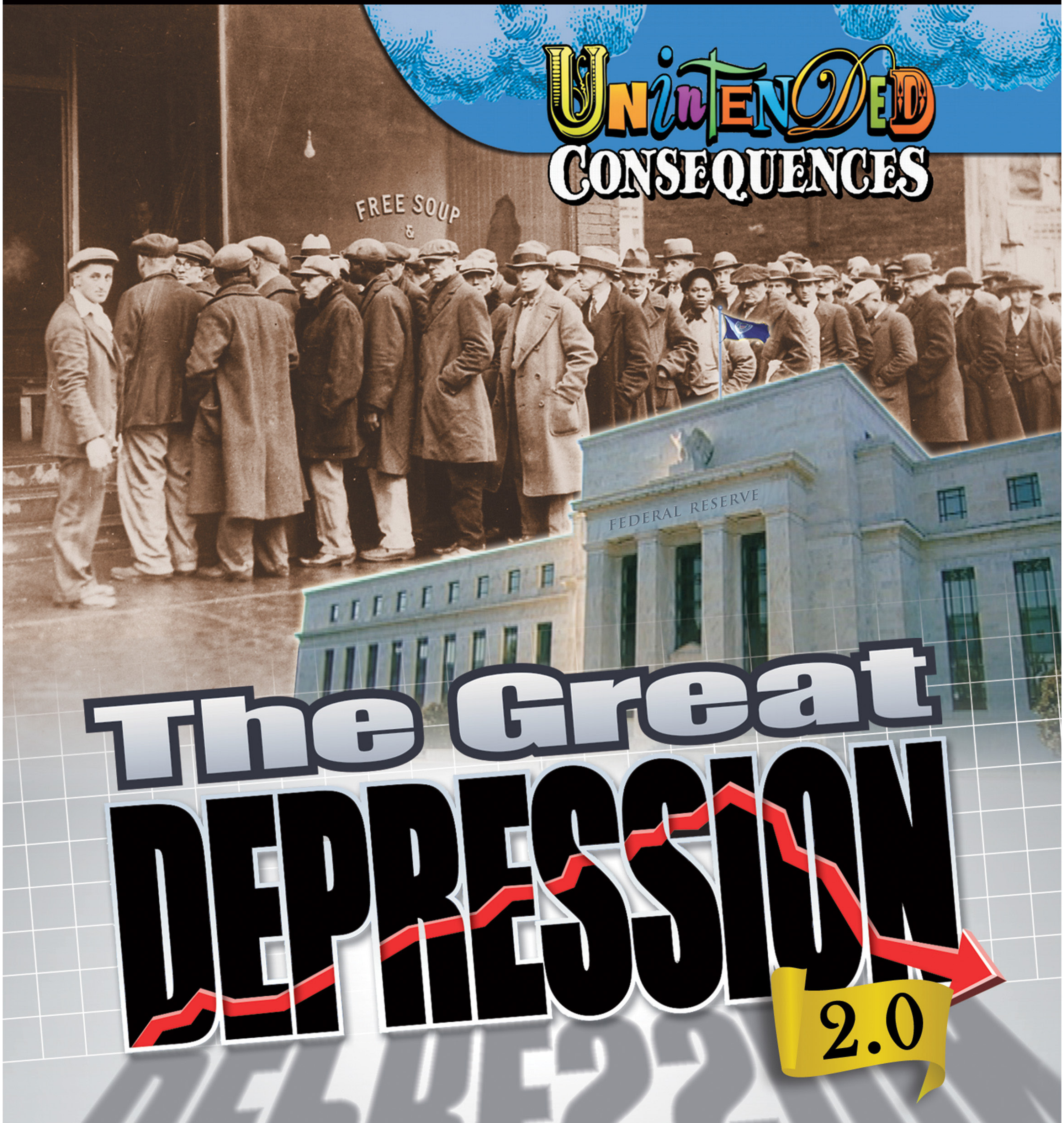
TEACHER'S GUIDE



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Video Page

Unintended Consequences: The Great Depression 2.0
Teacher's Guide

This Teacher's Guide includes the following:

- **Suggested Lesson Plan**
- **Preview Questions**
- **Key Terms**
- **Viewing Guide**
- **Discussion Questions**
- **Quiz**
- **Activity: Who Chooses?**
- **Enrichment Activities**
- **Answer Key**

Suggested Lesson Plan

These materials may be used in a variety of ways. For maximum benefit, we suggest the following lesson plan:

- As a class, discuss the Preview Questions and Key Terms.
- Distribute copies of the Viewing Guide for students to use as a note-taking tool during the video.
- Play the video, pausing if needed to facilitate understanding and note-taking.
- Review and discuss answers to the Viewing Guide using Answer Key as a guide.
- Use Discussion Questions to spark class discussion or assign these questions as homework.
- Replay the video as preparation for the Quiz.
- Administer and grade the Quiz using Answer Key as a guide.
- As a class or in small groups, complete the Who Chooses Activity.
- Optional: Assign one or more Enrichment Activities as homework.

