



**DELAWARE**



**GRADE 10**  
**SOCIAL STUDIES**

**CLOSE READING**  
**COHORT 1**

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**Close Reading Lesson Title:** [FOMC Press Release](#)  
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**Course:** **Economics**  
**Grade:** **10**

### Goal for the Lesson

Students will uncover the goals of the Federal Reserve and how it uses its various tools to promote its mandates of economic growth, full employment and price stability. By reading and re-reading a complex, informational text closely, combined with classroom discussion, students will analyze the Fed's outlook on the economic conditions of January 2009 and the tools it was using and planned to use to attempt to achieve the Fed's mandates.

Students will be directed to pay close attention to the Fed's outlook on the economy beyond 2009 and its attempt to communicate the steps it would take to the public. When combined with writing about the passage and teacher feedback, students will form a deeper understanding of how the Fed uses monetary policy in an attempt to control and stabilize the money supply based on the conditions of the economy.

### Content Standards

- **Economics Standard Two 9-12a:** Students will develop an understanding of how economies function as a whole, including the causes and effect of inflation, unemployment, business cycles, and monetary and fiscal policies.

### Connection to the CCSS

The following CCS standards are the focus of this lesson:

CCSS.ELA-Literacy.RI.9-10.1  
CCSS.ELA-Literacy.RI.9-10.4  
CCSS.ELA-Literacy.RI.9-10.5  
CCSS.ELA-Literacy.RI.9-10.6  
CCSS.ELA-Literacy.RI.9-10.10  
CCSS.ELA-Literacy.W.9-10.2

### Background

Based on the difficulty of this text, teachers should take 2 full days for this close reading lesson. Students should already have some background knowledge about the goals of the Federal Reserve, how monetary policy works, and the tools which the Fed uses to accomplish its goals. This close reading lesson could be used at the end of a lesson on monetary policy and the Federal Reserve or at the end of a unit on Macroeconomics.

# FEDERAL RESERVE press release



*Release Date: January 28, 2009*

## **For immediate release**

The Federal Open Market Committee decided today to keep its target range for the federal funds rate at 0 to 1/4 percent. The Committee continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.

Information received since the Committee met in December suggests that the economy has weakened further. Industrial production, housing starts, and employment have continued to decline steeply, as consumers and businesses have cut back spending. Furthermore, global demand appears to be slowing significantly. Conditions in some financial markets have improved, in part reflecting government efforts to provide liquidity and strengthen financial institutions; nevertheless, credit conditions for households and firms remain extremely tight. The Committee anticipates that a gradual recovery in economic activity will begin later this year, but the downside risks to that outlook are significant.

In light of the declines in the prices of energy and other commodities in recent months and the prospects for considerable economic slack, the Committee expects that inflation pressures will remain subdued in coming quarters. Moreover, the Committee sees some risk that inflation could persist for a time below rates that best foster economic growth and price stability in the longer term.

The Federal Reserve will employ all available tools to promote the resumption of sustainable economic growth and to preserve price stability. The focus of the Committee's policy is to support the functioning of financial markets and stimulate the economy through open market operations and other measures that are likely to keep the size of the Federal Reserve's balance sheet at a high level. The Federal Reserve continues to purchase large quantities of agency debt and mortgage-backed securities to provide support to the mortgage and housing markets, and it stands ready to expand the quantity of such purchases and the duration of the purchase program as conditions warrant.

The Committee also is prepared to purchase longer-term Treasury securities if evolving circumstances indicate that such transactions would be particularly effective in improving conditions in private credit markets. The Federal Reserve will be implementing the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses. The Committee will continue to monitor carefully the size and composition of the Federal Reserve's balance sheet in light of evolving financial market developments and to assess whether expansions of or modifications to lending facilities would serve to further support credit markets and economic activity and help to preserve price stability.

