



MIDDLE SCHOOL | UNIT 3
Paying Yourself First

Title

The Great Depression

LEARNING OBJECTIVES

Students will:

- **research** a time period in the banking history of the United States.
- **choose** the moments of greatest importance to share with the rest of the class.
- **explain** the period in history and important moments to the class.
- **connect** the historical events to present-day banking.

Content Area

Social Studies

Grades

6–8

Activity Title

The Great Depression

Overview

Can the government protect us from another Great Depression? Students will complete a jigsaw activity in which they create a human timeline of events and elements like the Great Depression, bank failures, the Great Recession of 2008, loss of confidence in bank institutions, and the creation of the Federal Deposit Insurance Corporation (FDIC). Students will participate in a discussion of the differences between banking during the 1930s and contemporary banking.

Themes

Personal Finance: Saving

Social Studies: Government; Economics

C3 Framework for Social Studies Standards

D2.Eco.1.6-8: Explain how economic decisions affect the well-being of individuals, businesses, and society.

D2.His.14.6-8: Explain multiple causes and effects of events and developments in the past.

Connect

How does this connect to the student?

Understanding the history of banking in the United States can help students make decisions about savings, spending, and investments. In addition, students will be better equipped to understand the economy and how what is going on nationally might impact them personally.

How does this connect to careers?

Financial Advisor: A financial advisor helps people manage their finances and make decisions about spending and saving.

Credit Analyst: A credit analyst investigates a person or a company to see if they would be a good recipient of a loan.

How does this connect to the world?

Economics across the world are very interconnected. When the United States experiences a downturn in its economy, the impact can be felt around the world. The same is true in reverse. Understanding the basics of the history of our banking system will help students draw connections between financial activities around the world.

Key Terms

Personal Finance: depression, recession, central bank, Federal Reserve

Social Studies: specie, inflation

Prepare

Background: This activity has students explore banking in the United States at various points in time. Below is a brief introduction to each of these time periods.

Early Banking in the United States and the Central Bank

The Continental Congress began issuing bank notes (known as continentals) during the Revolutionary War. Continentals could be turned in at the bank for *specie* (silver or gold coins the paper money represented). However, the British held New York and printed massive amounts of counterfeit continentals. This led to *inflation* (an increase in prices and a fall in the value of money), and the continentals became almost worthless. In fact, at the time it might cost one million continentals to buy one item of clothing. After the war, the Bank of the United States opened to help bring inflation under control. This bank paid off the war debt and also began making commercial loans. After 20 years, it ceased operation. The Second Bank of the United States, chartered in 1816, received federal taxes and paid government bills. It also limited bank fraud by collecting banknotes and turning them in for specie (money in the form of coins rather than paper notes).

The Free Banking Era and the National Banking Act of 1863

Following the closure of the Second Bank of the United States, state and local banks could again circulate and speculate with their own banknotes. In fact, lots of businesses produced their own banknotes including insurance companies, stores, and other companies of all sorts. This caused a great deal of confusion as different banks' notes were worth different amounts of specie. Banks were unregulated, and there was a considerable amount of fraud. The National Banking Act of 1863, brought about to finance the Civil War, created a national currency and encouraged banks to be chartered and hold enough specie to cover their outstanding banknotes.

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Financial Panics and the Creation of the Federal Reserve (after 1863 up to the early 1900s)

Over the next few decades, there were a number of bank panics. The Panic of 1873 was caused by a series of natural disasters. Large banks closed resulting in high unemployment, a stock market crash, and thousands of businesses going bankrupt. In 1893, a railroad failed causing thousands of businesses to close and 500 banks to go under. Another panic struck in 1907 when the Knickerbocker Trust Company failed. This resulted in the stock market losing half of its value and numerous bank and trust companies closing. The Federal Reserve was set up in 1913 in order to stabilize money and finances in the country. A new national currency was introduced, the Federal Reserve notes, and the Federal Reserve worked to create more regulations on banks and to open up the country to foreign investment.

The Great Depression and the Federal Deposit Insurance Corporation (FDIC) (1920–1940)

During the Roaring 20s, the economy grew, and people and companies started making speculative investments. Eventually, on Black Tuesday, the Stock Market crashed—losing over 25% of its value in one day. Lasting a period of 11 years, the Great *Depression* (a **depression** is a long-lasting and severe economic recession) saw unemployment topping 25%, millions of people who were in debt losing their homes and their savings, and the United States economy losing 50% of its productive value. The Federal Deposit Insurance Corporation (FDIC), instituted by Franklin D. Roosevelt in 1933, was set up to protect bank deposits so people and businesses would be able to regain their savings even if a bank failed.

The Great Inflation and Savings and Loan Crisis (1980s–1990s)

NOTE: This section will only be used in larger classes.

