



Macroeconomics Bootcamp February 2023

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Schedule for the Bootcamp



- **Monetary Policy –**
- Please open FOMC statement February 1, 2023
- <https://www.federalreserve.gov/newsevents/pressreleases/monetary20230201a.htm>
- Please open Beige Book—January 28th, 2023
- https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20230118.pdf
- **Long Run and Growth**
- **Globalization**

What do your students should know about the Federal Reserve Bank?

- 1. The structure of the Federal Reserve Bank
- 2. How is the Federal Reserve Bank a quasi-public institution?
- 3. What are the functions of the Federal Reserve Bank?
- 4. How does the Federal Reserve Bank affect the economy? During a recession? During Inflation?
- 5. How does the Federal Reserve Bank create economic growth?
- 6. What are the challenges for the Federal Reserve Bank?



National Standards

Standard: 18

- Students will understand that: Fluctuations in a nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies, and others in the economy. Recessions occur when overall levels of income and employment decline.
 - Students will be able to use this knowledge to: Interpret media reports about current economic conditions and explain how these conditions can influence decisions made by consumers, producers, and government policy makers.
-

Name: Fiscal and Monetary Policy

Standard: 20

- Students will understand that: Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices.
- Students will be able to use this knowledge to: Anticipate the impact of the federal government and the Federal Reserve System macroeconomic policy decisions on themselves and others.



STATE STANDARDS

Standard: 10

- Students will understand that: Institutions evolve and are created to help individuals and groups accomplish their goals. Banks, labor unions, markets, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.
- Students will be able to use this knowledge to: Describe the roles of various economic institutions and explain the importance of property rights in a market economy.

Name: Interest Rates

Standard: 12

- Students will understand that: Interest rates, adjusted for inflation, rise and fall to balance the amount saved with the amount borrowed, which affects the allocation of scarce resources between present and future uses.
- Students will be able to use this knowledge to: Explain situations in which they pay or receive interest, and explain how they would react to changes in interest rates if they were making or receiving interest payments.

Primary Sources

FOMC statement of the Open Market Committee

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20230201a.htm>

Beige Book Publication

<https://www.federalreserve.gov/monetarypolicy/beigebook202301.htm>

Council for Economic Education Lessons



- Monetary Policy and the Federal Reserve Bank
 - <https://www.econedlink.org/resources/monetary-policy>
- The Multiplier and the Mystery of Magic Money
 - <https://www.econedlink.org/resources/multipliers-and-the-mystery-of-the-magic-money/-and-the-federal-reserve-video-and-quiz/>
- Focus on Economic Data: The Federal Reserve Bank and Monetary Policy
 - <https://www.econedlink.org/resources/multipliers-and-the-mystery-of-the-magic-money/>

Monetary Policy Websites for the Classroom-

• Marginal Revolution University-

<https://mru.org/courses/principles-economics-macroeconomics/monetary-policy-federal-reserve>

- ▶ Monetary Policy and the Fed
 - ✎ Practice Questions
- ▶ The U.S. Money Supplies
 - ✎ Practice Questions
- ▶ The Money Multiplier
 - ✎ Practice Questions
- ▶ How the Fed Worked: Before the Great Recession
 - ✎ Practice Questions
- ▶ How the Fed Works: After the Great Recession
 - ✎ Practice Questions
- ▶ The Federal Reserve as Lender of Last Resort

- ▶ Monetary Policy: The Best Case Scenario
 - ✎ Practice Questions
- ▶ Monetary Policy: The Negative Real Shock Dilemma
 - ✎ Practice Questions
- ▶ When the Fed Does Too Much
 - ✎ Practice Questions





St Louis Federal Reserve Bank-

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EconLowdown - St Louis Federal Reserve Bank

Econ Lowdown is a FREE platform with online resources for K-12 and college classrooms.



Preview

Now Available: All New In Plain English, Making Sense of the Federal Reserve

Check out the *new* In Plain English video in the Resource Gallery. In this video, Penny, our tour guide, will show you around the Federal Reserve System, introducing you to who we are and what we do, and the content has been updated to reflect current Monetary Policy. **NOTE:** If you have already assigned the *original* In Plain English video to a classroom this year, your students will still be able to complete their work using that video and quiz.



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<https://www.econlowdown.org/imp.php>

Hi, Theresa.

Welcome to the Econ Lowdown Teacher Portal.

If you are interested in setting up a classroom and enrolling students in an online course or video, click on **Add Classrooms** below. Once you have a classroom set up, you can access information about your students' progress in the course, add or delete students, poll your students, or conduct other classroom management features.

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THE FEDERAL RESERVE BANK OF ATLANTA

The Fed Explained

The Federal Reserve is the central bank of the United States, with responsibility for overseeing the nation's monetary system.



The Federal Reserve Bank

- Established in 1913
- President Woodrow Wilson
- **Goals: Maximum Employment and Stable Prices**
- Created the National Bank

Federal Reserve Act


Woodrow Wilson, the 28th President of the United States signed the Federal Reserve Act on December 23, 1913. The Federal Reserve started operations in 1914.

