

Federal Reserve Bank of Atlanta’s Boardroom Video Discussion and Activity

Lesson Description

This discussion and activity guide serves to reinforce concepts explained in the Federal Reserve Bank of Atlanta’s Boardroom video. In addition to a general discussion guide highlighting the main points of the video, two activities give students the opportunity to demonstrate their learning in an active learning setting. In the first activity, students will learn how interest rates affect an individual’s decisions during the loan process. Students will receive cards with either a house, car, principal term, interest rate, monthly payment, or total payment. They will look for a “match” and form groups to tell a story about how the monetary policy tool of interest rates affects a loan’s affordability. After groups have found their “matches,” they will tell their interest rate story, and then they will work together with the other group that has the same loan option (house or car) and act out how rising or falling interest rates affect loans, spending, and economic growth. In the second activity, students will complete a flow chart that details the monetary policymaking process described in the video. They will then create a foldable three-tab booklet to illustrate how the president of the Federal Reserve Bank of Atlanta prepares to make his decision regarding the District’s recommendation for the direction of interest rates.

Grade level

9–12

Concepts

Borrowers	Loans
Economic Growth	Monetary Policy
Federal Open Market Committee	Savers
Interest Rates	Spending

Objectives

Students will be able to:

- Describe the effect of changes in the level of interest rates on simple house and car loans.
- Demonstrate how rising or falling interest rates affect the greater economy in terms of spending, prices, and inflationary pressures and economic growth, as well as how interest rates affect savers and borrowers.
- Explain the process that the Atlanta Fed president uses to determine his recommendation for the direction of interest rates, including the groups consulted and the information gathered.

Time required

45 minutes



Materials

- Activity 1 cards
- Interest rate role-play cards (two copies of each, one set for each group)
- Monetary policy flow chart
- One sheet of 8 ½" x 11" paper (regular, card stock, or construction paper) per student
- Markers or colored pencils for students
- Scissors for students
- Appendix 1: Key Terms (for optional review)

Procedure

1. Begin the class with this Kahoot bell ringer activity to provide an overview of the key terms. Launch the Kahoot. Ask students to use their mobile devices to participate as single players by entering the URL, kahoot.it, entering the game pin that is displayed once you launch the game, and creating a nickname. Once your students have joined the Kahoot, start the game and proceed through each round of multiple choice questions and the leaderboard updates. *(You can award class bonus points or a small candy prize to the top three students.)*
2. Show students the Federal Reserve Bank of Atlanta's Boardroom Experience video (<https://www.youtube.com/watch?v=NT0I9Wic7Zg>).
3. After students have viewed the video, review the video's content by asking the following questions:
 - a. What is **monetary policy**? *(Students may offer various answers, but responses should indicate that monetary policy is the Federal Reserve's influence over the nation's money supply, which determines how much money is available in the economy and how easy it is to get loans.)*
 - b. What is the mission of the Federal Reserve's monetary policy? *(The mission of the Federal Reserve's monetary policy is to achieve maximum employment, keep prices stable, and encourage sustainable **economic growth**.)*
 - c. What group is responsible for making the Fed's monetary policy? How often do they meet? *(The **Federal Open Market Committee** is the group responsible for making the Fed's monetary policy. They meet approximately eight times a year.)*
 - d. Who belongs to this group? How many members vote? *(The seven members of the Board of Governors and each of the 12 Federal Reserve Bank presidents participate in Federal Open Market Committee meetings. Twelve participants—the seven governors and five of the 12 Reserve Bank presidents—are voting members.)*
 - e. How do **interest rates** affect the affordability of loans? *(Higher interest rates increase the total amount that you will pay for a loan, while lower interest rates mean that you will pay less for a loan.)*

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- f. What group (or groups) provide information about the economy to the Federal Reserve Bank of Atlanta’s president and CEO in order to inform the monetary policymaking process? (*The Bank’s board of directors, research economists, and the Regional Economic Information Network provide information to the president to inform the monetary policymaking process. This information, as well as the president’s own knowledge and expertise, are important in deciding monetary policy and the direction of interest rates.*)

Note: The video assumes prior knowledge of the Federal Reserve and basic macroeconomic concepts. To reinforce or review these concepts, please use Appendix 1: Key Terms.

4. Tell students that they are going to explore how interest rates affect how much consumers pay for a **loan**. Tell students that they are going to receive a card that has either a type of loan, a loan payment, an interest rate, a loan term, or a total payment. Using their recall of the video shown, they are to find a “match” to tell an interest rate “story.” Let them know that there will be two groups of five and two groups of three. *The students who receive the same loan amounts should each form their own group.*
5. Distribute the loan cards from Activity 1 and allow students time to form their groups. When students have formed their groups, have each group read their cards in turn, beginning with the loan amount, to tell their interest rate “story.” (*Note:* Cards are coded with a symbol on the right to help facilitate a match. With 16 cards, students should double up for larger classes.)