After interest rates rose and inflation increased in the 1970s and early 1980s, many people took their money out of savings and loan companies to invest elsewhere. Savings and loans companies also did not bring in enough money in interest payments to cover the high price of their loans. Hundreds of savings and loan companies closed, and many thousands of people lost their homes and their savings. The Financial Institutions Reform, Recovery, and Enforcement Act was passed in 1989 to help regulate the savings and loans industry and end the crisis.

The Great Recession and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Early 2000s)

After a period of rapid growth in the value of real estate and banks making unguaranteed loans to home buyers, the United States experienced a **recession** (temporary economic decline) in 2008. Many investment companies and pension funds owned mortgages. When the housing market crashed, these investments lost their value. People lost their homes and savings, and investment companies lost their value. The Federal Reserve helped bail out numerous banks, which allowed them to help other failing businesses. The Dodd-Frank Wall Street Reform and Consumer Protection Act passed in 2010, and provided oversight of Wall Street. It also regulated credit cards, loans, and mortgages along with several other financial instruments.

The activity calls for students to use a [jigsaw strategy](#) to complete their tasks. Much like a jigsaw puzzle, this strategy involves students coming together, being taken apart, and then coming together again. The initial groups should be formed with close to equal numbers. Each group member will be assigned a different component of the topic to research in this case, one of the periods in banking history above. They will then work in “research groups” with other classmates who are assigned the same topic. Once their research is done, they will return to their original groups to share what they learned and make a complete “picture” of the overall topic.

Materials

- **Banking Cartoon Student Handout**—digital display
- **Computer and Internet Access**—at least one per student group
- **Research Group Student Capture Sheets #1–6**—one for each member of the assigned group
- **Blank Paper**—one sheet for each student

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- **Markers**—one set for each student group
- [How Can You Get the Most From Your Money? Unit 3 Student Video](#)

Engage

- Play the video, [How Can You Get the Most From Your Money?](#)
- Ask students if they would still save their money in a bank or credit union if there wasn't a guarantee that it is safe. Discuss student responses.
- Inform students that saving money in banks hasn't always been trusted in the United States like it is today.

Teach

- Explain to students that understanding the history of money and banking in the United States will help them learn how to prepare for the future and learn, how the government can and can't help guard their money.
- Divide students into five groups of 4–5 students (for larger classes, divide into six groups).
- Inform students that they will be participating in a jigsaw activity. Each member of the current groups will be given a different event in history to research.
- Distribute a unique version of the **Research Group Student Capture Sheets** to each member of each group. If there are six students in the group, for example, each would get one of the six different research topics. If groups are smaller, try to evenly distribute the various topics.
 - It can be helpful to post Student Capture Sheets using document-sharing technology rather than distributing hard copies, so students can click on URLs directly and work on a document simultaneously.
- Direct students to form new research groups with the students who have the same research topic. Let them know that they will conduct research in these groups that they will share back with their original groups later. Groups should record at least four important events/dates during their time periods as well as the government's response. They will need to be able to explain the time period to the rest of their original group and point out several dates important to that period, such as when it started, when a law or act was passed, or when it ended.
- After students have completed their research, direct groups to assign one important event to each group member. Then, each group member should use blank paper and a marker to create a sign that includes their important date and a very brief description of what happened on that date. Each student needs to be able to explain the importance of that date and retain their sign until the end of the activity.
- Once they have completed their signs, students should return to their original groups. Invite students to briefly explain what they learned in their research group to the members of their original group. Encourage them to share information from their time period in chronological order.
- At the conclusion of the jigsaw activity, challenge students to create a large living timeline of the country's banking history. Students should arrange themselves in a line in chronological order according to their signs. Starting at the earliest date in the line, invite each student to state their date, the banking event with which it was associated, and why the date was/is important.
- Challenge students to identify any common themes they notice in the time line. Students should realize that in most cases there was an event that negatively impacted consumers followed by government action which tried to prevent similar problems from happening again in the future.

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Conclude

- Ask the students to turn their signs over and take a few moments to write about what they learned about banking history and how it relates to what they know about banking today.
- Call on several volunteers to share their responses.
- Collect their signs and responses as a check for understanding at the end of class.
- Direct students to submit an exit ticket answering the following question: What was the most interesting thing you learned about the country's banking history, and how will it affect your financial decisions in the future?

Extend

- **Social Studies:** Engage students in a discussion about saving responsibly. Ask them to think about how reckless saving and spending could hurt them personally or affect the community. Challenge them to relate their ideas to what they learned about the historical events.
- **Research:** Direct students to research the acts and laws discussed in this activity to determine which of them are still in use. If they have been rescinded, students should explain why. If not, students should explain why they are still needed.
- **Family:** Invite students to discuss the Savings and Loan Crisis or Great Recession of 2008 with their parents or grandparents. Students can investigate if they knew anyone who was directly affected and what the outcome was for that person.