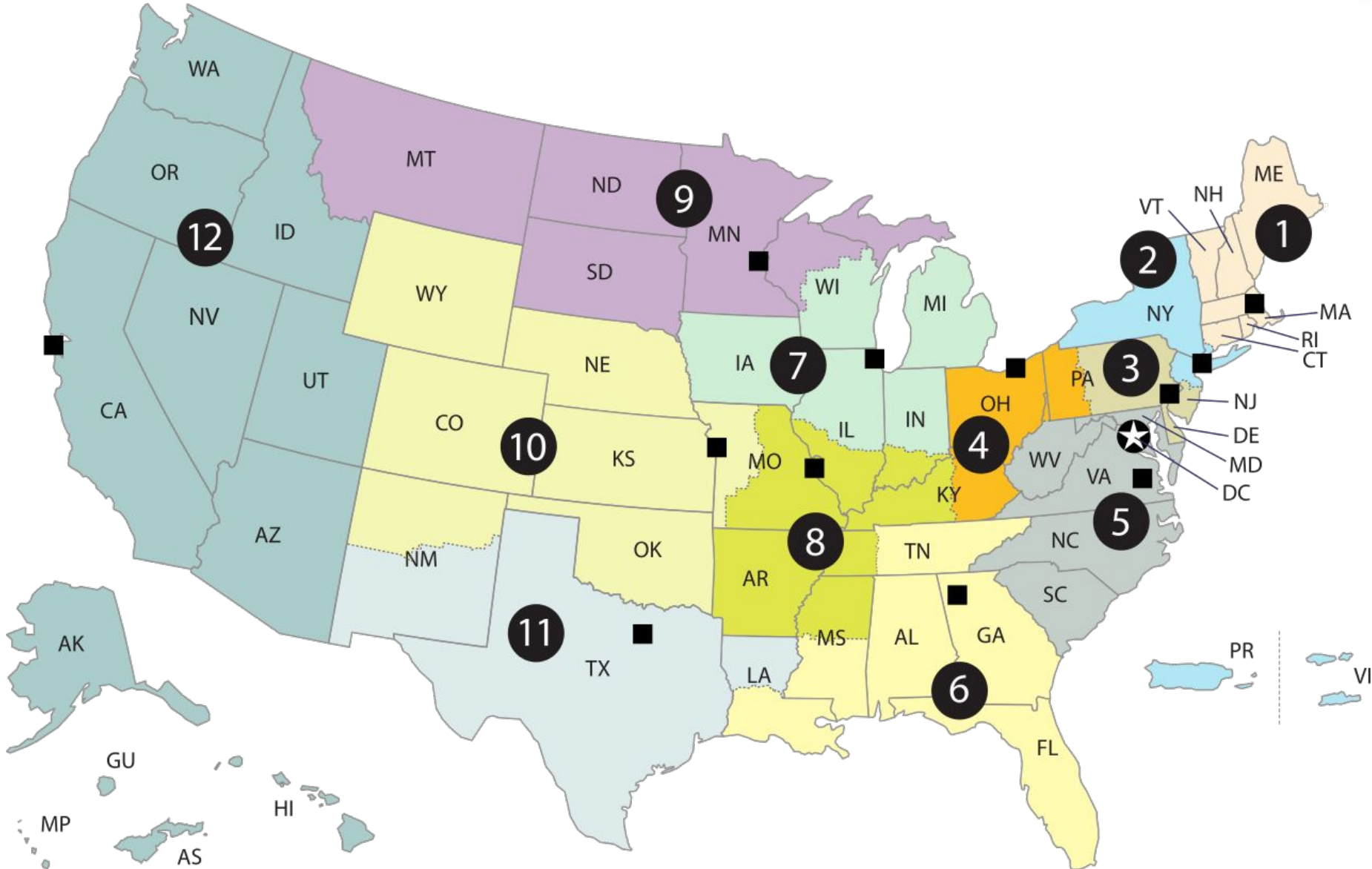


A large orange graphic on the left side of the slide, consisting of a rounded rectangle with a semi-circular end on the right side. The text 'Monetary Policy' is written in white inside this shape.

Monetary Policy

The actions of a **central bank** that influence the **availability and cost of money and credit** to achieve **national economic goals**.

A decorative yellow dashed line in the bottom right corner, consisting of several short, curved segments that form a partial arc.

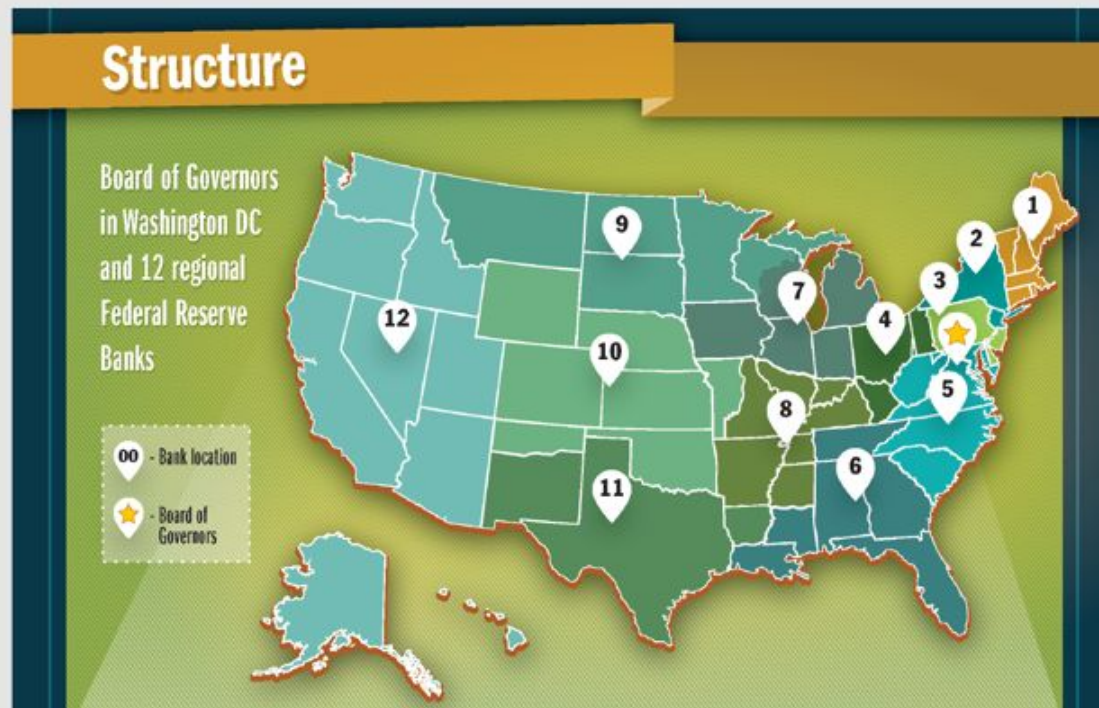


Mr. Princeton Williams Atlanta Federal Reserve Bank



The \$1 Federal Reserve note was issued in 1963, and its design—featuring President George Washington and the Great Seal of the United States—remains unchanged.
<https://money.howstuffworks.com/symbols-dollar-bill.htm>

BOG and Reserve Banks



In 1913, The Federal Reserve Act created a two-part structure for the new central bank.

