



The Federal Reserve and Interest Rates: Lesson Plan

Topic	
The Federal Reserve is the central bank of the United States. Its role is often to directly influence the economy in consideration of the greater good of the country. It chooses the correct monetary policy to express according to the current state of the economy, and in many cases, it's increasing or decreasing the federal fund's interest rate.	
Possible subjects/classes	Time needed
<ul style="list-style-type: none"> • Economics • History 	20-25 minutes
Video link:	
https://academy4sc.org/topic/the-federal-reserve-and-interest-rates/	
Objective: <i>What will students know/be able to do at the end of class?</i>	
Students will be able to... <ul style="list-style-type: none"> • Define Federal Funds Rate. • Explain what a recession and high inflation is. • Explain how the Federal Reserve lowers and raises interest rates. 	
Key Concepts & Vocabulary	
Federal Funds Rates, Interest Rates, Recession, Inflation	
Materials Needed	
Worksheet, Student Internet Access (Optional Activity)	
Before you watch	
Turn & Talk: Have students discuss their thoughts when they read/watch the news and they hear things relating to the economy. What feelings are evoked	

when they hear about the stock market, the federal reserve, interest rates? Do they understand what any of those things mean?

While you watch

1. What is the federal funds rate?
2. What is expansionary monetary policy? Contractionary monetary policy?
3. How does the Fed change interest rates during a recession? Inflation?

After you watch/discussion questions

1. Are the actions of the Federal Reserve always appropriate? How far is too far for the Fed to interfere?
2. How would you enact contractionary monetary policies? Expansionary Monetary policies?
3. What other things do you think society has to do to make sure that the actions taken by the Federal Reserve are for the greater good of all?

Activity Ideas

- Have students work in groups of three to four and look up five different times in history where the Federal Reserve has raised or lowered interest rates. Why did they do it and what effects did it have on the economy?
- Have students work separately to think of different instances where they've realized that the prices of something they were really looking to buy suddenly got cheaper or more expensive. Write down three reasons as to why they think it happened, and do they think the Federal Reserve had a hand in creating the rise or fall in price?
- Have students independently complete the Worksheet, and then review answers in small groups or as a class.

Sources/places to learn more

1. Federal Open Market Committee:
<https://www.federalreserve.gov/monetarypolicy/fomc.htm>
2. Federal Reserve Monetary Policy:
https://www.federalreserve.gov/aboutthefed/files/pf_1.pdf
3. Federal Open Market Committee:
<https://www.federalreserve.gov/monetarypolicy/fomc.htm>



4. Federal Reserve Discount Rate:
<https://www.federalreserve.gov/monetarypolicy/discontrate.htm>
5. Federal Reserve's Reserve Requirement:
<https://www.federalreserve.gov/monetarypolicy/reservereq.htm>
6. Federal Reserve Open Market Operations:
<https://www.federalreserve.gov/monetarypolicy/openmarket.htm>