

AN ACT FOR THE AGES: THE FEDERAL RESERVE ACT

KYLE WERNIMONT, FEDERAL RESERVE BANK of KANSAS CITY

TEACHER INTRODUCTION:

This lesson is centered on congressional legislation that led to the creation of the Federal Reserve System as the central bank of the United States. The Federal Reserve Act, ratified by Congress, was signed into law by President Woodrow Wilson on December 23, 1913. It was the third attempt at a U.S. central bank, but differed from its predecessors with its decentralized, quasi-governmental structure, with the goals of providing the nation with a safer, more flexible, and more stable monetary and financial system. The Fed's role has expanded over time to include providing services to financial institutions, supervising and regulating financial institutions and conducting monetary policy with the goals of promoting price stability and maximum employment. For additional resources about the Federal Reserve Act and previous attempts at a U.S. central bank, visit www.FederalReserveEducation.org.

LESSON DESCRIPTION:

In this lesson, students will examine the Federal Reserve Act of 1913 and the establishment of the unique structure and functions of the Federal Reserve System. Students will describe how not having a central banking system or effective tools in place to promote economic growth and stability precipitated a national response, resulting in the development of the Federal Reserve Act as we know it today. Students will be asked to interpret economic events that might necessitate the creation of an entity like the Federal Reserve System, as well as how they might alter the existing structure and/or functions of the Fed to address modern demands. Through analysis of primary sources and non-fiction text, students will apply critical thinking, reasoning and ideation skills. Both collaborative and individual activities are included, providing opportunities for students to develop team building, speaking and writing skills. Additionally, students will evaluate the costs and benefits of proposed changes to the Federal Reserve Act and rank the potential effectiveness of those changes within the context of current financial and economic infrastructures.

GRADE LEVEL: 9-12

CONCEPTS: Central bank, Federal Reserve System, monetary policy, recession

OBJECTIVES:

Students will be able to:

1. Describe the Federal Reserve System's impact on the economy and money supply.
 2. Evaluate the geographic distribution of the Federal Reserve System.
 3. Demonstrate how a central banking system functions.
 4. Analyze the relationship between the Federal Reserve and monetary policy in combating financial panics.
 5. Interpret the role of the Federal Reserve and how it was established through legislation.
 6. Evaluate the costs and benefits of proposed changes to the Federal Reserve Act.
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TIME REQUIRED:

Two 60-minute class periods and required reading outside of class

MATERIALS:

- Visual 1: Federal Reserve Districts
- Visual 2: Robert L. Owen and Carter Glass
- Visual 3: Carter Glass' Stance
- Visual 4: Robert Owen's Outlook
- Visual 5: Fed Functions



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- Visual 6: An Early Plan for the Central Bank
 - Visual 7: Questions for Your Bill
 - Handout 1: The Existing System, one per student
 - Handout 2: Old Problems, New Solutions, one per student
 - Handout 3: Making Progress, one per student
 - Handout 4: Modern Mandate, one per small group
 - Handout 5: Modern Mandate Analysis, one per student
 - Answer Key for Handout 1: The Existing System
 - Answer Key for Handout 2: Old Problems, New Solutions
 - Answer Key for Handout 3: Making Progress
 - Video: The Fed Explains: The Central Bank (3:58 minutes), <https://www.frbatlanta.org/about/fed-explained/2013/central-bank>
 - The Federal Reserve Act, Sections 2, 2A, 3, 4, 7, 10, 11, <https://www.federalreserve.gov/aboutthefed/fract.htm>
 - Blank paper, 1-2 sheets per student
 - Writing utensil for each student
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To prepare:

- Determine which Federal Reserve district you are in at <https://federalreserveeducation.org/about-the-fed/structure-and-functions/districts>. Use the map or zip code finder to search.
- Make copies of Handouts 1, 2, 4 and 5 for each student and a copy of Handout 3 for each group
- (Optional) Make copies of Visuals 3, 4 and 5 for each student rather than displaying them during the lesson
- Cue Video: The Fed Explains: The Central Bank, found at <https://www.frbatlanta.org/about/fed-explained/2013/central-bank>.

