The Federal Reserve System Shuffle
A Federal Reserve Centennial Lesson that illustrates change over time
1945-1987
FRS Centennial Lesson Plan
The Federal Reserve System Shuffle | FRS Centennial Lesson Plan

Lesson Authors

Karen Kokernak, Federal Reserve Bank of Richmond
Michele Wulff, Federal Reserve Bank of Kansas City
Sarah Yohn, Federal Reserve Bank of Richmond

Lesson Description

Through an interactive card sort and human time-line activity, students explore how key events, legislation, innovations, and technology led to changes and/or efficiencies in the Federal Reserve System and U.S. banking system from 1945 through 1989. This lesson highlights both consistency and change over time and is designed as a supplemental resource for students with a basic knowledge of the roles and functions of the Federal Reserve System.

Grade Level

9–12

Standards and Benchmarks

See page 39

Concepts

Automated teller machine
Bretton Woods Agreement
Community Reinvestment Act
Computerized currency counting equipment: REI High-Speed Machine
Consumer protection
Diners Club
Employment Act of 1946
Equal Credit Opportunity Act
Expedited Funds Availability Act
Federal Reserve Reform Act
Full Employment and Balanced Growth Act (Humphrey-Hawkins Act)
Lender of last resort
Payment services
Regulation J
Truth in Lending Act
Objectives

Students will be able to:

■ provide examples of how the Federal Reserve System has supported and incorporated new technology and innovations to foster efficiencies in the banking system over time;
■ analyze and explain why the Federal Reserve has instituted new consumer protection regulations over time; and
■ examine and explain why the Federal Reserve has changed the way it processes payments over time.

Time Required

Two 45-minute class periods

Materials

■ “The Federal Reserve System Shuffle” PowerPoint or Visuals 1 through 8
■ Signs 1, 2, and 3, hung in different areas of the classroom before the lesson
■ Handout 1, one copy for each group of three students, cut into cards (Optional: scissors for students to cut the strips themselves)
■ Handout 2, one copy for each group of three students
■ Handout 3, one copy for each student in excess of 12
■ Handout 3, one copy for each student, cut into strips
■ Handout 3 Answer Key for the teacher
■ Handout 4, one copy for each student
■ Handout 4 Answer Key for the teacher
■ Handout 5 and 6, print as needed
■ One piece of flip-chart paper for each group
■ Tape for hanging signs
■ Tape or glue sticks for student exercise
Procedures

DAY ONE

1. Display Slide/Visual 1. Tell students that today they will be learning about the Federal Reserve System by examining historical events from 1945 through 1987, with special emphasis on exploring how the Federal Reserve’s roles in fostering a stable and growing economy, promoting consumer protection, and providing efficient payment services have both remained consistent and changed over time.

2. Explain that government organizations, like any organization, must adjust to keep pace with changes in the marketplace and meet current responsibilities. For example, the Federal Communications Commission (FCC) has made tremendous changes. The FCC was originally called the Federal Radio Commission (FRC). It was established to oversee the radio industry and other modes of written communication, such as newspapers, that had influence over the general public. Over time, it has addressed new industry innovations and technology, which in turn, has affected its roles and responsibilities.

3. Ask students the following and record responses on the board:
   - What other media communications industries, besides radio and newspapers, might be regulated and/or overseen by the FCC today? (Answers will vary but may include television, Internet companies, online print media, telephones, or cell phones.)

4. Explain to students that many of the changes in the mass-media communications industry have been due to technological innovations. The FCC’s authority and roles both remained consistent (for example, for radio and newspapers) and changed due to the emergence of new technologies (for example, the telephone and television and later telecommunications, such as the wireless Internet and the cell phone).

5. Explain to students that like the FCC, the Federal Reserve System has adapted to keep pace with change. The two institutions each have jurisdiction over a particular component of the economy. Unlike the FCC, the Fed is a quasi-independent, part-government, part-private institution, established by Congress, to
   - influence the cost and supply of credit,
   - serve as a lender of last resort, and
   - regulate and supervise financial institutions (that is, those banks that belong to the Federal Reserve System).

6. Display Slide/Visual 2. Read or assign a student to read the slide (as follows).

   This lesson demonstrates how the Federal Reserve System has adapted over time to meet the changing needs of the American people and the banking industry.
7. Display Slide/Visual 3. Read or assign a student to read the slide (as follows).

Because the U.S. economy and society changed considerably after WWII through the late 1980s, the Federal Reserve had to adapt and grow to fulfill the following responsibilities:

1. Foster a stable and growing economy
2. Promote consumer protection
3. Provide efficient payment services to depository institutions

8. Note that you will discuss each responsibility in turn. Draw students’ attention to Sign 1: Foster a Stable and Growing Economy. Display Slide/Visual 4 and explain the following: Within its responsibility to foster a stable and growing economy, the Fed performs the following services:

- **Provides an elastic currency**
  An elastic currency refers to the Fed’s ability to issue Federal Reserve notes to meet the demand for money—a need that was one of the reasons the Fed was originally established.

- **Serves as a lender of last resort**
  As a lender of last resort, the Fed can offer short-term loans to banks. For example, during the Great Recession in 2008-09, the Federal Reserve made loans to a number of financial institutions and lowered interest rates to foster a stable and growing economy.

