



FEDERAL RESERVE BANK OF SAN FRANCISCO



# **Money Connection**

**TEACHER'S GUIDE**



# The Money Connection

## TEACHER'S GUIDE

	<b>Introduction</b>	1
	About the Video	1
	About the Guide	1
	About the Poster	1
	Curriculum Links	2
	<b>Background Information</b>	3
	The History of the Federal Reserve	
	<b>Before and After the Viewing</b>	9
	Introducing and Reviewing the Video in the Classroom	
<b>UNIT 1</b>	<b>Early Money and Banking in America</b>	10
<b>UNIT 2</b>	<b>Structure of the Federal Reserve</b>	18
<b>UNIT 3</b>	<b>Manager of Money and Credit in the Economy</b>	23
<b>UNIT 4A</b>	<b>The Banker's Bank</b>	28
<b>UNIT 4B</b>	<b>A Bank Regulator</b>	33
<b>UNIT 5</b>	<b>The Money Connection Shuffle Game</b>	37
	<b>Glossary</b>	43
	<b>Money Connection Word Search Puzzle</b>	45
	<b>Answer Sheets</b>	46–50
	<b>Additional Resources</b>	51

# Contents



# The Money Connection Introduction

## ABOUT THE VIDEO

The **Money Connection** is a lively, two-part video (approximately 17 minutes) designed to introduce fourth through sixth grade audiences to the Federal Reserve System. The fast-paced, news show format combines historical photographs and live-action footage with interviews and animation sequences for a close-up look at the history and important responsibilities and functions of the Federal Reserve.

Teachers may show the video in its entirety or in two parts. Parts I and II are divided by a “brain break” to allow the teacher to review the concepts presented in the first segment prior to viewing Part II.

**Part I** spotlights stories such as “The Oldest Bank Depositor in America” to uncover some of the early history of money and banking in the United States. The segment also examines the Federal Reserve’s structure and responsibilities related to controlling the amount of money available for spending in the economy.

**Part II** finds the **Money Connection** news team investigating stories such as “Who is Destroying 400 Million Dollars Every Day and Why?” to spotlight the Federal Reserve’s role in destroying old currency and distributing new coin and currency. Another story features the signing of a professional baseball player to describe the services the Federal Reserve provides for commercial banks.

## ABOUT THE GUIDE

The Teacher’s Guide contains supplemental background information, five teaching units, a glossary, and a list of additional resources for educators. **Before and After the Viewing** discussions prepare students for viewing the program and reviewing the concepts presented.

**Units 1** through **4** are each tied to one of the major news stories presented in the video. **Unit 5** is a summary unit which reviews the concepts presented in the video and earlier lessons. Activities within the teaching units are arranged so that each helps prepare for the next. However, many of the activities can be used independently.

## ABOUT THE POSTER

The **Money Connection** poster is designed to be used as a teaching tool for discussing the history of American money and banking. **Historical Snapshots** provide focal points for discussing the major turning points in our money’s history. **NewsBriefs** can be used to recap the Federal Reserve’s primary responsibilities. The Guide’s **Background Information**, **Glossary**, and **Historical Timeline** are helpful resources for developing the classroom discussion.

Each teaching **UNIT** includes the following sections:

➤ **Vocabulary**

Key vocabulary is highlighted to enhance students' understanding of the concepts presented in the unit.

➤ **Viewing Segment**

The viewing segment describes the **Money Connection** news story associated with the unit.

➤ **Discussion**

A discussion section recaps the major points presented in the viewing segment to enhance students' preparation for the unit's activities.

➤ **Activities**

Activities contained in each teaching unit use an interdisciplinary, active learning approach to maximize the Guide's usefulness in the classroom. The teaching units integrate critical thinking, role-playing, simulation, math, reading, and writing skills to capture students' imagination and interest in learning about the topic. **Then and Now** activities integrate historical thinking skills.

➤ **Learning Extensions**

Learning extension activities are located at the end of each unit.

**CURRICULUM LINKS**

	<i>Unit 1</i>	<i>Unit 2</i>	<i>Unit 3</i>	<i>Unit 4A</i>	<i>Unit 4B</i>	<i>Unit 5</i>
	Early Money & Banking in America	Structure of the Federal Reserve	Manager of Money and Credit in the Economy	The Banker's Bank	A Bank Regulator	The Fed Facts Shuffle Game
Social Studies	✓			✓	✓	✓
Economics	✓	✓	✓	✓	✓	✓
Language Arts	✓					✓
Geography		✓	✓	✓		✓
Mathematics	✓		✓	✓		✓
Creative Drama	✓		✓	✓		✓
Life Skills	✓			✓		✓



# The History of the Federal Reserve

## BACKGROUND INFORMATION

Spending the money in your wallet, writing a check, or going to the bank for a loan are such intrinsic parts of our everyday lives that it is hard to imagine what life would be like without these conveniences. Today, our money and banking system inspires confidence, but it hasn't always been this way.

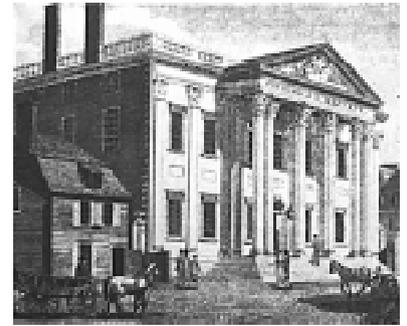
### Money and Banking in Colonial America

The American colonists were limited to using European coinage, barter, and commodity money as their primary means of exchange prior to independence from British rule. Plagued by foreign coin shortages and the disadvantages of barter and commodity money, many colonies began minting coins and issuing their own paper currency by the end of the 17th century. This was a rudimentary solution. People lacked faith in colonial currency and the colonies' authority to issue money was intermittently repealed by their British rulers.

Colonial banks did not function like modern banks. They didn't receive deposits from the public or make loans. Instead, they issued paper currency backed by land or precious metals such as gold. Merchants and other individuals, rather than banks, were the primary sources of credit in colonial America.

### The United States Experiments with Central Banking

The origins of central banking in America began with the ratification of the Constitution in 1789. Secretary of the Treasury, Alexander Hamilton, conceived the idea of a federal banking system for our country to solve the nation's money problems after the War of Independence — but not without a conflict. His plan called for the creation of a federal bank to provide credit for government and businesses and a much-needed national currency. The federal bank would act as the government's fiscal agent and provide a safe place to store government funds.



*First Bank of the United States  
(1791–1811)*

Secretary of State Thomas Jefferson, representing the country's agrarian interests who favored "state powers" over federal authority, led the opposition to the plan. Jefferson argued that the Constitution did not expressly authorize the government to charter a national bank or issue paper currency. Hamilton, supported by the Federalist Party and northeastern business interests, won the debate and the First Bank of the United States was chartered in 1791.

A bill to recharter the First Bank failed in 1811. Without a centralized banking and credit structure, state banks proliferated, issuing a multitude of paper currencies of questionable value. Attempting to solve the country's economic problems, Congress chartered the Second Bank of the United States in 1816. President Andrew Jackson declared the Second Bank unconstitutional and vetoed its recharter in 1836.

## Free Banking Era

The Free Banking Era followed the demise of the First and Second Banks of the United States, marking a quarter century in which American banking was a hodgepodge of state-chartered banks without federal regulation. By 1860, there were nearly 8,000 state banks, each issuing their own paper notes. “Wildcat” banks typified some of the more unscrupulous banks. These banks were located in remote regions — more accessible to wildcats than people — making it difficult for customers to redeem their notes for precious metals.

Money problems resulting from the Civil War prompted the passage of the National Banking Act in 1863. Although this legislation created a uniform national currency and dictated that only national banks could issue bank notes, it lacked a strong central banking structure.

## The Banking Panic of 1907 — Congress Creates the Federal Reserve System

As the industrial economy expanded, the weaknesses of the country’s banking system became more acute. For the century prior to the creation of the Federal Reserve, bank panics or “runs” were a common occurrence. Most banks did not keep enough cash on hand to meet their customers’ immediate demands for funds. Bank panics ensued when customers lost confidence in their banks upon hearing the news of a bank failure, even if their own banks weren’t in financial trouble. Fearful customers would run to the bank to withdraw money, triggering a succession of bank failures because banks couldn’t meet depositor’s sudden demand for cash. A particularly severe panic in 1907 fueled the reform movement which prompted Congress to establish the Federal Reserve System in 1913. President Woodrow Wilson signed the Federal Reserve Act on December 23, 1913.

## Federal Reserve Structure

The Federal Reserve System divides the nation into 12 Federal Reserve Districts. Each District has a head office bank and all have branch banks except for the Boston and Philadelphia Reserve Banks. The Twelfth District in the western United States encompasses the largest geographical region. In 1913, the majority of the country’s economic activity took place in the eastern United States which accounts for the greater number of Federal Reserve Districts and Banks in this part of the country.

The Board of Governors, headquartered in Washington, D.C., supervises the Federal Reserve System which is nicknamed the “Fed.” The seven board members are appointed by the President of the United States, with Senate approval, for 14-year terms. The Federal Open Market Committee (FOMC) is the Fed’s most important policy-making body. The FOMC sets monetary policy for the country. The FOMC is comprised of the seven members of the Board of Governors, the president of the Federal Reserve Bank of New York, and four other Reserve Bank presidents who serve on a rotating basis.

## Independent Within Government

In 1913, Congress structured the Fed to be “independent within government” to insulate monetary policy decisions from political pressure. Although the Fed is accountable to Congress, the System operates from its own earnings rather than from congressional appropriations. The appointment process for the Federal Reserve’s seven member Board of Governors provides another safeguard against political influence. Board members’ 14-year terms are staggered so that one term expires on January 31 of each even-numbered year. This prevents a United States President from filling the Board with appointees. The lengthy 14-year terms of office, which are much longer than the terms of elected officials, also help to prevent undue political influence.



