

THE WALL STREET JOURNAL.

Critical
Thinking
Resource

Finance

About The Wall Street Journal's Critical Thinking Resource

We developed this guide to help you maximize The Wall Street Journal as a resource for your classes. You'll be able to energize discussions and engage students with tangible examples of course concepts that your students can apply in the real world. In addition, with the help of faculty partners, we've curated a special collection of our most popular and thought-provoking articles about finance. For each of these readings, we provide a summary, correlation to course topics, classroom applications and questions suitable for launching discussions and conducting assessments.

Here are some of the many ways to incorporate WSJ into your courses:

- **COURSE READINGS:** Assign articles as required reading alongside your textbook sections. For best results, include assessment questions on quizzes and exams.
- **DISCUSSION LAUNCHERS:** Use articles to spur classroom and threaded discussions in online and hybrid courses on core concepts and current events.
- **EXTRA CREDIT:** Allow students to read optional articles and answer assessment questions for extra credit.
- **GROUP PROJECTS:** WSJ is a rich source of real-world topics for group research and presentation projects.
- **RESEARCH PAPERS AND CASE STUDIES:** WSJ features provide timely citations for research projects.

Subtopic:

Entrepreneurial Mindset During a Crisis

TABLE OF CONTENTS

1. Biden Eyes Raskin as Top Fed Banking Regulator
2. Fed Weighs Proposals for Eventual Reduction in Bond Holdings
3. Investors Brace for Slowing Corporate Bond Sales

Biden Eyes Raskin as Top Fed Banking Regulator

REPORTERS: Andrew Ackerman, Nick Timiraos, Ken Thomas

REVIEWED BY: Brad Gibbs, Brown University

DATE: December 28, 2021

TOPICS: Federal Reserve governance, dual mandate, central bank independence

LINK TO ARTICLE: [CLICK HERE](#)

SUMMARY:

President Biden is considering Sarah Bloom Raskin for a top role at the Federal Reserve as part of a slate of three nominees for central bank board seats, according to people familiar with the matter. The administration is eyeing Ms. Raskin, a former Fed governor and one time Treasury Department official, to become the central bank's vice chairwoman of supervision, the government's most influential overseer of the U.S. banking system, the people said. President Biden is also considering two economists for other Fed board seats that will soon be vacant: Lisa Cook, a professor of economics and international relations at Michigan State University; and Philip Jefferson, a professor and administrator at Davidson College in North Carolina.

CLASSROOM APPLICATION:

This article provides an opportunity to explore the governance and role of the Federal Reserve, as well as recent efforts at the Federal Reserve to increase diversity within its ranks, as well as address issues of economic inequality.

QUESTIONS:

1. Describe Sarah Bloom Raskin's positions on financial regulation and climate change.
2. Why was Ms. Raskin critical of the broad-based emergency-lending backstops enacted by the Treasury and Fed during the pandemic?
3. Based on information in the article, why might some politicians be opposed to Ms. Raskin's nomination?
4. What policies has Professor Cook supported to address discrimination and lack of opportunity?
5. What do the potential nominations of Professors Cook and Jefferson signal with respect to the Biden Administration's efforts regarding diversity and inclusion? Why is this considered important?

EXTENSION ASSIGNMENT:

Research the structure and role of the Federal Reserve. A useful primer is available on the Federal Reserve's website: [The Fed Explained](#).

Fed Weighs Proposals for Eventual Reduction in Bond Holdings

REPORTER: Nick Timiraos

REVIEWED BY: Brad Gibbs, Brown University

DATE: January 4, 2022

TOPICS: Conventional vs. non-conventional monetary policy tools, tapering, Federal Reserve balance sheet

LINK TO ARTICLE: [CLICK HERE](#)

SUMMARY:

Federal Reserve officials are beginning to map out how and when they could shrink their \$8.76 trillion portfolio of Treasury and mortgage securities, which more than doubled amid efforts to stabilize the economy over the past two years. At their policy meeting last month, officials agreed to wind down their bond-purchase stimulus program more quickly amid growing concerns about high inflation, setting it on track to end in March. Officials began discussing at that meeting what should happen to the bond holdings after that point, and some are pushing to start shrinking them sooner and faster than they did after an earlier asset-purchase program. Markets would see that as a form of tightening monetary policy because it would signal the central bank's desire to deliberately slow the economy.

CLASSROOM APPLICATION:

This article provides an opportunity to discuss, further, the role of the Federal Reserve, its toolkit, and the impact of its actions on various facets of the economy, including banking and the capital markets.

QUESTIONS:

1. Why did the Federal Reserve purchase large quantities of securities last year? How do such purchases impact interest rates/yields on fixed-income securities?
2. Based on commentary in the article, how does the current situation compare with/differ from the path the central bank took during the period from 2014 to 2019?
3. What are the arguments for starting to “taper” securities purchases sooner rather than later? What are the arguments for waiting? Which side do you agree with and why?
4. What are the ways discussed in the article by which the Federal Reserve could reduce its bond portfolio?
5. Based on references in the article, how do decisions on the composition of the Fed’s asset portfolio potentially impact financial conditions and the Federal Reserve’s monetary policy flexibility?

EXTENSION ASSIGNMENT:

Building on the arguments cited in the article, create teams and debate how the Fed should shrink its portfolio of Treasury and mortgage securities.

Investors Brace for Slowing Corporate Bond Sales

REPORTER: Sebastian Pellejero

REVIEWED BY: Brad Gibbs, Brown University

DATE: January 7, 2022

TOPICS: Interest rates, spreads, capital structure, and credit ratings

LINK TO ARTICLE: [CLICK HERE](#)

SUMMARY:

Investors expect a pandemic borrowing boom by U.S. companies will continue to cool in 2022. Analysts at banks including Citigroup, Bank of America, and Deutsche Bank are forecasting U.S. companies will issue around \$1.3 trillion or \$1.4 trillion worth of investment-grade-rated bonds this year, including debt sold by financial institutions. That would nearly match last year's \$1.46 trillion, though still mark a decline from 2020's record \$1.86 trillion, according to Refintiv.

TOPICS INCLUDE:

- **Interest Rates:** Explore the relationship between the Federal Funds Rate and corporate bond yields and the factors that impact “spreads.”
- **Capital Allocation:** Discuss how companies manage their balance sheets, determine the proportion of debt versus equity, and the rationale for issuing and/or refinancing debt.

QUESTIONS:

1. How have investment grade bonds performed versus other fixed income classes in 2021?
2. What are analyst expectations for investment grade bond returns for 2022?
3. According to the article, what factors could dampen the issuance of corporate bonds in 2022?
4. Based on the article, what factors could support continued strong levels of corporate bond issuance in 2022?

EXTENSION ASSIGNMENT:

Research the evolution of the “spread” between U.S. 10-yr Treasuries and single-A-rated corporate bonds over the past 12 months. What factors have likely influenced the tightening and widening over this period?