- **Influences the cost and availability of credit and the supply of money**
  The Fed primarily accomplishes this task by influencing interest rates, which are the cost of credit for debt instruments such as car loans, student loans, and mortgages. The Fed can also influence the availability and the supply of loans.

- **Adjusts monetary policy for current economic conditions and emerging trends**
  The Fed analyzes current economic conditions and determines the best approach to take to foster a stable and growing economy.

- **Addresses certain economic or financial risks to the U.S. economy and banking system**
  Potential economic or financial risks may prompt the Fed to adjust its policy direction. For example, if the Fed identified an inflationary trend, too much money chasing too few goods, the Fed might try to raise interest rates to combat inflation. Or, if the economy is in a recession, experiencing slow to no economic growth, the Fed may try to lower interest rates to help spark economic growth.
9. Draw students’ attention to Sign 2: Promote Consumer Protection. Display Slide/Visual 5 and explain the following:

- Prior to 1968, states had different rules or lacked guidelines regarding how and what information about the cost of credit should be shared with consumers. As a remedy, Congress has expanded the Fed’s authority to include enforcement of consumer protection laws. Within its responsibility to promote consumer protection, the Federal Reserve performs the following services:
  - Protects consumers against discrimination and unfair or deceptive business practices
  - Ensures consumers adequate access to the goods and services offered by financial institutions to promote consumer choice and a more competitive market
  - Ensures consumers adequate information to make informed financial decisions

For example, in 2009, Congress passed the Credit Accountability Responsibility and Disclosure Act. The act requires credit card companies to notify cardholders 45 days in advance of any increase in rates, limits fees and rate increases, and requires consistency in payment dates and times.

10. Draw students’ attention to Sign 3: Provide Efficient Payment Services to Depository Institutions. Display Slide/Visual 6 and explain the following: Within its responsibility to provide efficient payment services to depository institutions, the Federal Reserve performs the following services:

- Distributes and processes cash and coin
- Processes checks and electronic payments
- Adopts new methods to keep pace with new technology and innovation to foster efficiency and improve the payments system

For example, in 2003, Congress passed the Check Clearing for the 21st Century Act that allows checks to be electronically submitted by financial institutions to the Federal Reserve. This reduces processing time and costs. The Fed and depository institutions no longer have to solely rely on airplanes and trucks to transport checks from one location to the next. Because of this change, today paper checks are processed by the Federal Reserve at only one Federal Reserve Bank.

11. Explain to the students that they are going to take part in an activity that illustrates how changes in banking technology, innovation, and historical events altered the Fed’s roles and responsibilities for how it fosters a stable and growing economy, promotes consumer protection, and provides efficient payment services to depository institutions.
12. Place the students in groups of three, and provide each group with one set of cards from Handout 1: Historical Events Cards, one copy of Handout 2: Federal Reserve Responsibilities, and a blank sheet of flip-chart paper.

13. Display Slide/Visual 7. Review the directions with the students (as follows). Optional: Suggest that the students take notes to use with written assessments at the end of the lesson.

   - Assign each student in your group one of the following Fed responsibilities:
     (1) Foster a stable and growing economy
     (2) Promote consumer protection
     (3) Provide efficient payment services to depository institutions

     Read through each card and decide, as a group, which Fed responsibility the card describes. Hand that card to the student assigned that responsibility.

   - As you read the cards, record any unfamiliar terms or phrases on flip-chart paper. Hang the paper on the wall nearest your group for teacher clarification.

   - After all cards have been assigned, each student in the group is to move to the sign in the room that displays his or her responsibility.

   - Within the responsibility groups, compare cards to confirm you are holding the same cards. Discuss any cards that seem out of place for the responsibility or don’t have a match. Determine the proper responsibility for each card determined a mismatch.

   - Distribute the mismatched cards to the students in your original groups according to their assigned responsibilities.

14. Allow time for students to complete the activity. Guide the process as necessary per the directions. Walk around the classroom, moving from group to group, to define and clarify unfamiliar terms or phrases.

15. Display Slide/Visual 8 to reveal the correct card categories (as follows).

(1) **Foster a stable and growing economy**
   1. Bretton Woods Agreement (1944)
   2. Employment Act of 1946
   8. Federal Reserve Reform Act (1977)

(2) **Promote consumer protection**
   4. Truth in Lending Act (TILA; 1968)
   7. Community Reinvestment Act (1977)
(3) Provide efficient payment services to depository institutions

3. Diners Club (1950)
10. Regulation J: Check Clearing and Wire Transfers (1980s)

END OF DAY ONE (If you have a 90-minute period, continue the activity; otherwise, collect the cards for the Day Two activity.)

DAY TWO

16. Instruct the students to stand in their respective responsibility groups from the previous class.

17. Instruct the groups to distribute the four cards to four individuals in the group. If there are more than four students in the group, those with no card may return to their seats.

18. Ask the students holding the cards to form a time line in the front of the room, placing themselves in the chronological order of the events on the card. Explain that they are now part of a living time line that represents specific historical events that changed how the Fed fulfills its responsibilities to foster a stable and growing economy, promote consumer protection, and provide efficient payment services.