- Board of Governors
 - Seven members who are appointed by the president and confirmed by the Senate
 - Oversee the Federal Reserve System
- Regional Reserve Banks
 - 12 Banks serving regions across the U.S.
 - Local presence of the Fed
 - Operating arm of the System

BOARD OF GOVERNORS



Jerome H. Powell
Chair



Richard H. Clarida
Vice Chair



Randal K. Quarles
*Vice Chair for
Supervision*



**Michelle W.
Bowman**



Lael Brainard



**Christopher J.
Waller**



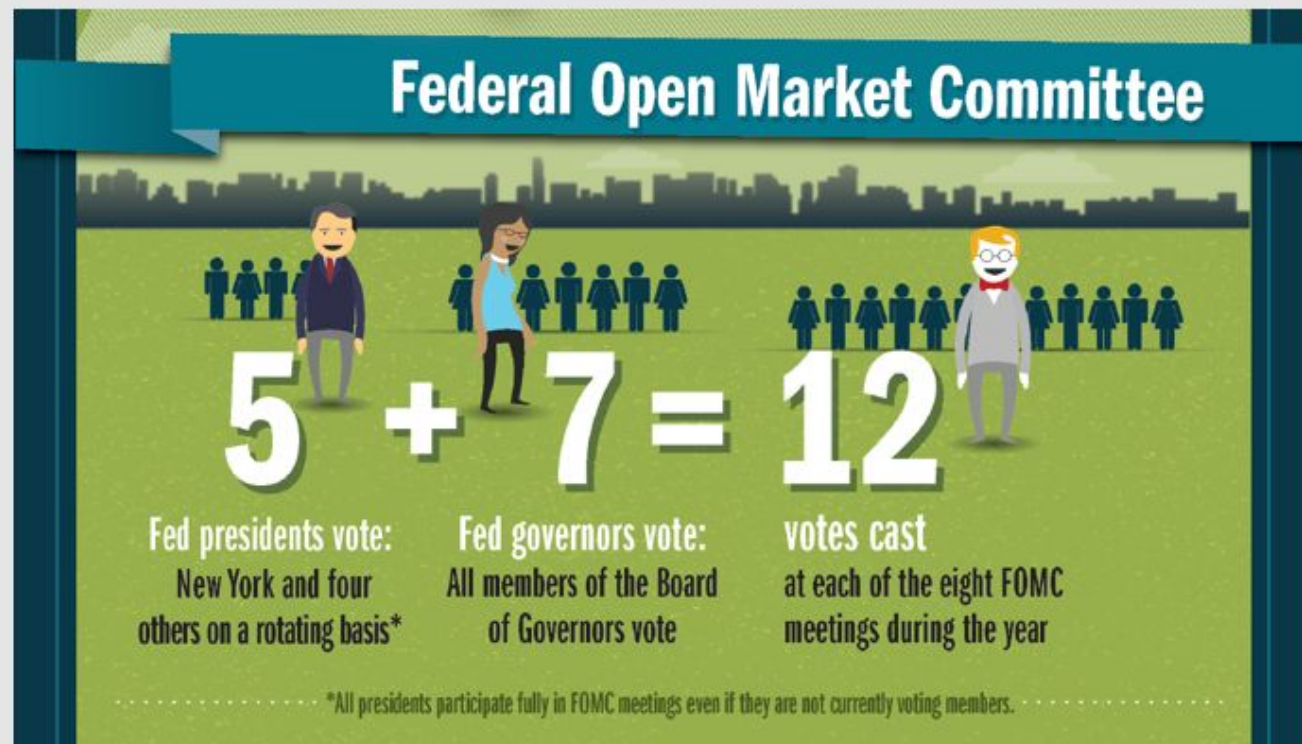
Philip N. Jefferson
Governor
Board of Governors

Mr. Princeton Williams Atlanta Federal Reserve Bank

Federal Open Market Committee

In legislation from 1933 and 1935, Congress created the Federal Open Market Committee.

- Nineteen participants
 - 12 Federal Reserve Bank presidents
 - 7 Governors
- Twelve voting members
 - 7 Governors
 - New York Fed President
 - 4 Federal Reserve Bank presidents (Rotation between 11 Banks)
- The FOMC sets the direction for monetary policy for the nation.



Federal Reserve Responsibilities

A green rectangular panel with a background of overlapping US dollar bills.

Conducting
the nation's
monetary
policy

An orange rectangular panel with a background of a globe showing continents and oceans.

Helping
maintain the
stability of
the financial
system

A dark red rectangular panel with a background of classical architectural columns.

Supervising
and regulating
financial
institutions

A teal rectangular panel with a background of a payment system diagram showing a central node connected to several peripheral nodes.

Fostering
payment and
settlement
system safety
and efficiency

A blue rectangular panel with a background of several houses, representing a residential neighborhood.

