GRADE 8
SOCIAL STUDIES

CLOSE READING
COHORT 1

Close Reading Lesson Title: **The Role of the Fed**[1]
Designed by: **Alycia M. Jefferson**
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Content Area: **Social Studies**
Grade Level: **8**

Goal for the Lesson

- Students will read, analyze and discuss the role of the Federal Reserve Bank using a complex, informative text. Through multiple close readings of the passage, class discussions, think-pair share strategies and note taking, students will identify and analyze the role of the Federal Reserve and how its role creates interdependence in society. Students will be directed to pay close attention to the text and cite evidence from the text to answer text-dependent questions.

Delaware Social Studies Standard

- **Economics Standard Two 6-8a:** Students will analyze the role of money and banking in the economy, and the ways in which government taxes and spending affect the functioning of market economies.

Big Idea

Interdependence

Connection to the CCSS

The following CCS Standards are the focus of this Close Reading Lesson:

CC6-8RH/SS1; CC6-8RH/SS2; CC6-8RH/SS3; CC6-8RH/SS4; CC6-8RH/SS10; CC6-8WH/SS 2; CC6-8WH/SS 2d; CC6-8WH/SS S4; CC6-8WH/SS 9; CC6-8WH/SS 10

Time Required

The close reading and discussion portion of this lesson are brief enough to be completed in a single class period of 55 minutes, but would be best done over two 55 minute class periods to allow time for a thorough class discussion of the content and vocabulary. Teachers may also wish to allow students to review the material and complete the Check for Understanding Writing Response as the beginning of the next day of instruction.

Prior to the Lesson

- Review DRC Unit "Money, Banking and Taxes" and Complete Lesson 1
- Make student copies of The Role of the Fed Student Reading Handout
- Make student copies of Text Dependent Questions Handout
- Show "The Federal Reserve and You" Clips on Monetary Policy[2] as background

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[1] Materials adapted from:

Money, Banking and Monetary Policy, Federal Reserve Bank of Dallas

Money, Banking and Taxes, Rebecca N. Reed, September 2012

[2] Recommended before beginning, but could also be done after the reading and before the CFU for reinforcement of the reading.

Teacher Instructions (Part 1): A Close Reading of The Role of the Fed

Show "The Federal Reserve and You" Clips on Monetary Policy[3] as background information.

- Introduction
- Effect of Changes in the Money Supply
- Price Stability
- Monetary Policy Goals
- Reserve Requirements

Provide students with The Role of the Fed Student Reading Handout at the beginning of the lesson reminding students of the steps when reading new material independently (approx. 10 minutes).

- First, source the material before beginning to read. Click here for a sample of a source log.
- Second, students should read the article independently, highlighting key points and circling unfamiliar vocabulary or phrases for future discussion.

Notes for Teachers

- It is important to make students aware that this is a difficult piece and that they are not expected to understand all of the material right away as the class will read and thoroughly discuss the material several times.
- For some students, using sticky notes rather than writing only in the margins may be helpful during this reading.

After students have had sufficient time to read the article, ask them to pause and explain that you will now read the article aloud as students follow along.

- There should be brief pauses during the reading to review the unfamiliar vocabulary and meaning of phrases throughout the selection.
- During this 2nd reading, students should take notes on the vocabulary in the margin as well as any notes on key details you feel are important.

Teacher Instructions (Part 2): Text Dependent Questions

Provide students with the Text Dependent Question Student Handout before beginning Part 2.

For each TDQ below, the teacher should re-read the selected section aloud or have students read to one another in pairs. Have students use the following method for each of the Text Dependent Questions:

- Re-read the section of the text in the Left Column
- Take Notes to help you respond to the questions (in the space provided or on sticky notes)
- Discuss the questions in your group (2-3)
- Write what you think is the ***best*** answer to the question

[3] Recommended before beginning, but could also be done after the reading and before the CFU for reinforcement of the reading.