[Central Bank Cartoon](#), Robert Rich, Hedgeye, 2016

Early Banking in the United States and the Central Bank (1775–1816)

Directions: Research your group’s assigned time period, and record at least four important events and the government’s response to each event.

Important Event #1 with Government Response:

Important Event #2 with Government Response:

Important Event #3 with Government Response:

Important Event #4 with Government Response:

Important Event #5 with Government Response:

You may want to start your research with one of these sources:

- [The Fed Explains the Central Banks](#) | Federal Reserve Bank of Atlanta
- [A History of Central Banking in the United States](#) | Federal Reserve Bank of Minneapolis
- [The History of Banks and the ABA](#) | American Bankers Association
- [Historical Timeline](#) | FDIC
- [Economics U\\$A: 21st Century Edition](#) | Annenberg Learner
- [The First Bank of the United States](#) | Federal Reserve Bank of Philadelphia
- [A Brief History of U.S. Banking Regulation](#) | Investopedia

The Free Banking Era and the National Banking Act of 1863

Directions: Research your group's assigned time period, and record information about 4–5 important events and the government's response to each event.

Important Event #1 with Government Response:

Important Event #2 with Government Response:

Important Event #3 with Government Response:

Important Event #4 with Government Response:

Important Event #5 with Government Response:

You may want to start your research with one of these sources:

- [A Brief History of U.S. Banking Regulation](#) | Investopedia
- [Before the Fed](#) | Federal Reserve History
- [National Banking Acts of 1863 and 1864](#) | Federal Reserve History
- [The State and National Banking Eras](#) | Federal Reserve Bank of Philadelphia
- [The History of Banks and the ABA](#) | American Bankers Association

Financial Panics and the Creation of the Federal Reserve (1863 to the early 1900s)

Directions: Research your group's assigned time period, and record information about 4–5 important events and the government's response to each event.

Important Event #1 with Government Response:

Important Event #2 with Government Response:

Important Event #3 with Government Response:

Important Event #4 with Government Response:

Important Event #5 with Government Response:

You may want to start your research with one of these sources:

- [Before the Fed](#) | Federal Reserve History
- [Fed's Formative Years](#) | Federal Reserve History
- [Federal Reserve System—The First 100 Years](#) | Federal Reserve Bank of Philadelphia
- [A Brief History of U.S. Banking Regulation](#) | Investopedia
- [Financial Panic of 1873](#) | U.S. Department of the Treasury
- [Bank Panic of 1907](#) | Investopedia
- [The History of Banks and the ABA](#) | American Bankers Association

The Great Depression and the Federal Deposit Insurance Corporation (FDIC) (1920–1940)

Directions: Research your group's assigned time period, and record information about 4–5 important events and the government's response to each event.

Important Event #1 with Government Response:

Important Event #2 with Government Response:

Important Event #3 with Government Response:

Important Event #4 with Government Response:

Important Event #5 with Government Response:

You may want to start your research with one of these sources:

- [Great Depression History](#) | History.com
- [The Great Depression](#) | Smithsonian
- [The Great Depression](#) | Investopedia
- [The Great Depression: An Overview](#) | The Federal Reserve Bank of St. Louis
- [About the FDIC](#) | FDIC
- [Banking Act of 1933 \(Glass-Steagall\)](#) | Federal Reserve History
- [A Brief History of U.S. Banking Regulation](#) | Investopedia

The Great Inflation and Savings and Loan Crisis (1980s–1990s)

Directions: Research your group’s assigned time period, and record information about 4–5 important events and the government’s response to each event.

Important Event #1 with Government Response:

Important Event #2 with Government Response:

Important Event #3 with Government Response:

Important Event #4 with Government Response:

Important Event #5 with Government Response:

You may want to start your research with one of these sources:

- [A Brief History of U.S. Banking Regulation](#) | Investopedia
- [Great Inflation](#) | Federal Reserve History
- [Savings and Loan Crisis](#) | Federal Reserve History
- [Savings and Loan Crisis Explained](#) | The Balance
- [TARP Bailout Program](#) | The Balance
- [ARRA, Its Details, With Pros and Cons](#) | The Balance
- [The Great Inflation](#) | Federal Reserve History

The Great Recession and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Early 2000s)

Directions: Research your group's assigned time period, and record information about 4–5 important events and the government's response to each event.

Important Event #1 with Government Response:

Important Event #2 with Government Response:

Important Event #3 with Government Response:

Important Event #4 with Government Response:

Important Event #5 with Government Response:

You may want to start your research with one of these sources:

- [2008 Financial Crisis](#) | The Balance
- [Great Recession and After](#) | Federal Reserve History
- [2008 Recession: What It Was and What Caused It](#) | Investopedia
- [Dodd-Frank Act: What It Does, Major Components, Criticisms](#) | Investopedia
- [Crisis and Response: An FDIC History \(2008-2013\)](#) | FDIC
- [A Brief History of U.S. Banking Regulation](#) | Investopedia