Teacher Note - For additional resources related to understanding the Federal Reserve System or the historical events mentioned in the lesson:

- *In Plain English video* - <https://bts.stlouisfed.org/in-plain-english/> (13:53 minutes)
- *The Federal Reserve and You video* - <http://philadelphiafed.org/education/federal-reserve-and-you/index.cfm> (26:02 minutes)
- *The Panic of 1907 article* - https://www.federalreservehistory.org/essays/panic_of_1907

DAY ONE PROCEDURE:

1. Ask students to raise their hand if they know what the Federal Reserve System is. (*Answers will vary, but may include help other banks, regulate the money supply, set federal interest rates*).
2. Tell students to get out a blank sheet of paper and a writing utensil to take notes during the lesson. Instruct them to draw a horizontal line in the middle of both sides of their paper, dividing each side into two equal halves.
3. Let students know that you'll review several terms during the lesson that they might want to define within their notes.
4. Encourage students to use the top half of one side of their paper to begin notetaking.
5. Inform students that the **Federal Reserve System** is the nation's central bank and is made up of a Board of Governors located in Washington D.C. and 12 districts across the country that provide services to commercial banks, serve as fiscal agents for the U.S. government and conduct economic research to help inform and set monetary policy.
6. Explain that **monetary policy** is the actions a central bank takes involving the use of interest rates or money supply tools to achieve such goals as maximum employment and stable prices.
7. Tell students that the Federal Reserve was created in part to control the flow of money to and from banks and to help combat economic recessions and instability.
8. State that **recessions** are defined as a period of declining real income and rising unemployment and significant decline in general economic activity extending over a period of time.
9. Tell students they'll now watch a video about the Federal Reserve that explains its structure and functions.
10. Show Video: The Fed Explains: The Central Bank. Ask students to use the bottom half of their paper to take notes during the video. https://frbatlanta.org/news/multimedia/130129_fedExplained_centralbank.cfm

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11. Explain that between 1834 and 1913, there was no **central bank**, or a national bank that provides financial and banking services to the government and commercial banking system as well as implementing monetary policy.
12. Tell students that this means that the economy at that time was more vulnerable to fluctuations and instability, which can lead to financial uncertainty for individuals and businesses.
13. Ask students if they remember a time when the U.S. economy was in a recession. (*Answers will vary*)

Teacher note: You could mention the recession during the COVID-19 pandemic in 2020 or the one in 2008 when the housing market crashed. Use the Fed's "Recession Lesson: Economic Uncertainty" if more context is needed:

<https://www.kansascityfed.org/publicat/education/teachingresources/RecessionLesson-EconomicUncertainty.pdf>

14. Share that in 1913 the Federal Reserve Act was passed, allowing 12 different regions across the country to host a Federal Reserve Bank.
15. Ask students to recall what Federal Reserve Banks do. (*Answer: They provide services to commercial banks, serve as fiscal agents for the U.S. government and conduct economic research to help inform and set monetary policy*).
16. Explain that the Federal Reserve System serves to promote the effective operation of the U.S. economy and, more generally, the public's interest.
17. Display Visual 1: Federal Reserve Districts and identify the district where you live on the map.
18. Ask students to turn their paper over and to write answers to the following questions on the top half of the other side.
 - How are the districts divided? (*Answer: By their proximity to the city that hosts the location of the head office and the population at the time of the establishment of the Federal Reserve System*)
 - Why do they think there are more districts in certain parts of the country? (*Answers may vary but might include that the east coast of the United States was more populated when the Federal Reserve Act was passed in 1913*).
19. Explain that the Federal Reserve System had to be signed into law by the U.S. Congress in order to be established.
20. Display Visual 2: Robert L. Owen and Carter Glass.
21. Tell students that the two people who wrote versions of the Federal Reserve Act and eventually helped finalize it were Oklahoma senator Robert L. Owen and Virginia senator Carter Glass.
22. Ask students the following questions:
 - What might have made the two men want to pass something like a Federal Reserve Act? (*Answers may vary*).
 - Do you think the two men agreed on a plan for a central bank? How might their views, whether similar or different, have helped to create the Federal Reserve we know today? (*Answers may vary*).
23. Display Visual 3: Carter Glass' Stance and explain that it was written by Carter Glass in 1913 in a speech delivered to Congress.
24. Distribute Handout 1: The Existing System to each student and ask them to read Visual 3 and then answer the questions on their handout. Give students 5 minutes to complete the handout.
25. Ask students to compare their responses with a partner and discuss their perspectives. Give students 5 minutes to discuss with their partner.
26. Select a few students to share their responses compared with their partner's, using Handout 1: The Existing System Answer Key to review correct answers as needed.
27. Display Visual 4: Robert Owen's Outlook and give each student a copy of Handout 2: Old Problems, New Solutions.
28. Ask a volunteer to read Visual 4 aloud.
29. As a class, review and answer the questions on Handout 2: Old Problems, New Solutions, using the associated answer key as needed. Tell students to hold onto their notes and completed handouts for use later in the lesson.
30. Explain that the Federal Reserve System monitors several aspects of our economy as it conducts monetary policy.
31. Ask students to recall the definition of monetary policy. (*Answer: the actions a central bank takes involving the use of interest rates or money supply tools to achieve such goals as maximum employment and stable prices*).
32. Tell students that the Federal Reserve uses monetary policy to promote a healthy economy.
33. Display Visual 5: Fed Functions and ask students to read it to themselves.
34. Tell students to use the bottom half of side two of their paper to write down three things they learned from the reading and three questions they have about what they read. Give students 5 minutes to complete this activity.

