Business expertise

Juliette Public, 5
-Lobbyist
-Political experience

Frank Fred, 8
-President, FRB
-Research economist

Joshua Pitts, 7
-CEO
-Board of Trade
-Game theory
 expertise

Natasha Smart, 2
-Executive
-Financial industry
-MBA

Katherine Ying, 2
-Attorney
-Regulatory
 experience

Leo Zen, 12
-CEO
-Tech company

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Jonathan Stage

Atlanta 6

Position
Chairman, Fullman Bank, a top 20 bank by assets

Other experience
Director, Financial Services Roundtable
Former CEO of small chain of regional banks

Lives in: Tennessee

Martha Vault

Kansas City 10
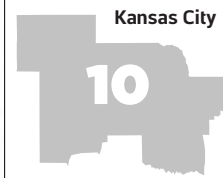
Position
CEO, Strong Box BancCorp

Other experience
Began as loan officer and worked up to head the midwest's largest community bank

Lives in: Nebraska

Abigail Lenz

Kansas City 10
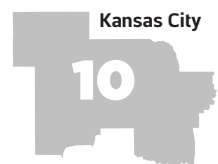
Position
CEO, Aligned Bank, family-owned bank with $5 billion in assets

Other experience
President, Independent Community Bankers of America
Past president state bankers association

Education/expertise
MBA from Purdue University

Lives in: Nebraska

Dr. Carl Price

Philadelphia 3
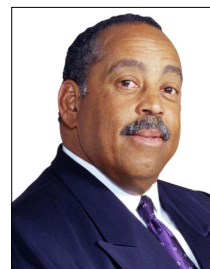
Position
Princeton University research economist

Other experience
Leading monetary policy scholar

Education/expertise
Studied connections between money, inflation and unemployment

Lives in: New Jersey

Diana Bond

San Francisco 12

Position
Stanford University economist

Other experience
Financial regulatory reform research
Former Treasury secretary
Presidential adviser

Lives in: California

Lee Xavier

Boston 1

Position
Harvard economics professor

Other experience
Career focus on broad effect of
Federal Reserve policies

Education/expertise
Among world's top research economists

Lives in: Maine

Larisa Edgey

Chicago 7

Position
Professor, Northwestern University

Other experience
Online trading consultant to NASDAQ for
more than five years
Staff regulator, Federal Reserve Bank of
San Francisco, for three years

Education/expertise
Ph.D. in mathematics from MIT
Authority on virtual currencies

Lives in: Illinois

John Globus

Richmond 5

Position
Professor, Howard University

Other experience
CFO, U.S. Agency for International
Development
Former U.S. ambassador to Ghana

Education/expertise
Ph.D. in international economics
from Columbia University

Lives in: Maryland

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Eileen Soto

3 Philadelphia

Position
Dean, The Wharton School,
University of Pennsylvania

Other experience
Chief economist, National Association of
Manufacturers, for more than five years
Visiting scholar, Brookings Institution

Education/expertise
MBA, Columbia University

Lives in: Pennsylvania

Hazel Ortiz

11 Dallas

Position
Professor, University of Texas

Other experience
Visiting scholar, Pew Research Center
Hispanic Trends Project

Education/expertise
Researched migration issues for
more than 10 years
Ph.D. London School of Economics

Lives in: Texas

Bart Toil

4 Cleveland

Position
Professor, Carnegie Mellon University

Other experience
Chief economist, U.S. Department of
Labor
Lobbyist, AFL-CIO

Lives in: Pennsylvania

Samuel Sucre

6 Atlanta

Position
Research director, Commodity Producers
Association

Other experience
Bank examiner for two years after college

Education/expertise
CPA with master's in accounting

Lives in: Florida

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Paul Farmer

Minneapolis 9

Position
Research director, Market Edger Ltd.,
$50 billion agribusiness conglomerate

Other experience
Began career at Chicago Board of
Trade in 1980s

Education/expertise
Ph.D. in agricultural economics from
the University of Minnesota

Lives in: Minnesota

Vera Coder

New York 2

Position
Career senior regulator, Federal Reserve
Bank of New York

Other experience
Co-author, "Advanced International
Finance"

Education/expertise
MBA, New York University
Speaks regularly to banking industry
groups on laws, rules, and regulations

Lives in: New York

Frank Fred

St. Louis 8

Position
Federal Reserve Bank president

Other experience
Respected Ph.D. research economist

Education/expertise
Federal Open Market Committee member
for six years

Lives in: Missouri

Debbie Debit

Chicago 7

Position
Assistant director, Macroeconomics Analysis
Division, Congressional Budget Office