Voting for the FOMC monetary policy action were: Ben S. Bernanke, Chairman; William C. Dudley, Vice Chairman; Elizabeth A. Duke; Charles L. Evans; Donald L. Kohn; Dennis P. Lockhart; Kevin M. Warsh; and Janet L. Yellen. Voting against was Jeffrey M. Lacker, who preferred to expand the monetary base at this time by purchasing U.S. Treasury securities rather than through targeted credit programs.

## Close Reading Instruction for

## FEDERAL OPEN MARKET COMMITTEE PRESS RELEASE, January 2009

### Summary of Activities

1. Provide students with [handouts](#). Display the actual press release from page 2 of this document.
2. Directions for students: "First, I will read the text aloud. Then I will read the text aloud again and we will stop to discuss some of the vocabulary. On the second reading, you should make notes on the vocabulary in the margin, and write any thoughts you have that you feel are important. You are not expected to know all the words or understand everything in the text right away. We will read this text very closely several times to uncover what it means."
3. "We will then look at the text-dependent questions for the first paragraph together as a class."
4. "I will then ask you to read and discuss the set of text-dependent questions for paragraphs 2 and 3. You will discuss the questions in a group of 2-3. Write what you think is the best answer to each question. Be prepared to share your answers with the class."
5. "Finally, you will answer the questions for paragraph 4-5 on your own. Be prepared to share your answers with the class."

### Assessment

Students will be a member of the FOMC making recommendation to Ben Bernanke in an economic situation that is opposite from January 2009. Students will write a memo to Bernanke. Provide fictional economic data to show the opposite situation. Students use the press release and the economic data to explain their recommendations, citing evidence from these sources.

Provide each student with a copy of the assignment and the [rubric](#). Teachers should work with students on expectations regarding the use of evidence and support, coherence and organization, and clarity and conventions in writing.

Suggested response: Students should write about how different the economy is (e.g. inflation is high, the federal funds rate may already be at 5-10%, production is high, demand is high, employment is high). Students should also note what the goals and tools of the Federal Reserve are and how those tools might be used during inflationary times to decrease the supply of money in the economy.

### Extension Activities:

- See [graphic organizer](#) (page 5 of student handouts). A teacher guide can be found on the last page of this document.
- [Previous and/or subsequent press releases](#) can also be read and analyzed to compare/contrast or look for continuity or change over time. Examples to consider might be from [August 2006](#), before the recession, and from [June 2013](#).

**FEDERAL OPEN MARKET COMMITTEE PRESS RELEASE, January 2009**

**Teacher Guide**

Graphic Organizer

Fill out this graphic organizer based on your prior knowledge of The Federal Reserve and monetary policy, and the Federal Reserve Press Release from January 2009.

**Goals of the Federal Reserve**

promote economic growth

full employment

price stability

**Main tools of Monetary Policy**

reserve requirements  
raise or lower

discount rate  
raise or lower

open market operations  
buy or sell

**Current Economic Conditions (January 2009)**

For each of the following, circle ↑ for increase, - for no change, ↓ for decrease.

- |                      |      |   |                       |
|----------------------|------|---|-----------------------|
| 1. Production        | ↑    | - | <input type="radio"/> |
| 2. Housing starts    | ↑    | - | <input type="radio"/> |
| 3. Employment        | ↑    | - | <input type="radio"/> |
| 4. Consumer spending | ↑    | - | <input type="radio"/> |
| 5. Business spending | ↑    | - | <input type="radio"/> |
| 6. Global demand     | ↑    | - | <input type="radio"/> |
| 7. Credit conditions | good |   | poor                  |

Based on the press release, what is the Fed's economic outlook for the next few months?

- Excellent    Good    Average    Poor    Horrible

According to the passage, what are the steps the Fed is taking or plans to take to combat the instability of recession?

