Alternate Lesson 3 with Primary Sources: Family Budgets and the Great Depression

Lesson Authors

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Standards and Benchmarks (see page 18)

Lesson Description

In this lesson, students work in groups to “experience” the effects of the Great Depression in one of three scenarios: a construction worker, railroad worker, or teacher who makes budget choices during the Great Depression. Students examine a U.S. Bureau of Labor Statistics primary source document from FRASER®, the Federal Reserve Bank of St. Louis digital library of economic history, to evaluate price change data and make the connection between deflation and unemployment.

Grade Level

9-12

Economic Concepts

Demand
Deflation
Fixed expenses
Income
Price
Unemployment

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Family Budgets and the Great Depression

Objectives
Students will
• define deflation, demand, fixed expenses, income, price, and unemployment;
• explain the relationship between deflation and unemployment; and
• analyze the relationship among demand, declining prices, and employment.

Time Required
Approximately one 50-minute class period

Compelling Question
How did lower prices lead to job loss?

Materials
NOTE: All handouts may be distributed in electronic folders.
• Visuals A3.1 and A3.2
• Handouts A3.1A-C, two copies of each for group use
• Handouts A3.1A-C Answer Key for the teacher
• Handout A3.2, one copy for each student
• Handout A3.2 Answer Key for the teacher
• Six calculators, one for each of six groups (if students do not have access to a calculator)

Procedure
1. Begin the lesson by asking students to brainstorm all the meanings for the word “demand” and writing the answers on the board. (Answers will vary but may include insisting, commanding, or ordering. Students with economics knowledge may say the “willingness and ability to buy something.”) If no student volunteers the economic definition of demand, ask if anyone has heard demand defined as the “willingness and ability to buy goods and services,” which is the economic definition of demand.

2. Display Visual A3.1: Vocabulary and review the definitions. Stress the two main parts of demand: the willingness and ability to buy goods and services.

3. Tell the students that they are going to learn more about these terms by playing the role of an everyday person budgeting for their family during the Great Depression. They will work in
groups and be classified as a construction worker, railroad worker, or teacher and then create budgets for 1928 and 1933.

4. Divide the class into six groups and assign two groups to be construction workers, two to be railroad workers, and the last two to be teachers. Distribute the corresponding worker page from Handouts A3.1:A-C: Budget Scenarios to each group.

5. Instruct the groups to read the “About Your 1928 Budget” paragraph and then work together to fill out the 1928 portion of the table on their handout. Explain that each group is to write down the dollar amount for each category based on the specified percentage of their 1928 income. (Provide calculators if needed.) For example, a worker spending 15 percent of their $3,000 income on clothing (.15 × $3,000 = $450) would have a budget of $450 for clothing; $450 would be entered in in the dollar amount box for clothing. Some expenses, such as a mortgage payment, are fixed expenses: fixed expenses, as noted in the vocabulary, are expenses, such as for rent or a mortgage, that are constant and expected and generally set by a contractual agreement. Fixed expenses are already filled in on the handout because these amounts stay the same. Allow students a few minutes to work.

6. Instruct the groups to read the “About Your 1933 Budget” paragraph, work together to fill out the 1933 portion of the table, and answer the questions on their handout. Remind the class that the dollar amount of a fixed expense stays the same but the percentage of total income for that expense changes and must be calculated. NOTE: If students need help calculating the percentages, remind them to divide the dollar amount for “Housing” by $2,300, the annual after-tax income. Allow students 5 minutes to work.

7. Discuss the following as a class:
   - In 1933, when your income declined, why did the percentage of your income spent on housing increase? (Because housing was a fixed amount, it took a larger percentage of the reduced total income.)
   - Did your 1933 spending in any other area increase? (Answers will vary, but the construction workers, who had scenarios with extended families, may say that their food spending went up.)
   - How did your reduced income affect your spending choices? (Answers will vary but may include that they didn’t buy clothes or shoes or any non-essential items.)
   - How did your reduced income affect your demand for goods and services? (Their ability to buy had changed—but their willingness to buy had not.)
   - All of the people in these scenarios were lucky in that they still had jobs and income. If the worker you played had become unemployed, how would your budget have changed? (Answers will vary but may include that the inability to pay for housing might have meant the worker would have had to move or take in other people who could help them pay the mortgage, which is a fixed expense.)
• What part of the definition of demand changed for you between 1928 and 1933? (Answers will vary but must include that their ability to buy changed, not their willingness to buy.)