Other experience
U.S. House of Representatives candidate,
2008

Education/expertise
Visiting scholar, public policy think tank
Author of books critical of U.S. indebtedness

Lives in: Illinois

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Rolando Fiat

Position
U.S. Secretary of the Treasury

Other experience
CFO, Dillon Tech

Education/expertise
More than 25 years of business, finance, and government experience

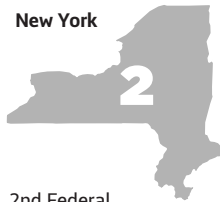**Lives in:** Maryland

Richmond 5

Juliette Public

Position
Lobbyist for financial sector interests

Other experience
Former positions include U.S. senator, EPA director and chief of staff for the U.S. president

Education/expertise
Extensive regulatory experience

Lives in: Washington, D.C.

Richmond 5

Katherine Ying

Position
Partner with 1,000-attorney firm Keeler Watkins

Other experience
Secretary of agency regulating corporate responsibility

Education/expertise
Extensive regulatory experience

Lives in: New York

New York 2
2nd Federal Reserve District

Leo Zen

Position
CEO, Zen Technology Inc., a 50,000-employee international company

Education/expertise
Insight drawn from 25 years in business

Lives in: California

San Francisco 12

Natasha Smart

New York

2

Position
Senior vice president, RegCard, company that processes $100 billion in bankcard transactions annually

Other experience
Strategic adviser, Financial Women's Association; board member, Women in Public Finance

Education/expertise
MBA from New York University

Lives in: New York

Joshua Pitts

Chicago

7

Position
CEO, Chicago Board of Trade

Other experience
Adjunct professor, University of Chicago economics department

Education/expertise
Game theory authority

Lives in: Illinois

Standards and Benchmarks

Voluntary National Content Standards in Economics

Standard 20: Fiscal and Monetary Policy. Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices.

- **Benchmark 7, Grade 12:** Monetary policies are decisions by the Federal Reserve System that lead to changes in the supply of money, short-term interest rates, and the availability of credit. Changes in the growth rate of the money supply can influence overall levels of spending, employment, and prices in the economy by inducing changes in the levels of personal and business investment spending.

- **Benchmark 8, Grade 12:** The Federal Reserve System's major monetary policy tool is open market purchases or sales of government securities, which affects the money supply and short-term interest rates. Other policy tools used by the Federal Reserve System include making loans to banks (and charging a rate of interest called the discount rate). In emergency situations, the Federal Reserve may make loans to other institutions. The Federal Reserve can also influence monetary conditions by changing depository institutions' reserve requirements.

- **Benchmark 9, Grade 12:** The Federal Reserve targets the level of the federal funds rate, a short-term rate that banks charge one another for the use of excess funds. This target is largely reached by buying and selling existing government securities.

- **Benchmark 10, Grade 12:** The Federal Reserve tends to increase interest rate targets when it feels the economy is growing too rapidly and/or the inflation rate is accelerating. It tends to lower rate targets when it wants to stimulate the short-term growth of the economy.

Common Core State Standards: Grades 6-12 Literacy in History/Social Studies, Science, and Technical Subjects

History/Social Studies

- **Key Ideas and Details**

  CCSS.ELA-Literacy.RH.9-10.1: Cite specific textual evidence to support analysis of primary and secondary sources, attending to such features as the date and origin of the information.

- **Craft and Structure**

  CCSS.ELA-Literacy.RH.9-10.4: Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social, or economic aspects of history/social science.

- **Integration of Knowledge and Ideas**

  CCSS.ELA-Literacy.RH.9-10.7: Integrate quantitative or technical analysis (e.g., charts, research data) with qualitative analysis in print or digital text.

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CCSS.ELA-Literacy.RH.11-12.7: Integrate and evaluate multiple sources of information presented in diverse formats and media (e.g., visually, quantitatively, as well as in words) in order to address a question or solve a problem.

Writing

- **Text Types and Purposes**

   CCSS.ELA-Literacy.WHST.9-10.1: Write arguments focused on *discipline-specific content*.

   CCSS.ELA-Literacy.WHST.9-10.1A: Introduce precise claim(s), distinguish the claim(s) from alternate or opposing claims, and create an organization that establishes clear relationships among the claim(s), counterclaims, reasons, and evidence.

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