Promoting
consumer
protection and
community
development



Federal Open Market Committee

Mr. Princeton Williams Atlanta Federal Reserve Bank



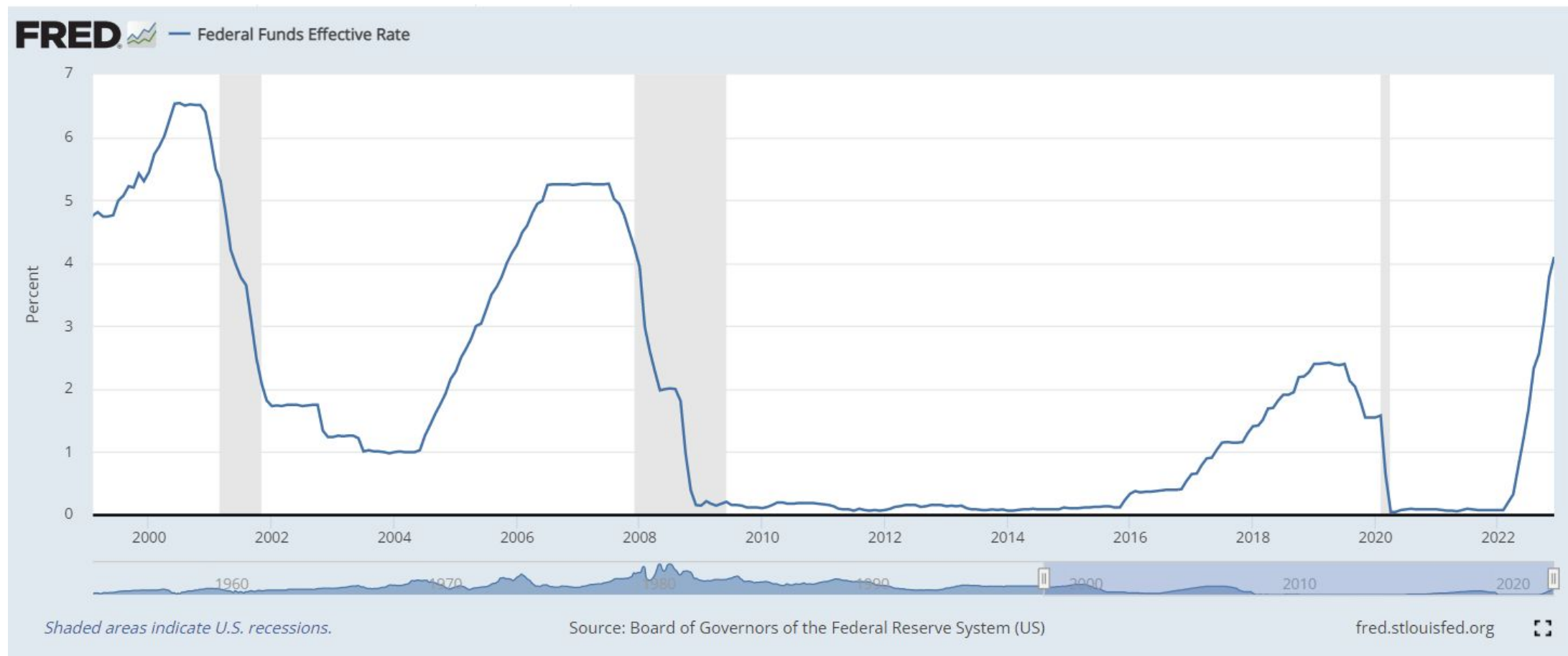
PUBLIC—

1. The Chairman and the Bd of Governors are appointed by the President and approved by the Senate
2. Must report to Congress twice a year
3. It is the agent of the Federal Government payments
4. Established by the Federal Government

PRIVATE-

1. It is self funding and gives the Federal Government its excess earnings
2. The Banks are private and publicly held
3. The Banks own shares of stock to the Federal Reserve Bank
4. The Banks Presidents are not public officials.