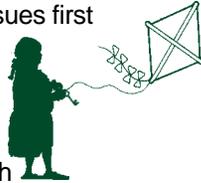
# Timeline

## 1600s

**1620** – Pilgrims land at Plymouth Rock. Colonists use barter, commodity currency, and European coins.

**1652** – Massachusetts Bay Colony mints Pine Tree Schilling, the first colonial coin.

**1690** – Massachusetts Bay Colony issues first colonial paper currency.



## 1700s

**1752** – Benjamin Franklin flies kite with key, proving that lightning is like an electric spark.

**1775** – American Revolution; Continental Congress issues “Continental,” the first national currency.

**1776** – Declaration of Independence is signed.



**1783** – First U.S. Post Office is established.

**1781** – The Bank of North America, the nation’s first commercial bank, is chartered.

**1787** – Sacajawea is born.

**1787** – Fugio one-cent coin is minted, the first national coin.

**1789** – U.S. Constitution ratified.

**1791** – First Bank of U.S. is established (1791–1811).

**1792** – U.S. Mint established, Philadelphia.

**1793** – Eli Whitney invents cotton gin.

**1797** – Sojourner Truth born.



## 1800s

**1803** – Lewis and Clark map and explore Pacific Northwest accompanied by Sacajawea, Shoshone guide, and interpreter.

**1815** – Elizabeth Cady Stanton is born.

**1816** – Second Bank of U.S. is established (1816–1836).

**1823** – Monroe Doctrine is declared.

**1825** – Erie Canal is opened for shipping.



**1832** – Louisa May Alcott is born.

**1834** – Banking Panic of 1834.

**1836** – Free Banking Era (1836–1860).

**1838** – Samuel Morse develops telegraph and Morse Code.

**1849** – California Gold Rush.



**1850** – Amelia Bloomer introduces “bloomers” trousers for women.

**1853** – First check clearinghouse is established, New York.

**1861** – Civil War begins, Congress issues “Greenbacks.”

**1863** – Lincoln signs National Banking Act.

**1863** – U.S. Secret Service established to investigate and deter counterfeiting.

**1863** – Emancipation Proclamation is issued.

**1864** – First two-cent coin minted with “In God We Trust.”

**1869** – Union Pacific Railroad builds first transcontinental railroad.



**1876** – Alexander Graham Bell invents telephone.



**1877** – Thomas Edison invents phonograph and electric light bulb.

**1886** – Martha Washington’s portrait appears on \$1 silver certificate.

## 1900s

**1903** – Wright brothers make first “heavier than air” flight.



**1905** – Albert Einstein publishes theory of relativity.

**1907** – Banking Panic of 1907.



**1908** – Henry Ford builds Model T.

**1913** – President Woodrow Wilson signs the Federal Reserve Act.

**1914** – Federal Reserve Notes issued.

The organizational structure of the twelve Federal Reserve Banks also contributes to the Fed's independence. Each Reserve Bank has its own Board of Directors made up of a diverse group of community representatives. Reserve Bank Directors are not political appointees which helps insulate their

## The Banker's Bank

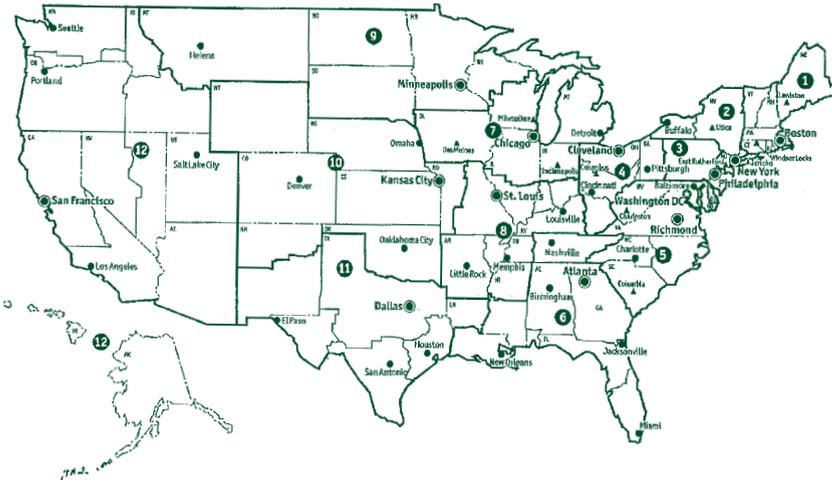
As the banker's bank, the Fed provides banking services to depository institutions including, check clearing, electronic funds transfer, and storage of banks' excess currency in Reserve Bank vaults.

Reserve Banks count the money they receive from banks when it first arrives. Bags of coins are weighed to verify amounts. Paper currency is processed through high-speed sorting machines which remove worn and counterfeit bills. Good quality or "fit" paper currency is rebundled and packaged for storage until banks request money from their accounts. Worn bills, unfit for recirculation, are shredded. Counterfeit bills are sent to the U.S. Secret Service.

Reserve Banks distribute new coin and currency to the public through commercial banks. Federal Reserve Banks receive new coin from the U.S. mints in Philadelphia and Denver and new currency from the U.S. Bureau of Engraving and Printing in Washington, D.C. and Fort Worth, Texas. New coin and currency are put into circulation along with "fit" currency and coin that has been stored in Fed vaults when banks request money from their deposits with the Federal Reserve.

As a central clearinghouse for checks, Federal Reserve Banks process about 1/3 of the checks written each year in the United States. Banks also may clear checks directly with each other, through clearinghouse associations, or by purchasing the collection services of another bank. The check clearing process involves the transferring of funds between the bank of deposit and the bank of origin. Banks which clear checks through the Federal Reserve System send checks on a daily schedule to their local Federal Reserve Bank or Branch. Federal Reserve Banks use high-speed sorters to process checks (100,000 per hour).

The sorters read encoded information on the bottom of the checks to route them to the bank of origin and to electronically transfer



Map of the 12 Federal Reserve Districts

decisions from political influence. Reserve Bank Directors appoint Reserve Bank Presidents, with approval from the Board of Governors in Washington, D.C., to provide yet another safeguard against political influence.

## Basic Responsibilities

The Fed's broad goals when originally founded in 1913 were to create a sound banking system to prevent widespread bank failures and to provide an elastic currency to expand and contract with economic activity. The central bank was designated as the banking system's "lender of last resort" to lend money to banks when they faced unexpected deposit withdrawals.<sup>1</sup> Congress also empowered Federal Reserve Banks to issue Federal Reserve Notes — which comprise more than 99% of today's money — as direct obligations of the Federal Reserve System.

<sup>1</sup> The establishment of the Federal Reserve System in 1913 did not entirely eliminate the problem of bank panics. During the Depression, banks began to fail once again. The legislation of the New Deal which established deposit insurance and the Federal Deposit Insurance Corporation (FDIC), among other provisions, helped to further reduce or eliminate bank panics.

payment from the bank of origin to the bank of deposit through accounts these banks keep with the Federal Reserve.

Federal Reserve Banks provide two types of services for transferring funds electronically: Fedwire and the Automated Clearinghouse (ACH). ACH is primarily used for small dollar amounts and recurring payments such as direct deposit of paychecks and mortgage payments. ACH payment requests are processed within two days of receipt. Fedwire allows banks to instantaneously transfer large dollar amounts (\$3 million on average) electronically on their own behalf or for their customers.

## The Government's Bank

As the government's bank, the Federal Reserve maintains the Treasury Department's checking account and clears U.S. Treasury checks. When the government spends money to build dams, highways, and other federal projects, it writes checks on its account with the Federal Reserve. The Fed processes electronic payments such as social security and payroll checks for the government. The Fed also issues, transfers and redeems U.S. Treasury Securities, along with conducting Treasury Securities auctions.

## Bank Regulator

As a bank regulator, the Federal Reserve supervises bank holding companies, state-chartered banks that are members of the Federal Reserve System, and the U.S. operations of foreign banks. The Fed works with other federal and state regulators to ensure the overall safety and soundness of the banking system.

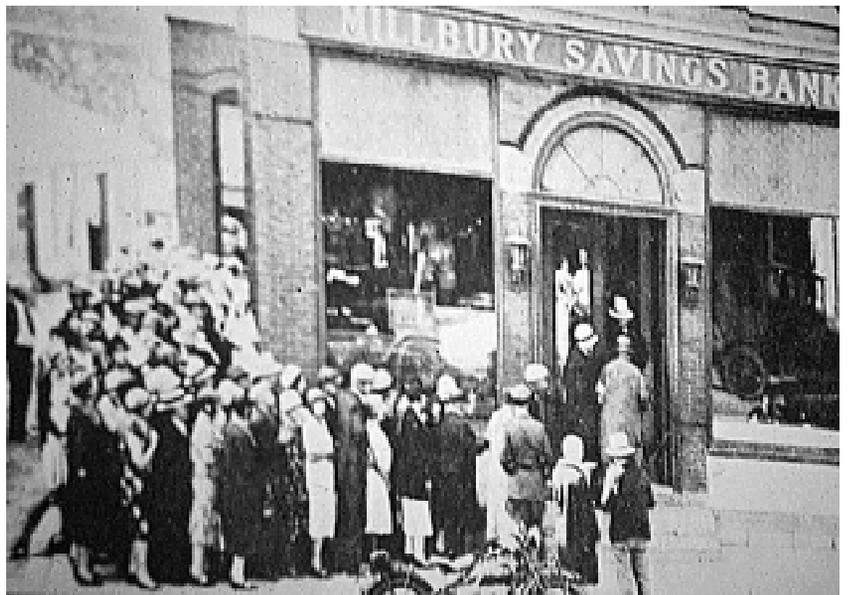
As directed by Congress, the Fed works with other banking regulators to write and implement regulations governing what banks can and cannot do. Fed examiners inspect banks to make sure they are safe and sound,

looking at the quality of deposits and loans, the amount of capital, and the quality of management. The Fed also helps enforce laws that protect consumers to make sure customers are treated fairly.

## Our Nation's Money Manager

As our nation's money manager, the Federal Reserve implements monetary policy to manage the flow of money and credit in the economy. When money and credit expand too rapidly, businesses can't produce enough goods and services to keep up with increased spending. Prices may rise, causing inflation. Economists call this "too many dollars chasing too few goods" in the economy. When money and credit contract too greatly in the economy, spending and business activity dwindle, causing a recession.

In conducting monetary policy, the Fed tries to strike a balance between the flow of money and credit and economic activity to keep prices steady, workers employed, and factories productive.



*Bank panics were a common occurrence prior to the creation of the Federal Reserve System. Additional legislation passed during the 1930s created the Federal Deposit Insurance Corporation and the Securities and Exchange Commission, among other provisions, which significantly reduced the problem of bank failures.*

The Fed expands and contracts money and credit in the economy by influencing how much money banks have available for making loans. Banks are required by law to keep a portion of every deposit as required reserves. Banks may lend the remaining excess reserves. When the Fed uses its monetary policy tools to increase the amount of excess reserves available in the banking system, the money supply increases, interest rates fall, and lending increases in the economy. When the Fed uses its monetary policy tools to decrease the amount of excess reserves, the money supply decreases, interest rates increase, and lending falls.

The FOMC meets eight times per year in Washington, D.C., to set monetary policy. The FOMC analyzes data about interest rates, jobs, prices, and business activity in every Federal Reserve District, and the country as a whole, prior to deciding on a direction for monetary policy. Before implementing policy, the FOMC also considers the international picture, studying exchange rates and other economic data.

## The Faces of U.S. Currency



**George Washington**

**\$1**



**Abraham Lincoln**

**\$5**



**Alexander Hamilton**

**\$10**



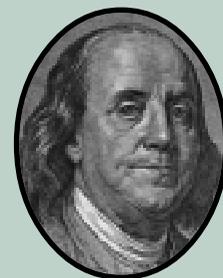
**Andrew Jackson**

**\$20**



**Ulysses S. Grant**

**\$50**



**Benjamin Franklin**

**\$100**



# Before and After the Viewing

## VIEWING PART I

**Before Viewing Part I**, ask the class why people and businesses store money in banks rather than keeping it at home or in their offices. Explain that today people and businesses rely on banks as a safe and convenient place to store their money. Add that people and businesses haven't always been so confident in our country's banking system.

