Who Makes the Call?

Examine why two federal agencies need independence and oversight.

USG.C.4.2.D "Examine the purpose of independent regulatory agencies (e.g., Federal Reserve, Securities and Exchange Commission)."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline a phrase that shows the Fed's purpose and a phrase that shows the SEC's purpose. Circle a phrase explaining why independence matters, then number two ways the agencies remain accountable.

Decisions Beyond Election Day

1. Imagine a week when prices rise quickly and a popular company announces it will sell shares to the public. Families worry about what their paychecks can buy; investors want reliable facts before risking savings. Congress makes laws, but lawmakers do not vote on every interest-rate decision or review every company's financial report. Independent regulatory agencies carry out specialized public tasks with some distance from day-to-day political pressure. Their leaders are appointed through government processes, and the agencies must follow laws and face oversight. Independence does not mean they can make any rule they want.

2. The Federal Reserve, often called the Fed, is the nation's central bank. Its goals include stable prices and maximum employment. When inflation is high, the Fed may raise its target for a key short-term interest rate, which can make borrowing more expensive and slow spending. Those effects may take time, and the choice can be unpopular. Fed policymakers can make monetary policy decisions without getting the president's permission for each one, helping them focus on longer-term economic goals rather than the next election. Congress sets the Fed's legal responsibilities, and Fed officials report to Congress.

3. The Securities and Exchange Commission, or SEC, focuses on securities markets, where people buy and sell investments such as stocks. Before a company sells shares to the public, federal law generally requires it to provide important information about its business and risks. The SEC oversees these disclosures and enforces securities laws, including rules against misleading investors. This helps people make informed choices, but the SEC does not promise that a stock will rise. Its commissioners are appointed by the president and confirmed by the Senate, while Congress can oversee the agency. Independence supports enforcement even when a powerful company objects.

2 ANSWER WITH EVIDENCE

Use the passage

1. How could raising a key interest-rate target help the Fed pursue one of its goals? What cost might people face?

2. Why does the SEC oversee company disclosures and enforce rules against misleading investors?

3. Why might independence matter when the Fed makes a rate decision and when the SEC investigates a powerful company?

4. Give one way each agency remains accountable despite its independence.

3 YOUR TURN

Your own words

A company selling shares through an app promises guaranteed profits while inflation is rising. Write four or five sentences for a school news brief explaining which agency addresses each problem, one appropriate action for each, and why independence and congressional oversight both matter.

ANSWER KEY

Who Makes the Call?

HIGH SCHOOL · USG.C.4.2.D

PART 1 · READ AND MARK

Underline a phrase that shows the Fed's purpose and a phrase that shows the SEC's purpose. Circle a phrase explaining why independence matters, then number two ways the agencies remain accountable. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How could raising a key interest-rate target help the Fed pursue one of its goals? What cost might people face?	**It could slow borrowing and spending to help address inflation and support stable prices. Borrowing could become more expensive.**
2	Why does the SEC oversee company disclosures and enforce rules against misleading investors?	**These actions help investors get reliable information about a company and its risks so they can make informed choices.**
3	Why might independence matter when the Fed makes a rate decision and when the SEC investigates a powerful company?	**The Fed can make an unpopular decision without seeking the president's permission for each one. The SEC can enforce securities laws even when a powerful company objects.**
4	Give one way each agency remains accountable despite its independence.	**Congress sets the Fed's legal responsibilities, and Fed officials report to Congress. Congress can oversee the SEC.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The SEC should investigate the company's promise of guaranteed profits because it could mislead investors. It can enforce securities laws and check that investors receive accurate information about risks. The Fed could raise its target for a key short-term interest rate to help slow inflation, though borrowing might become costlier. Independence lets both agencies make difficult decisions without day-to-day political pressure. Congressional oversight helps ensure they stay within their legal responsibilities.

Accept other passage-supported explanations of each agency's purpose and independence. Do not accept claims that the SEC guarantees returns or that the Fed sets rates for individual loans.