



# The Real Fed Funds Rate

## Datasheet

At the beginning of each quarter of the *Chair the Fed* game, compare the current levels of unemployment and inflation to the Fed's goals for each. Decide to raise, cut, or leave unchanged the level of the fed funds rate and record the rate in the "Rate Played" box. Record the level of the real fed funds in the "Real Fed Funds Rate" box (rate played **minus** inflation rate). Answer the questions on page 2 when you have completed the game.

QTR	Headline Summary	Fed Funds Rate (beginning)	Unempl. Rate	Inflation Rate	Rate Played	Real Fed Funds Rate
16	New Chair Appointed: Faces moderate inflation but falling unemployment	4.00%	4.68%	2.11%		
15						
14						
13						
12						
11						
10						
9						
8						
7						
6						
5						
4						
3						
2						
1						

Reappointed? \_\_\_\_\_ Unemployment: \_\_\_\_\_ Inflation rate: \_\_\_\_\_ Shock: \_\_\_\_\_



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Using your session data, answer the questions below.

- 1a) Highlight the headlines that describe your monetary policy as tight or restrictive. What other words appear in the headlines that hint at a tight policy?
  
- 1b) For all of the headlines you identified in 1a, write down the level of the real fed funds rate. What impact did those levels of the real fed funds rate seem to have on unemployment and inflation in later quarters (increase or decrease)?
  
- 2a) Highlight the headlines that describe your monetary policy as loose or expansionary. What other words appear in the headlines that hint at a loose policy?
  
- 2b) For all of the headlines you identified in 2a, write down the level of the real fed funds rate. What impact did those levels of the real fed funds rate seem to have on unemployment and inflation in later quarters (increase or decrease)?
  
- 3) Based on your data, what level of the real fed funds rate seems to rate as a tight policy? A loose policy?  
Tight: \_\_\_\_\_% or higher      Loose: \_\_\_\_\_% or lower
  
- 4) If the fed funds rate = 9% and the inflation rate = 6%, then the real fed funds rate = \_\_\_\_\_%?  
Based on your data, is this policy tight or loose (circle one)?
  
- 5) If the fed funds rate = 2% and the inflation rate = 6%, then the real fed funds rate = \_\_\_\_\_%?  
Based on your data, is this policy tight or loose (circle one)?
  
- 6) Based on your data, is there an in-between rate that is neither tight nor loose? If yes, what is the range? Why would the Fed need a rate that is more “neutral”?
  
- 7) Summarize the idea of the real fed funds rate and why it’s useful in thinking about monetary policy.