Text	Questions
Keeping prices stable is part of the job of the Federal Reserve, which was created by Congress in 1913. There had been two attempts at establishing a central bank in the United States in the 19th century, but politics killed them even though they were successful.	What is the one of the primary jobs of the Federal Reserve? Support your answer with evidence from the text. In the opening paragraph, the Author uses the phrase "but politics killed them…" What do you think the Author means by this?
Back then, state-chartered banks issued their own paper money backed only by their individual gold and silver reserves. As a result, there were once more than 10,000 different kinds of bank notes in circulation. Suppose you owned a store in those days. How would you know which banks had enough gold reserves to make their currency worth its face value? Should you decrease the value of bills from a weaker bank? And how would you keep track of all those bank notes? You can imagine the shopkeeper's dilemma. If a bank went broke, its currency was instantly worthless, and those who held its notes could lose everything.	What problem was created by state-chartered banks issuing their own paper money for citizens? Support your answer with evidence from the text. In paragraph 2, the Author speaks of a "dilemma" faced by the shopkeepers. What is this dilemma shopkeepers may have faced? What evidence from the text supports your answer?
Banks provide many services…. People also have savings accounts in which they deposit money they don't need right away or they are saving for a particular purpose. The bank pays interest, or a price paid for use of the money, on savings accounts and often on checking accounts, too. Very little of this money is kept in the bank's vault, however. While the Federal Reserve requires banks to keep a specified percentage of customer deposits on hand (reserves) to meet routine withdrawals, they lend the excess.	In paragraph 5, the Author describes services a bank provides for its consumers. • Why is the service of paying interest on money in a person's account beneficial to both the bank and consumer? • What evidence from the text supports your answer? Why does the Federal Reserve require banks to keep "a specified percentage of customer deposits on hand (reserves)"? Support your answer with evidence from the text.

Teacher Instructions (Part 3): Class Discussion/Visual Aid

After students have had sufficient time to re-read and analyze the identified sections of text, ask them to pause. At this point the students should have reviewed the material several times and should be ready to participate in a class discussion.

Prior to discussing the following questions, please display the *Money, Banking and Monetary Policy* Visual Aid below. Students should view it independently then discuss HOW the visual is connected to the Reading with a partner.

Once the students have had a chance to quietly review and discuss the Visual Aid, a full class discussion should begin. The teacher should review the excerpts from the TDQ Handout and then discuss the following questions:[4]

- What are the two primary jobs of the Federal Reserve Bank? Support your answer with evidence from the text.
- Why are healthy profitable banks necessary for a countries positive economic welfare?
- How does the Federal Reserve help provide a flexible banking system for citizens?

Teacher Instructions (Part 4): Written Response/Check for Understanding

Click here for the Check for Understanding

[4] Recommendation: Display the above questions on a PowerPoint or board in the classroom once the Close Reading and TDQ questions have been discussed to help guide the focus of the discussion.

The Role of the Fed - Student Reading

Keeping prices **stable** is part of the job of the Federal Reserve, which was created by Congress in 1913. There had been two attempts at **establishing** a central bank in the United States in the 19th century, **but politics killed them** even though they were successful. Back then, state-chartered banks issued their own paper money backed only by their individual gold and silver reserves. As a result, there were once more than 10,000 different kinds of bank notes in circulation.

Suppose you owned a store in those days. How would you know which banks had enough gold reserves to make their currency worth its **face value?** Should you decrease the value of bills from a weaker bank? And how would you keep track of all those bank notes? You can imagine the shopkeeper's **dilemma.** If a bank went broke, its currency was instantly worthless, and those who held its notes could lose everything.

Naturally, people hurried to withdraw their money at the first hint of trouble in the economy. The **result** was **periodic** financial panics that could **devastate** the national economy for years. Finally, after a **particularly** bad panic in 1907, Congress decided to solve the problem. In 1913, it **established** the Federal Reserve System to provide for a safer and more **flexible** banking and monetary system.

With the Fed as safeguard, banks can perform their proper role of bringing savers and borrowers together for the benefit of both. For any economy to be successful, a country **first needs political stability** so its citizens feel safe; then it needs a **stable financial system** that includes both **trustworthy money** and **reliable financial institutions**. Healthy, profitable banks, therefore, are a vital part of the nation's **economic welfare**.

Banks provide many services, but for most people, banking **consists** of depositing their income into a checking account and writing checks or using a debit card on that account to buy things that cost more money than they want to carry in their wallets. People also have savings accounts in which they deposit money they don't need right away or they are saving for a **particular** purpose. The bank pays interest, or a price paid for use of the money, on savings accounts and often on checking accounts, too.

Very little of this money is kept in the bank's vault, however. While the Federal Reserve requires banks to keep a **specified** percentage of customer deposits on hand (reserves) to meet routine withdrawals, they lend the excess. Banks, like any other business, must make a profit **to stay in business**. Their profit comes from interest people pay on the money they borrow.

state-chartered
organized and maintained by individual states

bank notes
paper currency

financial panics
urgent concern for safety of personal money

safeguard
form of protection

vital
necessary

vault
safe holding place within the bank

reserves
funds which cannot be loaned

excess
unused funds

Name ______________________________

Date _____________

Directions: Using the evidence from the reading, your notes, text dependent questions, class discussion, and visual aids answer the following question in the space provided.

