Live from Atlanta, It's the Ben Bernanke Show

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Lesson Plan of the Year Contest, 2007–2008

First Place

LESSON DESCRIPTION

This three-day lesson can be used as a review activity for a macroeconomics unit or as a supplement to a classroom discussion of how the Federal Reserve's Monetary Policy affects individuals' lives.

Students first review economic terms by conducting a Web search, either individually or in groups, depending on the availability of computers.

Students then work in groups of about three to five people, and use the most recent Beige Book information from the Atlanta Fed district to research economic conditions. (Any district can be substituted for the Atlanta district).

The student groups create different characters who perform in a hypothetical talk show, which is fictionally proposed by the chairman of the Federal Reserve, Ben Bernanke, as a way of informing young people about the importance of the Federal Reserve in their lives.

The teacher or an adult playing the role of Dr. Bernanke will participate in the talk show presented by the students, and ask them to describe, using correct economic terms, how their lives are affected by economic conditions in their district.

BACKGROUND INFORMATION

The Federal Reserve System (the FED) is the central banking system of the United States. The major goals of the FED are full employment, price stability, and sustainable economic growth. The functions of the FED are supervising and regulating banks, providing financial services, and conducting monetary policy.

The Federal Reserve System is composed of three divisions—a seven-member Board of Governors; the 12-member Federal Open Market Committee (FOMC), which is responsible for conducting monetary policy through open market operations, the discount rate, and reserve requirements; and 12 regional Federal Reserve Banks, each of which has its own district and is located in a major U.S. city.

Each regional district gathers information eight times a year for a Beige Book, which summarizes comments received from businesses and other local contacts outside the FED. The Beige Book is not a commentary on the views of Federal Reserve officials, but reflects economic conditions as perceived by local businesses and other contacts.

Although the FOMC sets monetary policy for the country as a whole, it takes into account what is happening at the local levels when making its decisions.

GRADE LEVEL

12th grade Economics Course/AP Economics

CONCEPTS

The concepts discussed in this lesson may vary based upon the conditions discussed in the latest version of the Beige Book. However, the following concepts will most likely be used and applied by students as they complete their analyses and develop their talk show roles:

- Inflation
- Unemployment Rate
- Nominal Interest Rates
- Monetary Policy
- Discount Rate
- Fed Funds Rate
- Reserve Requirement
- Open Market Operations
- Real GDP
- Capital
- CPI
- Fiscal Policy
- Investing

NATIONAL CONTENT STANDARDS IN ECONOMICS

Standard 12—Role of Interest Rates

- ***Benchmark 7 for 12th grade:*** Higher interest rates reduce business investment spending and consumer spending on housing, cars, and other major purchases. Policies that raise interest rates can be used to reduce these kinds of spending, while policies that decrease interest rates can be used to increase these kinds of spending.

Standard 18—Macroeconomy—Income, Employment, Prices

- ***Benchmark 4 for 12th grade:*** When desired expenditures for consumption, investment, government spending, and net exports are greater than the value of a nation's output of final goods and services, GDP rises and inflation occurs and/or employment rises.

- ***Benchmark 5 for 12th grade:*** When desired expenditures for consumption, investment, government spending, and net exports are less than the value of a nation's output of final goods and services, GDP decreases and inflation and/or employment decreases.

Standard 19—Unemployment and Inflation

- ***Benchmark 3 for 12th grade:*** Unemployment rates differ for people of different ages, races, and sexes. This reflects differences in work experience, education, training, and skills, as well as discrimination.

- ***Benchmark 4 for 12th grade:*** Unemployment can be caused by people changing jobs, by seasonal fluctuations in demand, by changes in the skills needed by employers, or by cyclical fluctuations in the level of national spending.

- ***Benchmark 6 for 12th grade:*** The Consumer Price Index (CPI) is the most commonly used measure of price-level changes. It can be used to compare the price level in one year with price levels in earlier or later periods.

- ***Benchmark 8 for 12th grade:*** The costs of inflation are different for different groups of people. Unexpected inflation hurts savers and people on fixed incomes; it helps people who have borrowed money at a fixed rate of interest.

Standard 20—Monetary and Fiscal Policy

- ***Benchmark 7 for 12th grade:*** In the long-run, inflation results from increases in a nation's money supply that exceeds increases in its output of good and services.