19. Distribute Handout 3: Historical Event Descriptions to the seated students.

20. Instruct the seated students to take turns reading the event descriptions from Handout 3. Instruct the students in the time line to step forward and name the event on the card when the description read matches the event card they are holding. Use the Handout 3 Answer Key to verify that the correct student has stepped forward.

21. Complete the time-line activity by reading the following descriptions. Instruct the students in the time line to step forward if their event fits the circumstance noted (the correct answers follow each description):

- Reflects changes in the payment system
  - Diners Club (1950)
  - Automated Teller Machine (ATM) Invented (1969)
  - Regulation J: Check Clearing and Wire Transfers (1980s)

Note that all of these events fall under the Fed’s responsibility to provide efficient payment services.
• Demonstrates concern over stable prices or inflationary pressure
  • Bretton Woods Agreement (1944)
  • Employment Act of 1946
  • Federal Reserve Reform Act of 1977
  • Full Employment and Balanced Growth Act (Humphrey-Hawkins Act; 1978)
  Note that all of these events fall under the Fed’s responsibility to foster a stable and growing economy.

• Displays changes in the role/functions of the Federal Reserve to protect the consumer
  • Truth in Lending Act (TILA; 1968)
  • Equal Credit Opportunity Act (1974)
  • Community Reinvestment Act (1977)
  • Expedited Funds Availability Act (1987)
  Note that all of these events fall under the Fed’s responsibility to promote consumer protection.

• Shows how technology has influenced the payment system
  • Diners Club (1950)
  • Regulation J: Check Clearing and Wire Transfers (1980s)
  • Automated Teller Machine (ATM) Invented (1969)

22. Instruct students to return to their seats. Give each student a set of strips cut from Handout 3, a copy of Handout 4: Historical Events Time Line, and access to tape or glue stick. Instruct students to place the strips under the correct event. When all class members have completed the work, check for accuracy. (See Handout 4 Answer Key.)

23. Tell students that today’s activity was designed to demonstrate how the Federal Reserve System has changed over time to (i) adapt to changes in the banking industry and (ii) foster economic growth and stable prices in the face of ever-evolving markets that affect the U.S. economy.

24. Use Handout 5 as a brief assessment or Handout 6 for a more comprehensive assessment.
Sign 1

(1) Foster a Stable and Growing Economy
Sign 2

(2) Promote Consumer Protection
Sign 3

(3) Provide Efficient Payment Services to Depository Institutions
The Federal Reserve System Shuffle
A Federal Reserve Centennial Lesson that illustrates change over time
1945-1987
FRS Centennial Lesson Plan
Visual 2

Lesson Overview

This lesson demonstrates how the Federal Reserve System has adapted over time to meet the changing needs of the American people and the banking industry.
Lesson Themes

Because the U.S. economy and society changed drastically after WWII through the late 1980s, the Federal Reserve had to adapt and grow to fulfill the following responsibilities:

(1) Foster a stable and growing economy
(2) Promote consumer protection
(3) Provide efficient payment services to depository institutions
Visual 4

(1) Foster a stable and growing economy

Within this responsibility, the Federal Reserve System performs the following services:

• Provides an elastic currency

• Serves as a lender of last resort

• Influences the cost and availability of credit and the supply of money

• Adjusts monetary policy for current economic conditions and emerging trends

• Addresses certain economic or financial risks to the U.S. economy and banking system
(2) Promote consumer protection

Within this responsibility, the Federal Reserve System performs the following services to enforce consumer protection laws passed by Congress:

- Protects consumers against discrimination and unfair or deceptive business practices
- Ensures consumers adequate access to the goods and services offered by financial institutions, to promote consumer choice and a more competitive market
- Ensures consumer adequate information to make informed financial decisions
(3) Provide efficient payment services to depository institutions

Within this responsibility, the Federal Reserve System performs the following services:

• Distributes and processes cash and coins

• Processes checks and electronic payments

• Adopts new methods to keep pace with new technology and innovation to foster efficiency and improve the payments system
Visual 7: Directions

Assign each student in your group one of the following Fed responsibilities:

(1) Foster a stable and growing economy  
(2) Promote consumer protection  
(3) Provide efficient payment services to depository institutions

Read through each card and decide, as a group, which Fed responsibility the card describes. Hand that card to the student assigned that responsibility.

As you read the cards, record any unfamiliar terms or phrases on a flip-chart paper. Hang the paper on the wall nearest your group for teacher clarification.

After all cards have been assigned, each student in the group is to move to the sign in the room that displays his or her responsibility.

Within responsibility groups, compare cards to confirm you are holding the same cards. Discuss any cards that seem out of place for the responsibility or don’t have a match. Determine proper responsibility for each card determined a mismatch.