Unintended Consequences: The Great Depression 2.0
Preview Questions

Initiate a discussion about the Great Depression with the questions below. Encourage students to share their ideas of what life was like in the 1930s.

1. What was the Great Depression?

2. What happened during the stock market crash of 1929?

3. What have you heard about life during the Depression?

4. What is the Federal Reserve? What does it do?

5. What does the Federal Reserve have to do with the Great Depression?

Announce the title of the video. (*Unintended Consequences: The Great Depression*)

6. What does the term "unintended consequences" mean? What are some examples?

7. What do you think caused the Great Depression?

Unintended Consequences: The Great Depression 2.0
Key Terms and Definitions

Depression – a severe downturn in economic activity characterized by declining real gross domestic product (GDP) and rising unemployment

Federal Reserve – the central bank of the United States, which has broad regulatory powers over the money supply and the credit structure

Liquidity – available cash or the capacity to obtain it on demand; a measure of the extent to which a person or organization has cash to meet immediate and short-term obligations, or assets that can be quickly converted to do this

Monetary policy – the regulation of the money supply and interest rates by a central bank, such as the Federal Reserve Board in the U.S., in order to control inflation and stabilize currency

Recession – a period of falling economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales

Name:____________________________ Date:___________

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Viewing Guide, page 1

1. The Great Depression was __________ due to the stock market crash or the failure of markets.

2. The Fed is supposed to prevent booms and busts in the ________________________________ by providing a sound currency.

3. In the 1930s, millions of people were left with just the _________________________ they had in their wallet.

4. In ________________________, the stock market crashed.

5. Business had…begun to turn down in mid-1929. The crash made the ____________________ worse.

6. The recession…became a…crisis when bank _______________________ spread to New York.

7. [People] tried to withdraw all of their deposits in cash at once—that's what a ______________ on the bank is.

8. The world's national currencies…have __________________ only because their governments say they have value.

9. If something happens to break that faith and ___________________________, the economy can crumble…That's what happened in the Great Depression.

10. Banks…take a large part of what we put in and then ____________________________ it out to other people.

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Viewing Guide, page 2

11. If all the bank's customers tried to withdraw all their savings at once, the bank just wouldn't have enough cash ______________________________ to meet the demand.

12. The Fed's job is to make sure that the nation's economy and________________________ system stay healthy and sound.

13. In the early 1930s, the Fed…focused on the _________________________________ base.

14. [People] began __________________________ their money…and not putting those dollars back into the economy.

15. The Fed was hoarding cash…shrinking the ______________________ of money…and that made it even worse.

16. The ___________________ was much smaller; the money supply was collapsing by a third.

17. If the Fed had provided more _________________________…more cash to the system…the banking system might not have collapsed.

18. In 1999 and 2000, the conditions were just like those in the Great Depression, but we didn't have a _____________________________________.

19. The Fed ________________________ to the money supply in 2001, in response to the crash.

20. When the Fed made mistakes, the unintended___________________________________ were extreme hardship.

Unintended Consequences: The Great Depression 2.0
Discussion Questions

1. What does the term “unintended consequences” mean? How was the Great Depression an unintended consequence?

2. What was the stock market crash of 1929?

3. How was the economy doing right before the stock market crash?

4. What happened right after the crash?

5. Where did the first bank failures begin? When the bank failures spread to New York, what happened?

6. What is a run on the bank?

7. If everyone in the country tried to withdraw all their savings at once, why wouldn’t the banks have enough money on hand?

8. Why don’t banks keep all the money people deposit in a vault? What do they do with it?

9. What is the name for the fraction of their deposits that banks have to keep on hand?

10. How can a bank run or bank panic be prevented? Whose responsibility is this?

11. Why didn’t the Federal Reserve step in and make more cash available to the banks to try to stop the panic?

12. What gives money its value?

13. What is the monetary base? Besides the monetary base, what other factor affects the money supply and the overall economy?

14. Why was the multiplier much lower than normal in the 1930s? Why didn’t the Fed realize this? Why was this neglected fact so important?

15. What might have happened if the Fed had increased the money supply before the bank panic spread? What happened instead?

16. Explain the similarities and differences between economic conditions in 1999-2000 and those in 1929-early 1930s.

17. Do you think the United States could ever have another Great Depression? Why or why not?

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Unintended Consequences: The Great Depression 2.0
Quiz, page 1

1. Carra wondered if the Great Depression was a result of ___________________________.

    A) unintended consequences
    B) a conspiracy
    C) war
    D) homelessness

2. The value of the U.S. dollar is based on

    A) stocks
    B) gold
    C) silver
    D) faith/trust

3. What major event occurred in 1929?

    A) World War II
    B) stock market crash
    C) establishment of the Federal Reserve
    D) Franklin Roosevelt elected President

4. Soon after the stock market crash, there was a series of bank failures in

    A) New York
    B) The South and Midwest
    C) New England
    D) Washington, D.C.