- |  |   |
|--|---|
| 1. Keep the federal funds rate at or near zero | 5. provide support to housing markets       |
| 2. support financial markets                   | 6. purchase longer term Treasury securities |
| 3. use open market operations                  | 7. implement TALF                           |
| 4. purchase debt                               | 8. monitor / modify lending facilities      |
|  | 9.  |

<p style="text-align: center;"><b>Federal Open Market Committee Press Release January 28, 2009</b></p>	<p style="text-align: center;"><b>Vocabulary</b></p>
<p>The <u>Federal Open Market Committee</u> decided today to keep its target range for the <u>federal funds rate</u> at 0 to 1/4 percent. The Committee continues to anticipate that <b>economic conditions</b> are likely to <b>warrant exceptionally</b> low levels of the federal funds rate for some time.</p>	<p>FOMC – committee of the Fed that makes decisions about interest rates and money supply</p> <p>federal funds rate – interest rate banks charge other banks</p>
<p>Information received since the Committee met in December suggests that the economy has <b>weakened</b> further. Industrial production, <b>housing starts</b>, and employment have continued to <b>decline</b> steeply, as consumers and businesses have cut back <b>spending</b>. Furthermore, <b>global demand</b> appears to be slowing <b>significantly</b>. Conditions in some <u>financial markets</u> have improved, in part <b>reflecting</b> government efforts to provide <u>liquidity</u> and <b>strengthen financial institutions</b>; nevertheless, <b>credit conditions</b> for households and <b>firms</b> remain extremely <b>tight</b>. The Committee anticipates that a gradual <b>recovery</b> in <b>economic activity</b> will begin later this year, but the <b>downside risks</b> to that outlook are significant.</p>	<p>financial markets – buying and selling of products like stocks, bonds, etc.</p> <p>liquidity – ability to turn assets into cash</p> <p>financial institutions – businesses that provide financial services like banks</p>
<p>In light of the declines in the prices of energy and other <u>commodities</u> in recent months and the <b>prospects</b> for considerable <b>economic slack</b>, the Committee expects that <u>inflation pressures</u> will remain <b>subdued</b> in coming <b>quarters</b>. Moreover, the Committee sees some <b>risk</b> that inflation could <b>persist</b> for a time below <b>rates</b> that best <b>foster</b> economic growth and <b>price stability</b> in the longer term.</p>	<p>commodities – items that are traded such as gold, agriculture, oil, etc.</p> <p>inflation pressures – increased demand or decreased supply</p>
<p>The Federal Reserve will <b>employ</b> all available tools to</p>	<p>open market operations – Fed</p>

**promote** the **resumption** of **sustainable** economic growth and to **preserve** price stability. The focus of the Committee's policy is to support the functioning of financial markets and **stimulate** the economy through open market operations and other measures that are likely to keep the size of the Federal Reserve's balance sheet at a high level. The Federal Reserve continues to purchase large quantities of **debt** and mortgage-backed securities to provide support to the **mortgage** and housing markets, and it stands ready to **expand** the quantity of such purchases and the **duration** of the purchase program as conditions **warrant**.

The Committee also is prepared to purchase longer-term Treasury securities if **evolving** circumstances indicate that such **transactions** would be particularly effective in improving conditions in private credit markets. The Federal Reserve will be **implementing** the Term Asset-Backed Securities Loan Facility to **facilitate** the **extension** of credit to households and small businesses. The Committee will continue to **monitor** carefully the size and **composition** of the Federal Reserve's **balance sheet** in light of evolving financial market developments and to assess whether **expansions** of or **modifications** to lending facilities would serve to further support credit markets and economic activity and help to **preserve** price stability.

buys or sells securities to affect the money supply

balance sheet – financial summary of assets and liabilities

mortgage-backed securities – mortgage loans bundled together and sold as bonds

Treasury securities – debt obligations issued by the U.S. like Treasury bills or bonds