Distribute the mismatched cards to the students in your original groups according to their assigned responsibilities.
Responsibility Groups

(1) Foster a stable and growing economy
   1. Bretton Woods Agreement (1944)
   2. Employment Act of 1946
   8. Federal Reserve Reform Act (1977)

(2) Promote consumer protection
   4. Truth in Lending Act (TILA; 1968)
   7. Community Reinvestment Act (1977)

(3) Provide efficient payment services to depository institutions
   3. Diners Club (1950)
   10. Regulation J: Check Clearing and Wire Transfers (1980s)
Handout 1: Historical Events Cards (page 1 of 6)

1. Bretton Woods Agreement (1944)
   - The agreement was named for the New Hampshire town where leaders of 44 nations met for the United Nations International Monetary and Financial Conference on July 1-23, 1944.
   - The agreement was designed to stabilize world currencies and finance the reconstruction of nations in Europe and Asia that were devastated by World War II.
   - The agreement created the International Monetary Fund and the International Bank for Reconstruction and Development, now known as the World Bank.
   - The agreement required participating countries to peg their currency’s value to the U.S. dollar, which in turn was convertible into gold.
   - Since the 1930s, the U.S. Treasury has been responsible for carrying out international economic policy for the United States, while the Federal Reserve has focused on monetary policy and domestic economic conditions.
   - The Chairman of the Federal Reserve worked with the Secretary of the Treasury and Treasury officials to represent the U.S. position in this agreement.

2. Employment Act of 1946
   - Fearing a recession after World War II, Congress proposed a bill to combat unemployment in two ways:
     - set a national goal that all Americans willing, able, and looking for work have job opportunities and a chance to receive fair compensation and
     - make it the responsibility of the government to guarantee a level of investment and spending to continue full employment.
   - The final version of the bill did not guarantee full employment or define a specific way to finance the policy.
   - Instead, the law made it the policy of the government to “promote maximum employment, production, and purchasing power.”
   - The law also required the president to submit an Annual Economic Report to Congress, established the Council of Economic Advisers, and created a Congressional Joint Economic Committee to explore ways to pursue economic goals.
3. **Diners Club (1950)**
   - Prior to 1950, the only payment instruments available to consumers and businesses were currency, coin, checks, and individual store charge cards.
   - The Diners Club was the first charge card that could be used with more than one merchant and in different locations.
   - The Diners Club served as a middleman between companies and their customers. Customers could use the charge card, have Diners Club pay the merchant, and later reimburse Diners Club.
   - To make a profit, Diners Club charged fees to both the customer and the merchant for each transaction.
   - Diners Club was the only widely distributed charge card until American Express and Bank Americard (later known as Visa) were introduced in 1958.
   - In 1966, Bank Americard released the first revolving credit card. The difference between a charge card and a credit card is that charge cards require balances to be paid in full at the end of each month, while credit cards provide customers the option of carrying over balances.

4. **Truth in Lending Act (TILA; 1968)**
   - Prior to 1968, different states had different rules or lacked guidelines regarding how and what information about the cost of credit should be shared with consumers.
   - TILA intended to make it easier for consumers to make an informed decision about credit by requiring credit issuers to be clear about the true cost and terms of credit.
   - The Federal Reserve Board was given authority to issue regulations and implement TILA.
   - To enforce TILA, the Federal Reserve Board issued Regulation Z. This rule requires institutions that offer credit to publish the total amount to be financed, the minimum monthly payment, the total number of monthly payments, and the annual percentage rate for its customers.
   - One of TILA's requirements is that lenders use a uniform method for calculating the cost of credit.
   - With the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the authority to enforce Regulation Z was transferred to the Consumer Financial Protection Bureau.

- Prior to the invention of the ATM, to have access to cash, consumers had to withdraw cash from their bank or cash a check at a business, such as a grocery store, that offered check-cashing services. These transactions had to be conducted during business hours.
- There is much debate about who should be credited with inventing the ATM, but the Smithsonian has credited Docutel and Donald Wetzel as the inventors.
- The first Docutel ATM was installed at New York’s Chemical Bank. It read magnetically encoded plastic cards. The machine worked off-line and only dispensed cash.
- Most early ATM cards were actually credit cards.
- In 1972, the City National Bank of Cleveland designed a debit card that could debit customer checking accounts directly.
- ATM innovations over time have allowed customers to deposit checks, withdraw and transfer money, and even make payments.
- Bank customers now have access to their accounts 24 hours a day, 7 days a week, and in locations all across the world.


- The use of credit by consumers skyrocketed in the 1950s and 1960s.
- Although the civil rights movement brought attention to discrimination against minorities and women, civil rights legislation passed in the 1960s did not address discrimination by lenders.
- The act made it unlawful for a creditor to discriminate against any applicant on the basis of race, color, religion, national origin, sex, marital status, or age.
- The act prohibits practices that intentionally discriminate or have the effect of discriminating against one of the protected classes in the legislation.
- The rules for enforcement of the act were written by the Federal Reserve Board from 1974 to 2011, when the responsibility was transferred to the Consumer Financial Protection Bureau by the Dodd-Frank Financial Reform and Consumer Protection Act of 2010.
7. **Community Reinvestment Act (CRA; 1977)**

- Prior to 1977, some financial institutions engaged in a practice known as “redlining”—the refusal to lend money to borrowers located in designated areas, often low-income communities—despite accepting deposits from these same customers.
- The CRA was designed to encourage banks and savings associations to help meet the needs of all borrowers in their community, including those in low- and moderate-income neighborhoods.
- Even though no specific criteria were established to assess bank compliance, whether a bank offers credit services in low- to moderate-income communities is considered when the bank applies to open new branches or engages in mergers or acquisitions.
- The CRA does not encourage banks to make high-risk loans. Banks are expected to operate in a safe and sound manner.
- When the CRA was passed, the supervising agencies were the Federal Reserve, the FDIC, the Federal Home Loan Bank Board, and the Office of the Comptroller of the Currency.
- Community Affairs offices were also created by the CRA within every Federal Reserve Bank to work with banks on identifying the needs of low- to moderate-income communities and to help banks determine how to address those needs.