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35. Ask students to work in pairs to answer their combined six questions that they've created. Give students 10 minutes to complete this activity.
36. Ask students to share any questions they weren't able to answer and discuss possible answers as a class.
37. Show Visual 6: An Early Plan for the Central Bank and distribute Handout 3: Making Progress to each student.
38. Ask students to take the next 10 minutes to answer the questions on their handout after reading Visual 6.
39. Review responses as a class using Handout 3: Making Progress Answer Key.

DAY ONE CLOSURE:

40. Write the following terms on the board or share them verbally: central bank, Federal Reserve System, monetary policy and recession.
41. Ask students to quiz a partner on the definition of each term. Give students a few minutes and allow them to use their notes as needed.
42. Tell students you'd like them and their partner to brainstorm an answer to the following question. Encourage students to use the back side of one of their handouts to record their responses, as well as their notes from earlier to spark ideas.
 - How has modern banking changed since Robert L. Owen proposed the Federal Reserve Act in 1913, keeping in mind any technological advancements, financial entities such as Wall Street, economic developments and international trade, etc.?
43. After about 5 minutes, ask a few students to share their answers with the class.
44. Inform students to save their completed handouts, notes and brainstorming results for the next class.
45. Tell students that they'll be using these to create their own version of a Federal Reserve Act later in the lesson.
46. Instruct students to read assigned portions of the Federal Reserve Act as homework before the next class. The Federal Reserve Act can be found on the Federal Reserve Board of Governor's website, <https://www.federalreserve.gov/aboutthefed/fract.htm>. Required reading includes the following sections:
 - Official title
 - Federal Reserve Districts (Section 2)
 - Monetary policy objectives (Section 2A)
 - Branch offices (Section 3)
 - Federal Reserve Banks (Section 4)
 - Division of Earnings (Section 7)
 - Board of Governors of the Federal Reserve System (Section 10)
 - Powers of Board of Governors of the Federal Reserve System (Section 11)

DAY TWO PROCEDURE:

47. Display Visual 1: The Federal Reserve Districts and ask students to take out their brainstorming results from the previous class.
48. Share that the current Federal Reserve Act indicates that Reserve Banks should "furnish an elastic currency and establish a more effective supervision of banking in the United States".
49. Explain to students that although these mandates were included in the original legislation, they may seem outdated according to the needs of banks and our financial and economic systems today.
50. Tell students that they will work together in small groups to examine the current Fed structure and functions and recommend updates to modernize the institution as they see fit.
51. Let students know that they can propose changes to any aspect of the Federal Reserve System, including district territories and locations, Reserve bank and Board of Governors' functions, monetary policy objectives, etc.
52. Encourage groups to consider any and all adjustments that might better position the Federal Reserve to meet contemporary demands.
53. Divide students into groups of 3-5.
54. Distribute one copy of Handout 4: Modern Mandate to each group.
55. Let students know that they should complete Handout 4 as a group after agreeing on recommendations to modernize the Federal Reserve Act.