Hold up a Federal Reserve Note and ask the class to tell you what you're holding. (Money!) Ask some of the students to take a closer look at the money to find out what kind of money you're displaying. (A Federal Reserve Note) Explain that, although today the United States uses Federal Reserve Notes as money, our country hasn't always used Federal Reserve Notes. Add that earlier forms of money weren't always accepted for purchases as Federal Reserve Notes are today. Tell the class that they are going to watch a video to learn more about the history of money and banks in America. They're also going to learn about a special kind of bank called the Federal Reserve Bank which is the bank for the whole country.

**After Viewing Part I**, develop a discussion based on the following questions:

1. If you had \$1,000, would you have put your money in a bank during the olden days that Granny discusses in the video? Why did people "run" to their banks?
2. How many Federal Reserve Banks are there across the country? (12) Where is the Federal Reserve's main office located? (Washington, D.C.)
3. Why did the lemonade stand owner raise prices? (Kids had a lot of money to spend.) What happens when everyone in the country has too much money to spend? (Prices rise.)

Emphasize that when Congress created the Federal Reserve, nicknamed "The Fed," in 1913 as the central bank for the country, the legislators wanted to prevent bank panics and to provide our country with a money and banking system that was safe and reliable. Note that the creation of the Fed didn't eliminate bank panics entirely. Other laws passed during the 1930s made the banking system more stable and

helped eliminate bank panics. Tell the class that the United States experimented with many other types of paper money before issuing Federal Reserve Notes. During the Free Banking Era (1836–1860), states, cities, counties, private banks, railroad companies, stores, churches, and individuals all issued paper money. At one point, over 8,000 different types of paper money were in circulation, with over one-third counterfeit.

## VIEWING PART II

**Before Viewing Part II**, make a list of the Fed's responsibilities from Part I. Ask the class to recall how many Federal Reserve Banks are spread across the country. (12) Tell the class that every day 400 million dollars are shredded in the country, enough money to buy 101 million cheeseburgers. Add that in Part II of the video they are going to learn who is shredding all of this money and why, along with learning why the Federal Reserve is called the banker's bank.

**After Viewing Part II**, expand the class list of the Fed's responsibilities to include the services Federal Reserve Banks and their Branches provide to commercial banks to carry out the Fed's responsibilities as the banker's bank. Review all of the Federal Reserve's responsibilities as our country's central bank, using the following list as a resource.

### "That's a Job for the Fed!"

As our nation's central bank, the Federal Reserve System:

1. examines banks to make sure that banks make good loans and are a safe place to keep money;
2. manages the flow of money for spending in our country;
3. clears checks and stores money for banks until they need it;
4. shreds old currency and distributes new coin from the U.S. Mint and new Federal Reserve Notes from the U.S. Bureau of Engraving and Printing; and
5. uses computers to electronically move money between banks' accounts.

# UNIT 1

# Early Money and Banking in America

## Objectives:

- Define the Federal Reserve System as our nation's central bank.
- Learn why Congress established the Federal Reserve.
- Learn how a uniform currency and banking system are essential for the economy to function smoothly.
- Describe the characteristics and functions of modern money.

## Vocabulary:

bank panic	barter
store of value	wampum
credit	loan
unit of account	
medium of exchange	
Federal Reserve Notes	
Federal Reserve System	

## Viewing Segment:

Program opening through America's Oldest Depositor Interview

## MATERIALS

- Five copies of **Activity 1.1 Time Travelers' Theater**.
- **Figure 1.1, Functions of Modern Money**, overhead.
- **Figure 1.2, Characteristics of Modern Money**, overhead.

## DISCUSSION

Ask the class to recall what our country's money and banking system was like before the creation of the Federal Reserve in 1913. Did people have confidence that they could take money out of the bank whenever they wanted it? What happened during a bank "run"?

## ACTIVITIES

### 1. *Time Travelers' Theater*

Hold up a Federal Reserve Note and ask the class if any other types of paper money are printed and used for everyday spending. Remind the class that — just as Granny discussed in **The Money Connection** — the U.S. used many forms of money other than Federal Reserve Notes before the Fed was created in 1913.



The colonists relied on foreign coins, barter, and commodity money such as nails, wampum (Indian beads), gunpowder, fish, furs, and tobacco. The Spanish gold dollar coin, shown here, served as the unofficial national currency in Colonial America.

To help your students learn how the United States money and banking system evolved with history and the importance of a uniform money and banking system that inspires confidence, lead the class through **Activity 1.1 Time Travelers' Theater**. Ask the class to listen for the different types of money used in the performance. Debrief the class by reviewing the types of money that were used in the performance, along with some of the problems the players encountered. Use the discussion between Farmer Black and Merchant Smith to define the terms **credit** and **loan** for your students.

## 2. What is Modern Money?

To help your students learn how our modern money and banking system and the Federal Reserve keep the economy functioning smoothly, lead the class through the following discussion. Ask the class what kinds of money they and their parents use for purchases. Write the forms of modern money on the board: coin, Federal Reserve Notes, checks, and ATM cards. Tell the class that these are the basic types of money used for spending. Display an example of each for the class. Emphasize that checks and ATM cards represent deposits in banks which are money. Add that electronic money, such as ATM or debit cards, can be used for spending at the grocery store just like cash and checks.

## 3. Functions of Modern Money

To help your students learn how modern money keeps our economy functioning

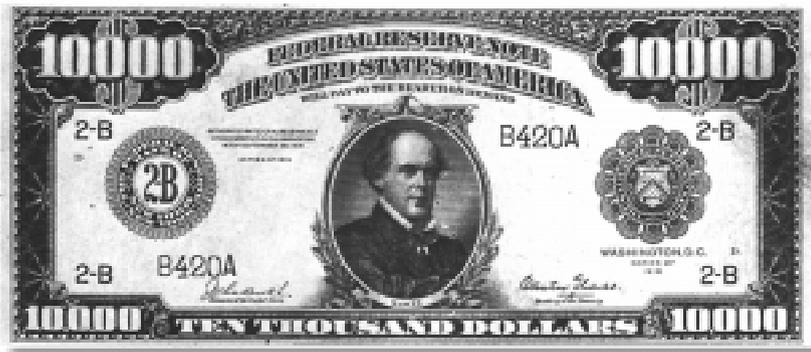
## Fractional Currency



smoothly, ask the class to imagine a world without money. How would they buy food? Clothing? To stimulate their thinking, ask how many students trade items for lunch or ask them to recall the discussions in the **Time Travelers' Theater**. Does someone always have something you want to eat for lunch? Can you always find someone willing to trade lunch items? How did the colonists exchange items without money? Display **Figure 1.1 Functions of Modern Money**. Focus on money's role as a **medium of exchange**. Emphasize that money acts as a "go between" to make it easy to buy the things we need and want. In your discussion, compare the convenience of modern money with the problems associated with colonial forms of money.

*Paper coins called **fractional currency** were issued during the Civil War to offset the severe coin shortage resulting from people hoarding coins.*

## Larger Denomination Federal Reserve Notes



Larger denomination Federal Reserve Notes, ranging from \$500 to \$10,000, were no longer printed after 1945 due to insufficient demand.

To help your students learn how modern money functions as a **unit of account**, hold up two items (or pictures of two items) of dissimilar value such as a candy bar and a pair of new high-top athletic shoes. Ask the class, “Which is worth more?”

Answers will vary depending upon personal preferences and the items’ prices. Tell the class that we all value things differently, some students prefer candy bars while some prefer high-top athletic shoes. How do we know that the shoes are worth more than the candy bars? Money! Write the price of the candy bar (\$1.00) and the shoes (\$50.00) on the board. Explain that modern money is like a measuring stick for comparing value between dissimilar items like candy bars, high-top sneakers, and everything else we buy. With our money yardstick, we know that the high-top sneakers are worth more than the candy bar and that one pair of

sneakers is worth 50 candy bars. Display **Figure 1.1 Functions of Modern Money** once again, focusing on money’s role as a **unit of account**. Emphasize that modern money solves the problems the American colonists faced when trying to agree upon a unit of account when bartering and using commodity money.

Display **Figure 1.1** once again, this time focusing on money’s third function as a **store of value**. Tell the class that modern money — unlike fish and corn, two forms of money used in Colonial America — can be saved over time for future purchases. To reinforce this concept, ask the class to come up with examples of when they saved money from their allowances or other sources for future purchases.

### 4. Characteristics of Modern Money

Tell the class that you’ve decided to declare fish “legal tender” for all purchases. As a class or in groups, brainstorm about the problems they would encounter with this type of currency. What would happen at the grocery store? Could they deposit the fishy currency in a bank? Would it last over time? Would it be universally accepted as payment? List their answers on the board and display **Figure 1.2 Characteristics of Modern Money**. Incorporate the class’ answers into a discussion of the characteristics of modern money. Include in the discussion that checks and electronic money, such as ATM cards, are even more convenient and safe than coin and paper money. They can be used for the exact amount of purchase which avoids having to carry around a lot of cash.

## 5. What Gives Money Its Value?

Display a Federal Reserve Note and a piece of colored paper which is approximately the same size as the paper money. Crumble the piece of paper and toss it into a nearby garbage can. Next, perform the same action with the Federal Reserve Note. Most likely your students will respond strongly when you toss the Federal Reserve Note into the garbage. Ask the class to discuss the reasons for their responses, then ask, "What is money really worth?" Emphasize that money is an invention that has no intrinsic value other than its purchasing power. Add that we have confidence in our money because we have faith in the government and know that modern money is readily accepted by everyone for all purchases. Emphasize that the creation of the Federal Reserve as the central bank for our country and the issuance of Federal Reserve Notes helped create a money and banking system that inspires confidence.



ATM cards and Smart Cards, pictured here, are examples of electronic money. An ATM card is like an electronic check. Smart Cards function like cash. They contain a microchip which stores money and deducts the amount of each transaction.

## LEARNING EXTENSIONS

### 1. Colonial Currency

Divide the class into groups. Ask each group to evaluate the effectiveness of money used in the American colonies based on what they've learned about the functions and characteristics of modern money. Have students write a letter to a relative in England pretending to be a colonist in the 17th century expressing their concerns about why they need to have their own currency. The students also might make a presentation or speech to the class about this issue.

### 2. America Experiments with Central Banking

After the American Revolution, the United States began to experiment with establishing a central banking system. Ask the class to stage a debate between Alexander Hamilton who conceived the first central banking system for our country and Thomas Jefferson who led the opposition to the idea.

### 3. Future Money

Money continues to evolve with electronic technology. Smart Cards — plastic cards similar in appearance to ATM and credit cards — which store and keep track of money are being introduced as the next step in the evolution of money. As groups or individuals, ask the class to evaluate Smart Cards as a form of money in terms of the characteristics and functions of modern money.

### 4. Money, Banking, and the Federal Reserve

At the onset of teaching your students about the Federal Reserve, create a bulletin board with the title, **The Money Connection**. Use this to record facts learned each day about money, banking, and the Federal Reserve. Suggested activities include, *The Fed Gazette*, a student newspaper with articles, cartoons, and pictures about early money and banking in America and the Federal Reserve. A money and banking timeline can be integrated with other important historical events and inventions students have studied to provide a historical context for the evolution of U.S. money and banking.