Check for Understanding

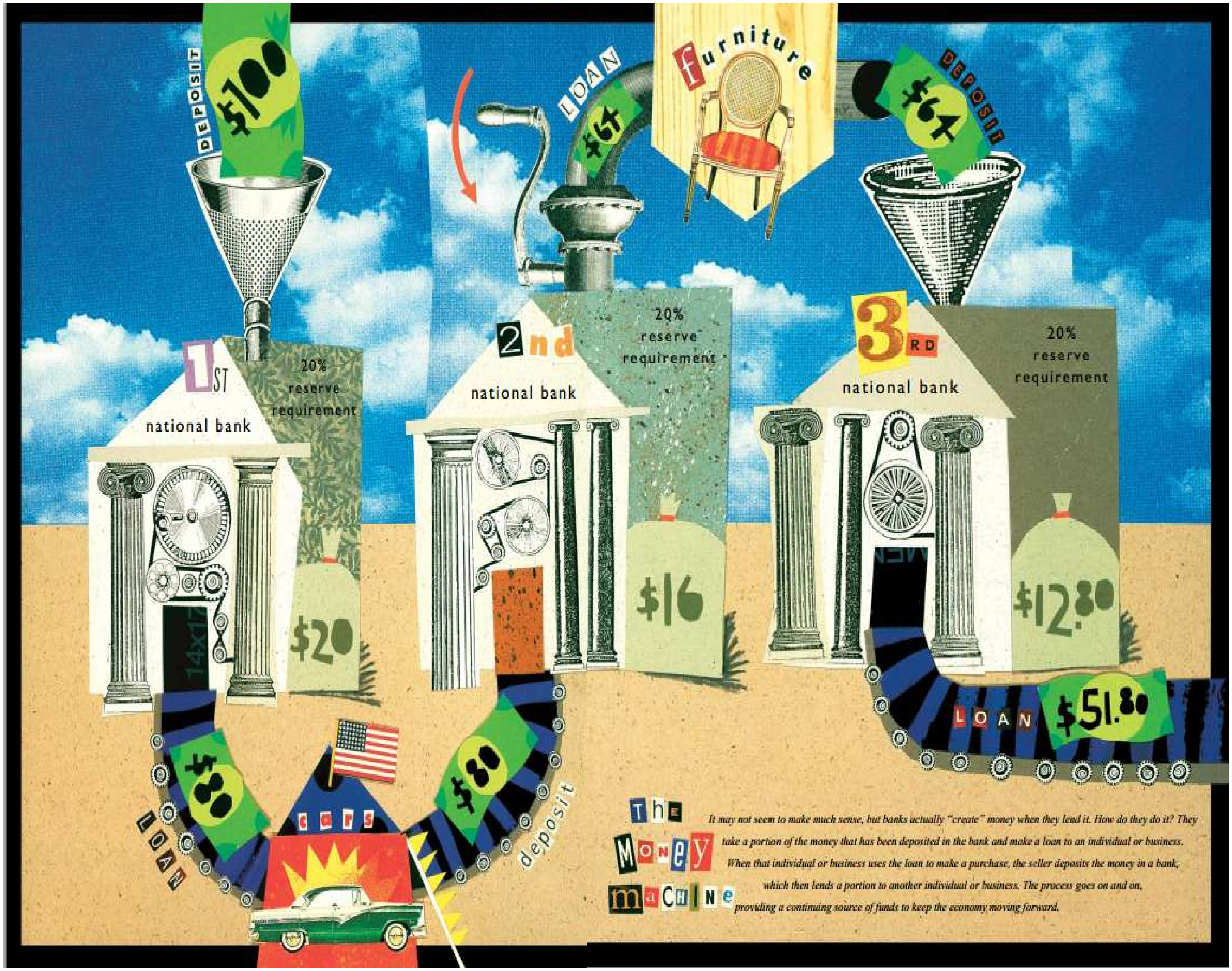
- How do actions by the Federal Reserve affect consumers and producers? Support your answer with economic evidence.

Rubric

2-This response gives a valid effect with accurate and relevant economic evidence.

1-This response gives a valid effect with inaccurate, irrelevant, or no economic evidence.

VISUALAID


DEPOSIT
$100
1ST
national bank
20%
reserve
requirement
$20
LOAN
$80
cars
$80
deposit
2nd
national bank
20%
reserve
requirement
$16
LOAN
$64
furniture
$64
DEPOSIT
3RD
national bank
20%
reserve
requirement
$12.80
LOAN
$51.80
The Money Machine
It may not seem to make much sense, but banks actually "create" money when they lend it. How do they do it? They take a portion of the money that has been deposited in the bank and make a loan to an individual or business. When that individual or business uses the loan to make a purchase, the seller deposits the money in a bank, which then lends a portion to another individual or business. The process goes on and on, providing a continuing source of funds to keep the economy moving forward.