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56. Tell students that they will have an opportunity to present and defend their recommendations so the class can vote on which one should be made into a law. Inform students that if they propose no changes in their bill, they will still have to defend it.
57. Ask students to use their brainstorm notes, required reading notes and information learned earlier in the lesson to determine proposed changes.
58. Display Visual 7: Modern Mandate Prompts and invite students to reference this as they develop their bill. Give groups 15 minutes to discuss proposed changes and to complete Handout 4.
59. Distribute Handout 5: Modern Mandate Analysis to every student.
60. Ask students to use the handout to analyze each bill that is presented by identifying its' costs and benefits.
61. Invite groups to present their proposed bill, voluntarily or as selected, and to respond to questions from other students when finished. Tell students to include any changes they proposed to the Federal Reserve System along with reasons why.
62. After each group's presentation, allow a few minutes for the rest of the class to ask questions, such as what the potential effects of the recommendations might be.
63. After all of the presentations, ask each student to choose which two bills they would support using the second page of Handout 5. Remind students that they cannot choose their own bill as either choice.
64. Voting could be done verbally or in writing, whichever is preferred. If verbal, students can vote 'yea' or 'nay' for each bill.
65. Tally the votes or ask a student to help. If there is a tie, conduct another round of voting.
66. Once voting has concluded, introduce the winning bill as the new law (optionally, provide extra credit to the first-choice group).

DAY TWO CLOSURE:

67. If time allows, discuss as a class how the new law might impact the central banking system of the U.S. and the Fed's role in the economy.
68. Review concepts from the lesson with the class using the following questions:
 - How does a central bank help to combat economic recessions? (*Answer: through acts such as helping to guide factors of an economy that influence money supply as well as providing bank supervision to member banks*)
 - Which two congressmen were integrally involved in writing the Federal Reserve Act of 1913? (*Answer: Robert L. Owen and Carter Glass*)
 - In what ways does the Federal Reserve Act still align with modern banking or financial systems? (*Answer: the Federal Reserve acts as a supervisory institution and uses information from the member banks within their district to inform decisions on monetary policy and other economic factors*)
 - What impact does monetary policy have on individual consumers and businesses? (*Answers will vary, but should include that the factors that make up monetary policy, such as unemployment and price levels are aspects of an economy that directly affect consumers as well as businesses*)

ASSESSMENT:

- Ask students to turn in their completed Handouts 1, 2, 3 and 5.
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EXTENSION:

- Ask students to summarize the required reading from day one, specific sections of the Federal Reserve Act, and to add a 5-7 sentence paragraph explaining the effect of various aspects of the Act on banking, financial services, the economy, etc.

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VOLUNTARY NATIONAL ECONOMIC STANDARDS

- Standard 10: Institutions – 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.
- Standard 16: Role of Government and Market Failure – There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also have direct or indirect effects on peoples' incomes.