# Time Travelers' Theater



**ANNOUNCER 1**

**ANNOUNCER 2**

**Merchant Smith**

– owner of a country store

**Farmer Black**

– a local farmer

**Madam Harris**

– a new schoolteacher



**Announcer 1:**

Welcome to the Time Travelers' Theater. Follow us back in time to learn about an invention you and your families use every day. What is this invention?? . . . . Money!!

**Announcer 2:**

Believe it or not, money is an invention. Today, we use Federal Reserve Notes, coins, checks, and electronic money, like ATM cards, for spending, but it wasn't always this way.

**Announcer 1:**

Let's travel back in time to Colonial America to get the inside scoop on the first types of money used in our country.

**Announcer 2:**

It's 1704 and here we are in the Massachusetts Bay Colony in Merchant Smith's mercantile store. Looking around I can see that he sells just about everything: candy, seeds for planting crops, and even clothing.

**Announcer 1:**

Merchant Smith is chatting with Farmer Black, one of his customers. Madam Harris, a new school teacher from the Virginia Colony, has just walked into Merchant Smith's store. Shhh . . . let's listen in on their conversation.

**Farmer Black:**

I need to take out a loan for seeds to plant crops. As payment, I can give you part of my harvest next year to sell in your store.

**Merchant Smith:**

I'm sorry Farmer Black, I can't give you credit this year to buy seeds for planting. I've already given credit to many farmers and businesses in the colony. You will have to go to another merchant.

**Farmer Black:**

How can my farm and other businesses in the colony grow without a source of credit? I would like to buy some other things even if I can't get credit. I would like to trade a basket of eggs and three chickens for cloth, sugar, and a pound of cheese.

**Merchant Smith:**

I'll give you everything you need. I can turn around and sell the goods I get from you to other customers who visit my store. I think I have a new customer in the store now.

**Merchant Smith:**

Welcome to Smith's mercantile. How can I help you?

**Madam Harris:**

I am Madam Harris. I've just arrived from the Virginia Colony to take a new job as a school teacher and need to buy many things for my home — two pounds of flour, a pound of sugar, some seeds to begin planting my garden, coffee, and cloth for a new dress.

**Merchant Smith:**

Welcome to Massachusetts, Madam Harris. I have everything you want to buy, but first I must ask what kind of pay do you have to offer in exchange for these goods?

**Madam Harris:**

I have a few English and Spanish coins, some paper money from the Virginia Colony, some tobacco, some wampum which I acquired on my trip, and a goat.

**Merchant Smith:**

English coins and other foreign coins are scarce. Everyone wants them because they are the only kind of money that is accepted in all of the colonies.

**Madam Harris:**

I was hoping to be able to use the wampum, the Virginia paper currency, and the tobacco I brought with me to pay for my goods.

**Farmer Black:**

The General Court has declared that wampum, the Indian beads used for making change, is no longer accepted as legal tender so I'm afraid it's worthless.

**Merchant Smith:**

And I'm afraid I can't accept your paper money printed in the Virginia Colony. I'm not sure I would be able to spend it here in Massachusetts.

**Madam Harris:**

My goat is worth more than the goods I want to buy, but I can't cut my goat in half to pay for the things I need.

**Merchant Smith:**

Since you are a new customer, we will work something out. The lack of sound money is quite a problem here in Massachusetts as it is in all of the colonies.

**Madam Harris:**

The General Court of the Virginia Colony has the same problems. They declared tobacco as legal currency for the colony, but there was too much tobacco so it wasn't accepted by everyone as payment.

**Farmer Black:**

Many of the other crops and goods used as money like cows, fish, corn, and grain spoil and are difficult to carry around. Using nails for making change also is difficult.

**Madam Harris:**

And how do you figure out how many fish are equal to one cow?

**Farmer Black:**

The colonies are growing so fast. We need a good money and credit system so citizens and businesses can prosper and grow.

**Merchant Smith:**

Madam Harris, here are your goods. I will accept an English sixpence and your tobacco as payment.

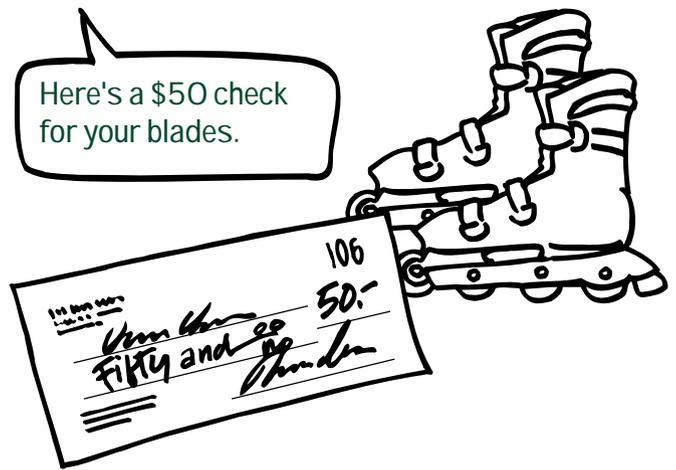
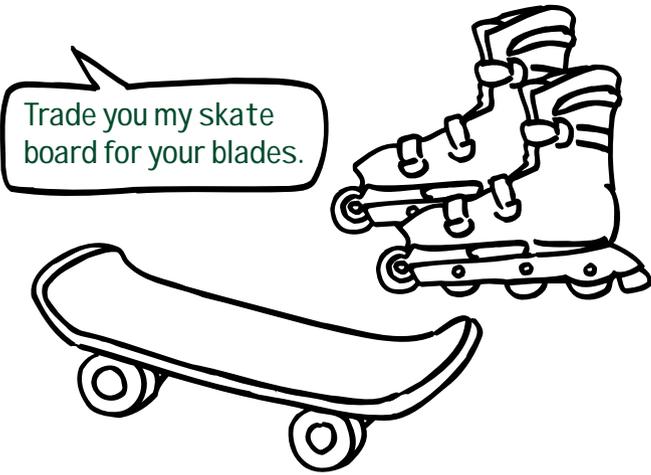
**Madam Harris:**

Thank you Merchant Smith. Good day to both of you.



# Functions of Money

## Medium of Exchange



## Unit of Account



## Store of Value



# Characteristics of Money

Easy to Carry Around



Divisible



Generally Accepted



# UNIT 2

# Structure of the Federal Reserve

## Objectives:

- Describe and chart the regional structure of the Federal Reserve System.
- Describe some of the responsibilities of Federal Reserve Banks and Branches.
- Explain the concept of the **economy**.

## Vocabulary:

Board of Governors  
 economy  
 product  
 resources  
 U.S. Mint  
 U.S. Bureau of Engraving and Printing

## Viewing Segment:

Weather Report: Structure of the Federal Reserve

## MATERIALS

- **Figure 2.1, The Federal Reserve System.**
- Classroom copies of **Activity 2.1, Federal Reserve Geographers.**
- Classroom copies of **Activity 2.2, A Birds-eye View of the Economy.**

## DISCUSSION

Display **Figure 2.1, The Federal Reserve System**. Ask the class to recall what city the headquarters of the Federal Reserve System is located in (Washington, D.C.). Ask the class if they can recall how many Districts are in the Federal Reserve System (12). Which District is your school located in?

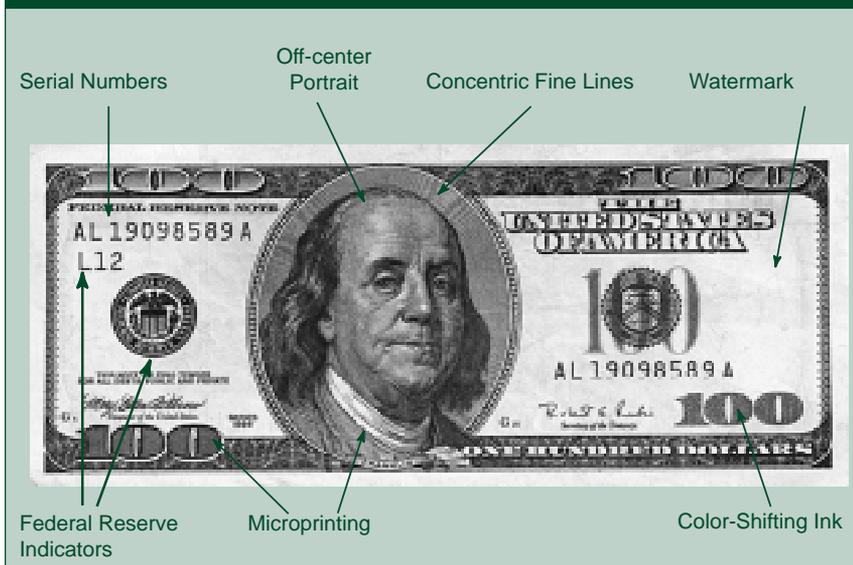
## ACTIVITIES

### 1. Federal Reserve Geographers

Distribute **Activity 2.1, Federal Reserve Geographers**. Ask students to work individually or review the worksheet as a class. Review the map key if necessary. Tell the class they are going to be Federal Reserve geographers and study the Federal Reserve's structure in more detail. Remind the class that, as the central bank for our entire country, the Federal Reserve has banks and branches located throughout the nation to help the Fed do its many jobs.

*In 1996, the United States Treasury introduced the redesigned \$100 note which contains new anti-counterfeiting features.*

## Anti-counterfeiting Features



## LEARNING EXTENSIONS

Remind the class that one of the jobs of the Fed Banks and their Branches is to distribute new coin and currency to the public through commercial banks (See *Background Information*). Fed Banks order new coin from the U.S. Mints in Philadelphia and Denver. New Federal Reserve Notes are ordered from the U.S. Bureau of Engraving and Printing, BEP for short, in Washington, D.C., and Fort Worth, Texas. Ask the students to study a one dollar Federal Reserve Note — from their wallets or notes you have distributed (preferably with different Federal Reserve seals). Can they identify which Federal Reserve Bank their money came from? How? Tell the class that although the dollar note has the identifying seal new, redesigned Federal Reserve Notes (beginning with the \$100 note in 1996) no longer have individual Federal Reserve Bank seals.

Instead of the seal, the number and letter of each District Bank appears below the serial number on the left hand side of the new notes to identify which Federal Reserve Bank distributed the bill.

### 2. *What's the Economy?*

To help your students understand what the **economy** is and how money and the Fed affect the economy, lead the class through the following discussion. Display a product that is made in your Federal Reserve District. Tell the class that the product was made in their state and Federal Reserve District. Ask the class to help you make a list of all the people and businesses that worked to make the product. Write the word **economy** on the board above the list and tell the class that the economy includes the businesses and people in their state or entire country that

### 1. *Independent within Government*

The Fed's "independent within government" structure is unique from all other government agencies. Ask your students to research and learn more about the Fed's unique structure.

### 2. *Now and Then*

The Federal Reserve Bank of San Francisco's Twelfth District is much larger than the other Federal Reserve Districts. Ask the class to use what they've learned about the development of our country to uncover why the Federal Reserve boundaries were drawn this way in 1913 when the Federal Reserve System was created. Where were the first colonies located? In what part of the country did the first cities develop?

make and sell the things we need and want. Ask the class to give you some examples of businesses located in your Fed District or state. What products do they make?