- ***Benchmark 8 for 12th grade:*** Monetary policies are decisions by the Federal Reserve System that lead to changes in the supply of money and the availability of credit. Changes in the money supply can influence overall levels of spending, employment, and prices in the economy by inducing changes in interest rates charged for credit and by affecting the levels of personal and business investment spending.

- ***Benchmark 9 for 12th grade:*** The major monetary policy tool that the Federal Reserve System uses is open market purchases or sales of government securities. Other policy tools used by the Federal Reserve System include increasing or decreasing the discount rate charged on loans it makes to commercial banks and raising or lowering reserve requirements for commercial banks.

OBJECTIVES

The student will be able to

- Define accurately, in writing, all the terms listed in the concept section of this lesson.

- Explain the development process and purpose of the Federal Reserve's Beige Book by conducting Web research and completing a question sheet.

- List and describe the significance of major economic sectors within the Atlanta District as outlined in the Beige Book.

- Create a talk show character and role reflecting a specific sector or sectors of the Atlanta District economy.

- Synthesize how current economic conditions affect various individuals by using appropriate economic terminology during a role-played talk show interview with Ben Bernanke.

TIME REQUIRED

3 x 50-minute class periods

MATERIALS

- Computer for each group of students or a computer lab
- Web site: http://www.federalreserveeducation.org/FRED/glossary/glossary.cfm
- Web site: http://www.federalreserve.gov/FOMC/BeigeBook/2008/
- *Visual 1: Summary*
- *Activity 1: Fictional Letter from Ben Bernanke*
- *Activity 2: Basic Macroeconomics Vocabulary Exercise*
- *Activity 3: Beige Book Analysis Exercise*
- *Activity 4: Talk Show Role Cards*
- *Activity 5: Developing Your Talk Show Character*

PROCEDURE

Introduction

Day 1

1. Tell the students that they have been sent a fictional letter from Dr. Ben Bernanke. Ask them who Ben Bernanke is. (*The current Chairman of the Federal Reserve.)*

2. Distribute a copy of *Activity 1*: *"Fictional Letter to Students from Ben Bernanke"* to each student. Tell them to read the letter.

3. Ask students to state the basic problem that Dr. Bernanke outlines in his letter. (*Young people are largely unaware of the Federal Reserve and how it impacts their lives).*

4. Ask students to outline the task Dr. Bernanke has set out for them. (*Research key economic terminology, research a specific district in the Beige Book, develop a character role for an individual experiencing the local economic conditions described in the Beige Book, and prepare that character to participate in a pilot radio talk show with Dr. Bernanke. The purpose of the show is to pilot a model program using the Beige Book, which Dr. Bernanke can then replicate to help other young people understand the important role the Federal Reserve plays in their lives.)*

5. Tell students that it is important for them to use economic terminology correctly. Distribute a copy of *Activity 2*, *Basic Macroeconomic Vocabulary Exercise* to each student. Depending on the number of computers available, students will work either alone or in groups to locate definitions on the Web site at http://www.federalreserveeducation.org/FRED/glossary/glossary.cfm. Students should write the definitions in the spaces provided. Monitor their progress and check for accuracy.

6. Ask students if they have any questions about the definitions and provide clarification if necessary.

Day 2

7. Ask students if they are familiar with the Beige Book (Answers may vary). Tell students that they are going to conduct their Beige Book research on the Web at http://www.federalreserve.gov/BeigeBook/2008/
   Distribute *Activity 3*: *Beige Book Analysis Exercise.*

8. Students may work individually or in groups to complete Questions 1, 2, and 3 in *Activity 3*. If they work individually, assign a sector to each student for Question 3.

9. Review the Beige Book Analyses completed by students.

10. Divide students into groups of two to three and tell them to develop their talk show characters. Assign each group a role card from *Activity 4,* and give each student a copy of *Activity 5*: *Developing Your Talk Show Character*. Review the directions and tell students they must use the basic information on the role cards to create and develop their character. (*Note: These roles are based on the most recent Beige Book at the time of writing—January 16, 2008. If you use a different edition, you may want to modify the roles*.)