8. **Federal Reserve Reform Act (1977)**

- This act requires the Fed to officially recognize price stability as a national monetary policy goal. It was enacted during a period of surging inflation. The average inflation rate during the 1970s was 6.8 percent, three times the inflation rate of the previous two decades. The high inflation was caused by expansionary monetary policy and punctuated by sharp increases in the prices of food and energy.
- Prior to the act, the monetary policy goal of the Federal Reserve had been set by the Employment Act of 1946. That act addressed fears of another Great Depression and made maximizing employment a monetary policy goal.
- The 1977 act established what is known as the dual mandate “to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.”
- The goal of price stability is to keep inflation low so that consumers and businesses can make more-informed economic decisions.
- The act also set four-year terms for the Chairman and Vice Chairman of the Board of Governors and subjected their appointments to Senate confirmation.
<table>
<thead>
<tr>
<th>Handout 1: Historical Events Cards (page 5 of 6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• This law was enacted to set four economic goals for the federal government: full employment, economic growth, a balanced budget, and low inflation.</td>
</tr>
<tr>
<td>• More commonly known as the Humphrey-Hawkins Act, it stated that government should rely on private enterprise to achieve these goals before using public means.</td>
</tr>
<tr>
<td>• The act mandated that the Federal Reserve report to Congress on monetary policy twice a year (in February and July).</td>
</tr>
<tr>
<td>• The act gave the government and the Federal Reserve clear targets for the unemployment rate and the inflation rate. However, these targets are not binding.</td>
</tr>
<tr>
<td>• The initial target goals were aimed at achieving a 4 percent unemployment rate and a 3 percent inflation rate by 1983.</td>
</tr>
<tr>
<td>• After 1983, the time required to achieve or maintain price stability was to be specified every year in the Economic Report of the President.</td>
</tr>
</tbody>
</table>

| **10. Regulation J: Check Clearing and Wire Transfers (1980s)** |
| • The Federal Reserve, the central bank of the United States, is a system of 12 regional Banks. Regulation J allowed the Federal Reserve to establish rules for the 12 regional Federal Reserve Banks to ensure uniform payment services, including check processing and wire transfers, for the financial institutions that use Fed payment services. |
| • Having shared rules makes the transfer of payments within the system more efficient. Individual Reserve Banks may still have additional rules specific to their region. |
| • Check clearing: Regulation J provided rules for collecting checks, cash, and noncash items and returning these items to settle balances. |
| • Wire transfers: Regulation J also provided rules for fund transfers through Fed Wire, an electronic payment and securities transfer service. These policies included business hours, security procedures, and fees for service. |
Handout 1: Historical Events Cards (page 6 of 6)

   - Two of the Fed’s functions are to meet banks’ demand for cash and coin and to store bank cash reserves. Banks may also keep excess reserves at the Fed.
   - Prior to 1981, the Federal Reserve used what was known as a Federal Bill Counter and a weighing system to process cash.
   - Fed staff would examine the bills prior to placing them in the counter to make sure the currency was the correct denomination, facing in the right direction, in good condition, and not a suspected counterfeit.
   - Although a somewhat mechanized process, the sorting and processing of currency required much manpower.
   - In 1981, the Fed began using the computerized REI high-speed machine. The REI revolutionized the existing currency counting process by
     - processing and sorting 72,000 notes per hour,
     - sorting bills by denomination and position,
     - separating out bills that were unfit for circulation, and
     - counting and banding bills in 100-note straps.

   - This act was passed to ensure consumers timely access to checkable deposits.
   - Prior to 1987, financial institutions across the nation had different rules for how long they would need to hold a check before customers could gain access to their money.
   - The reason for this hold was to allow time for funds to be transferred from one institution to another and to verify the availability of those funds.
   - The act clarifies what is a reasonable time frame for banks to make funds available for withdrawal. It also
     - includes policies on disclosing when funds are available and how interest is paid,
     - specifies rules on the quick return of checks,
     - specifies bank responsibilities to ensure this process, and
     - provides check-endorsement standards.
     - The Federal Reserve Board of Governors wrote the regulations, which are carried out by a variety of organizations, including the Federal Reserve Banks.
Handout 2: Federal Reserve Responsibilities

Because the U.S. economy and society changed drastically after WWII up through the late 1980s, the Federal Reserve had to adapt and grow to fulfill the following responsibilities:

- Foster a stable and growing economy
- Promote consumer protection
- Provide efficient payment services to depository institutions
<table>
<thead>
<tr>
<th>Historical Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to this act, the monetary policy goal of the Federal Reserve had been set by the Employment Act of 1946.</td>
</tr>
<tr>
<td>This act established the Council of Economic Advisers.</td>
</tr>
<tr>
<td>This act does not encourage banks to make high-risk loans.</td>
</tr>
<tr>
<td>This law required the president to submit an Annual Economic Report to Congress.</td>
</tr>
<tr>
<td>This legislation prohibits practices that intentionally discriminate or have the effect of discriminating against one of the protected classes in the legislation.</td>
</tr>
<tr>
<td>This was the only widely distributed charge card until American Express and Bank Americard were introduced in 1958.</td>
</tr>
<tr>
<td>This act made it unlawful for a creditor to discriminate against any applicant on the basis of race, color, religion, national origin, sex, marital status, or age.</td>
</tr>
<tr>
<td>This act established the dual mandate “to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.”</td>
</tr>
<tr>
<td>The first of these machines worked off-line and only dispensed cash.</td>
</tr>
<tr>
<td>This act is more commonly known as the Humphrey-Hawkins Act.</td>
</tr>
<tr>
<td>This was the first charge card that could be used with more than one merchant and in different locations.</td>
</tr>
<tr>
<td>The rules for enforcement of this act were written by the Federal Reserve Board from 1974 to 2011, when the responsibility was transferred to the Consumer Financial Protection Bureau.</td>
</tr>
<tr>
<td>To make a profit, this company charged fees to both the customer and the merchant for each transaction.</td>
</tr>
<tr>
<td>Under this act, whether a bank offers credit services in low- to moderate-income communities is considered when the bank applies to open new branches.</td>
</tr>
<tr>
<td>This agreement created the International Monetary Fund and the International Bank for Reconstruction and Development, now known as the World Bank.</td>
</tr>
<tr>
<td>This act was passed to ensure consumers timely access to checkable deposits.</td>
</tr>
<tr>
<td>Prior to this device, consumers had to withdraw cash from their bank or cash a check at a business, such as a grocery store, that offered check-cashing services.</td>
</tr>
<tr>
<td>This act made it the policy of the government to try and “promote maximum employment, production, and purchasing power.”</td>
</tr>
</tbody>
</table>
### Handout 3: Historical Event Descriptions (page 2 of 2)

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>This act made it easier for consumers to make an informed decision about credit by requiring credit issuers to state the true cost and terms of credit.</td>
<td></td>
</tr>
<tr>
<td>To enforce this act, the Federal Reserve Board issued Regulation Z, which requires institutions that offer credit to publish the total amount to be financed, the minimum monthly payment, the total number of monthly payments, and the annual percentage rate.</td>
<td></td>
</tr>
<tr>
<td>This act allowed the Federal Reserve to establish rules for the 12 regional Federal Reserve Banks to ensure uniform payment services, including check processing and wire transfers.</td>
<td></td>
</tr>
<tr>
<td>This act set four-year terms for the Chairman and Vice Chairman of the Board of Governors of the Federal Reserve System.</td>
<td></td>
</tr>
<tr>
<td>Bank customers now have access to their accounts 24/7 and in locations all across the world.</td>
<td></td>
</tr>
<tr>
<td>This law was enacted to set four economic goals for the federal government: full employment, economic growth, a balanced budget, and low inflation, using private enterprise before using public means.</td>
<td></td>
</tr>
<tr>
<td>This machine revolutionized currency counting by processing and sorting 72,000 notes per hour.</td>
<td></td>
</tr>
</tbody>
</table>
### Handout 3: Historical Event Descriptions—Answer Key (page 1 of 2)

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to this act, the monetary policy goal of the Federal Reserve had been set by...</td>
<td>(Federal Reserve Reform Act, 1977)</td>
</tr>
<tr>
<td>This act established the Council of Economic Advisers.</td>
<td>(Employment Act of 1946)</td>
</tr>
<tr>
<td>This act does not encourage banks to make high-risk loans.</td>
<td>(Community Reinvestment Act, 1977)</td>
</tr>
<tr>
<td>This law required the president to submit an Annual Economic Report to Congress.</td>
<td>(Employment Act of 1946)</td>
</tr>
<tr>
<td>This legislation prohibits practices that intentionally discriminate or have the</td>
<td>(Equal Credit Opportunity Act, 1974)</td>
</tr>
<tr>
<td>effect of discriminating against one of the protected classes in the legislation.</td>
<td></td>
</tr>
<tr>
<td>This was the only widely distributed charge card until American Express and Bank</td>
<td>(Diners Club, 1950)</td>
</tr>
<tr>
<td>Americard were introduced in 1958.</td>
<td></td>
</tr>
<tr>
<td>This act made it unlawful for a creditor to discriminate against any applicant on</td>
<td>(Equal Credit Opportunity Act, 1974)</td>
</tr>
<tr>
<td>the basis of race, color, religion, national origin, sex, marital status, or age.</td>
<td></td>
</tr>
<tr>
<td>This act established the dual mandate “to promote effectively the goals of</td>
<td>(Federal Reserve Reform Act of 1977)</td>
</tr>
<tr>
<td>maximum employment, stable prices, and moderate long-term interest rates.”</td>
<td></td>
</tr>
<tr>
<td>The first of these machines worked off-line and only dispensed cash.</td>
<td>(ATM Invented, 1969)</td>
</tr>
<tr>
<td>This act is more commonly known as the Humphrey-Hawkins Act.</td>
<td>(Full Employment and Balanced Growth Act, 1978)</td>
</tr>
<tr>
<td>This was the first charge card that could be used with more than one merchant and</td>
<td>(Diners Club, 1950)</td>
</tr>
<tr>
<td>in different locations.</td>
<td></td>
</tr>
<tr>
<td>The rules for enforcement of this act were written by the Federal Reserve Board</td>
<td>(Equal Credit Opportunity Act, 1974)</td>
</tr>
<tr>
<td>from 1974 to 2011, when the responsibility was transferred to the Consumer</td>
<td></td>
</tr>
<tr>
<td>Financial Protection Bureau.</td>
<td></td>
</tr>
<tr>
<td>To make a profit, this company charged fees to both the customer and the merchant</td>
<td>(Diners Club, 1950)</td>
</tr>
<tr>
<td>for each transaction.</td>
<td></td>
</tr>
<tr>
<td>Under this act, whether a bank offers credit services in low- to moderate-income</td>
<td>(Community Reinvestment Act, 1977)</td>
</tr>
<tr>
<td>communities is considered when the bank applies to open new branches.</td>
<td></td>
</tr>
<tr>
<td>This agreement created the International Monetary Fund and the International</td>
<td>(Bretton Woods Agreement, 1944)</td>
</tr>
<tr>
<td>Bank for Reconstruction and Development, now known as the World Bank.</td>
<td></td>
</tr>
<tr>
<td>This act was passed to ensure consumers timely access to checkable deposits.</td>
<td>(Expedited Funds Availability Act, 1987)</td>
</tr>
</tbody>
</table>
### Handout 3: Historical Event Descriptions—Answer Key (page 2 of 2)