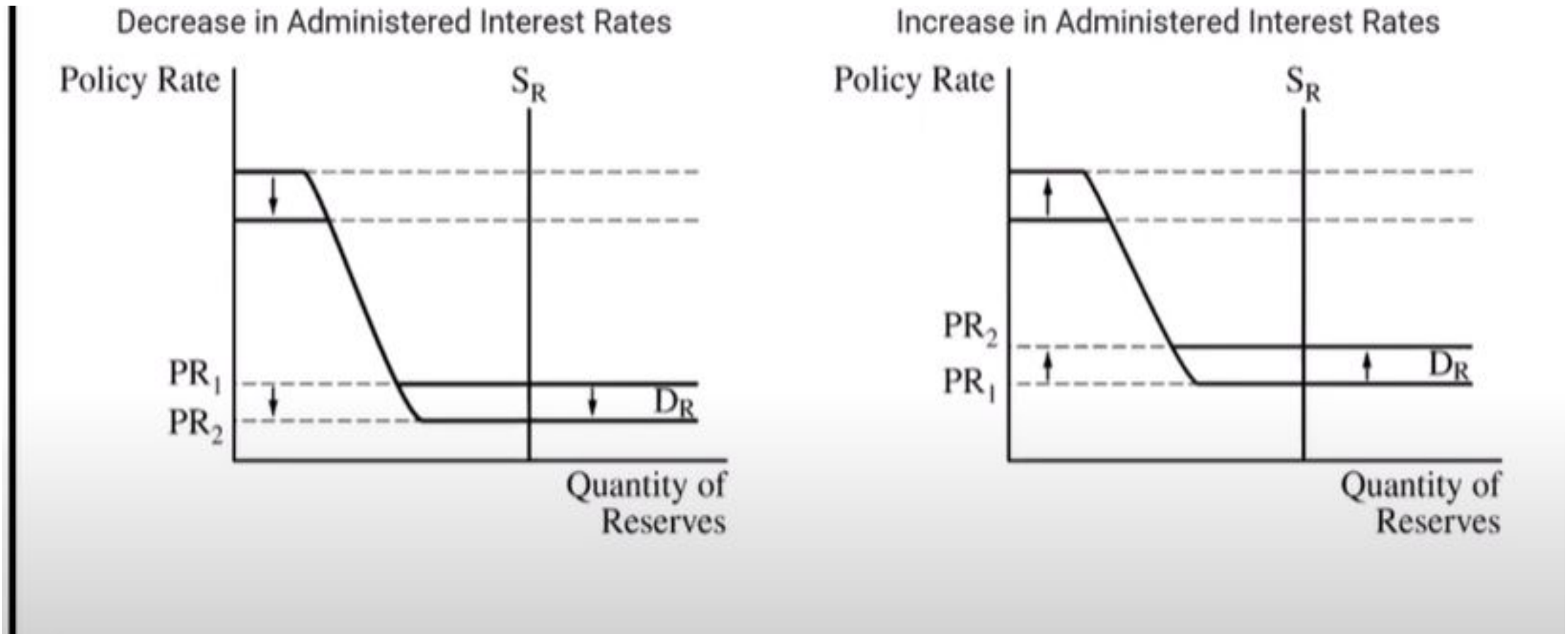
Federal Funds Rate 4.75 basis points



Excess Reserves

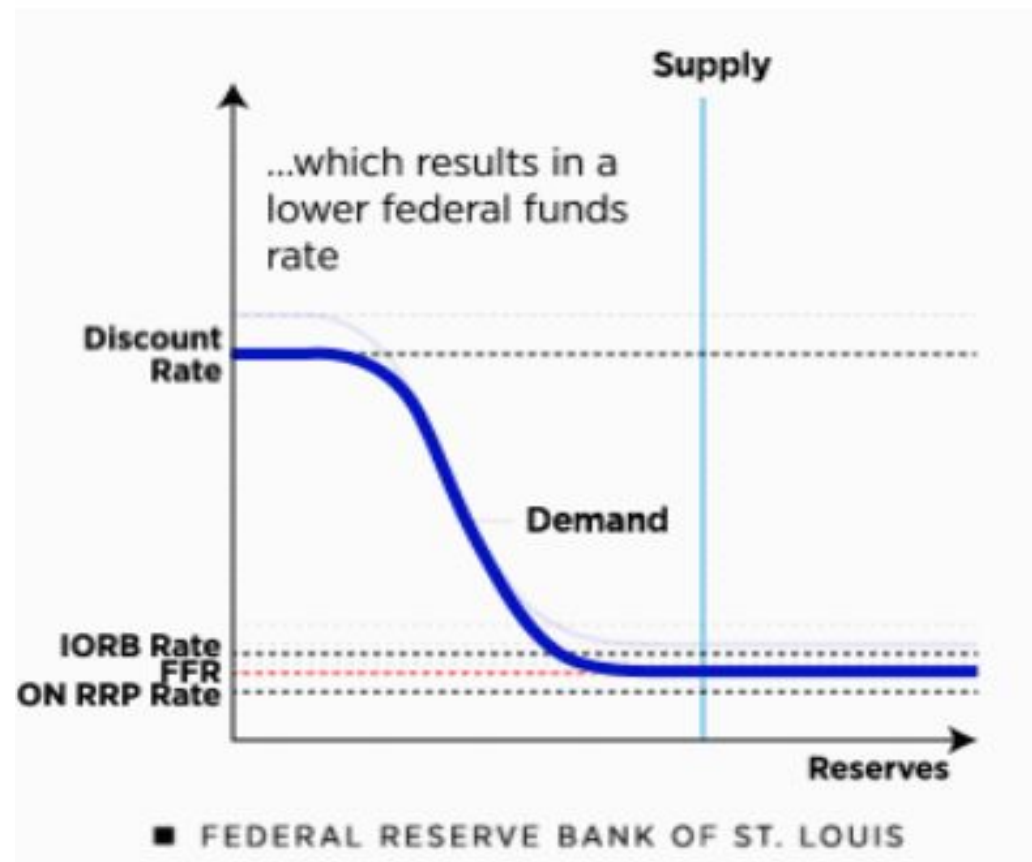


MONETARY POLICY GRAPHS



The Federal Reserve Bank Expansionary + Contractionary Monetary Policy

<https://www.stlouisfed.org/in-plain-english/expansionary-and-contractionary-policy>





Monetary Policy Actions

**Financial Conditions;
Consumer and Business Decisionmaking**

Dual Mandate

FOMC
conducts
monetary
policy:
Target
range for
the federal
funds rate

Fed
implements
monetary
policy:
Interest on
reserve
balances
rate

Market
interest
rates

Consumer
spending

Business
investment

Aggregate
demand

Employment

Inflation

**Goal: Maximum Employment
and Price Stability**



FOMC Statement –February 1, 2023

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20230201a.htm>

- February 01, 2023
- Federal Reserve issues FOMC statement
- For release at 2:00 p.m. EST
- [Share](#)
- Recent indicators point to modest growth in spending and production. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation has eased somewhat but remains elevated.
- Russia's war against Ukraine is causing tremendous human and economic hardship and is contributing to elevated global uncertainty. The Committee is highly attentive to inflation risks.
- The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 4-1/2 to 4-3/4 percent. The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. In determining the extent of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in its previously announced plans. The Committee is strongly committed to returning inflation to its 2 percent objective.
- In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.
- Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Lael Brainard; Lisa D. Cook; Austan D. Goolsbee; Patrick Harker; Philip N. Jefferson; Neel Kashkari; Lorie K. Logan; and Christopher J. Waller.
- For media inquiries, please email media@frb.gov or call 202-452-2955.

Rapid Response to COVID crisis

March 3 *unscheduled FOMC meeting*

- Cut FFR 50 basis points (to 1-1.25%)

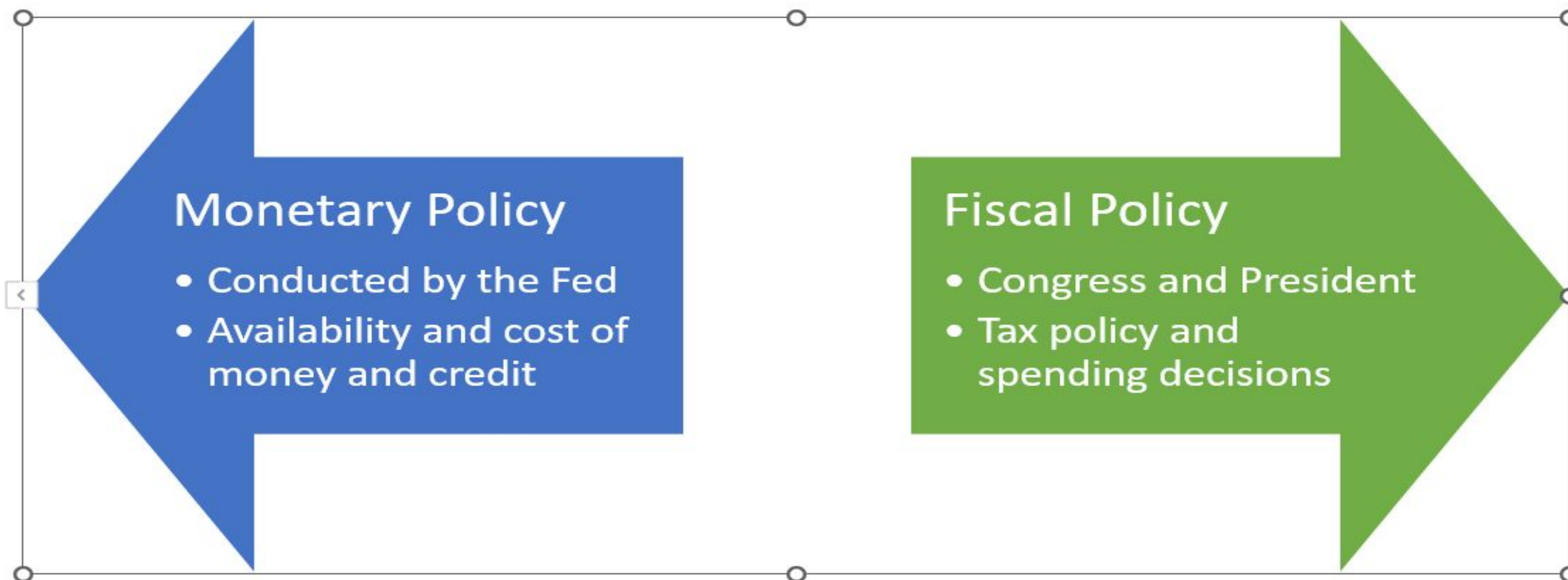
March 15 *unscheduled FOMC meeting*

- Cut FFR 100 basis points (to 0-0.25%)
- Implemented swap lines with major central banks
- Treasury purchases (at least \$500 b)
- MBS purchases (at least \$200 b)
- Cut discount rate spread to the funds rate

Also on March 15

- Eliminated reserve requirements
- Issued regulatory guidance

Monetary vs. Fiscal Policy



Price Stability

How does the Fed measure price level changes?
MACROECONOMICS

Understanding Price Stability

Price stability occurs when the **Rate Of Inflation** is kept low and stable over an extended time period. The **Price Level** is the average of the **Current Prices of Everything Sold** in our Economy.