The characters are:

a. John Levy, an automobile dealer who specializes in mid-to-large-sized domestic cars. *(Vehicle sales are below year-ago levels. Inventories are above average. Sales are off sharply for domestic dealers. Lower interest rates might help business borrowing and serve as an incentive to consumers to purchase. Higher interest rates would likely discourage borrowers.)*

b. Anita Perez, a bilingual high school student looking for part-time hotel employment. (*Anita has skills that are in demand. Tourism-related spending in the United States is positive. Upscale hotels have increased occupancy. There is an increase in foreign tourists from Europe in particular, partly because of the decline of the U.S. dollar in relation to the euro. Interest rates can affect the value of the U.S. dollar by affecting foreign demand for dollars. Lower interest rates discourage foreign investment, the dollar weakens and imports rise. Higher interest rates encourage investment, strengthen the dollar, and decreases imports.)*

c. Josh Kelly, an independent trucker who regularly transports goods to and from neighboring states. He has a variable-rate loan on his truck. *(Freight volumes are weaker. Delivery costs are up, largely because of higher fuel costs. Higher interest rates will likely increase the cost of a variable loan. Lower interest rates will likely decrease that cost.)*

d. Paul and Marie Brown, a recently married couple looking for their first home. *(Home inventories are high. Some sellers have cut prices. It is harder to get a mortgage because of the reduced availability of credit and stricter lending standards. A change in interest rates may or may not affect mortgage rates, especially in the short run.)*

e. Michael Hunt, a roofer who is seeking full-time employment. (*There is a slowdown in construction because of weak demand. Business investment is down. An increase in interest rates may further slow business activity. A decrease in interest rates can stimulate the economy.)*

f. LeRoy Jefferson, a chemical engineer in the paper industry, has a fixed-rate mortgage. *(Prospects for continued employment are good owing to demand in this field. His mortgage payments are predictable. If interest rates on mortgages rise, he gains in view of his fixed mortgage rate—assuming he obtained the mortgage when rates were lower. If interest rates on mortgages fall, however, he could be worse off and might want to consider refinancing.)*

g. Andrew Bennett, a salesman for a local fertilizer company, who has responsibility for a tri-state area. *(The prices of his products have increased because of increased input prices. Increased energy prices increase delivery prices and any travel costs he incurs. In a slowing economy, a decrease in interest rates can stimulate business activity by stimulating consumption and investment. However, when inflationary pressures exist at the same time, there is a dilemma because an increase in interest rates could help address inflation.)*

h. Bob House owns a small residential construction company and has four new houses for sale. (*He is carrying the costs of his inventory, most likely in the form of business loans. An increase in interest rates could affect the cost of his business loans. An increase in interest rates might also affect the borrowing power of potential buyers. Sales are very slow. Some sellers are lowering prices.)*

i. Florence Knight has just graduated with a nursing degree and needs a reliable vehicle. *(Employment prospects are good in the health care industry. Energy-efficient vehicles are a consideration because of increased energy costs. Interest rates will affect the cost of a car loan.)*

j. Cooper Martin has just retired and depends on Social Security and interest payments earned on his investments. *(He is living on a fixed income to a certain extent. Health costs are rising, as are energy costs. A decrease in interest rates may mean a decrease on his interest-earning investments, but the reverse could work to his benefit.)*

k. Amelia Parker owns an orange grove in Florida. She ships fruit throughout the Southeast. *(Drought is a problem, as are increased irrigation costs. Increased shipping costs are also a problem, as is a slowing economy. Prices are likely to increase, resulting in decreased consumption. An increase in interest rates could help address inflation, but a decrease in interest rates could help stimulate consumption.)*

l. Kim Lee works in a bank and is responsible for making recommendations whether a customer gets a loan. (*Lending standards have become much stricter than before. Bank earnings are also under pressure. An increase in rates would result in fewer loans and a decrease in rates would result in more loans.)*

Day 3

1. Once the groups have completed developing their talk show character and chosen the student who will role-play in the talk show, give them a few minutes to "rehearse" their presentations. Collect from each group the question they want "Dr. Bernanke" to ask them in the talk show.

