

THE FEDERAL RESERVE: WHAT IS IT AND HOW DOES IT WORK?

LESSON PLAN

Objectives

- Students will be able to describe what the Federal Reserve does.
- Students will be able to explain the advantages and disadvantages of the Federal Reserve.
- Students will be able to evaluate and debate how successful the Federal Reserve has been in its goals.

Materials

ARTICLE: [What is the Federal Reserve? Pros and Cons](#) discusses the history, purpose, negatives, and positives of the Federal Reserve.

VIDEO: [What's the Deal with the Federal Reserve?](#) highlights three significant problems with the Federal Reserve system.

HANDOUT: [Debate information sheet](#) describes three arguments for the Federal Reserve and three against.

HANDOUT: Video [comprehension quiz](#).

HANDOUT: Video [discussion questions](#).

Suggested Procedure

1. Ask students how they think the US monetary system is run – who decides on policy, who is in charge of currency, etc. Give students a few moments to come up with their answers. They may create a flowchart or diagram to help consolidate their ideas. Ask what they know about the Federal Reserve, for example how it works, what it is for, and who runs it. Do they know anything about it?
2. Present the article [What is the Federal Reserve? Pros and Cons](#). This may be read from the internet or printed so that students can read a copy individually or in groups.
3. Ask students what they read in the article and ask comprehension questions. Collate the statements and ask if they see any themes that stand out.
Suggested comprehension questions:
 - When was the Federal Reserve created? Why?
 - What was the Panic of 1907?

- Which president signed it into law?
- What problems was the Federal Reserve created to solve?
- What is a nickname for the Federal Reserve?
- What were its original three core missions?
- What additional tasks has it gained?
- How many regional Federal Reserve banks are there? Where is it based?
- Is the Federal Reserve a part of the US government?
- What are some advantages of the Federal Reserve system?
- What are some disadvantages?

4. Show video [What's the Deal with the Federal Reserve?](#)

Suggested places to stop and ask questions:

- 0:35 – Can students name the dates of any other financial crises since then? If so, do they know what caused them?
 - 0:57 – Do the students feel President Woodrow Wilson achieved his goal?
 - 1:25 – What do the students think about this lack of accountability?
 - 1:41 – Do the students think this policy is better for America or for international banking?
 - 2:03 – Can the students suggest ways in which this power could be abused?
 - 2:40 – Can the students describe what booms and busts are?
 - 2:55 – Ask the students what they think happens to their existing money when the Federal Reserve prints new money.
 - 3:43 – Ask students why they believe dollars are no longer backed by gold or silver as directed by the Constitution.
5. Have the students recall what the three primary purposes of the Federal Reserve were; discuss these and debate whether they have been achieved.
6. Hand out the [debate information sheet](#) and allow students to read individually or as a group.
7. Have students complete the [comprehension quiz](#).
8. Have students complete the [discussion handout](#) individually or in groups.

Extension: Research project. Students research what real-world impacts decisions made by the Federal Reserve have on themselves. They can present the information in a short spoken report.

Extension: Read the article [How is the US Dollar Made?](#) and create a simple fact sheet either on paper or on a computer that could be used by another student to understand what the dollar is. The fact sheet should be informative, easy to follow, and written in the student's own words.