5. In the early 1930s, the Fed failed to realize the _______________ was much lower than usual.

    A) monetary base
    B) stock market
    C) multiplier
    D) economic output

6. According to the video, what turned a recession into the Great Depression?

    A) stock market crash
    B) Federal Reserve mistakes
    C) capitalism
    D) income inequality

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Quiz, page 2

7. Who did Carra interview in Washington, D.C.?

   A) historian
   B) President of New York Stock Exchange
   C) Secretary of the Treasury
   D) Federal Reserve Governor

8. According to Randall Kroszner, the Fed helped make the Depression _____________.

   A) great
   B) end sooner
   C) less severe
   D) a recession

9. What was similar about economic conditions in 1929 and 1999-2000?

   A) stock market crash
   B) a depression began
   C) Federal Reserve mistakes
   D) none of the above

10. Who is responsible for preventing economic booms and busts by providing a sound currency?

   A) Congress
   B) New York Stock Exchange
   C) Federal Reserve
   D) President of the United States

Bonus: Place these economic conditions of the late 1920s and early 1930s in chronological order—

______ Stock market crash

______ Fed failure to prevent contraction of money supply

______ Business slowdown

______ Run on the banks (bank panic)

______ Series of bank failures in the South and Midwest

Unintended Consequences: The Great Depression 2.0
Activity:
Who chooses? Who benefits? Who pays? What's fair?

[These four questions can be a useful tool for evaluating any policy or system. Posing the questions is a great way to stimulate critical thinking.]

As a class, or in small groups, discuss the following:

(For each question, think broadly about all the possible people or groups of people who may be affected.)

1. In normal times, when the money supply is stable, how do people decide how much to save, how much to spend, and what to spend it on? Who benefits from these choices? Who pays?

2. In times of economic crisis like the Great Depression, when the money supply shrinks, how does this affect people's confidence in the system?

3. How are people's choices about spending and saving affected? What are the consequences?

4. Does anyone benefit from the restricted money supply? Who pays?

Unintended Consequences: The Great Depression 2.0 Enrichment Activities

Essay

Compare the two concepts of the forgotten man in the quotes below. Both quotes are from the introduction to the bestselling history of the period, *The Forgotten Man*, by Amity Shlaes. Is one quote more valid than the other? Does one matter more than the other? Explain.

These unhappy times call for the building of plans that rest upon the forgotten, the unorganized but the indispensable units of economic power, for plans like those of 1917 that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid.

--Gov. Franklin Roosevelt of New York,
Radio Address in Albany, April 7, 1932

As soon as A observes something which seems to him to be wrong, from which X is suffering, A talks it over with B, and A and B then propose to get a law passed to remedy the evil and help X. Their law always proposes to determine what C shall do for X, or in the better case, what A, B, and C shall do for X….What I want to do is to look up C. I want to show you what manner of man he is. I call him the Forgotten man. Perhaps the appellation [name] is not strictly correct. He is the man who never is thought of….
He works, he votes, generally he prays—but he always pays….

--William Graham Sumner,
Yale University, 1883

Research Report

Research and create a report comparing the Federal Reserve's policy response since 2008 to its response in the early 1930s.

Be sure to answer the following questions: How did the Federal Reserve respond to the 2007-2008 financial crisis and the recession that followed? Have any of the Federal Reserve's actions been controversial? If so, why? What is quantitative easing? Has it achieved its goal?

(Note: Bailouts and stimulus spending were part of the federal government's *fiscal* policy response to the crisis. The Federal Reserve is only responsible for *monetary* policy.)

Unintended Consequences: The Great Depression 2.0
Viewing Guide Answer Key

1. not
2. economy
3. money
4. 1929
5. recession
6. failures
7. run
8. value
9. trust
10. lend
11. reserves
12. banking
13. monetary
14. hoarding
15. supply
16. multiplier
17. liquidity
18. depression
19. added
20. consequences

Unintended Consequences: The Great Depression 2.0
Quiz Answer Key

1. A) unintended consequences
2. D) faith/trust
3. B) stock market crash
4. B) the South and Midwest
5. C) multiplier
6. B) Federal Reserve mistakes
7. D) Federal Reserve Governor
8. A) great
9. A) stock market crash
10. C) Federal Reserve

Bonus:

__2__ Stock market crash

__4__ Fed failure to prevent contraction of money supply

__1__ Business slowdown

__5__ Run on the banks (bank panic)

__3__ Series of bank failures in the South and Midwest

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