8. Explain that employment and the ability to earn income changed for most people between 1928 and 1933. Discuss the following:

• Between 1928 and 1933, how did income change for the worker you played and their extended family? (Answers will vary but should include that hours worked and income were reduced. By 1933, the construction workers had four relatives move in with them because of the loss of a job and a house.)

9. Display Visual A3.2: Historical Prices. Explain that the document shown is a primary document from FRASER®, the Federal Reserve Bank of St. Louis digital library of economic history. The document is an excerpt from a Bulletin published by the U.S. Bureau of Labor Statistics (BLS) titled “Retail Prices of Food, 1923-1936.” Discuss the following:

• What are the two years detailed in the two tables? (1928 and 1933)

• Who remembers the definition of price? (Price is the amount of money a buyer must pay to purchase a good, service, or resource in a marketplace.) Explain that retail prices are prices in a marketplace—what a consumer pays.

• According to the data in these two tables, what happened to prices between 1928 and 1933? (Answers should include that prices declined, went down, or got cheaper.)

• What is the term for a general and sustained decline in the level of prices? (Deflation)

• Look closely at the tables. Where in the United States are these data from, and what do they show? (They are average retail prices from 51 cities across the United States.)

  ○ Bonus extension idea: Check on FRASER® to see if your city is one of the 51 included in these data: https://fraser.stlouisfed.org/title/retail-prices-food-3963/retail-prices-food-1923-1936-494370?start_page=15.

• Based on these data, where do you think people were experiencing deflation? (Answers will vary but should indicate that it was happening in cities all across the United States.) Explain that rural areas were also experiencing deflation, but there was no data collected from rural areas at the time.

10. Explain that the effects of deflation (lower prices) were being experienced by people all across the country. Because deflation affects more than a single category of products, prices were falling for many products. Discuss the following:

• Look at your budgets. What is the only category in which prices didn’t go down? (Housing: the mortgage amount)

• Why was this the case? (Answers will vary but should include that a mortgage payment is a fixed expense with a specific dollar amount designated in a contract.)
11. Explain that the effects of the Great Depression spiraled through the economy. People wanted to purchase items but couldn’t, because their incomes were reduced or lost completely. Lower incomes led to reduced demand; that is, even at lower prices, fewer items were purchased. Because companies lost money, they couldn’t pay wages. Less buying meant companies had to reduce hours and lay off workers. Layoffs resulted in reduced income for more people, which further reduced demand, leading to more layoffs and more unemployment.

Closure

12. What are the two parts of the definition of economic demand? (*Willingness and ability to buy*)

13. Why did the demand for goods and services change between 1928 and 1933? (*People’s income declined and therefore their ability to buy goods and services declined.*)

14. How did the budgets of the worker you played change between 1928 and 1933? (*Answers will vary but should include that their income declined but that their mortgage payment, a fixed expense, stayed the same but became a larger percentage of their income.*)

15. What effects did the loss of income and employment have on households? (*Answers will vary but should include the following: The ability to buy goods and services declined as workers lost hours of work or became unemployed and did not have as much income. Some households became more crowded as family members who had lost their own homes moved in.*)

16. What trend did you see in the BLS “Retail Prices of Food” tables when comparing 1928 to 1933, and how can this trend be defined? (*Overall prices declined, showing deflation, which is the general and sustained downward movement of prices.*)

17. How did people’s demand change between 1928 and 1933? (*The ability to buy goods and services declined as people’s incomes declined; people were still willing to buy but did not have the money to buy the goods and services they wanted.*)

18. How did lower prices lead to job loss? (*Lower prices meant producers could not afford to keep all of their workers, so many workers lost jobs. No work meant no income, so these workers did not have the ability to buy the goods and services they wanted. Fewer purchases led to more job loss.*)
Visual A3.1: Vocabulary

**Deflation:** A general, sustained downward movement of prices for goods and services in an economy. In other words, prices, on average, are going down—even if some goods and services might be more expensive.

**Demand:** The quantity of goods and services that buyers are willing and able to buy at all possible prices during a certain time period.

**Fixed expenses:** Expenses, such as rent or a mortgage, that are constant and expected and generally set by a contractual agreement.

**Income:** The money (in the form of wages or a salary) people receive for providing work. When people work, they provide human resources (labor) in the marketplace. People also earn income in the forms of rent, profit, and interest.

**Price:** The amount of money, determined by the interaction of buyers and sellers, that a buyer must pay to acquire a good, service, or resource.

