

Student Handout for “Recession, Monetary Policy, and Me”

Directions: As you read the article “Recession, monetary policy affect students and their families,” consider the following questions. Be prepared to discuss your responses.

1. What are the characteristics of this recession in terms of employment?
2. How do you think the high unemployment rate affects people’s ability to pay their loans, such as home mortgages? What is the result of not paying a home mortgage loan?
3. What caused this recession?
4. Give some examples of how the Federal Reserve is trying to mitigate the effects of the recession.
5. What are some signs that the actions of the Fed and other institutions are working?
6. How can you and your family protect yourselves from the effects of future recessions?

Optional extension activity

One of the most important ways that the Fed affects your life is by influencing interest rates, or the price borrowers pay for a loan. Choose a car or other large-ticket item that you would like to buy and find out the item’s cost. Then use an online loan amortization schedule calculator (such as <http://www.amortization-calc.com/>) to determine the total amount you would pay in interest and the monthly payment, and compare those outcomes under different interest rate scenarios, such as a loan at 3 percent and 5 percent.