A Message from the Fed Chairman

I once told a colleague, "If you want to understand geology, study earthquakes. If you want to understand economics, study the biggest calamity to hit the U.S. and world economies." I'm a Great Depression buff the way some people are Civil War buffs—and it's because the issues raised by the Depression, and its lessons, are still relevant today.

The Great Depression was the worst economic disaster in U.S. history. Factories closed down, about a quarter of the workforce was unemployed (with many more finding only part-time work), stock prices plummeted and thousands of banks failed. The Depression involved every part of the country and every sector of our economy, and its impact was felt globally, as well. The extreme nature of the Depression motivates the study of macroeconomics by inviting students to compare the performance and structure of the economy "back then" with what they see around them today. In order to make those comparisons, students must tackle economic basics like GDP, inflation and deflation, and unemployment.

Although it was long ago, the Depression's influence is still very much with us. Certainly, the experience led the government to take a much broader role in stabilizing the economy and the financial system. Many of our most important government agencies and programs, from Social Security (to help the elderly and disabled) and federal deposit insurance (to eliminate banking panics) to the Securities and Exchange Commission (to regulate financial activities) were created in the 1930s—each a legacy of the Depression.

The Federal Reserve's response to this economic collapse has been extensively analyzed, and the Fed has learned lessons from that experience that have enabled it to more effectively respond to economic crises since that time. We hope this Great Depression curriculum package helps you teach your students about the history and causes of the Depression—and, most important, what we as a country learned from it.

Ben S. Bernanke

The Great Depression: A Curriculum Overview

History holds many economic lessons. The Great Depression, in particular, is an event that provides the opportunity to teach and learn a great deal about economics—whether you're studying the economic reasons that the Depression took place, the factors that helped it come to an end or the impact on Americans who lived through it. This curriculum is designed to provide you with economic lessons that you can share with your students to help them understand this significant experience in U.S. history.

Introductory Essay

The curriculum begins with an introductory essay, "The Great Depression: An Overview," written by David C. Wheelock, a research economist at the Federal Reserve Bank of St. Louis and an expert on the Great Depression. The essay is incorporated into many of the lessons, as students are asked to read and refer to various sections of the essay.

Following the essay, the curriculum includes six stand-alone lessons, allowing the teacher to pick and choose the lessons most appropriate for his or her students. Although each lesson is written to stand alone, the lessons are sequenced for instruction so that a teacher can use the entire unit.

Lesson Format

Each lesson includes:

- a list of economic concepts taught in the lesson,
- the economics and history content standards and the social studies strands addressed in each lesson,
- learner objectives,
- estimated time required,
- a list of materials required,
- a detailed set of procedures,
- an assessment,
- blackline masters for visuals, and
- handouts for the teacher to copy and distribute.

Lesson Content

Lesson 1 – Measuring the Great Depression

This lesson introduces tools—such as Gross Domestic Product (GDP), the unemployment rate and the Consumer Price Index (CPI)—that are used to measure the economy's health, through an analysis of simple bar charts and graphs. Developing an understanding of these concepts is critical to understanding the magnitude of the economic problems that took place during the Great Depression.

Lesson 2 – What Do People Say?

There are many suggested causes for the Great Depression. It is important for students to understand that occurrences such as the stock market crash—and other events that affected particular sectors of the economy—were important, but not significant enough to cause the Great Depression. By reading fictitious letters that reflect actual problems and people's concerns during the Great Depression, students begin to identify with the people of that era and to uncover the problems that people experienced during the Great Depression.

Lesson 3 – What Really Caused the Great Depression?
Through participation in two simulations, students determine that bank panics and a shrinking money supply were the primary causes of the Great Depression. Through an additional activity, they see how the many other factors they have discussed, such as problems in the agricultural sector and the stock market crash, exacerbated the situation.

Lesson 4 – Dealing with the Great Depression
Students learn about programs initiated through the New Deal. By comparing and categorizing New Deal programs, they recognize that the value of most of these programs was their effects on the confidence that U.S. citizens had in the economy. Students also identify the impact that these programs had on the role of the U.S. government in the economy.

Lesson 5 – Turn Your Radio On
Students use excerpts from Franklin Delano Roosevelt's "fireside chats" to identify his plans for restoring the economy. They determine that using available technology to communicate was important to FDR's effort to restore consumer confidence.

Lesson 6 – Could It Happen Again?
Students learn about the roles and functions of the Federal Reserve System. Through a simulation, they learn how the Fed manages the money supply through open market operations. They identify what central bankers have learned about implementing monetary policy as a result of the Great Depression. Furthermore, they recognize the steps the central bank has taken to respond effectively to financial crises since that time.