**Unemployment:** Not having a job when a person would like to have one and the person is over 16 years old and actively looking for work.
Visual A3.2: Historical Prices


<table>
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<th>Date</th>
<th>Wheat flour (lb.)</th>
<th>Macaroni (lb.)</th>
<th>Wheat cereal (28-oz. pkg.)</th>
<th>Corn flakes (8-oz. pkg.)</th>
<th>Corn meal (lb.)</th>
<th>Rice (lb.)</th>
<th>Rolled oats (lb.)</th>
<th>Bread, white (lb.)</th>
<th>Sirloin steak (lb.)</th>
<th>Round steak (lb.)</th>
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<td>20.6</td>
<td>29.5</td>
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<td>40.7</td>
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<tr>
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<td>34.2</td>
<td>42.9</td>
</tr>
<tr>
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<td>29.2</td>
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<td>6.2</td>
<td>10.3</td>
<td>6.5</td>
<td>2.4</td>
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</tr>
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<td>29.2</td>
<td>9.2</td>
<td>6.5</td>
<td>10.2</td>
<td>6.2</td>
<td>2.8</td>
<td>34.2</td>
<td>42.9</td>
</tr>
<tr>
<td>May 15</td>
<td>5.6</td>
<td>20.4</td>
<td>29.1</td>
<td>9.3</td>
<td>6.3</td>
<td>10.2</td>
<td>6.9</td>
<td>2.5</td>
<td>34.3</td>
<td>42.9</td>
</tr>
<tr>
<td>June 15</td>
<td>5.6</td>
<td>20.2</td>
<td>29.1</td>
<td>9.2</td>
<td>6.1</td>
<td>10.3</td>
<td>6.5</td>
<td>2.4</td>
<td>34.2</td>
<td>42.9</td>
</tr>
<tr>
<td>July 15</td>
<td>5.6</td>
<td>20.2</td>
<td>29.1</td>
<td>9.3</td>
<td>6.2</td>
<td>10.3</td>
<td>6.5</td>
<td>2.5</td>
<td>34.2</td>
<td>42.9</td>
</tr>
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<td>Aug. 15</td>
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<td>29.4</td>
<td>9.3</td>
<td>6.5</td>
<td>10.6</td>
<td>6.9</td>
<td>2.9</td>
<td>34.6</td>
<td>42.9</td>
</tr>
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<td>Sept. 15</td>
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<td>20.2</td>
<td>29.3</td>
<td>9.2</td>
<td>6.3</td>
<td>10.7</td>
<td>6.8</td>
<td>2.8</td>
<td>34.3</td>
<td>42.9</td>
</tr>
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<td>Oct. 15</td>
<td>5.8</td>
<td>20.2</td>
<td>29.3</td>
<td>9.1</td>
<td>6.4</td>
<td>10.7</td>
<td>6.6</td>
<td>2.7</td>
<td>34.2</td>
<td>42.9</td>
</tr>
<tr>
<td>Nov. 15</td>
<td>5.8</td>
<td>19.9</td>
<td>29.2</td>
<td>9.3</td>
<td>6.3</td>
<td>10.8</td>
<td>6.8</td>
<td>2.8</td>
<td>34.3</td>
<td>42.9</td>
</tr>
<tr>
<td>Dec. 15</td>
<td>5.8</td>
<td>19.8</td>
<td>29.2</td>
<td>9.3</td>
<td>6.5</td>
<td>10.8</td>
<td>6.8</td>
<td>2.9</td>
<td>34.6</td>
<td>42.9</td>
</tr>
</tbody>
</table>

Handout A3.1A: Budget Scenario (page 1 of 2)

Construction Worker

About Your 1928 Budget

You are a construction worker earning an annual after-tax income of $3,000 in 1928. You have a spouse and four children. The table below shows what percent of your income you spent on various categories. Use the percentages indicated to determine the dollar amount spent on each category. Be certain that the total dollars spent equals $3,000.

About Your 1933 Budget

In 1933, much less commercial and residential housing is being built. Prices for most goods and services have fallen by almost 30 percent. Nearly one-fourth of your coworkers have lost their jobs. Fortunately, you are still working, but you are working fewer hours and your hourly wage has decreased. As a result, your annual after-tax income for 1933 is $2,200. You had some savings in a local bank, and you withdrew most of it and used it over the past year. However, banks in the community often must suspend operations, and it is difficult to withdraw any funds. Your sister’s husband lost his job. He wasn’t able to make his house payment, so they lost their home. Your brother-in-law is off looking for work, and your sister and their three children have moved in with you and your family. Your housing expenses are fixed because you have a mortgage with a fixed interest rate. Decide how you will adjust your other spending to balance your budget.