How does inflation affect your purchasing power?

Fiscal & Monetary Policy

How do policymakers stabilize the economy?
MACROECONOMICS

Fiscal Policy

The spending and taxing policies used by Congress and the president.

WHO?

Monetary Policy

The tools used by the Federal Open Market Committee to influence the availability of credit and the money supply.

WHO?

Federal Open Market Committee

Maximum Employment

How does the Fed measure labor market conditions?
MACROECONOMICS

What Is Maximum Employment?

Maximum employment is the level of employment in the economy whereby virtually all who are willing and able to work have the opportunity to find a job. The Federal Reserve pursues the goal of maximum employment as part of its mandate from Congress.

Employed + Unemployed

The Fed Explained

The Federal Reserve is the central bank of the United States, with responsibility for executing the nation's monetary policy.

Structure

Circular Flow Model

What roles do households, firms, and government play in the economy?
MICROECONOMICS

The Circular Flow Model

In the **PRODUCT MARKET**, firms are the sellers (supply) and households are the buyers. Firms receive **Revenue** from households in exchange for **Goods and Services**.

In the **RESOURCE MARKET**, households are the sellers (supply) and firms are the buyers. Firms pay **Wages, Interest, Rent** to households in exchange for **Factors of Production**.

Supply & Demand

How do markets determine prices?
MICROECONOMICS

Law of Supply

There is a **direct, or positive, relationship** between the price of a good or service and the quantity supplied of that good or service.

Price = P Qs = Quantity supplied

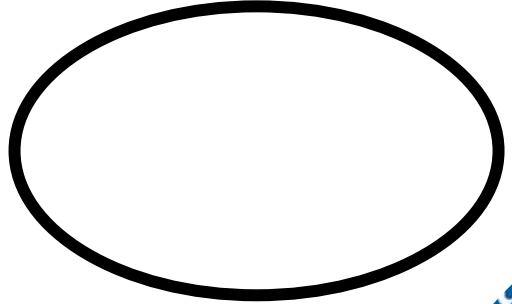
↑P → ↑Qs
↓P → ↓Qs

Law of Demand

There is an **inverse or negative relationship** between the price of a good or service and the quantity demanded of that good or service.

Price = P Qd = Quantity demanded

↑P → ↓Qd
↓P → ↑Qd



Atlanta Fed Infographics
www.atlantafed.org/infographics

Fed Explained Infographic Activity

Created by Congress in 1913, the Federal Reserve, the U.S. central bank, is responsible for overseeing the nation's monetary system, ensuring the safety and soundness of the U.S. banking and financial system, providing financial services to depository institutions, and serving as the fiscal agent for the U.S. government. This infographic highlights the basics about the Fed's structure and functions and the Federal Open Market Committee (FOMC), its policymaking body. It also presents aspects of the Fed's role as lender of last resort, the importance of its independence, and the goal of transparency.

Fed Explained Infographic Questionnaire

(Students will refer to the infographic to answer the following questions.)

1. What is the Federal Reserve?
2. What is the basic structure of the Federal Reserve System?
 - a. Where is the Board of Governors located?
 - b. How many District Banks are there?
 - c. Based on where you live, what is the number of your Federal Reserve district?
 - d. Based on where you live, what states, or parts of states, are included in your Federal Reserve district?
3. How many Federal Reserve District Bank presidents vote as part of the Federal Open Market Committee?
4. How many governors make up the Board of Governors?
5. What Federal Reserve District Bank president is a permanent voting member of the Federal Open Market Committee?
6. How times a year does the FOMC meet?
7. What are the three primary functions of the Federal Reserve?
8. When the Fed conducts open market operations, which of its functions is being implemented?
9. What two conditions is the Federal Reserve intending to promote when it sets policy?
10. What must banks be able to provide when coming to the Federal Reserve to obtain credit?
11. What is meant when the Federal Reserve is referred to as the "lender of last resort"?
12. By what entities is the Federal Reserve System audited?
13. What are the two primary sources of funding for the Federal Reserve System?
14. Is the Federal Reserve independent? Explain.
15. Provide examples of how the Federal Reserve provides information to the U.S. public as part of its efforts to promote transparency.

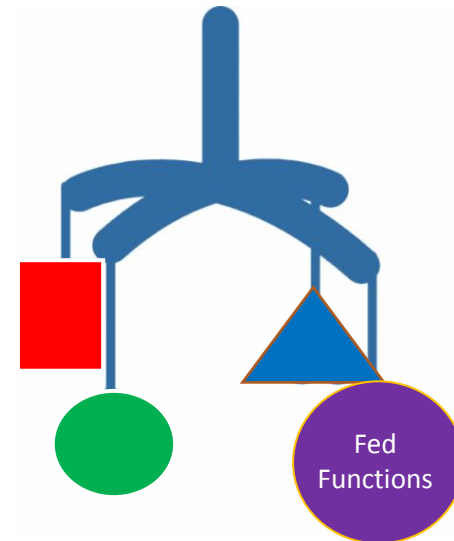
Extension activities and questions

(Use the links or excerpts provided to complete the following activities or to answer the questions.)

1. Identify the Federal Reserve district in which you reside and then use this link (<https://www.federalreserve.org/about-the-fed/structure-and-functions/districts>) to research additional information about the district as you answer the following questions:
 - a. What is the city and number of your Federal Reserve district?
 - b. List the Federal Reserve District branches located within your district.
 - c. What is the name of the president of your district Bank?
 - d. List the names of the current members of the Board of Governors.
 - e. Who is the current chair of the Board of Governors? Identify three interesting facts about this person.
2. Use this link (<http://www.federalreserve.gov/aboutthefed/default.htm>) to answer the following questions:
 - a. Who is the current chair of the Board of Governors? Identify three interesting facts about this person.
 - b. Who is the current vice chair of the Board of Governors? Identify three interesting facts about this person.
 - c. When the Board of Governors is at full complement, there are seven members. In addition to the chair and vice chairman, how many members are there at present?
 - d. Who nominates the governors and what body confirms them?
 - e. What is the length of a governor's full term?
 - f. What is the intention of making the governors' terms lengthy and their appointments staggered?
 - g. How long is the term of the chair and vice chair?