Ask the class to help you solve this riddle: What makes the economy go 'round? Money! (If necessary, you may want to name a few of money's functions and characteristics as hints.) Emphasize that money is a necessary ingredient to help make the economy go 'round so people can buy goods and services and businesses can make goods and services.

Distribute the **Activity 2.2, Bird's-eye View of the Economy**. Ask the class to work individually or review the activity as a class.

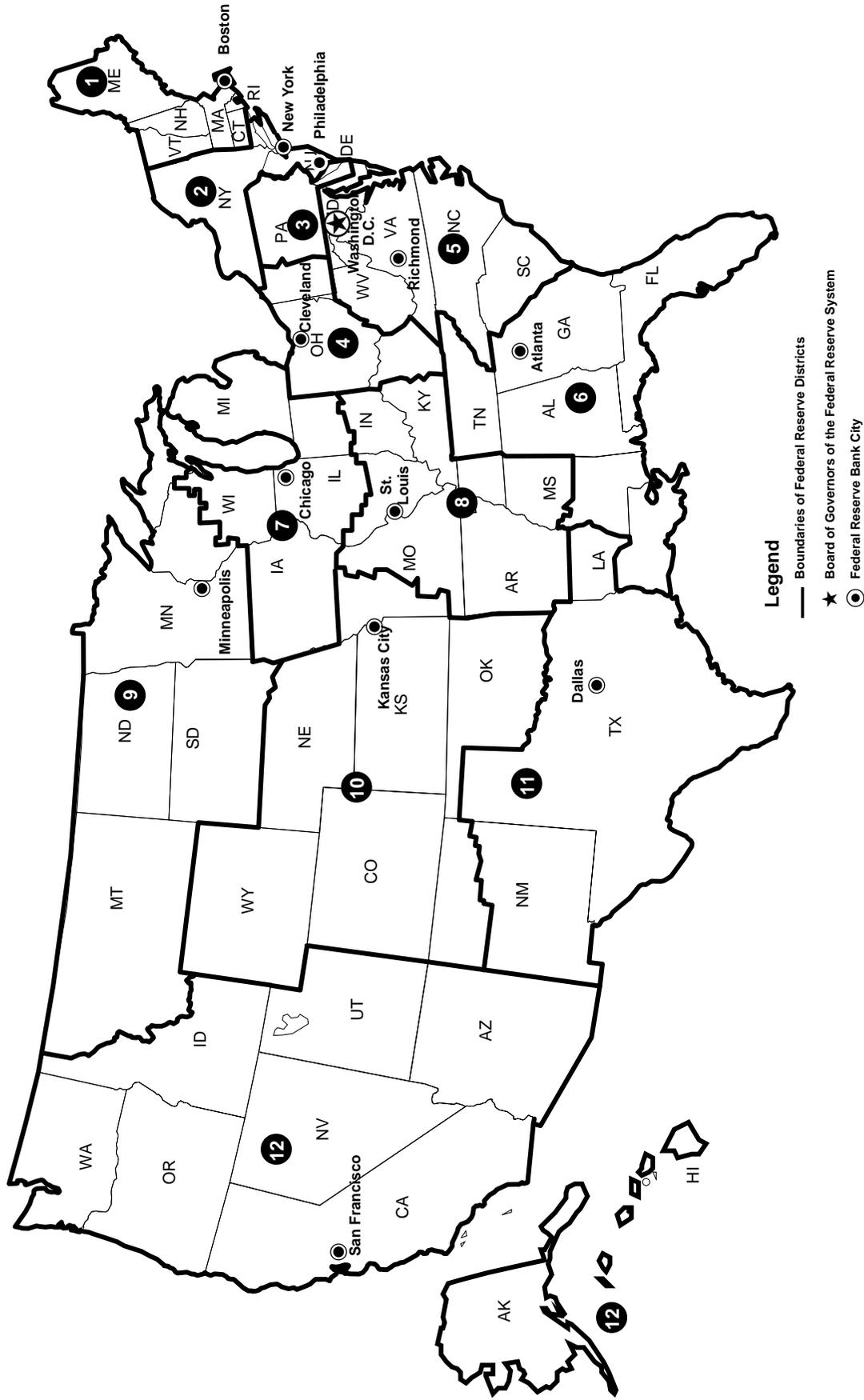
*Surf the Fed Web to find out more about the Federal Reserve System's structure and responsibilities.*



[www.frbsf.org](http://www.frbsf.org)

# The Federal Reserve System

## Boundaries of Federal Reserve Districts and Their Branch Territories



# Federal Reserve Geographer



1. The main banks of the 12 Federal Reserve Districts are listed below. *Write the name of each city and its Federal District number in the correct place on your map.*

- |                      |                        |
|----------------------|------------------------|
| 1 – Boston, MA       | 7 – Chicago, IL        |
| 2 – New York, NY     | 8 – St. Louis, MO      |
| 3 – Philadelphia, PA | 9 – Minneapolis, MN    |
| 4 – Cleveland, OH    | 10 – Kansas City, MO   |
| 5 – Richmond, VA     | 11 – Dallas, TX        |
| 6 – Atlanta, GA      | 12 – San Francisco, CA |

2. Which Federal Reserve District do you live in? \_\_\_\_\_ *Outline your Federal Reserve District with a colored pen.*

Name the states located in your Federal Reserve District:

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3. Which is the largest Federal Reserve District? \_\_\_\_\_

4. The Board of Governors watches over the Federal Reserve System. *Write the name of the city where the Board of Governors is located on the map.*

5. List some of the jobs that each of the Federal Reserve main banks and branches do in their Districts. (Hint: According to Frannie, the weather person in the **Money Connection**, what jobs are done by the Federal Reserve Bank of San Francisco and its Branches?):

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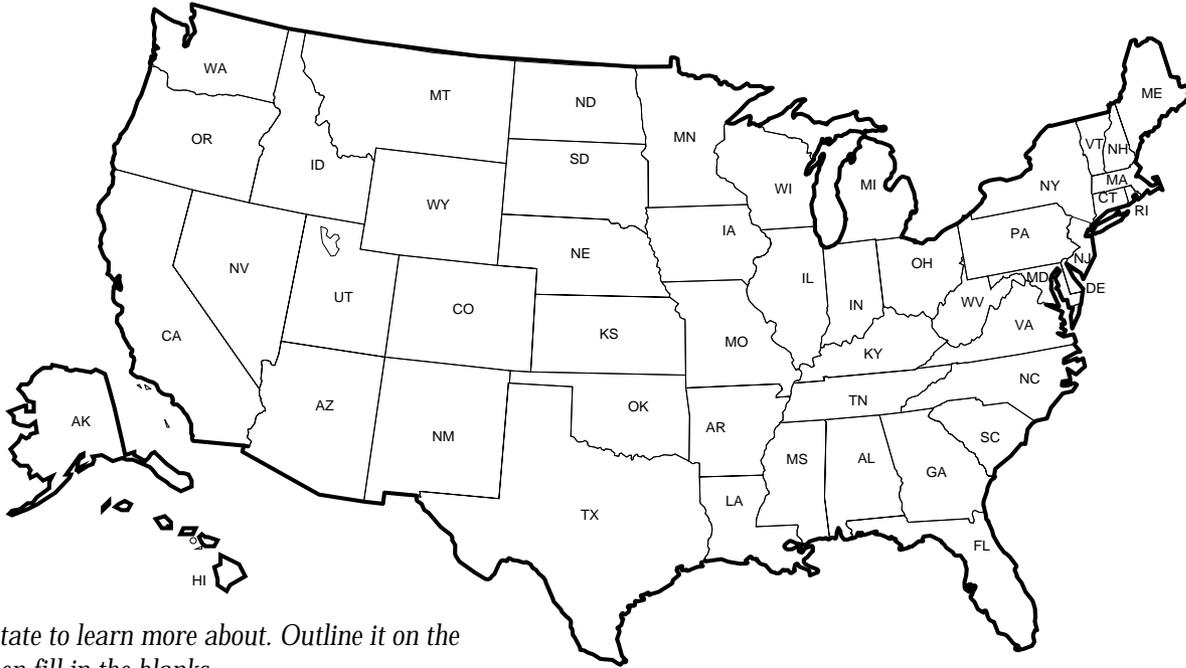
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6. New coin is sent to Fed Banks from the U.S. Mints located in Denver and Philadelphia. New Federal Reserve Notes are sent to Fed Banks from the U.S. Bureau of Engraving and Printing in Washington, D.C., and its printing plant in Fort Worth, Texas. *Mark these locations on your map.*

# A Bird's-eye View of the Economy

Imagine you're in an airplane cruising over your city, your state, or even the whole country. What would you see? Some of the things you might see are: people going to work or going shopping; businesses like gas stations, pizza parlors, grocery stores, and movie theaters; houses,

freeways, big cities, small towns, and farmland for growing the fruits and vegetables we eat. That's the economy! As part of its job, the Federal Reserve watches over the economy of each Fed District and the economy of the whole country to control the flow of money that makes the economy go 'round.



Pick a state to learn more about. Outline it on the map, then fill in the blanks.

## State:

## Products:

In the three boxes, write the names of three products made in your state and draw a picture of each.

## Resources:

What resources are used to make these products? List at least three resources used to make each product.

1.

2.

3.

1.

2.

3.

1.

2.

3.

# UNIT 3

## Unit 3: Manager of Money and Credit in the Economy

### Objectives:

- Describe the impact of too much money or too little money flowing in the economy in terms of jobs, prices, and production of goods and services.
- Simulate inflation (higher prices) in the economy.

### Vocabulary:

inflation  
recession

### Viewing Segment:

Lemonade Run: Monetary Policy and Inflation



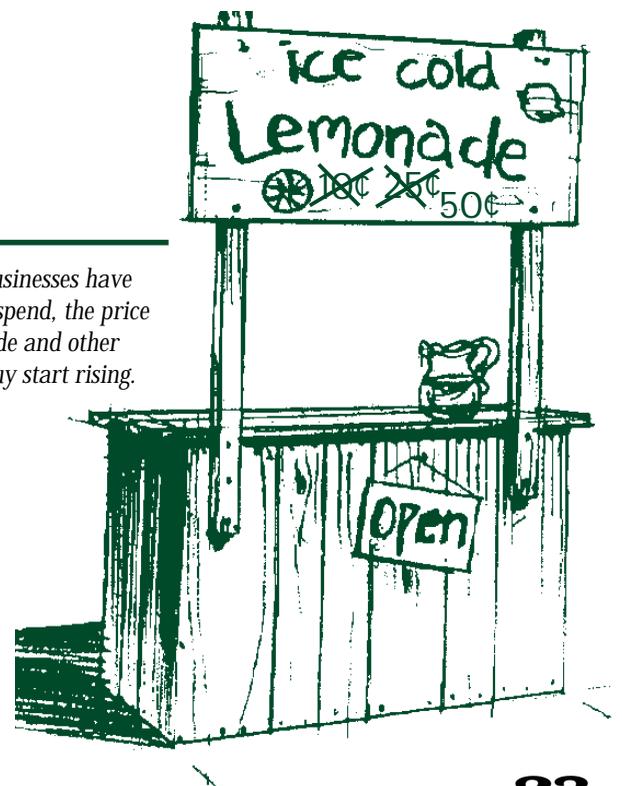
### MATERIALS

- The **Money Connection** balloon.
- Five samples of an item to auction.
- **Fed Bucks** for three auction rounds.