2. While characters are rehearsing, review the questions for "Dr. Bernanke." *(As you think about your responses focus on the roles of the central bank and how monetary policy represents the Fed's actions to influence the availability and cost of money and credit as a means to help promote national economic goals of employment, price stability, and economic growth. Monetary policy is national in scope, but local economic conditions are an important factor in its formulation.)*

3. Decide on the order in which the talk show characters will present. Inform the characters, and then conduct the talk show. Introduce yourself as "Ben Bernanke" and welcome the characters. Have characters introduce themselves and summarize their situations. Respond after each summary and then ask the question that the character provided for "Dr. Bernanke." Help clarify characters' responses if necessary.

4. When students and talk show characters are not presenting, they should take notes that will help them complete an Assessment Question. *(You may choose to do this as an optional activity to help keep students focused.)*

5. At the conclusion of the talk show, emphasize that it is important to you, as "Dr. Bernanke," and to the Fed to keep abreast of local economic conditions. Thank the characters for their participation.

CLOSURE

Ask the following questions one by one and uncover the answers one by one on *Visual 1: Summary*, to review the main points of the lesson:

- What is the central bank of the United States?
- How many regional Reserve Banks are there?
- Which Fed division establishes monetary policy? What are the tools of monetary policy?
- What are the goals of monetary policy?
- Summarize briefly how monetary policy works.
- Does the Fed consider local and individual conditions when setting monetary policy? How?

ASSESSMENT

Select one or more of the following:

1. Students may be assessed on their class and group participation.

2. Select two talk show characters. Compare how a) an increase and b) a decrease in interest rates could affect their lives.

3. Write a short paragraph summarizing the economic conditions described in the Beige Book for your district. Use economic terms and specify how monetary policy influences economic conditions.

4. Prepare an article for a school or local publication on the talk show. Explain the origin and purpose of the show, and provide an evaluation of its effectiveness.

Visual 1: Summary

1. **The Federal Reserve (FED) is the U.S. central bank.**

2. **The FED has 12 regional Federal Reserve Banks.**

3. **The Federal Reserve's Federal Open Market Committee (FOMC) conducts monetary policy through open market operations, the discount rate, and reserve requirements.**

4. **The goals of monetary policy are employment, price stability, and sustainable economic growth.**

5. **Monetary policy works through interest rates to affect the supply of money and the availability of credit.**

6. **Monetary policy is national in scope, but local economic conditions across the 12 Fed Districts play an important part in its formulation. The Fed's Beige Book is one source of information on local conditions.**

Activity 1
Fictional Letter to Students from Ben Bernanke

Dear Expert High School Economics Students:

The Federal Reserve Board of Governors recently conducted a survey of high school seniors and college freshman to assess their understanding of central banking in the United States. The results of the survey were alarming, and I am requesting your help. Your economics teacher has agreed to assess how well you are able to fulfill the request I outline in this letter.

Sadly, in our survey, only one percent of the students interviewed had ever heard of the Federal Reserve System and even fewer were able to describe its role in the economy. Accordingly, I am asking you to help me design a program to help future students learn about the Federal Reserve and how it impacts their lives.

Our research indicates that many teenagers enjoy watching talk shows on TV. I would like you to develop a pilot for a soon-to-be hit program called *The Ben Bernanke Show.* In case you are wondering who Ben Bernanke is, it's me! I'm the current Chairman of the Federal Reserve. I am hoping this new approach will let me reach out to the youth of the nation and help them understand the role of the central bank in their lives.

Each episode of *The Ben Bernanke Show* will showcase a different Federal Reserve District and interview teen guests who can help other students understand the economic conditions affecting people in that area of the nation. As the star of the show, I will explain to the guests how important a role the Fed plays in their lives. The pilot you develop will help me understand how teens communicate and will give me some ideas on how to interact with my future guests.

Working in groups your teacher assigns, you will research key macroeconomic terminology as well as a specific district of the Federal Reserve System outlined in the most recent version of the Beige Book. Using this information, your group will develop a character based on a Role Card provided by your teacher. One student in your group will play that character in the pilot program with me.

To help you with this project, I will soon forward some guidelines for research, character development, and talk show organization to your teacher. You will need to have your sample pilot ready for viewing in three days. Your pilot should not last longer than 15 minutes.

Please be prepared to discuss the economic experiences of the characters you develop and the role of the Federal Reserve in the economy.