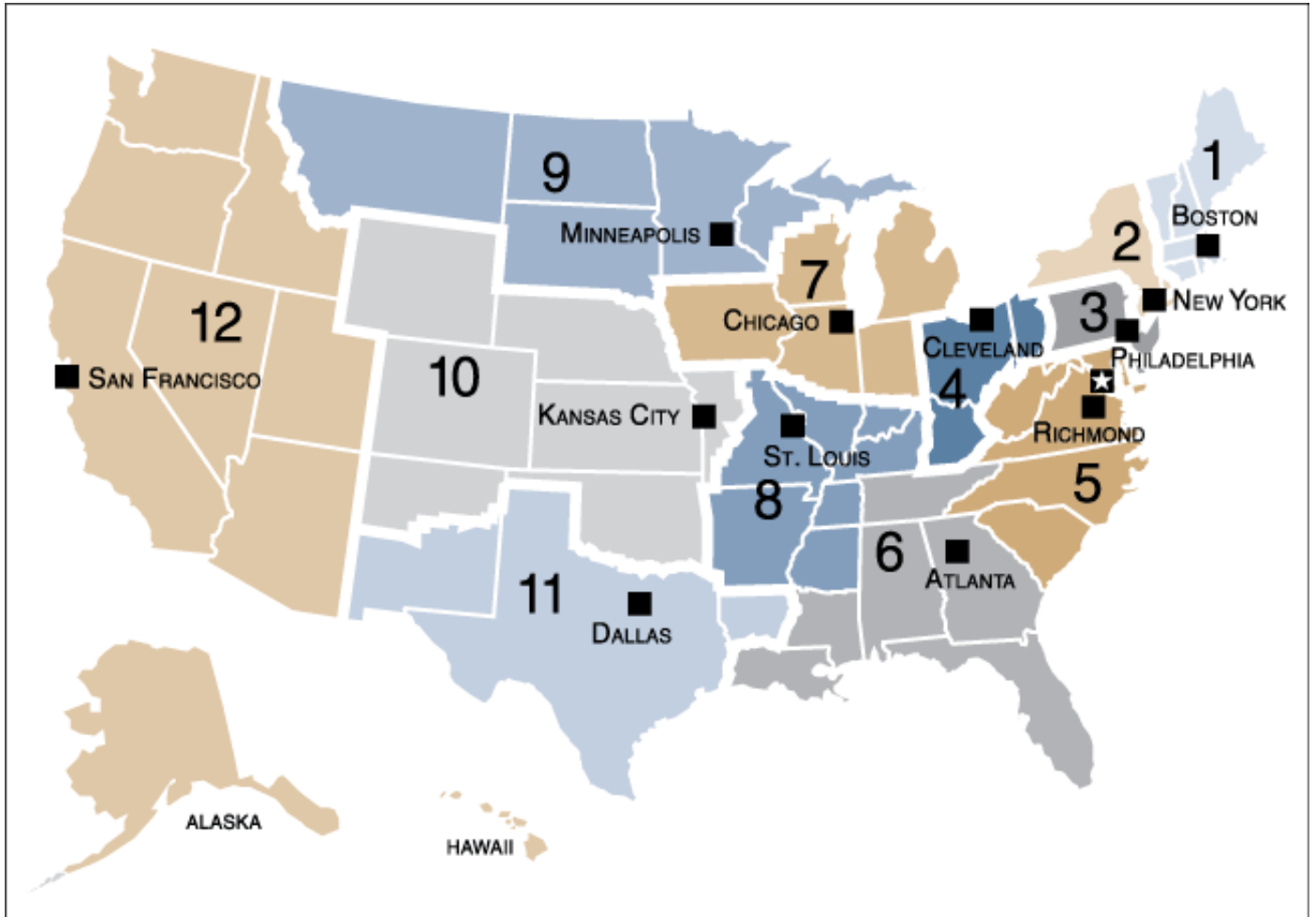
COMMON CORE STANDARDS

- CCSS.ELA-Literacy.RH.9-10.1; CCS.ELA-Literacy.RH.11-12.1
Cite specific textual evidence to support analysis of primary and secondary sources.
- CCSS.ELA-Literacy.RH.9-10.2; CCS.ELA-Literacy.RH.11-12.2
Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among key details and ideas.
- CCSS.ELA-Literacy.RH.9-10.4; CCSS.ELA-Literacy.RH.11-12.4
Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social or economic aspects of history/social science.
- CCSS.ELA-Literacy.SL.9-10.4; CCSS.ELA-Literacy.SL.11-12.4
Present information, findings and support evidence clearly, concisely and logically such that listeners can follow the line of reasoning and the organization, development, substance and style are appropriate to purpose, audience and task.

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VISUAL 1: FEDERAL RESERVE DISTRICTS



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VISUAL 2: ROBERT L. OWEN AND CARTER GLASS



Robert L. Owen (1856-1947) was a U.S. senator from Oklahoma who co-wrote many pieces of legislation focused on banking reform and financial stability during the early 20th century. He co-authored the “Glass-Owen Act”, which would come to be known as the Federal Reserve Act in 1913, which established a central bank for the U.S.



Carter Glass (1858-1946) was a U.S. congressman who got his start in the newspaper business, eventually appointed to the head of the House Committee on Banking and Currency. He was a strong supporter of financial and banking reform having seen the economic hardships of the late 1800's, and was eventually appointed as the Secretary of the Treasury under President Woodrow Wilson in 1918.

