

## 13.16: Assignment- Chair the Fed

### Monetary Policy: Think you have what it takes to run our country's central bank?

The President of the United States has nominated you and the U.S. Senate has confirmed you to serve as the Chair of the Federal Reserve. Your job is to set monetary policy to achieve full employment and low price inflation. The way you do that is by adjusting the Federal Funds Rate (FFR) up or down. Your term will last 4 years (16 quarters). See if you can achieve full employment and low inflation as Chair of the Fed.

Go to this website: <https://sffed-education.org/chairthefed/default.html> .

Click "Play Now" to begin the game.

1. According to monetary theory that you studied in this module, how does a change in the Federal Funds Rate affect the inflation rate? How does it affect the unemployment rate?
2. Given the current inflation and unemployment rates, how should you adjust the FFR? That is, should you increase or decrease the FFR, or leave it the same?
3. Choose the FFR for the next quarter. What did you adjust it to? What was the impact on the inflation rate? What was the impact on the unemployment rate? Did you obtain the impact you were hoping for? Why or why not?
4. Continue to choose the FFR for the rest of the game, making a table to keep track of the FFR you choose, and the inflation and unemployment rates you obtained.
5. How well did you do at keeping the inflation rate close to the target, and the unemployment rate close to the natural rate? Feel free to play the game as many times as you like to see if you can improve your results.
6. What conclusions can you draw about this game?
7. What conclusions can you draw about the job of the Fed in the real world?

### Rubric

Criteria	Not Evident	Developing	Proficient	Distinguished	Weight
Correctly explain the theory for how an increase the in Federal Funds Rate affects the inflation rate and unemployment rate.					4
Given the initial inflation and unemployment rates, make a good case for whether the FFR should be raised or lowered.					2
Show the table of FFR and results of playing the game through 16 periods.					2
Explain why you think the results you obtained were different than you hoped for.					4
Explain how well you did, what conclusions you drew about the game, and about actual monetary policy.					6
					Total: 20

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