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to this device, consumers had to withdraw cash from their bank or cash a check at a business, such as a grocery store, that offered check-cashing services. (ATM Invented, 1969)</td>
<td></td>
</tr>
<tr>
<td>This act made it the policy of the government to try and “promote maximum employment, production, and purchasing power.” (Employment Act of 1946)</td>
<td></td>
</tr>
<tr>
<td>This act made it easier for consumers to make an informed decision about credit by requiring credit issuers to state the true cost and terms of credit. (Truth in Lending Act [TILA], 1968)</td>
<td></td>
</tr>
<tr>
<td>To enforce this act, the Federal Reserve Board issued Regulation Z, which requires institutions that offer credit to publish the total amount to be financed, the minimum monthly payment, the total number of monthly payments, and the annual percentage rate. (Truth in Lending Act [TILA], 1968)</td>
<td></td>
</tr>
<tr>
<td>This act allowed the Federal Reserve to establish rules for the 12 regional Federal Reserve Banks to ensure uniform payment services, including check processing and wire transfers. (Regulation J: Check Clearing and Wire Transfers, 1980)</td>
<td></td>
</tr>
<tr>
<td>This act set four-year terms for the Chairman and Vice Chairman of the Board of Governors of the Federal Reserve System. (Federal Reserve Reform Act, 1977)</td>
<td></td>
</tr>
<tr>
<td>Bank customers now have access to their accounts 24/7 and in locations all across the world. (ATM Invented, 1969)</td>
<td></td>
</tr>
<tr>
<td>This law was enacted to set four economic goals for the federal government: full employment, economic growth, a balanced budget, and low inflation, using private enterprise before using public means. (Full Employment and Balanced Growth Act, 1978)</td>
<td></td>
</tr>
<tr>
<td>This machine revolutionized currency counting by processing and sorting 72,000 notes per hour. (Computerized Currency Counting Equipment: REI High-Speed Machine, 1981)</td>
<td></td>
</tr>
</tbody>
</table>
Handout 4: Historical Events Time Line (page 1 of 2)

Directions: Affix the statement under the event it describes. Events may have more than one statement.

Bretton Woods Agreement (1944)

Employment Act of 1946

Diners Club (1950)

Truth in Lending Act (TILA; 1968)

Automated Teller Machine (ATM) Invented (1969)

Equal Credit Opportunity Act (1974)
Handout 4: Historical Events Time Line (page 2 of 2)

Community Reinvestment Act (1977)

Federal Reserve Reform Act (1977)

Full Employment and Balanced Growth Act (1978)

Regulation J: Check Clearing and Wire Transfers (1980s)


Expedited Funds Availability Act (1987)
Handout 4: Historical Events Time Line—Answer Key (page 1 of 2)

Directions: Affix the statement under the event it describes. Events may have more than one statement.

Bretton Woods Agreement (1944)
- This agreement created the International Monetary Fund and the International Bank for Reconstruction and Development, now known as the World Bank.

Employment Act of 1946
- This act established the Council of Economic Advisers.
- This law required the president to submit an Annual Economic Report to Congress.
- This act made it the policy of the government to “promote maximum employment, production, and purchasing power.”

Diners Club (1950)
- This was the only widely distributed charge card until American Express and Bank Americard were introduced in 1958.
- This was the first charge card that could be used with more than one merchant and in different locations.
- To make a profit, this company charged fees to both the customer and the merchant for each transaction.

Truth in Lending Act (TILA; 1968)
- This act made it easier for consumers to make an informed decision about credit by requiring credit issuers to state the true cost and terms of credit.
- To enforce this act, the Federal Reserve Board issued Regulation Z, which requires institutions that offer credit to publish the total amount to be financed, the minimum monthly payment, the total number of monthly payments, and the annual percentage rate.