Sources: <https://www.loc.gov/item/2016827874/>

<https://www.okhistory.org/historycenter/federalreserve/owenbio.html>

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VISUAL 3: CARTER GLASS' STANCE

The following quote is from a speech to Congress by Carter Glass in 1913. At the time, there was a debate on the stability of the financial system and if a central bank could be the solution. Read the quote below, then answer the questions on Handout 1: The Existing System.

“While the existing system has operated satisfactorily under ordinary business conditions...in time of stress and storm it has broken down utterly. This has occurred so often and the ensuing disaster has been so dreadful as to cause the banking experts of other nations and practical financiers everywhere to marvel at our continued failure either to adopt a better system or correct the evils of the one we have. Financial textbook writers of Europe have characterized our American system as "barbarous," and eminent bankers of this country who, from time to time, have appeared before the Banking and Currency Committee of the House, have not hesitated to confess that this bitter criticism is merited. While we may boast that no note holder has ever lost a dollar, and that the losses of depositors constitute an inconsiderable percentage of the total liabilities of the banks, nevertheless the failure of the system in acute [emergencies] has caused widespread business demoralization and almost universal distress. Five times within the last 50 years financial catastrophe has overtaken the country under this system; and it would be difficult to compute the enormous losses sustained by all classes of society—by the banks immediately involved; by the merchants whose credits were curtailed; by the industries whose shops were closed; by the railroads whose cars were stopped; by the farmers whose crops rotted in their fields; by the laborer who was deprived of his wage.”

Source: *Banking and Currency Reform: Speeches in the House of Representatives, Statements and Speeches of Carter Glass*, Carter Glass, https://fraser.stlouisfed.org/title/3773/item/475382?start_page=3, pages 3-4

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VISUAL 4: ROBERT OWEN'S OUTLOOK

This quote, written by Robert Owen in 1935, summarizes his view on governmental policies that could foster a more stable economy. Read the quote, then answer the questions on Handout 2: Old Problems, New Solutions.

In 1900 I devised a plan to protect this country against the evils of monetary panics by providing for the issuance of United States legal tender money when national production necessitated an increase in the supply of money.

In December 1907, I entered the United States Senate and served there for 18 years. Within ninety days after I entered the Senate, on the 25th day of February 1908, I analyzed completely the Panic of 1907; showed its causes, how it could be cured, and how depressions could be prevented in the future. My text was stability in the value of money.

I was made Chairman of the Committee on Banking and Currency of the United States Senate on March 5, 1913, and immediately drafted a Bill called the Federal Reserve Bill. In drafting this Bill I was greatly assisted by the results of four years work done by the National Monetary Commission. That Commission's report consisted of 32 volumes, and an auxiliary library of 2500 volumes. It had been established on my request from the floor of the United States Senate.

Source: Coogan, G. M. and Owen, Robert L. (1935). *Money Creators: Who creates money? Who should create it?*. Chicago, Ill: Sound Money Press, page IV

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VISUAL 5: FED FUNCTIONS

After reading this excerpt, use blank paper to write three things you learned and three questions you have. Then, when prompted, work with a partner to find and discuss answers to your questions.

The Federal Reserve System is the central bank of the United States. It performs five general functions to promote the effective operation of the U.S. economy and, more generally, the public interest. The Federal Reserve

- conducts the nation's monetary policy to promote maximum employment, stable prices, and moderate long-term interest rates in the U.S. economy;
- promotes the stability of the financial system and seeks to minimize and contain systemic risks through active monitoring and engagement in the U.S. and abroad;
- promotes the safety and soundness of individual financial institutions and monitors their impact on the financial system as a whole;
- fosters payment and settlement system safety and efficiency through services to the banking industry and the U.S. government that facilitate U.S.-dollar transactions and payments; and
- promotes consumer protection and community development through consumer-focused supervision and examination, research and analysis of emerging consumer issues and trends, community economic development activities, and the administration of consumer laws and regulations.

Source: Federal Reserve Board of Governors website, <https://www.federalreserve.gov/aboutthefed.htm>

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VISUAL 6: AN EARLY PLAN FOR THE CENTRAL BANK

After reading the excerpt, answer the questions on Handout 3: Making Progress.