### DISCUSSION

Review the definition of the word **economy** with the class. Ask the class to recall “What makes the economy go ‘round?” (Money!) Remind the class that one of the Fed’s most important jobs is to control the flow of money for spending on goods and services in our economy.

*When people and businesses have too much money to spend, the price of a glass of lemonade and other things we want to buy start rising.*



Use The **Money Connection** balloon in the curriculum package as a prop for discussing questions about the video:

**1. Why did the lemonade stand owner raise prices?**

(The kids had a lot of money to spend, and there was only so much lemonade to go around.)

**2. What happens when there is too much money flowing in the economy?**

(When there is too much money, and not enough goods and services to go around, prices on everything, such as lemonade, rise.)

**3. Too little?**

(When there is too little money, spending slows down and businesses may close. Prices stay the same or fall.)

Emphasize that when the balloon is over-inflated, too much money is flowing in the economy. Businesses can't make enough goods and services to keep up with all of the spending so prices rise, not only on lemonade, but on everything we buy. When the balloon is under inflated, too little money for spending is flowing in the economy. Tell the class that the Fed's most important job is controlling the amount of money for spending in the economy.



## ACTIVITIES

### 1. *The Classroom Shopping Show*

To reinforce your students' understanding of what happens when there is too much or too little money flowing in the economy as depicted in the video program, tell the class that they are going to play **The Classroom Shopping Show**. The game is similar to an auction. The teacher is the host auctioneer. There are three rounds of shopping. A total of five samples of a highly desired item (such as a candy bar) are auctioned for the entire simulation to represent a limited number of goods in the economy. Students are given money at the beginning of the game and at the start of each successive round to illustrate how prices rise when the money supply increases and there aren't enough goods to keep up with demand.

Select one or two students to be responsible for recording the prices accepted during the three rounds of shopping. Distribute \$1.00 – \$5.00 dollars of Fed Bucks in random amounts to the remaining students in the classroom. Each of the three rounds of spending should last approximately 20 seconds.

**Round 1:** The auctioneer begins the game by announcing to the class that there are five chocolate candy bars for sale. Begin the bidding, selling candy bars to the highest bidder. Record all of the prices for Round 1 on the blackboard. At least one candy bar should be available to sell in the final round.

**Round 2:** Distribute \$1.00 – \$5.00 dollars in random amounts to each participant. Announce that the classroom money supply is increasing and each participant is getting a salary bonus. Once again, begin the bidding, recording the prices.

**Round 3:** Distribute \$1.00 – \$5.00 dollars in random amounts to each participant. Record the prices accepted for the candy bar(s).

**Debriefing your students after the auction:** Ask the class to repeat out loud the prices recorded for each successive round in sequential order. To reinforce the idea that prices rose when a fixed number of goods were auctioned, ask the class what happened to the price of candy bars from the first to the third auction? (It increased.) What happened to the number of candy bars from the first to the third auction? (It decreased.)

Tell the class this is what happens in the economy when there aren't enough goods and services available for spending — prices increase for many purchases.

Personalize the discussion by asking your students what they think the impact of inflation or a recession would be on their families. Are there some goods they would be less likely to buy? Emphasize that when prices go up and down all the time, rather than staying steady, it makes it hard for families to make good decisions about when to buy the things they need and want.

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***Inflation is defined as a rise in the average level of prices in the economy.***

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*Too much spending in the economy leads to INFLATION . . . too little spending leads to a RECESSION.*

## LEARNING EXTENSIONS

### 1. *Price Hunter*

Track prices for specific brands of three items over a three-month period by cutting ads for these items from the newspaper and creating a wall graph with the ads to illustrate price fluctuations. Discuss the results, including why prices rose or declined, and the impact on each student's spending habits. Point out that prices might have risen because the cost of the resources to make the product rose or because too much money was flowing in the economy, bidding up prices just like in **The Classroom Shopping Show**. (Courtesy of the Federal Reserve Bank of New York)

### 2. *Money Flows in Your Community*

To reinforce your students' understanding of money flows in the economy, ask the students to interview business people in their community, such as a grocery store owner, banker, or business owner. The interview should focus on: the person's specific job and skills required for the job; how he or she receives and spends money in the economy; and what is the impact of **inflation** or **recession** on his or her work.

### 3. *Then and Now*

Prices in 1913 when Congress created the Federal Reserve were very different than today's prices. Listed below are some items and their prices in 1913. To compare shopping in 1913 to shopping today, find the cost of the items under today's prices, then figure out the percentage increase between 1913 and today.

1913 Prices		Today's Prices		Percentage Increase
1 dozen eggs	<u>38¢</u>	1 dozen eggs	_____	_____
Loaf of bread	<u>6¢</u>	Loaf of bread	_____	_____
Compact Car	<u>\$1150.00</u>	Compact Car	_____	_____
Girl's Dress	<u>\$1.65</u>	Girl's Dress	_____	_____
Baseball	<u>\$1.15</u>	Baseball	_____	_____
Bicycle	<u>\$11.95</u>	Bicycle	_____	_____
Crayons (28 colors)	<u>4¢</u>	Crayons (28 colors)	_____	_____

Why do you think prices are higher today? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Life in 1913 was very different than it is today. In 1913, there were only 48 states — Alaska and Hawaii had not yet become states. Research and write a report to present to the class about what it would have been like to live in 1913.



# UNIT 4

# A The Banker's Bank

## Objectives:

- Describe the Fed's responsibilities as the banker's bank.
- Understand how checks are "cleared" electronically through the Federal Reserve.

## Vocabulary:

Central check clearinghouse  
Automated Clearinghouse (ACH)  
Fedwire

## Viewing Segment:

Sports Report through Investigative Report:  
Check, cash and coin operations.

## MATERIALS

- Classroom copies of **Activity 4A.1, Follow that Check!**
- Classroom copies of **Activity 4A.2, The Life of a Dollar Bill.**

## DISCUSSION

Write \$4,000,000 on the board. To give your students some perspective on the magnitude of this amount of money, ask the class how many cheeseburgers did this amount of money buy in **The Money Connection?** (101 million) Who was destroying \$4,000,000 million dollars in cash every day in the video program? (Federal Reserve Banks and Branches) Why? (Old currency is destroyed and replaced by new currency.) Review the other jobs that Fed Banks and their Branches perform as the banker's bank. (Clear checks; warehouse excess currency; electronically move money between bank accounts.)

## Anatomy of a Check

Lori Anderson		363
Albany, New York		1-35/0210
PAY TO THE ORDER OF	Sunshine Skate & Surf Shop	\$ 102.95
	One hundred two and 95/100	DOLLARS
GENERIC BANK		
Albany, New York		
MEMO	Lori Anderson	
⑆ 0210 0035 8 ⑆ 0363 ⑆ 04960 ⑆ 09709 ⑆ ⑆ 0000010295 ⑆ ⑆		
Check Routing Symbol	Check Digit	Check Number
Institution Identification Number	Account Number	Dollar Amount

Federal Reserve Banks process approximately one-third of the checks written each year in the United States (65 billion in 1996). High-speed sorters read the encoded information on the bottom of the check to electronically transfer funds from the bank of origin to the bank of deposit.

## ACTIVITIES

### 1. *Checking Out Checks*

Display a check to the class. Remind the class that every day people and businesses use checks for spending billions of dollars in the economy. Add that a check is as good as money as long as there is money in the bank. Role play a sample transaction using a check. For example, ask the class to name some things their family might purchase using a check, such as pizza. Have students in your class represent the pizza purchasers, the owner of the pizza parlor, the pizza parlor's bank, and the check writer's bank. The teacher can represent the Federal Reserve as the central check clearinghouse. Have the pizza purchasers give a \$25.00 check to the owner of the pizza parlor in exchange for the pizza. The pizza parlor owner then deposits the check into his or her bank.

Stop the activity and ask the class, "How will the money be sent from the check writer's bank account to the pizza parlor owner's bank account? (The pizza owner's bank will send

the check to the Federal Reserve which reads the encoded information on the bottom of the check, transfers the money, and then sends the check back to the check writer's bank.) Resume the activity following the check through the Federal Reserve System and back to the check writer's bank. Remind the class that the funds are transferred electronically, and the physical check is sent through the Federal Reserve System. Add that some banks clear checks directly with each other or process their checks through clearinghouses that are independent from the Federal Reserve System.

Distribute the **Follow that Check!** and the **Life of a Dollar Bill** worksheets to strengthen your students' understanding of the Federal Reserve's role as the banker's bank in clearing checks and distributing new currency and coin. These can be completed individually or as a class activity.

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*Surf the  
United States  
Treasury's  
Kid's Page  
to learn more about  
counterfeit money.*

## LEARNING EXTENSIONS

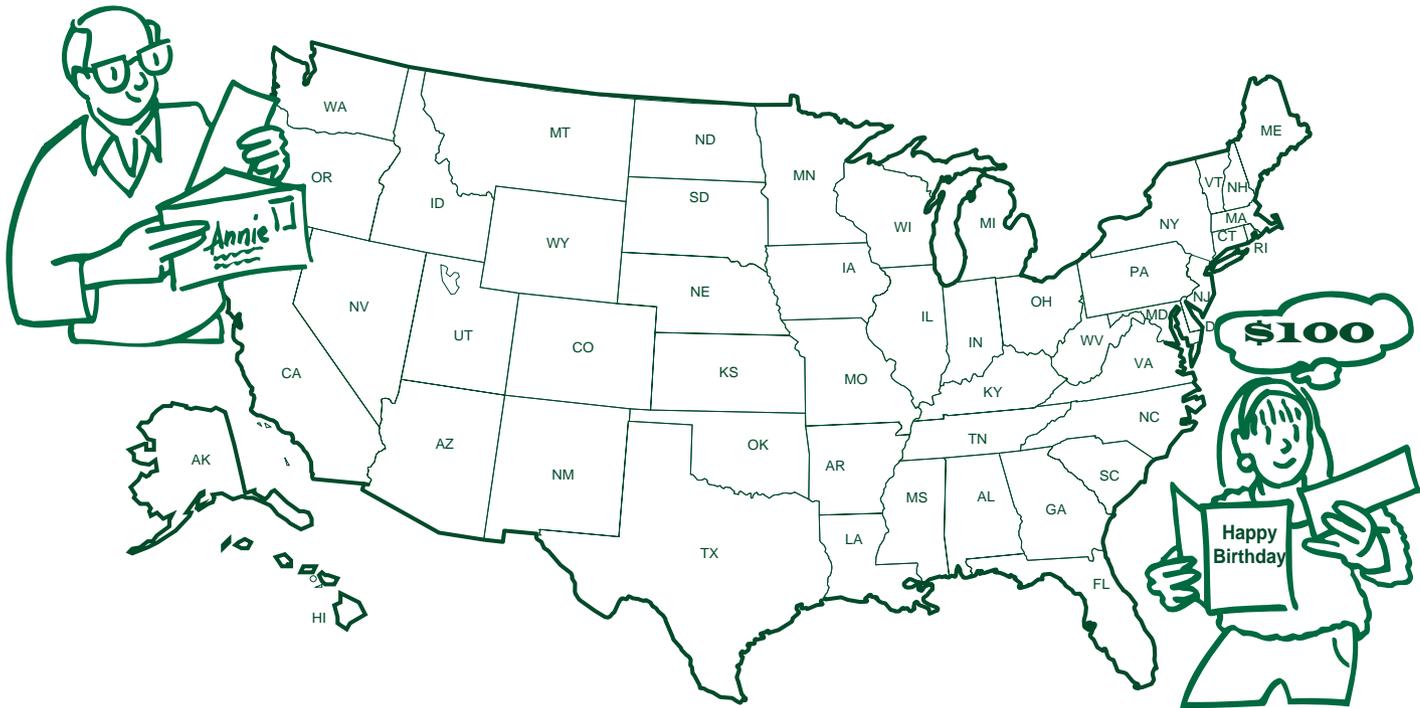
### 1. *Counterfeit Currency*

Ask the class to investigate the \$100 note's new anti-counterfeiting features. Evaluate and compare the redesigned note to older series Federal Reserve Notes.