<table>
<thead>
<tr>
<th>Budget item</th>
<th>Budget percent</th>
<th>Dollar amount</th>
<th>Budget percent</th>
<th>Dollar amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>30%</td>
<td>$</td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Clothing</td>
<td>15%</td>
<td>$</td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Housing</td>
<td>30%</td>
<td>$900</td>
<td>%</td>
<td>$900*</td>
</tr>
<tr>
<td>Medical care</td>
<td>4%</td>
<td>$</td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Transportation</td>
<td>10%</td>
<td>$</td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6%</td>
<td>$</td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Saving</td>
<td>5%</td>
<td>$</td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>$3,000</td>
<td>%</td>
<td>$2,200</td>
</tr>
</tbody>
</table>

NOTE: *Because mortgage payments are fixed, the dollar amount for housing cannot decrease. It becomes a larger percentage of the 1933 budget due to a decline in income.
Handout A3.1A: Budget Scenario (page 2 of 2)

After completing the 1933 columns, answer the following questions.

1. In general, what happened to your ability to buy goods and services in 1933 compared with in 1928?

2. Which expenditures increased as a percentage of your income and which decreased as a percentage of your income?

3. Explain why you made the choices that you did about how to spend your income in 1933.

4. Give specific examples of how your life changed between 1928 and 1933.
Handout A3.1B: Budget Scenario (page 1 of 2)

Railroad Worker

About Your 1928 Budget

You are a railroad worker in 1928 earning an annual after-tax income of $3,600. You have a spouse and six children. The table below shows what percent of your income you spent on various categories. Use the percentages indicated to determine the dollar amount spent on each category. Be certain that the total dollars spent equals $3,600.

About Your 1933 Budget

In 1933, prices for most goods and services have fallen nearly 30 percent. Farmers, manufacturers, and others who ship goods on the railroad are shipping fewer goods. People are also traveling less by railroad. As a result, the railroads’ revenues have decreased. Many railroad workers lost their jobs. Although you haven’t lost your job, you are working fewer hours each week and your wages have declined. In 1933, your annual after-tax income is $2,600. You have some savings in a local bank, and you withdrew some of it and used it over the past year. However, banks in the community often must suspend operations, and it is difficult to withdraw any funds. Your housing expenses are fixed because you have a mortgage with a fixed interest rate. Decide how you will adjust your spending to balance your budget.

<table>
<thead>
<tr>
<th>Budget item</th>
<th>Budget percent</th>
<th>Dollar amount</th>
<th>Budget percent</th>
<th>Dollar amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>30%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>15%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Housing</td>
<td>30%</td>
<td>$1,080</td>
<td>%</td>
<td>$1,080*</td>
</tr>
<tr>
<td>Medical care</td>
<td>4%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Transportation</td>
<td>10%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Saving</td>
<td>5%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>$3,600</td>
<td>%</td>
<td>$2,600</td>
</tr>
</tbody>
</table>

NOTE: *Because mortgage payments are fixed, the dollar amount for housing cannot decrease. It becomes a larger percentage of the 1933 budget due to a decline in income.
Handout A3.1B: Budget Scenario (page 2 of 2)

After completing the 1933 columns, answer the following questions.

1. In general, what happened to your ability to buy goods and services in 1933 compared with in 1928?

2. Which expenditures increased as a percentage of your income and which decreased as a percentage of your income?

3. Explain why you made the choices that you did about how to spend your income in 1933.

4. Give specific examples of how your life changed between 1928 and 1933.
Handout A3.1C: Budget Scenario (page 1 of 2)

Teacher

About Your 1928 Budget

You are a teacher in 1928 earning an annual after-tax income of $2,300. You are not married and have no children. The table below shows what percent of your income you spent on various categories. Use the percentages indicated to determine the dollar amount spent on each category. Be certain that the total dollars spent equals $2,300.

About Your 1933 Budget

In 1933, many of those in the community whose taxes provide money to pay your salary have reduced income or lost their jobs. Additionally, some have left the community in an attempt to find work elsewhere. With the decrease in tax revenue available, the school has reduced your salary. Prices have fallen nearly 30 percent since 1928. Your after-tax income is $1,800. You had savings, and you were able to withdraw it in 1932 before the bank closed. However, you had to use your savings to survive the past year, and there’s none left. You have a small home with a fixed mortgage payment. Decide how you will adjust your other spending to balance your budget.