[REDACTED] In its final form the act called for a system of eight to twelve district Federal Reserve banks, with each having its own boards elected by member banks. Each regional bank would hold reserves for its member banks and would set discount rates for the region. The governing Federal Reserve Board was to have seven members, two of whom were the Secretary of the Treasury and the Comptroller of the Currency. The remaining five members were to be appointed by the president. This board would generally regulate the system, but in the final bill it was denied the power of setting discount rates. Theoretically the plan took control away from Wall Street and distributed it to the regional banks; thus, it was somewhat of a victory for bankers outside of the northeastern section of the country.²¹

Source: S. Robert Latham Owen, Jr.: *His Careers as Indian Attorney and Progressive Senator*, pages 28-29, Kenny Lee Brown, 1985.

<https://shareok.org/handle/11244/17617>

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VISUAL 7: MODERN MANDATE PROMPTS

Consider these questions as you discuss proposed changes to the Federal Reserve System and Act of 1913.

- Should the Federal Reserve System consist of 12 districts? Why or why not?
- Should the Federal Reserve Bank Districts cover the same territory? Why or why not?
- Should the Federal Reserve System remain centralized? Why or why not?
- Should the Board of Governors be structured as it is or located in Washington D.C.? Why or why not?
- Who should serve on the Board of Governors and how should they be selected?
- Should the Fed have more or less autonomy when selecting Board of Directors, Fed District presidents, etc.?
- Should the Federal Reserve have more or less authority in affecting the money supply, interest rates and/or economic conditions such as employment and prices?
- Should monetary policy objectives be different or carried out differently?
- Should the Fed do more or less to promote its impact on everyday citizens and businesses?
- Should the Federal Reserve have more or less of a direct relationship with the U.S. government, including Treasury, Congress, the president?
- Should community banks have more or less Fed oversight/access to Fed services?
- Should the fee scale for Fed services be different?
- Should Fed income be allocated differently?

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HANDOUT 1: THE EXISTING SYSTEM

Answer the following questions after reading the quote on Visual 3: Carter Glass' Stance.

1. What means of financial stability do you think Americans had during the time of this quote?
2. In what way(s) can a central banking system impact economic recessions?
3. According to Glass, what has contributed to the “widespread business demoralization and almost universal distress” in the American financial system?
4. In your opinion, what gives people confidence in a bank? What can banks do to promote confidence?
5. According to Glass, how do bank functions and currency values affect levels of production, from laborers to financiers?

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HANDOUT 2: OLD PROBLEMS, NEW SOLUTIONS

Answer the following questions after reading the quote on Visual 4: Robert Owen's Outlook.

1. How would you define a "monetary panic"?
2. What do you think Robert Owen meant when he said,
"I devised a plan to protect this country against the evils of monetary panics by providing for the issuance of United States legal tender money when national production necessitated an increase in the supply of money"?
3. In what ways did Robert Owen's work before this speech prepare him to assess and solve monetary panics?
4. Pretend that you are developing a unified plan to lessen the effects of economic recessions on the money supply. Write a statement to Congress in your own words describing your plan.

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HANDOUT 3: MAKING PROGRESS

Answer the following questions after reading Visual 6: An Early Plan for the Central Bank.

1. In this version of the Federal Reserve Board, the Comptroller of Currency and the Secretary of the Treasury are included. Why might the writers of the Federal Reserve Act have incorporated others on the Board outside of the Federal Reserve System?
2. Why would Owen and other senators want to take power away from Wall Street and give it to regional banks?
3. In what ways can the Federal Reserve or a central bank help to prevent or lessen the effects of economic recessions?
4. How do banks benefit from being members of the Federal Reserve System?

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HANDOUT 4: MODERN MANDATE

Think about what you've learned about the Federal Reserve. Then, revisit your ideas on how banking has evolved since the Federal Reserve Act passed in 1913. Use your group's allotted time to agree on recommendations that could modernize the Federal Reserve System. Determine the name and contents of your proposed "bill" to present to your classmates for a vote. All group members should prepare to defend your recommendations, because only one bill will be voted into law!