Term Asset-Backed Securities Loan Facility – a \$1 trillion program to promote consumer spending, started November 2008

lending facilities – how Fed lends money to financial institutions

<b>Federal Open Market Committee Press Release, January 28, 2009</b>	<b>Guiding Questions</b>
<p>The Federal Open Market Committee decided today to keep its target range for the federal funds rate at 0 to 1/4 percent. The Committee continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.</p>	<p>What does the Fed plan to do to the federal funds rate? What does the first paragraph tell the reader about current conditions in the economy?</p>
<p>Information received since the Committee met in December suggests that the economy has weakened further. Industrial production, housing starts, and employment have continued to decline steeply, as consumers and businesses have cut back spending. Furthermore, global demand appears to be slowing significantly. Conditions in some financial markets have improved, in part reflecting government efforts to provide liquidity and strengthen financial institutions; nevertheless, credit conditions for households and firms remain extremely tight. The Committee anticipates that a gradual recovery in economic activity will begin later this year, but the downside risks to that outlook are significant.</p>	<p>According to the second paragraph, what are the overall conditions of the economy?</p> <p>How does paragraph 2 help the reader understand why the Fed decided to keep the federal funds rate at 0 to 1/4 percent?</p>
<p>In light of the declines in the prices of energy and other commodities in recent months and the prospects for considerable economic slack, the Committee expects that inflation pressures will remain subdued in coming quarters. Moreover, the Committee sees some risk that inflation could persist for a time below rates that best foster economic growth and price stability in the longer term.</p>	<p>What does "price stability" mean? What evidence in the text supports this?</p> <p>What words does the Fed use in paragraph 3 to describe its future outlook about inflation?</p>
<p>The Federal Reserve will employ all available tools to promote the resumption of sustainable economic growth and to preserve price stability. The focus of the Committee's policy is to support the functioning of financial markets and stimulate the economy through open market operations and other measures that are likely to keep the size of the Federal Reserve's balance sheet at a high level. The Federal Reserve continues to purchase large quantities of debt and mortgage-backed securities to provide support to the mortgage and housing markets, and it stands ready to expand</p>	<p>What does "sustainable economic growth" mean?</p> <p>In addition to its main tools of reserve requirements, discount rate, and open market operations, what else is the Fed doing to stabilize the economy?</p> <p>How does the tone of paragraph</p>



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the quantity of such purchases and the duration of the purchase program as conditions warrant. The Committee also is prepared to purchase longer-term Treasury securities if evolving circumstances indicate that such transactions would be particularly effective in improving conditions in private credit markets.

The Federal Reserve will be implementing the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses. The Committee will continue to monitor carefully the size and composition of the Federal Reserve's balance sheet in light of evolving financial market developments and to assess whether expansions of or modifications to lending facilities would serve to further support credit markets and economic activity and help to preserve price stability.

4 differ from the rest of the press release? Why?

What is the purpose for issuing regular press releases such as this one to the public?

# FEDERAL OPEN MARKET COMMITTEE PRESS RELEASE, January 2009

## Graphic Organizer

Fill out this graphic organizer based on your prior knowledge of the Federal Reserve and monetary policy, and the Federal Reserve Press Release from January 2009.

### Goals of the Federal Reserve

### Main tools of Monetary Policy

### Current Economic Conditions (January 2009)

For each of the following, circle ↑ for increase, - for no change, ↓ for decrease.

- |                       |      |   |                   |
|-----------------------|------|---|-------------------|
| 8. Production         | ↑    | - | ↓                 |
| 9. Housing starts     | ↑    | - | ↓                 |
| 10. Employment        | ↑    | - | ↓                 |
| 11. Consumer spending | ↑    | - | ↓                 |
| 12. Business spending | ↑    | - | ↓                 |
| 13. Global demand     | ↑    | - | ↓                 |
| 14. Credit conditions | good |   | poor (circle one) |

Based on the press release, what is the Fed's economic outlook for the next few months?

Excellent                      Good                      Average                      Poor                      Horrible

According to the press release, what are the steps the Fed is taking or plans to take to combat the instability of recession?

2.

5.

3.

6.

4.

7.

4.

8.