([www.ustreas.gov/](http://www.ustreas.gov/))

# Follow That Check! PART 1



A check is as good as money as long as there is money deposited in the bank! Every day people and businesses write checks to spend billions of dollars on goods and services in the United States. To help keep checkbook money payments flowing smoothly, the Federal Reserve is one type of check clearinghouse that banks use to electronically transfer check payments.

*Annie Becker's grandfather has just sent her a Happy Birthday card with a check for \$100. Can you follow that check? Draw a line with arrows to trace the route of Annie's birthday check across the country and back. Label each stopping point with a number, even if the check remains in the same city.*

- |   |   |
|---|---|
| <ol style="list-style-type: none"> <li>1. Grandpa Becker writes Annie a check for \$100 from his checking account with The First Bank of Big Bucks in San Francisco, California.</li> <li>2. Two days later, the birthday check arrives at Annie's home in Atlanta, Georgia. Annie deposits the check into her account at East Coast Bank in Atlanta.</li> <li>3. East Coast Bank sends the check to the Federal Reserve Bank of Atlanta for processing.</li> </ol> | <ol style="list-style-type: none"> <li>4. The Federal Reserve Bank of Atlanta sends the check by airplane to the Federal Reserve Bank of San Francisco.</li> <li>5. The Federal Reserve Bank of San Francisco sends the check back to Grandpa Becker's bank, The First Bank of Big Bucks in San Francisco. Money is electronically added to Annie's account and subtracted from Grandpa Becker's account while the check travels across the country back to Grandpa Becker's bank.</li> </ol> |
|---|---|

# Follow That Check! PART 2

Annie wants you to help her spend all or part of her birthday money for the items pictured below. Can you help her fill out the checks for the right amount of money and balance her checkbook? You may write up to four checks, but make sure the total amount you spend is less than or equal to the amount she has in her checkbook.



**Annie** 115  
 Any Street  
 Atlanta, Georgia Date \_\_\_\_\_  
 TO: \_\_\_\_\_ Amount \$   
 \$ \_\_\_\_\_  
**EAST COAST BANK**  
 Atlanta, Georgia – member FDIC  
 Memo \_\_\_\_\_ Signature \_\_\_\_\_  
 0012345 00029384 488273

**Annie** 116  
 Any Street  
 Atlanta, Georgia Date \_\_\_\_\_  
 TO: \_\_\_\_\_ Amount \$   
 \$ \_\_\_\_\_  
**EAST COAST BANK**  
 Atlanta, Georgia – member FDIC  
 Memo \_\_\_\_\_ Signature \_\_\_\_\_  
 0012345 00029384 488273

**Annie** 117  
 Any Street  
 Atlanta, Georgia Date \_\_\_\_\_  
 TO: \_\_\_\_\_ Amount \$   
 \$ \_\_\_\_\_  
**EAST COAST BANK**  
 Atlanta, Georgia – member FDIC  
 Memo \_\_\_\_\_ Signature \_\_\_\_\_  
 0012345 00029384 488273

**Annie** 118  
 Any Street  
 Atlanta, Georgia Date \_\_\_\_\_  
 TO: \_\_\_\_\_ Amount \$   
 \$ \_\_\_\_\_  
**EAST COAST BANK**  
 Atlanta, Georgia – member FDIC  
 Memo \_\_\_\_\_ Signature \_\_\_\_\_  
 0012345 00029384 488273

<b>Annie's Checking Account</b>		<b>Balance from Previous page:</b> <u>\$29.31</u>		
Check #	To	Credit	Debit	Balance
—	<b>From Grandpa Becker</b>	<b>100.00</b>		<b>129.31</b>

Do you think Annie should spend all of her \$100.00? Why or why not?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

# Samantha's Dollar Bill

Samantha wants to know where the dollar bill her mom gives her for her allowance comes from and where it goes after she spends it. Help her solve this mystery by filling in the blanks.

**1** New dollar bills are printed by the U.S. Bureau of Engraving and Printing which is located in our nation's capital in

\_\_ \_\_  \_\_  \_\_ \_\_  \_\_ \_\_ \_\_,  
 \_\_. \_\_. \_\_.



**2** New dollar bills then travel to the vaults of the 12

\_\_  \_\_ \_\_  \_\_ \_\_  
 \_\_ \_\_ \_\_  \_\_  \_\_

Banks which send the new dollar bills to local banks when they request money from their deposits at the Fed.

**3** Local banks give the new dollar bills to their customers when they cash a

\_\_ \_\_  \_\_.



**4** After 15–18 months of spending, the old, worn out bills are

\_\_   \_\_ \_\_  \_\_

by Federal Reserve Banks when they receive the old bills from local banks. Fed Banks replace the old bills with new bills.

## Word Scramble

Arrange the letters in the squares from above to form the surprise answer in the word scramble.

*Federal Reserve Banks send all "funny money" to these special government agents who track down counterfeiters.*

# UNIT 4B

## A Bank Regulator

### Objectives:

- Understand the Fed's role as a bank examiner and regulator.
- Learn about basic commercial banking services.
- Understand how interest rates work when borrowing or saving money.
- Understand the important role credit plays in the money flow in our economy.

### Vocabulary:

assets  
borrower  
credit  
interest rate  
income  
loan application

### Viewing Segment:

Investigative Report: Bank examiners through show close

### MATERIALS

- Loan request cards, one per group
- Loan applications, one per group

### ACTIVITIES

#### 1. What Do Banks Do?

Make a class list of the services that banks provide. (Checking and savings accounts, ATM and other electronic services, loans) Tell the class that the main business of a bank is to make loans. Review the various types of loans that banks make — mortgage loans to buy houses, consumer loans to buy items like cars, and business loans to start or expand a business. Define the term **interest rate** for your students as the price people pay to borrow money from a bank when they take out a loan. Provide numerical examples of interest rates. Add that banks also pay interest on their customers' savings accounts.

To help your students learn about the important role banks and credit play in our economy, ask the class to imagine a world without banks. Tell them that their family needs \$10,000 to buy a new car. Make a list of their suggestions for obtaining the money. (Borrow from friends and family.) Would they always be able to find someone who is willing or able to lend the money? (Not necessarily.)

Tell the class that it's not always easy to find a friend or family member who is willing or able to lend someone money. Banks are important for the economy because they can pool money from their deposits to make loans. This helps the economy function smoothly so businesses can expand and people can buy items, such as a car or a home, that they might not be able to buy if they had to pay all at



*Money works for us by earning interest. Use the Rule of 72 to estimate the amount of time it takes for your money to double at any interest rate. Simply divide 72 by the interest rate. For example, suppose you put \$1,000 in a savings account earning 6%. Your \$1,000 will become \$2,000 in approximately 12 years (72/6). At 8% your money will double in nine years.*

- 
1. Rob wants to borrow \$250 to buy a new bicycle so he can ride it to and from his early morning job delivering newspapers. He earns \$50 per week.



- 
2. Sara wants to borrow \$2,000 to help her family buy a new computer. She earns \$5 per week for her allowance. She has a new bicycle which cost \$500 when her grandparents bought it for her three years ago.



- 
3. Cindy wants to borrow \$60 to buy a new outfit. She gets \$2 per week as an allowance. She owns a five-year-old bicycle and has \$15 in a savings account.



- 
4. Ron needs a new pair of basketball shoes. He wants to borrow \$50 to buy them. He doesn't have a job and doesn't have any savings.



- 
5. Sam wants to buy a new CD player for \$300. He has no savings and his parents have stopped his allowance for six months.



- 
6. Amalia wants to borrow \$100 for a new pair of rollerblades. She earns \$10 per week babysitting her kid sister on Friday nights and has \$50 in a savings account.



once. For example, tell the class that you are a bank for the classroom and have received deposits of \$1,000, \$5,000, \$3,000, and \$5,000. Write and total these numbers on the board. Explain that, although banks can't lend all of their money, by putting all these deposits together they are able to lend more than a single person can.

## 2. *Would You Lend Money to Anybody?*

Tell the class that banks don't lend money to everyone who walks in the door. Otherwise, they would be out of business. To help your students learn more about the criteria banks review to approve loans, divide the class into six groups, giving each group one of the following loan request cards and a loan application worksheet. Tell the groups that they are now loan officers at a bank. Their job is to decide whether or not to approve the loan request described on their cards. First, they should write the name of their bank on the top of the loan application. Next, they should complete the loan application based on the information on the loan request card. Finally, they should make a decision to approve or deny the loan.

Review the activity by having each group make a presentation to the class to discuss their loan application scenarios. Review some of the qualifications banks look for when reviewing loan applications (income and assets; ability to repay the loan; and credit history, i.e., has the applicant always repaid debts in a timely manner). Remind the class that one of the Federal Reserve's important jobs is to make sure that banks make loans to people and businesses that can repay the loans.

### 3. **Make Your Money Work for You!**

Hold up a credit card and ask the class to tell you what you're holding in your hand. What is it used for? (Spending!) Ask the class if they believe credit cards are money. Emphasize that credit cards aren't money. Although credit cards are used like money to purchase items, they are a loan which needs to be repaid, most often at high interest rates. Review the definition of the term **interest rate** for the class.

To help your students understand the importance of saving money rather than spending it right away and to illustrate how money grows over time when saved, ask the class to make a list of some of the things they want, including the cost of each item.

Ask what kinds of things the students routinely spend their money on. Pick one of these items and ask the class how much they would save in a week's time if they put their money in a jar rather than spending it right away. For example, if a student spends \$1.00 every school day to buy a candy bar, he or she will save \$5.00 in a week by not spending the money.

Ask the class how much money he or she will save in a month if the student opts to save rather than spend the money. (\$20) In six months? (\$120) In one year? (\$220) Would this pay for some of the items on their list?

Tell the students that their money will grow even faster if they save it in a bank account that earns interest. For example, if they save \$5 per week at 5% interest, compounded daily, their money will grow to \$266.73 in a year's time. If they continue to save \$5 per week in this same bank account through high school, their money will grow to \$2,558.46, assuming the student is currently in fifth grade.