Group members:

Name of Bill: _____

Recommended Amendments: _____

Group member signatures:

If passed into law, date here: ____/____/____

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HANDOUT 5: MODERN MANDATE ANALYSIS (PAGE 1 OF 2)

Use this template to identify costs and benefits of recommendations that are presented to modernize the Federal Reserve Act. Then review your findings to select two that you would approve to vote into law. You must select at least one group's bill to support and you may NOT choose your own.

NAME OF BILL	RECOMMENDATIONS	COSTS	BENEFITS

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HANDOUT 5: MODERN MANDATE ANALYSIS (PAGE 2 OF 2)

NAME OF BILL	RECOMMENDATIONS	COSTS	BENEFITS
First Choice			
Second Choice			

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HANDOUT 1: THE EXISTING SYSTEM ANSWER KEY

1. What means of financial stability do you think Americans had during the time of this quote?
(Answers will vary, but may include savings of their own or a small loan).
2. In what way(s) can a central banking system impact economic recessions?
(Answer: A central bank can help mitigate the effects of economic downturns like recessions through directing monetary policy and aspect of an economy most susceptible to recessions like the financial and banking sector)
3. According to Glass, what has contributed to the “widespread business demoralization and almost universal distress” in the American financial system?
(Answer: The stress put on the banking system and the economy during banking emergencies and financial panics)
4. In your opinion, what gives people confidence in a bank? What can banks do to promote confidence?
(Answers will vary, but may include banks being able to provide loans to individuals and businesses, as well as being involved in their community and being able to meet the needs of depositors who wish to withdraw their funds)
5. According to Glass, how do bank functions and currency values affect levels of production, from laborers to financiers?
(Answer: The inability of banks to finance organizations like local businesses can have a chain effect on those businesses in accomplishing goals like paying their employees or meeting operating costs)

AN ACT FOR THE AGES: THE FEDERAL RESERVE ACT

KYLE WERNIMONT, FEDERAL RESERVE BANK of KANSAS CITY

HANDOUT 2: OLD PROBLEMS, NEW SOLUTIONS ANSWER KEY

1. How would you define “monetary panic”?

(Answers will vary, but may include terms such as a recession, market contraction, or an economic depression)

2. What do you think Robert Owen meant when he said,

“I devised a plan to protect this country against the evils of monetary panics by providing for the issuance of United States legal tender money when national production necessitated an increase in the supply of money”?

(Answers will vary, but should detail how Owen felt that they supply of money should be more flexible so that more money could be put into the economy when it is needed, usually in the case of an economic recession)

3. In what ways did Robert Owen’s work before this speech prepare him to assess and solve monetary panics?

(Answer: His work within the Senate and in writing several books and other publications on how to create a more sound financial and banking system for the Us, as well as his work analyzing the Panic of 1907 helped him to provide solutions and assess future panics as well)

4. Pretend that you are developing a unified plan to lessen the effects of economic recessions on the money supply. Write a statement to Congress in your own words describing your plan.

(Answers will vary, but should use concepts discussed in the lesson to support a concrete plan of action for lessening the effects of recessions and instability in the money supply)

AN ACT FOR THE AGES: THE FEDERAL RESERVE ACT

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HANDOUT 3: MAKING PROGRESS ANSWER KEY

1. In this version of the Federal Reserve Board, the Comptroller of Currency and the Secretary of the Treasury are included. Why might the writers of the Federal Reserve Act have incorporated others on the Board outside of the Federal Reserve System?
(Answers will vary, but should allude to the fact that having members outside of the Federal Reserve System can help provide oversight on the economy from a viewpoint that is not necessarily connected to the explicit mission of the Federal Reserve)
2. Why would Owen and other senators want to take power away from Wall Street and give it to regional banks?
(Answer: Owen and others believed that this would help improve the strength of the banking system as a whole, rather than giving increased power to one section of the financial system)
3. In what ways can the Federal Reserve or a central bank help to prevent or lessen the effects of economic recessions?
(Answers will vary but may allude to the ability of a central bank to help provide oversight on banks as a whole to help prevent the economic conditions that allow for bank runs).
4. How do banks benefit from being members of the Federal Reserve System?
(Answers will vary but should use points from the lesson that discuss the ability of a central bank to regulate aspects of an economy that affect banks such as monetary policy, interest rates and bolstering the strength of the banking system as a whole)