<table>
<thead>
<tr>
<th>Budget item</th>
<th>Budget percent</th>
<th>Dollar amount</th>
<th>Budget percent</th>
<th>Dollar amount</th>
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</thead>
<tbody>
<tr>
<td>Food</td>
<td>30%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>15%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Housing</td>
<td>30%</td>
<td>$690</td>
<td>%</td>
<td>$690*</td>
</tr>
<tr>
<td>Medical care</td>
<td>4%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Transportation</td>
<td>10%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Saving</td>
<td>5%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>$2,300</strong></td>
<td><strong>%</strong></td>
<td><strong>$1,800</strong></td>
</tr>
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</table>

NOTE: *Because mortgage payments are fixed, the dollar amount for housing cannot decrease. It becomes a larger percentage of the 1933 budget due to a decline in income.*
Handout A3.1C: Budget Scenario (page 2 of 2)

After completing the 1933 columns, answer the following questions.

1. In general, what happened to your ability to buy goods and services in 1933 compared with in 1928?

2. Which expenditures increased as a percentage of your income and which decreased as a percentage of your income?

3. Explain why you made the choices that you did about how to spend your income in 1933.

4. Give specific examples of how your life changed between 1928 and 1933.
### Handouts A3.1A-C: Budget Scenarios—Answer Key (page 1 of 2)

**Teacher Note:** Answers for the blank cells in the 1933 columns will vary depending on student choices.

#### Construction Worker

<table>
<thead>
<tr>
<th>Budget item</th>
<th>Budget percent</th>
<th>Dollar amount</th>
<th>Budget percent</th>
<th>Dollar amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>30%</td>
<td>$3,000 × .30 = $900</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>15%</td>
<td>$3,000 × .15 = $450</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Housing</td>
<td>30%</td>
<td>$3,000 × .30 = $900</td>
<td>$900/$2,200 = 41%</td>
<td>$900*</td>
</tr>
<tr>
<td>Medical care</td>
<td>4%</td>
<td>$3,000 × .04 = $120</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Transportation</td>
<td>10%</td>
<td>$3,000 × .10 = $300</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6%</td>
<td>$3,000 × .06 = $180</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Saving</td>
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<td>$3,000 × .05 = $150</td>
<td>%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>$3,000</strong></td>
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<td><strong>$2,200</strong></td>
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#### Railroad Worker

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<th>Budget percent</th>
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<tbody>
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<td>Food</td>
<td>30%</td>
<td>$3,600 × .30 = $1,080</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>15%</td>
<td>$3,600 × .15 = $540</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Housing</td>
<td>30%</td>
<td>$3,600 × .30 = $1,080</td>
<td>$1,080/$2,600 = 42%</td>
<td>$1,080*</td>
</tr>
<tr>
<td>Medical care</td>
<td>4%</td>
<td>$3,600 × .04 = $144</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Transportation</td>
<td>10%</td>
<td>$3,600 × .10 = $360</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6%</td>
<td>$3,600 × .06 = $216</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Saving</td>
<td>5%</td>
<td>$3,600 × .05 = $180</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>$3,600</strong></td>
<td>%</td>
<td><strong>$2,600</strong></td>
</tr>
</tbody>
</table>
Handouts A3.1A-C: Budget Scenarios—Answer Key (page 2 of 2)

Teacher

<table>
<thead>
<tr>
<th>Budget item</th>
<th>1928 Budget percent</th>
<th>1928 Dollar amount</th>
<th>1933 Budget percent</th>
<th>1933 Dollar amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>30%</td>
<td>$2,300 × 0.03 = $690</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>15%</td>
<td>$2,300 × 0.15 = $345</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Housing</td>
<td>30%</td>
<td>$2,300 × 0.30 = $690</td>
<td>% $690/$1,800 = 38%</td>
<td>$690*</td>
</tr>
<tr>
<td>Medical care</td>
<td>4%</td>
<td>$2,300 × 0.04 = $92</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Transportation</td>
<td>10%</td>
<td>$2,300 × 0.10 = $230</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6%</td>
<td>$2,300 × 0.06 = $138</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Saving</td>
<td>5%</td>
<td>$2,300 × 0.05 = $115</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>$2,300</td>
<td>%</td>
<td>$1,800</td>
</tr>
</tbody>
</table>

NOTE: *Because mortgage payments are fixed, the dollar amount for housing cannot decrease. It becomes a larger percentage of the 1933 budget due to a decline in income.

After completing the 1933 columns, answer the following questions.

1. In general, what happened to your ability to buy goods and services in 1933 compared with in 1928?
   The ability to buy goods and services declined.

