

UNintENDED CONSEQUENCES



The Great DEPRESSION



2002 Filmore Ave • Suite #1 • Erie, PA 16506
Phone: 814.833.6950 or Toll Free: 888.242.0563
Fax: 814.833.7415 or Toll Free: 866.526.1484
Email: info@izzit.org • Web: www.izzit.org

Unintended Consequences: The Great Depression Teacher's Guide

This Teacher's Guide includes the following:

- **Suggested Lesson Plan**
- **Preview Questions**
- **Viewing Guide**
- **Discussion Questions**
- **Quiz**
- **Answer Key**
- **Enrichment Activities**

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

- Discuss **Preview Questions**. *Teachers: These are designed for you to read aloud to the class.*
- Distribute copies of the **Viewing Guide** for students to use as a note-taking guide during the video.
- Play the video, pausing if needed to facilitate understanding and note-taking.
- Discuss answers to the **Viewing Guide**.
- Use **Discussion Questions** to spark class discussion, or assign these questions as homework.
- Replay the video as preparation for the **Quiz**.
- Administer the **Quiz**.
- Assign the **Enrichment Activity** as homework, or extra credit.

For a list of additional resources for use with this video, see www.izzit.org/products.

Unintended Consequences: The Great Depression

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.

6. What does the term “unintended consequences” mean? What are some examples?
7. What do you think caused the Great Depression?

Name: _____

Date: _____

Unintended Consequences: The Great Depression **Viewing Guide – Page 1**

1. What does the term “unintended consequences” mean?
2. What happened in the stock market crash of 1929?
3. Carra wondered if, even after the stock market crash, the _____ could have been avoided.
4. According to the video, 79 Delancey Street, headquarters of _____, was where the Great Depression actually started.
5. How was the economy doing right before the stock market crash? What happened right after the crash?
6. What is a run on the bank?
7. Why don't banks keep all the money people deposit in a vault? What do they do with it?
8. What is the name for the fraction of the deposits that banks have to keep on hand?

Viewing Guide – Page 2

9. What gives money its value?

10. What agency was created to make sure the nation's economy and banking system stay healthy and sound?

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

12. When in recent history were the stock market and the economic conditions similar to the 1920s? What was different about the two periods?

13. Place these economic conditions of the late 1920s and early 1930s in chronological order:
 - ___ Stock market crashed
 - ___ Fed failed to prevent contraction of money supply
 - ___ Business began to slow down
 - ___ Run on the banks (bank panic)
 - ___ Series of bank failures in the South and Midwest

Unintended Consequences: The Great Depression

Discussion Questions

1. What were economic conditions like at the time of the stock market crash of 1929?
2. Where did the first bank failures begin? When the bank failures spread to New York, what happened?
3. If everyone in the country tried to withdraw all their savings at once, why wouldn't the banks have enough money on hand?
4. How can a bank run or bank panic be prevented? Whose responsibility is this?
5. Why didn't the Federal Reserve step in and make more cash available to the banks to try to stop the panic?
6. 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?
7. What might have happened if the Fed had increased the money supply before the bank panic spread? What happened instead?
8. Explain the similarities and differences between economic conditions in 1999-2000 and those in 1929-early 1930s.
9. What unintended consequence did Carra discover as she learned about the Great Depression? What caused it?
10. Do you think the United States could ever have another Great Depression? Why or why not?

Name: _____

Date: _____

Unintended Consequences: The Great Depression **Quiz**

Multiple Choice

1. Carra wondered if the Great Depression was a result of
A) Unintended Consequences C) War
B) A conspiracy D) Homelessness
2. The value of the U.S. dollar is based on
A) Faith/trust C) Silver
B) Gold D) Stocks
3. What major event occurred in 1929?
A) World War II C) Establishment of the Federal Reserve
B) Stock market crash D) Franklin Roosevelt elected President
4. The building at 79 Delancey Street was once the headquarters of
A) The Federal Reserve C) The Bank of United States
B) The New York Stock Exchange D) Wells-Fargo
5. Soon after the stock market crash, there was a series of bank failures in
A) New York C) New England
B) The South and Midwest D) Washington, D.C.
6. According to the video, what turned a recession into the Great Depression?
A) Stock market crash C) Capitalism
B) Federal Reserve mistakes D) Income inequality
7. Who did Carra interview in Washington, D.C.?
A) Historian C) Secretary of the Treasury
B) President of New York Stock Exchange D) Federal Reserve Governor

Short Answer

8. In the early 1930s, the Federal Reserve focused on the monetary base and failed to realize that _____ was much smaller than normal.
9. Randy Kroszner told Carra that the Federal Reserve made the Great Depression _____.
10. Why didn't we have a depression in 1999-2000, when economic conditions were very similar to those in the Great Depression?