You should have the following four groups:

- \$20,000 car loan
3% interest rate
\$21, 560 total payment
- \$20,000 car loan
6% interest rate
\$23, 200 total payment
- \$100,000 home loan
25-year loan ter
4.5% interest rate
\$555 monthly payment
\$166,000 total payment
- \$100,000 home loan
25-year loan ter
4.5% interest rate
\$555 monthly payment
\$166,000 total payment
- \$100,000 home loan
25-year loan term
9% interest rate
\$840 monthly payment
\$252,000 total payment



6. After each group has told its interest rate “story,” ask students the following question: How do interest rates affect the total amount paid for a loan? (*At lower interest rates, you will pay less for a loan, and at higher interest rates, you will pay more for a loan. Higher interest rates mean your monthly payment will be higher and you will pay more in interest.*)
7. Combine the groups that had car loans with the groups that had home loans. Tell them that their job is to use cards to show how rising or falling interest rates affect the economy. Tell students that the car group will demonstrate interest rates falling, and the home loan group will demonstrate interest rates rising.
8. Demonstrate how students will act out the role with an interest rate role-play card. Place the card in both hands and hold it straight out at a comfortable level. Raise it up to show interest rates rising, and lower it to show interest rates falling. Tell students that they will begin their role-play with the interest rate card, then show the effects on the other cards. Each group will also have a savers and a borrowers card. Students should display only one of these cards, showing the group would benefit from the direction of interest rates in the scenario. When acting out their role-play, students should stand in a straight line in the classroom, facing the other group of students so that they can observe.
9. Distribute the role-play cards and allow students time to discuss. So that every student participates, some students in the home loan group may want to each hold a side of the card for the role-play.
10. You may want to ask groups to volunteer or flip a coin to decide which group goes first. The role-play should go as follows:
 - a. Interest rates rise → demand for loans ↓ spending ↓ economic growth ↓
Prices and inflationary pressures ↓
Savers/borrowers card: **Savers** like higher interest rates, as their savings earn more interest.
 - b. Interest rates fall → demand for loans ↑ spending ↑ economic growth ↑
Prices and inflationary pressures ↑
Savers/borrowers card: **Borrowers** like lower interest rates, as loans and credit cost less when interest rates fall.
11. Tell students that they are now going to review the monetary policymaking process by completing a flow-chart that describes who provides input or is responsible for deciding monetary policy and the direction of interest rates, beginning with the activities that take place at the Federal Reserve Bank of Atlanta. Distribute Handout 1 and review its instructions. After students have completed the handout, review together as a class using the answer key provided.
12. As a concluding activity, students will synthesize their learning by making a three-tab book.

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13. Demonstrate to students how to make a three-tab book by following these steps. (If you like, you might distribute scissors at this point to allow students to follow along.)
 - a. Fold your sheet of paper in half lengthwise (like a hot dog bun).
 - b. Lay the paper horizontally and with the fold (not the open side) at the top. Fold the right side of the paper toward the center, so that it covers half of the paper.
 - c. Fold the left side of the paper over the right side in order to make a book with three folds.
 - d. Open the folded book on the table. Make vertical cuts on both fold lines **through one thickness of paper only** to make three tabs.
 - e. Fold the tabs back evenly to make room at either the top, side, or bottom to make a heading.
14. Tell students that they are going to make a booklet detailing the information-gathering process that informs the president and CEO of the Federal Reserve Bank of Atlanta in the monetary policymaking process.
15. Students should write “Atlanta Fed President: Monetary Policy” (or something similar) as their heading. Using the video and the information on their flow chart, they should write each of the inputs mentioned in the video (board of directors, research economists, and the Regional Economic Information Network) on a tab. They might wish to draw an arrow from each group to the heading to “show the flow.” Beneath each tab, they should write the types of information that each group provides and reports to the president. (To learn more about how the president’s own knowledge and expertise are also an important part of the process, students may wish to view the biography of the president and CEO of the Federal Reserve Bank of Atlanta (https://www.atlantafed.org/about/atlantafed/officers/executive_office.aspx). If you think it would help, you may show students the video a second time to refresh their memories of the content. The following videos might also help guide students in the activity: [The Fed Explains Regional Banks](https://www.youtube.com/watch?v=M5drSk6EkHk) (<https://www.youtube.com/watch?v=M5drSk6EkHk>), [The Fed Explains the Central Bank](https://www.youtube.com/watch?v=8H-q5zw4YaZQ) (<https://www.youtube.com/watch?v=8H-q5zw4YaZQ>), and [How the Atlanta Fed Goes to the Grassroots](https://www.youtube.com/watch?v=LhV6O-ZlyQM) (<https://www.youtube.com/watch?v=LhV6O-ZlyQM>).
16. Distribute a piece of 8 ½” x 11” regular paper, card stock, or construction paper to each student, as well as scissors, markers, and/or colored pencils for them to work with and allow students to make their booklets.

When students have completed their foldables, ask for volunteers to share their ideas and generate a class discussion. You might want to display the foldables in the classroom. These foldables will vary but should include some of the following:

Board of directors:

- Insights from industries (those mentioned in the video include construction, auto, farming, energy, and banking)
- Information on sales, pricing, and hiring plans

Research economists:

- PhD economists
- Data on unemployment, the job market, construction and sales of new homes, spending, and pricing
- Theoretical models

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Regional Economic Information Network:

- Regional executives
- Business contacts
- Grassroots insights
- Stories and ideas

Activity 1 Cards

\$20,000 car loan *	3% interest rate *
\$21,560 total payment (principal and interest) *	\$20,000 car loan #
6% interest rate #	\$23,200 total payment (principal and interest) #
\$100,000 home loan +	25-year loan term +
4.5% interest rate +	\$555 monthly payment +
\$166,000 total payment (principal and interest) +	\$100,000 home loan >
9% interest rate >	25-year loan term >
\$840 monthly payment >	\$252,000 total payment (principal and interest) >

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Appendix 1: Key Terms

Economic Growth—A sustained rise over time in a nation’s production of goods and services.

Federal Open Market Committee—The group responsible for setting the Federal Reserve’s monetary policy. They meet approximately eight times a year.

Federal Reserve—The central banking organization in the United States.

Interest Rate—The percentage charged for the principal loan amount. Also, the percentage paid on the money in a savings account.

Loan—A sum of money provided temporarily on the condition that the amount borrowed be repaid, usually with interest.

Monetary Policy—The Federal Reserve’s influence over the nation’s money supply, which determines how much money is available in the economy and how easy it is to get loans.

Spending—Using income to buy goods or services you want or need.