Yours truly,

Ben Bernanke, Ph.D.
Chairman, Federal Reserve System

Activity 2
Basic Macroeconomics Vocabulary Exercise

Student Name:_____________________________

For your character to successfully fulfill the role on the talk show, you must understand and correctly use basic economic terminology. Go to http://www.federalreserveeducation.org/FRED/glossary/glossary.cfm and locate definitions for all of the following concepts. Write in the definitions below.

Inflation

Nominal Interest Rates

Real GDP

Monetary Policy

Discount Rate

Open Market Operations

Reserve Requirement

Federal Funds Rate

Debt

Consumer Price Index

Unemployment Rate

Capital

Investing

Fiscal Policy

Activity 3

Beige Book Analysis Instructions

Assigned Federal Reserve District: _____Atlanta____

1. **Go to http://www.federalreserve.gov/FOMC/BeigeBook/2008/.**
   Answer the following questions using this Web page:

   a. What is the official title of the Beige Book?

   ____

   b. How often is the Beige Book published?

   ____

   c. What kind of information is included in the Beige Book?

   ____

   d. Who is interviewed to compile the Beige Book?

   ____

   e. Who, specifically, publishes the Beige Book?

   ____

2. **Click on the most recent version of the Federal Reserve Board Beige Book. Select *Atlanta* from the list on the left. List the six sectors of the Atlanta economy discussed in the 6th District section of the Beige Book (these are the words in bold type).**

   1.____

   2.____

   3.____

   4.____

   5.____

   6.____

Activity 3, continued

3. Designate each member of your group as the specialist for one of the sectors discussed in the Atlanta District's Beige Book. If you are not part of a group, your teacher will assign you a sector. Complete the chart below for your assigned sector:

Assigned Sector: ____

Student Name:____

Strengths of your sector	Weaknesses of your sector
1. 2. 3. 4.	1. 2. 3. 4.
Who could gain from current conditions? Why?	**Who could lose under current conditions? Why?**
1. 2. 3. 4.	1. 2. 3. 4.

Activity 4
Talk Show Role Cards

John Levy is an automobile dealer who specializes in mid-to-large sized domestic cars.	**Anita Perez** is a bilingual high-school student looking for part-time hotel employment.
Josh Kelly is an independent trucker who regularly transports goods to and from neighboring states. He has a variable-rate loan on his truck.	**Paul and Marie Brown** recently got married and are looking for their first home.
Michael Hunt is a roofer who is looking for full-time employment.	**LeRoy Jefferson** is a chemical engineer who works in the paper industry. He has a fixed-rate mortgage.
Andrew Bennett is a salesman for a local fertilizer company. He is responsible for a three-state area.	**Bob House** owns a small residential construction company. He has four new houses for sale.
Florence Knight has just graduated with a nursing degree. She needs a reliable vehicle.	**Cooper Martin** has just retired and depends on Social Security and interest payments earned on his investments.
Kim Lee is a banker who is responsible for recommending whether or not a customer gets a loan.	**Amelia Parker** owns an orange grove in Florida and ships fruit throughout the Southeast.

Activity 5
Developing Your Talk Show Character

1. Review your Beige Book analysis sheet.
2. Obtain a role card from your teacher.

Role Card: ____________________________

3. The character assigned to your group is experiencing economic conditions described on some or all of your Beige Book analyses sheets. Use this information and the information on your role card to develop your character, who will participate in the talk show.

a. Name:
____

b. Hometown:
____

c. Approximate Age:
____

d. Education:
____

e. Beige Book Sector(s) reflected in this character's situation:
____

f. Describe the economic problems and/or benefits currently being experienced (you must use and explain at least two of the economic terms you define in the *Basic Macroeconomics Terminology Activity*):
____
____
____
____
____
____

g. Outline the effect of these economic problems and/or benefits on your character's personal life:

____
____
____
____
____
____

h. What might be the effect of an increase on interest rates on your character?____
____

i. What might be the effect of a decrease in interest rates on your character?____
____

j. Compose a question that focuses on an economic aspect of your character's life that the host, "Dr. Bernanke," will answer during the talk show interview.

____
____

Give your teacher a copy of the question you have composed above.

4. Select one group member to play your group's character in the talk show.