Unintended Consequences: The Great Depression

Answer Key – Page 1

Viewing Guide:

1. Attempts to solve problems often create new problems, frequently as bad as or worse than the original problems.
2. Share prices on the New York Stock Exchange fell drastically over a very short period of time.
3. Great Depression
4. The Bank of the United States
5. The economy was not booming right up to the crash; business had already begun to slow down in mid-1929. After the crash came a series of bank failures in the South and Midwest.
6. Large numbers of depositors all trying to withdraw their deposits from a bank, in cash, all at once.
7. Banks invest deposits by making loans to individuals and businesses. That is what banks are in business to do. They only keep a percentage of deposits on hand for withdrawals.
8. Cash reserve or reserve requirement.
9. Faith. American currency is backed by the full faith and credit of the government of the United States.
10. The Federal Reserve
11. The currency held by individuals and firms and bank reserves kept within a bank or on deposit at the central bank. The multiplier.
12. 1999/2000. After the stock market crash in 1929, the economy dived and kept going down. After the crash of 2000, there was no economic collapse and no depression.
13. In order:
 - 2 Stock market crashed
 - 4 Fed failed to prevent contraction of money supply
 - 1 Business began to slow down
 - 5 Run on the banks (bank panic)
 - 3 Series of bank failures in the South and Midwest

Discussion Questions:

1. Business had already started to slow down.
2. In the South and Midwest. Banking crisis.
3. Banks only keep a percentage of deposits on hand to meet expected demand for cash withdrawals.
4. Either convince people to stop asking for all their money or put more cash into the banking system. The Fed.

Answer Key – Page 2

5. No experience with major banking problems. Focused on monetary base; didn't realize the multiplier had been drastically reduced and therefore the money supply had collapsed by a third.
6. a) People were hoarding cash instead of putting those dollars back into the economy by making purchases. Businesses were setting money aside instead of investing it. People had lost faith in the banking system and in the economy.
b) Fed focused on monetary base; didn't realize the multiplier had been drastically reduced and therefore the money supply had collapsed by a third.
c) Thus the Fed's inaction turned a recession into the Great Depression.
7. The banking system might not have collapsed; people might not have lost confidence in the system. The Great Depression might have been avoided. Instead, a recession became the Great Depression.
8. Similarities: Stock market boom, money supply increasing, low inflation. Difference: After the crash of 1929, economic collapse and Great Depression. After the crash of 2000, brief downturn and then economic recovery.
9. The unintended consequence was that the depression was prolonged and made much more severe than it otherwise would have been. The cause was the Fed focusing on just the monetary base, failing to adjust to the much smaller multiplier, and therefore allowing the money supply to shrink by one third.
10. Answers will vary, but should indicate understanding of the critical role of the Federal Reserve and its monetary policies.

Quiz:

1. A) Unintended Consequences
2. A) Faith/trust
3. B) Stock Market Crash
4. C) Bank of United States
5. B) South and Midwest
6. B) Federal Reserve mistakes
7. D) Federal Reserve Governor
8. The multiplier
9. Great
10. After the 2000 stock market crash, the Fed actively intervened to keep the money supply from collapsing.

Unintended Consequences: The Great Depression

Enrichment Activity

Essay

Compare the two concepts of the forgotten man in the quotes below. Both quotes are from the introduction to the new 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



We are very interested to learn how you use our material. Please share your experiences or lesson plan ideas by emailing us at ***info@izzit.org***.



2002 Filmore Ave • Suite #1 • Erie, PA 16506
Phone: 814.833.6950 or Toll Free: 888.242.0563
Fax: 814.833.7415 or Toll Free: 866.526.1484
Email: info@izzit.org • Web: www.izzit.org