2. Which expenditures increased as a percentage of your income and which decreased as a percentage of your income?
   Answers will vary depending on student choices but must include that housing increased as a percentage of income.

3. Explain why you made the choices that you did about how to spend your income in 1933.
   Answers will vary depending on student choices.

4. Give specific examples of how your life changed between 1928 and 1933.
   Answers will vary but may include the following: Income declined, which meant they bought fewer goods and services, causing their standard of living to decline. For the construction workers, because they had additional family members move in, their standard of living declined from a decline in income and more people to take care of.
Handout A3.2: Assessment

Name______________________________

Directions: Complete the following.

1. A general, sustained decline in the level of prices for goods and services in an economy is known as __________.
   a. demand.
   b. deflation.
   c. a depression.
   d. a decrease.

2. In order for a person to be counted as unemployed, the person must meet which of the following?
   a. Be under 16 years of age
   b. Be working less than 40 hours a week
   c. Be actively looking for a job
   d. Be willing to work

3. Loss of income from loss of hours worked or unemployment were key factors in reducing which part of demand?
   a. Ability to buy
   b. Willingness to buy
   c. Prices
   d. Rent

4. Why did lower prices not encourage more people to buy goods and services during the Great Depression?

5. How did lower prices contribute to unemployment?

6. Draw a cartoon or diagram showing how lower prices lead to job loss by including depictions of at least three of the following vocabulary words in your drawing: deflation, demand, fixed expenses, income, price, and unemployment.
Handout A3.2: Assessment—Answer Key

Directions: Complete the following.

1. A general, sustained decline in the level of prices for goods and services in an economy is known as __________
   a. demand.
   b. deflation.
   c. a depression.
   d. a decrease.

2. In order for a person to be counted as unemployed, the person must meet which of the following?
   a. Be under 16 years of age
   b. Be working less than 40 hours a week
   c. Be actively looking for a job
   d. Be willing to work

3. Loss of income from loss of hours worked or unemployment were key factors in reducing which part of demand?
   a. Ability to buy
   b. Willingness to buy
   c. Prices
   d. Rent

4. Why did lower prices not encourage more people to buy goods and services during the Great Depression?
   Answers will vary but must include the idea that people had a willingness to buy but a decreased ability to buy, regardless of price.

5. How did lower prices contribute to unemployment?
   Answers will vary but must include the idea that businesses reduced prices to sell their products or services but people still couldn’t buy them, because of lower incomes. With lower prices and lower sales, businesses did not have enough income to pay their workers, therefore they cut employee hours or eliminated those jobs.

6. Draw a cartoon or diagram showing how lower prices lead to job loss by including depictions of at least three of the following vocabulary words in your drawing: deflation, demand, fixed expenses, income, price, and unemployment.
   Answers will vary but should include depictions of three of the following: prices going down, income going down, demand going down, employment going down or unemployment going up, or fixed expenses going up in proportion to income.
Standards and Benchmarks

C3 Framework for Social Studies Standards

History: Change, Continuity, and Context
- Benchmark D2.His.1.6-8. Analyze connections among events and developments in broader historical contexts.
- Benchmark D2.His.1.9-12. Evaluate how historical events and developments were shaped by unique circumstances of time & place as well as broader historical contexts.
- Benchmark D2.His.2.6-8. Classify series of historical events and developments as examples of change and/or continuity.

Economics: The National Economy
- Benchmark D2.Eco.11.6-8. Use appropriate data to evaluate the state of employment, unemployment, inflation, total production, income, and economic growth in the economy.
- Benchmark D2.Eco.11.9-12. Use economic indicators to analyze the current and future state of the economy.
- Benchmark D2.Eco.12.6-8. Explain how inflation, deflation, and unemployment affect different groups.
- Benchmark D2.Eco.12.9-12. Evaluate the selection of monetary and fiscal policies in a variety of economic conditions.

Voluntary National Economic Standards

Content Standard 13: Income
Income for most people is determined by the market value of the productive resources they sell. What workers earn primarily depends on the market value of what they produce.

Benchmark: Grade 8
1. Employers are willing to pay wages and salaries to workers because they expect to be able to sell the goods and services that those workers produce at prices high enough to cover the wages and salaries and all other costs of production.

Benchmarks: Grade 12
4. Changes in the prices of productive resources affect the incomes of the owners of those productive resources and the combination of those resources used by firms.
5. Changes in demand for specific goods and services often, in the short run, affect the incomes of the workers who make those goods and services.