National Standards Correlation
Each lesson in the Great Depression curriculum is correlated with the National Standards in Economics, the National Standards for History, and the National Council for the Social Studies Strands, and these standards and strands are listed in the front section of each lesson. In addition, correlation grids can be found on pages 5, 8 and 9 of this curriculum overview.

Glossary of Terms
The glossary of terms includes an alphabetical list of economic terms used in the lessons, a definition of each term and a reference to the lesson(s) in which the term is used.

Appendix
The appendix of the curriculum includes:

- a multiple choice pre- and post-test,
- an evaluation form,
- a reference list, and
- a list of resources such as newsreels, photos, books and web sites.

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Lesson Correlations with the National Standards in Economics, the National Standards for History and the National Council for the Social Studies Strands

National Standards in Economics

National Voluntary Content Standards in Economics					
	10	11	18	19	20
Lesson 1			X	X	
Lesson 2	X	X			
Lesson 3	X	X	X		
Lesson 4			X	X	X
Lesson 5	X	X		X	X
Lesson 6		X		X	X

Lesson 1

Standard 18: A nation's overall levels of income, employment and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies and others in the economy.

- Benchmark 1, Grade 8: Gross Domestic Product (GDP) is a basic measure of a nation's economic output and income. It is the total market value, measured in dollars, of all final goods and services produced in the economy in a year.

Standard 19: Unemployment imposes costs on individuals and nations. Unexpected inflation imposes costs on many people and benefits some others because it arbitrarily redistributes purchasing power. Inflation can reduce the rate of growth of national living standards because individuals and organizations use resources to protect themselves against the uncertainty of future prices.

- Benchmark 1, Grade 12: The unemployment rate is the percentage of the labor force that is willing and able to work, does not currently have a job, and is actively looking for work.
- Benchmark 6, Grade 12: The consumer price index (CPI) is the most commonly used measure of price-level changes. It can be used to compare the price level in one year with price levels of earlier or later periods.
- Benchmark 8, Grade 12: The costs of inflation are different for different groups of people. Unexpected inflation hurts savers and people on fixed incomes; it helps people who have borrowed money at a fixed rate of interest.
- Benchmark 9, Grade 12: Inflation imposes costs on people beyond its effects on wealth distribution because people devote resources to protect themselves from expected inflation.

Lesson 2

Standard 10: Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.

- Benchmark 1, Grade 8: Banks and other financial institutions channel funds from savers to borrowers and investors.

Standard 11: Money makes it easier to trade, borrow, save, invest and compare the value of goods and services.

- Benchmark 2, Grade 12: In many economies, when banks make loans, the money supply increases; when loans are paid off, the money supply decreases.

Lesson 3

Standard 10: Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.

- Benchmark 1, Grade 8: Banks and other financial institutions channel funds from savers to borrowers and investors.

Standard 11: Money makes it easier to trade, borrow, save, invest and compare the value of goods and services.

- Benchmark 1, Grade 12: The basic money supply in the United States consists of currency, coins and checking account deposits.
- Benchmark 2, Grade 12: In many economies, when banks make loans, the money supply increases; when loans are paid off, the money supply decreases.

Standard 18: A nation's overall levels of income, employment and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies and others in the economy.

- Benchmark 5, Grade 12: When desired expenditures for consumption, investment, government spending and net exports are less than the value of a nation's output of final goods and services, GDP decreases and inflation and/or employment decreases.

Standard 19: Unemployment imposes costs on individuals and nations. Unexpected inflation imposes costs on many people and benefits some others because it arbitrarily redistributes purchasing power. Inflation can reduce the rate of growth of national living standards because individuals and organizations use resources to protect themselves against the uncertainty of future prices.

- Benchmark 1, Grade 4: Inflation causes an increase in most prices; deflation causes a decrease in most prices.

Lesson 4

Standard 18: A nation's overall levels of income, employment and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies and others in the economy.

- Benchmark 1, Grade 8: Gross Domestic Product (GDP) is a basic measure of a nation's economic output and income. It is the total market value, measured in dollars, of all final goods and services produced in the economy in one year.
- Benchmark 3, Grade 12: One person's spending is other people's income. Consequently, an initial change in spending (consumption, investment, government or net exports) usually results in a larger change in national levels of income, spending and output.

Standard 19: Unemployment imposes costs on individuals and nations. Unexpected inflation imposes costs on many people and benefits some others because it arbitrarily redistributes purchasing power. Inflation can reduce the rate of growth of national living standards because individuals and organizations use resources to protect themselves against the uncertainty of future prices.

- Benchmark 2, Grade 8: The labor force consists of people ages 16 and over who are employed or actively seeking work.
- Benchmark 1, Grade 12: The unemployment rate is the percentage of the labor force that is willing and able to work, does not currently have a job and is actively looking for employment.

Standard 20: Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output and prices.