Extension activity:

Make a mobile that illustrates the balance of the functions of the Federal Reserve.





Economics and Personal Finance Activities



frbatlanta.org/education



Resources to Accompany the Atlanta Fed's Infographic Posters

www.atlantafed.org/infographics

- Order copies of all infographics
- See other posters in the series
- Find related activities

Purposes and Function

Six short videos on each of the five functions

<https://www.federalreserve.gov/aboutthefed/pf.htm>

Purposes & Functions

The 10th edition of *The Federal Reserve System Purposes & Functions* details the structure, responsibilities, and aims of the U.S. central banking system. The Federal Reserve System performs five functions to promote the effective operation of the U.S. economy and, more generally, to serve the public interest. It includes three key entities: the Board of Governors, 12 Federal Reserve Banks, and the Federal Open Market Committee.

1. Overview of the Federal Reserve System



The Federal Reserve performs five key functions in the public interest to promote the health of the U.S. economy and the stability of the U.S. financial system.

2. The Three Key System Entities



The Board of Governors, the Federal Reserve Banks, and the Federal Open Market Committee work together to promote the health of the U.S. economy and the stability of the U.S. financial system.

3. Conducting Monetary Policy



The Federal Open Market Committee sets U.S. monetary policy in accordance with its mandate from Congress: to promote maximum employment, stable prices, and moderate long-term interest rates in the U.S. economy.
VIDEO: Fed Functions: Conducting Monetary Policy

4. Promoting Financial System Stability



The Federal Reserve monitors financial system risks and engages at home and abroad to help ensure the system supports a healthy economy for U.S. households, communities, and businesses.
VIDEO: Fed Functions: Promoting Financial System Stability

5. Supervising and Regulating Financial Institutions and Activities



The Federal Reserve promotes the safety and soundness of individual financial institutions and monitors their impact on the financial system as a whole.
VIDEO: Fed Functions: Supervising and Regulating Financial Institutions

6. Fostering Payment and Settlement System Safety and Efficiency



The Federal Reserve works to promote a safe, efficient, and accessible system for U.S. dollar transactions.
VIDEO: Fed Functions: Fostering Payment and Settlement System Safety and Efficiency

7. Promoting Consumer Protection and Community Development



The Federal Reserve advances supervision, community reinvestment, and research to increase understanding of the impacts of financial services policies and practices on consumers and communities.
VIDEO: Fed Functions: Consumer Protection and