Automated Teller Machine (ATM) Invented (1969)
- The first of these machines worked off-line and only dispensed cash.
- Prior to this device, consumers had to withdraw cash from their bank or cash a check at a business, such as a grocery store, that offered check-cashing services.
- Bank customers now have access to their accounts 24/7 and in locations all across the world.
Equal Credit Opportunity Act (1974)
- This legislation prohibits practices that intentionally discriminate or have the effect of discriminating against one of the protected classes in the legislation.
- This act made it unlawful for a creditor to discriminate against any applicant on the basis of race, color, religion, national origin, sex, marital status, or age.
- The rules for enforcement of this act were written by the Federal Reserve Board from 1974 to 2011, when the responsibility was transferred to the Consumer Financial Protection Bureau.

Community Reinvestment Act (1977)
- Under this act, whether a bank offers credit services in low- to moderate-income communities is considered when the bank applies to open new branches.

Federal Reserve Reform Act (1977)
- Prior to this act, the monetary policy goal of the Federal Reserve had been set by the Employment Act of 1946.
- This act does not encourage banks to make high-risk loans.
- This act established the dual mandate “to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.”
- This act set four-year terms for the Chairman and Vice Chairman of the Board of Governors of the Federal Reserve System.

Full Employment and Balanced Growth Act (1978)
- This act is more commonly known as the Humphrey-Hawkins Act.
- This law was enacted to set four economic goals for the federal government: full employment, economic growth, a balanced budget, and low inflation, using private enterprise before using public means.

Regulation J: Check Clearing and Wire Transfers (1980s)
- This act allowed the Federal Reserve to establish rules for the 12 regional Federal Reserve Banks to ensure uniform payment services, including check processing and wire transfers.

- This machine revolutionized currency counting by processing and sorting 72,000 notes per hour.

Expedited Funds Availability Act (1987)
- This act was passed to ensure consumers timely access to checkable deposits.
Handout 5: Written Assessment

Directions:
For each of the three Fed responsibilities noted below, choose a correlating time-line event. For each pair, use complete sentences and a paragraph format to (i) describe the responsibility, (ii) describe the event, and (iii) explain how the event affected the Federal Reserve's role over time.

(1) Foster a stable and growing economy
(2) Promote consumer protection
(3) Provide efficient payment services to depository institutions
Handout 6

The Federal Reserve System Shuffle Written Assessment

Directions:

Choose one of the three Fed responsibilities noted below and imagine that this responsibility no longer exists and is not fulfilled by any other organization. Write a one-page essay describing the possible problems that may develop in the U.S. economy for consumers and businesses if this were the case. Use specific examples of events from 1945 through 1987 to support your premise and to detail how the Federal Reserve System has changed over time to promote new legislation, technology, and innovation. Write in complete sentences and in paragraph format. You may use your notes to help complete the written assessment.

(1) Foster a stable and growing economy
(2) Promoting consumer protection
(3) Provide efficient payment services to financial institutions
Sources for Handout 1: Historical Events Cards

1. **Bretton Woods Agreement.**  
   [http://external.worldbankimflib.org/Bwf/index.htm](http://external.worldbankimflib.org/Bwf/index.htm)

2. **Employment Act of 1946**  

3. **Diners Club**  
   [http://history1900s.about.com/od/1950s/a/firstcreditcard.htm](http://history1900s.about.com/od/1950s/a/firstcreditcard.htm)  

4. **Truth in Lending Act**  

5. **Automated Teller Machine (ATM)**  

6. **Equal Credit Opportunity Act**  

7. **Community Reinvestment Act**  
   [http://www.federalreserve.gov/communitydev/cra_about.htm](http://www.federalreserve.gov/communitydev/cra_about.htm)

8. **Federal Reserve Reform Act**  
   [http://www.frbsf.org/what-is-the-fed/history.html](http://www.frbsf.org/what-is-the-fed/history.html)  

9. **Full Employment and Balanced Growth Act**  

10. **Regulation J: Check Clearing and Wire Transfers**  
    [http://www.federalreserve.gov/paymentsystems/fedfunds_coreprinciples.htm#co](http://www.federalreserve.gov/paymentsystems/fedfunds_coreprinciples.htm#co)

11. **Computerized Currency Counting Equipment: REI High-Speed Machine**  

12. **Expedited Funds Availability Act**  
Standards and Benchmarks

Common Core State Standards: Grades 9-12 English Language Arts Standards

In Writing: Text Types and Purposes CCSS.ELA-Literacy.W.9-10.1; W.11-12.1
Production and Distribution of Writing CCSS.ELA-Literacy.W.9-10.4; W.11-12.4

In History/Social Studies: Key Ideas and Details CCSS/ELA-Literacy.RH.9-10.1; RH.11-12.1
Key Ideas and Details CCSS/ELA-Literacy.RH.9-10.2; RH.11-12.2
Craft and Structure CCSS/ELA-Literacy.RH.9-10.10; RH.11-12.10
Range of Reading CCSS/ELA-Literacy.RH.9-10.10; RH.11-12.10

National Curriculum Standards for the Social Studies

NCSS Strand 2: Time, Continuity and Change
NCSS Strand 5: Individuals, Groups and Institutions
NCSS Strand 7: Production, Distribution & Consumption

National Content Standards in Economics

CEE Standard 18: Economic Fluctuations
CEE Standard 19: Unemployment and Inflation
CEE Standard 20: Fiscal and Monetary Policy