- Benchmark 1, Grade 12: Fiscal policies are decisions by the federal government to change spending and tax levels. These decisions are adopted to influence national levels of output, employment and prices.
- Benchmark 2, Grade 12: In the short run, increasing federal spending and/or reducing taxes can promote more employment and output, but these policies also put upward pressure on the price level and interest rates. Decreased federal spending and/or increased taxes tend to lower price levels and interest rates over the long term, but they reduce employment and output levels in the short run.

Lesson 5

Standard 10: Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.

- Benchmark 1, Grade 8: Banks and other financial institutions channel funds from savers to borrowers and investors.

Standard 11: Money makes it easier to trade, borrow, save, invest and compare the value of goods and services.

- Benchmark 1, Grade 12: The basic money supply in the United States consists of currency, coins and checking account deposits.

Standard 19: Unemployment imposes costs on individuals and nations. Unexpected inflation imposes costs on many people and benefits some others because it arbitrarily redistributes purchasing power. Inflation can reduce the rate of growth of national living standards because individuals and organizations use resources to protect themselves against the uncertainty of future prices.

- Benchmark 2, Grade 8: The labor force consists of people ages 16 and over who are employed or actively seeking work.
- Benchmark 1, Grade 12: The unemployment rate is the percentage of the labor force that is willing and able to work, does not currently have a job and is actively looking for employment.

Standard 20: Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output and prices.

- Benchmark 1, Grade 12: Fiscal policies are decisions by the federal government to change spending and tax levels. These decisions are adopted to influence national levels of output, employment and prices.
- Benchmark 2, Grade 12: In the short run, increasing federal spending and/or reducing taxes can promote more employment and output, but these policies also put upward pressure on the price level and interest rates. Decreased federal spending and/or increased taxes tend to lower price levels and interest rates over the long term, but they reduce employment and output levels in the short run.

Lesson 6

Standard 11: Money makes it easier to trade, borrow, save, invest and compare the value of goods and services.

- Benchmark 1, Grade 12: The basic money supply in the United States consists of currency, coins and checking account deposits.
- Benchmark 2, Grade 12: In many economies, when banks make loans, the money supply increases; when loans are paid off, the money supply decreases.

Standard 19: Unemployment imposes costs on individuals and nations. Unexpected inflation imposes costs on many people and benefits some others because it arbitrarily redistributes purchasing power. Inflation can reduce the rate of growth of national living standards because individuals and organizations use resources to protect themselves against the uncertainty of future prices.

- Benchmark 1, Grade 4: Inflation is an increase in most prices; deflation is a decease in most prices.
- Benchmark 3, Grade 8: Inflation reduces the value of money.
- Benchmark 7, Grade 12: The costs of inflation are different for different groups of people. Unexpected inflation hurts savers and people on fixed incomes; it helps people who have borrowed money at a fixed rate of interest.

Standard 20: Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices.

- Benchmark 8, Grade 12: Monetary policies are decisions by the Federal Reserve System that lead to changes in the supply of money and the availability of credit. Changes in the money supply can influence overall levels of spending, employment and prices in the economy by inducing changes in interest rates charged for credit and by affecting the levels of personal and business investment spending.
- Benchmark 9, Grade 12: The major monetary policy tool that the Federal Reserve System uses in open market purchases or sales of government securities. Other policy tools used by the Federal Reserve System include increasing or decreasing the discount rate charged on loans it makes to commercial banks and raising or lowering reserve requirements for commercial banks.

National Standards for History

Era 8			
	Standard 1	Standard 1A	Standard 2
Lesson 1	X	X	
Lesson 2	X		
Lesson 3	X	X	
Lesson 4			X
Lesson 5			X
Lesson 6	X	X	

Lesson 1
Era 8, Standard 1: The causes of the Great Depression and how it affected American society.

Era 8, Standard 1A: The causes of the crash of 1929 and the Great Depression.

Lesson 2
Era 8, Standard 1: The causes of the Great Depression and how it affected American society.

Lesson 3
Era 8, Standard 1: The causes of the Great Depression and how it affected American society.

Era 8, Standard 1A: The causes of the crash of 1929 and the Great Depression.

Lesson 4
Era 8, Standard 2: How the New Deal addressed the Great Depression.

Lesson 5
Era 8, Standard 2: How the New Deal addressed the Great Depression.

Lesson 6
Era 8, Standard 1: The causes of the Great Depression and how it affected American society.

Era 8, Standard 1A: The causes of the crash of 1929 and the Great Depression.

National Council for the Social Studies Strands

Lessons	Time, Continuity and Change	Power, Authority and Governance	Production, Distribution and Consumption	Science, Technology and Society	Civic Ideals and Practices
Lesson 1	X		X		
Lesson 2	X		X		
Lesson 3	X	X	X		
Lesson 4	X	X	X		X
Lesson 5	X	X	X	X	X
Lesson 6	X	X	X		