THE FEDERAL RESERVE AND YOU

The Federal Reserve and You

Assessing the Health of the Economy



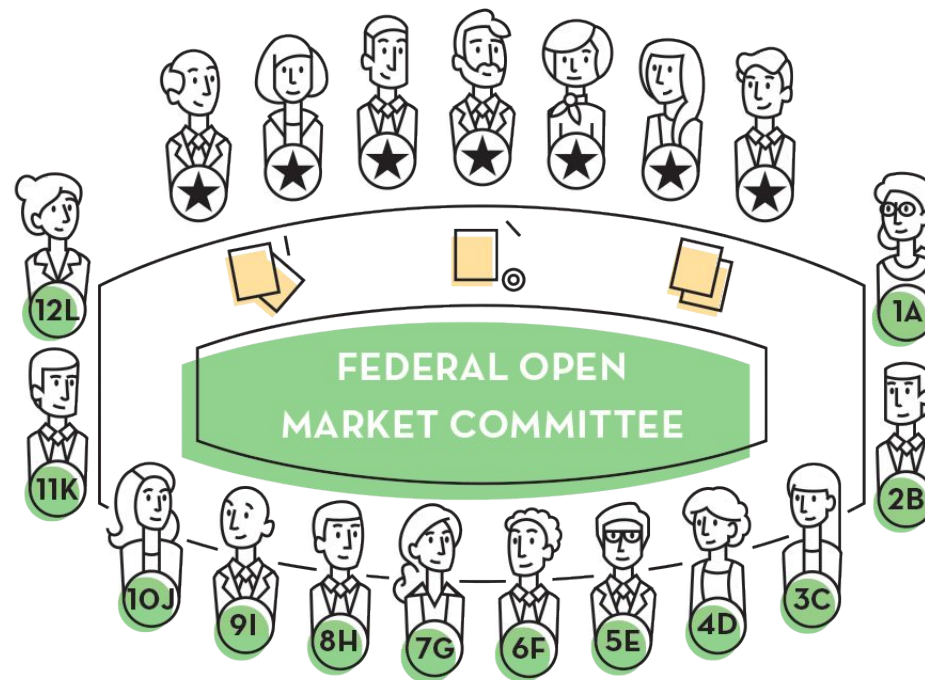
Economic Data



**Anecdotal
Information**

Take a Seat at the Table

 An FOMC Simulation 

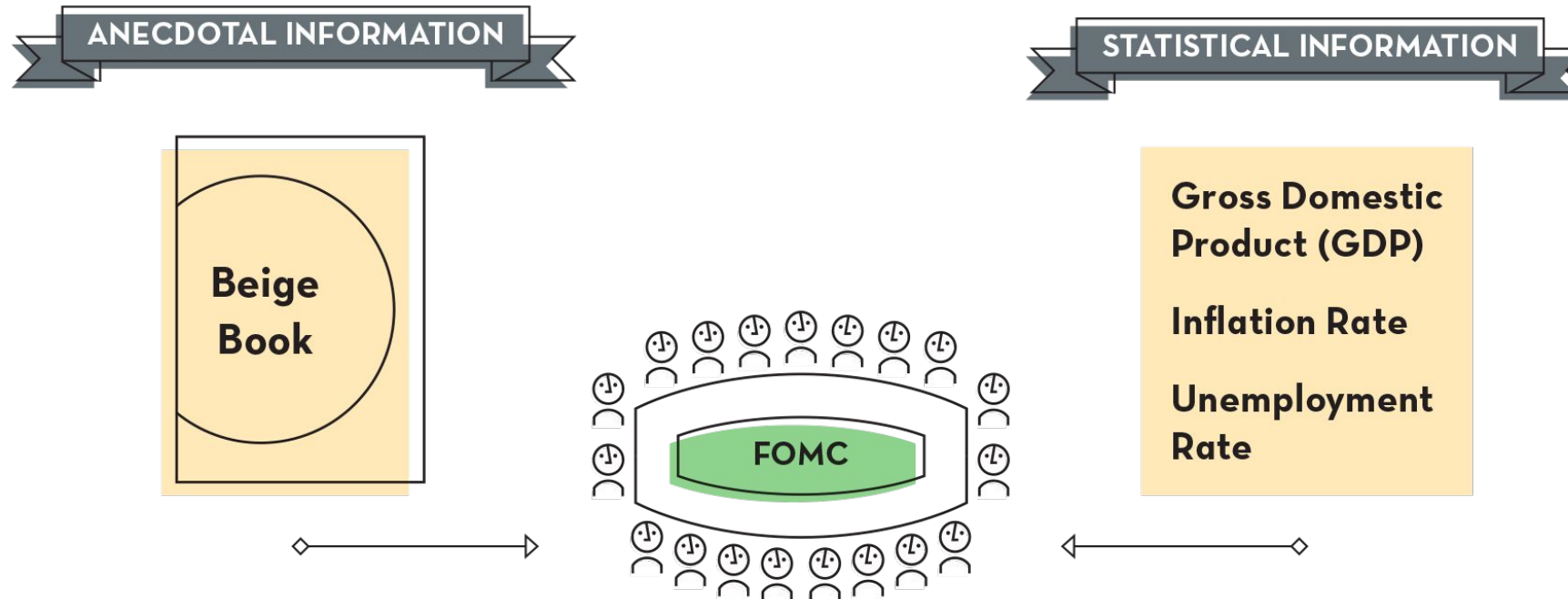


Instructional Objectives

Students will:

- Identify the role of the FOMC in formulating monetary policy.
- Identify the legislative origins of the structure and goals of the FOMC.
- Analyze anecdotal information from the Beige Book to assess the risk that the economy will not meet the national economic goals.
- Create an FOMC statement that contains a policy recommendation.

Measuring the Economy



https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20221130.pdf

Types of Risk

Upside Risks

What could happen in the economy that could cause overall ***prices to rise?***

Downside Risks

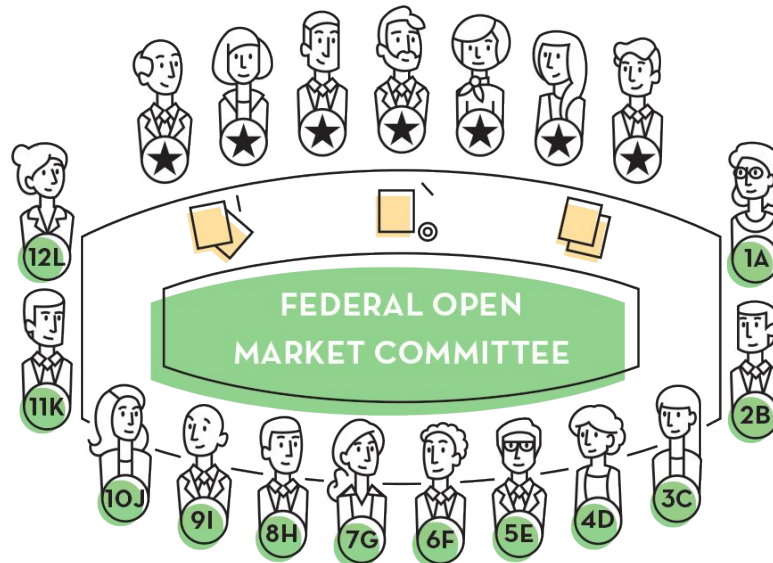
What could happen in the economy that could cause overall ***employment to fall?***

Upside and Downside Risks

Threats to stable prices (Upside Risks)	Threats to maximum employment (Downside Risks)
Increased sales	Sales are down
Spending remains strong	Consumer spending weakened
Occupancy at high levels	Manufacturing declined
Operating at full capacity	Orders were soft
Increased prices for inputs	Lending contracted
Loan demand is brisk	Activity was slowing
Activity continues to advance	Demand for hires decreased
Labor markets are tightening	Real estate markets deteriorated
Pickup in wages	Reports were negative
Construction is robust	Hiring freeze

Take a Seat at the Table

Hello. I am the president of the Federal Reserve Bank of _____.
 Our Bank believes that the balance of risk is weighted to the:



- Upside
- Downside
- Both upside and downside
- We do not see significant economic risks.

We made this risk assessment based on the following information from our Beige Book:

1. _____ 2. _____ 3.

Thank you.

Policy Discussion Votes

1A Boston

- Upside risks
- Downside risks
- Both upside and downside risks
- We do not see significant economic risks

Raise Lower No change

5E Richmond

- Upside risks
- Downside risks
- Both upside and downside risks
- We do not see significant economic risks

Raise Lower No change

9I Minneapolis

- Upside risks
- Downside risks
- Both upside and downside risks
- We do not see significant economic risks

Raise Lower No change

2B New York

- Upside risks
- Downside risks
- Both upside and downside risks
- We do not see significant economic risks

Raise Lower No change

6F Atlanta

- Upside risks
- Downside risks
- Both upside and downside risks
- We do not see significant economic risks

Raise Lower No change

10J Kansas City

- Upside risks
- Downside risks
- Both upside and downside risks
- We do not see significant economic risks

Raise Lower No change

Press Release

PRESS RELEASE

A summary of the committee's view of economic conditions

An assessment of the risks to stable prices and maximum employment observed in the economy

A specific target for the federal funds rate, along with any change from the previous target

Information about the factors that could cause the committee to make future changes to the target rate

A record of the vote of the committee, along with information about any dissenting votes

Name: _____

PRESS RELEASE

Policy Action: _____

Economic Conditions: _____

Balance of Risks: _____

Project --- Take a SEAT at the TABLE

[thefedprocedure \(1\).pdf](#)

HOW BANKS MAKE MORE MONEY WITH YOUR MONEY



Banking Money creation simulation.zip

A blue ribbon-style banner with a slight 3D effect, containing the text 'THANK YOU' in white, uppercase, sans-serif font.

THANK YOU

A dark blue, rounded rectangular button with a slight 3D effect, containing the text 'Any Questions?' in white, sans-serif font.

Any Questions?