Summarize the discussion by asking the students to talk about some of the benefits of saving and watching their money grow rather than spending their money immediately. To stimulate their thinking, ask the class to recall past experiences when they decided to save rather than to spend their money or other experiences when they decided to delay gratification rather than acting immediately (doing homework rather than watching television or going to soccer practice every day rather than hanging out with friends).

## LEARNING EXTENSIONS

- 1. A World Without Banks** To reinforce your students' understanding of the important role banks and credit play in the economy, ask the class to write or illustrate a story about a world without banks. Where would they store their money? How would their families get money to buy the more expensive things they want such as a new car or a home? How would businesses get money to build new stores?
- 2. Invite a Banker to Class** To help your students learn more about banking, invite a banker to class to discuss the business of banking, including making loans and other banking services.

# Would You Lend Money to Anybody?

## The Loan Application:

You are now loan officers at a bank. Your job is to decide whether to loan money to a borrower who has asked for a loan. First, write the name of your bank. Next, fill in the rest of the information you know about the borrower. After you've filled in everything, you must decide whether to approve the borrower's loan.

Bank \_\_\_\_\_

Borrower \_\_\_\_\_

Purpose of loan \_\_\_\_\_

Assets \_\_\_\_\_

Weekly Income \_\_\_\_\_

Weekly Expenses [ \_\_\_\_\_ ]

Loan Amount  
(Payable in 12 months) \_\_\_\_\_

Monthly payments \_\_\_\_\_

### LOAN APPROVED?

YES     NO

Reasons: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Write three questions that you would like to ask the borrower:

1. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

# UNIT 5

# The Money Connection Shuffle Game

## Objective:

- Review the responsibilities and functions of the Federal Reserve System.
- Review basic money and banking concepts.

## MATERIALS

- Four sets of Fact and Fiction Placards.
- Money Connection (MC) Shuffle Cards.
- Box to shuffle and hold MC Shuffle Cards.

## ACTIVITY

### 1. The Money Connection Shuffle Game

To review the major responsibilities and purposes of the Federal Reserve, lead the class through **The Money Connection Shuffle Game**. Divide the class into four groups, asking each group to come up with a name for themselves related to money, banking, and the Federal Reserve. Write the name of each group on the board below the title, **The Money Connection Shuffle Game**. Distribute one Fact and one Fiction placard to each group. Place all of the MC Shuffle Cards in a box, except for the bonus cards.

To play the game, pull one of the MC Shuffle Cards from the box and read the statement to the class. Allow the groups a

few minutes to decide whether or not the statement is fact or fiction. Ask each group to hold up their response card at the same time. Ask each group to explain their answer, then reveal the correct answer using the answer key. Record each group's score on the board (one point for each correct answer). Repeat until all cards have been read. Tally each group's score, using the bonus cards as a tiebreaker if necessary.

## Four Fun Facts About \$\$\$!

1. Martha Washington and Pocahontas are the only historical female figures who have appeared on American currency. Martha Washington's portrait appears on the U.S. Series 1886 \$1 Silver Certificate, while Pocahontas appears within a historical scene on the Series 1869 Legal Tender note.
2. Chief Running Antelope, who appears on the Series 1899 \$5 Silver Certificate, is the only Native American whose portrait appears on U.S. currency.
3. The U.S. Secret Service was created in 1865 to stop counterfeiting.
4. Paper money is considered legal currency as long as at least one-half of the bill is intact.





FRACOT



FRACOTTON





# The Money Connection Shuffle Game

The Money  Connection

**1. Credit cards are money.**

*FACT or FICTION*

The Money  Connection

**2. The American colonists used Federal Reserve Notes as money.**

*FACT or FICTION*

The Money  Connection

**3. The Fed helps money flow in the economy by clearing checks.**

*FACT or FICTION*

The Money  Connection

**4. The Federal Reserve makes loans to families and businesses.**

*FACT or FICTION*

The Money  Connection

**5. Fed Banks and their Branches send out new Federal Reserve Notes and new coin to the public.**

*FACT or FICTION*

The Money  Connection

**6. During a recession, people may lose their jobs and businesses may close.**

*FACT or FICTION*

The Money  Connection

**7. A bank run is a new kind of line dance.**

*FACT or FICTION*

The Money  Connection

**8. Fed Banks and their Branches keep old, worn out currency in their vaults for 10 years.**

*FACT or FICTION*



## The Money Connection Shuffle Game

The Money  Connection

9. Banks lend money to anyone who walks into their offices.

*FACT or FICTION*

The Money  Connection

10. Banks print money with permission from the government.

*FACT or FICTION*

The Money  Connection

11. ATM cards are an example of electronic money.

*FACT or FICTION*

The Money  Connection

12. The Federal Reserve shreds old and torn bills.

*FACT or FICTION*

The Money  Connection

13. The Federal Reserve can transfer money with a computer from a bank in New York to a bank in San Francisco.

*FACT or FICTION*

The Money  Connection

14. The Federal Reserve can lend the President of the United States money to buy a house.

*FACT or FICTION*

The Money  Connection

15. Bank panics happened often before Congress created the Federal Reserve.

*FACT or FICTION*

The Money  Connection

16. The Federal Reserve helps make sure that banks are a safe place to keep our money.

*FACT or FICTION*



## The Money Connection Shuffle Game

The Money  Connection

17. The United States government keeps its checking account with the Federal Reserve.

*FACT or FICTION*

The Money  Connection

18. Congress created the Federal Reserve System in 1913 as the central bank for our country.

*FACT or FICTION*

The Money  Connection

19. It's okay to write as many checks as you have in your checkbook.

*FACT or FICTION*

The Money  Connection

20. The American colonists tried using nails and Indian beads called wampum as change.

*FACT or FICTION*

The Money  Connection

21. The largest bill printed today is the \$1,000 Federal Reserve Note.

*FACT or FICTION*

The Money  Connection

22. The interest rate is the money people and businesses pay to borrow money.

**BONUS**

*FACT or FICTION*

The Money  Connection

23. The government should print more money whenever people and businesses need it.

**BONUS**

*FACT or FICTION*



## The Money Connection Shuffle Game . . . Fact or Fiction?

1. Credit cards are money. *(Fiction: Although credit cards are used for spending, they represent a loan which must be paid back, often at high interest rates.)*
2. The American colonists used Federal Reserve Notes as money. *(Fiction: The American colonists traded for goods they needed. They also used many items as money such as corn, nails, and tobacco. Some colonies printed their own money.)*
3. The Fed helps money flow in the economy by clearing checks. *(Fact)*
4. The Federal Reserve makes loans to families and businesses. *(Fiction: The Federal Reserve sometimes lends money to banks for emergencies, but it never lends money to families and businesses. Neighborhood banks lend money to families and businesses.)*
5. Fed Banks and their branches send out new Federal Reserve Notes and new coin to the public. *(Fact)*
6. During a recession, people may lose their jobs and businesses may close. *(Fact)*
7. A bank run is a new kind of line dance. *(Fiction: A bank run happens when customers think they won't be able to get their money from the bank when they want it. When this happens, people run to the bank to take out their money.)*
8. Fed Banks and their Branches keep old, worn out currency in their vaults for 10 years. *(Fiction: Fed Banks and their Branches count and sort the money they receive from banks. Old money is shredded. Good quality money is packaged and sent to the Fed's vault until banks request their money. Counterfeit bills are sent to the U.S. Secret Service.)*
9. Banks lend money to anyone who walks into their offices. *(Fiction: Banks lend money to people and businesses that have a good credit and salary history.)*
10. Banks print money with permission from the U.S. government. *(Fiction: Federal Reserve Notes are printed by the U.S. Bureau of Engraving and Printing in Washington, D.C., and Fort Worth, Texas.)*
11. ATM cards are an example of electronic money. *(Fact)*
12. The Federal Reserve shreds old and torn bills. *(Fact)*
13. The Federal Reserve can transfer money with a computer from a bank in New York to a bank in San Francisco. *(Fact)*
14. The Federal Reserve can lend the President of the United States money to buy a house. *(Fiction: The Federal Reserve cannot lend money to businesses and individuals, not even the President of the United States. Federal Reserve Banks sometimes lend money on a short-term basis, usually overnight, to commercial banks.)*
15. Bank panics happened often before Congress created the Federal Reserve. *(Fact)*
16. The Federal Reserve helps make sure that banks are a safe place to keep our money. *(Fact)*
17. The United States government keeps its checking account with the Federal Reserve. *(Fact)*
18. Congress created the Federal Reserve System in 1913 as the central bank for our country. *(Fact)*
19. It's okay to write as many checks as you have in your checkbook. *(Fiction: Checks should be written if there is enough money in the checking account.)*
20. The American colonists tried using nails and Indian beads called wampum as change. *(Fact)*
21. The largest bill printed today is the \$1,000 Federal Reserve Note. *(Fiction: The \$100 Federal Reserve Note is the largest bill printed today.)*
22. **BONUS:** The interest rate is what people and businesses pay to borrow money. *(Fact)*
23. **BONUS:** The government should print more money whenever people and businesses need it. *(Fiction: Printing more money whenever we need it would result in inflation.)*



## **automated clearinghouse (ACH)**

An electronic system for transferring payments and clearing checks between banks. ACH is typically used for recurring payments such as paychecks and mortgage loans. The Federal Reserve System operates an ACH as do some banks and other organizations.

## **bank examiner**

A Federal Reserve or other bank regulatory agency employee who reviews a bank's records to make sure the institution is safe and sound. Examiners look at the quality of a bank's deposits and loans, the amount of capital, and the quality of management.

## **bank panic (run)**

A frequent occurrence in the early 20th century, a bank panic or "run" on a bank happens when fearful customers lose confidence in their banks and run to withdraw funds. This leads to a succession of bank failures.

## **Board of Governors**

Headquartered in Washington, D.C., the seven members of the Board of Governors, oversee the Federal Reserve System. Board members are appointed by the U.S. President and confirmed by the Senate to serve 14-year terms. Two members of the Board are designated by the President and confirmed by the Senate as Chairman and Vice Chairman for four-year terms.

## **check**

A written order to pay money from amounts deposited in a bank.

## **checking deposit**

A deposit of funds in a bank that a customer can withdraw at any time without prior written notice.

## **central bank**

The institution that oversees a nation's banking system and is responsible for conducting monetary policy.

## **credit**

Purchasing goods and services based upon an agreement to pay in the future.

## **currency**

Paper money.

## **economy**

The people, businesses, and resources in a region, state, or country that are used to produce and sell goods and services.

## **Federal Open Market Committee (FOMC)**

The Federal Reserve System's top policy-making body which sets monetary policy for the United States.

## **Federal Reserve Act**

Federal legislation that established the Federal Reserve System as the United States central bank in 1913.

## **Federal Reserve System**

The central bank of the United States.



# Glossary



## **Fedwire**

An electronic funds transfer network operated by the Federal Reserve System to transfer large amounts of funds and U.S. government securities from one bank's Federal Reserve account to another bank's Federal Reserve account.

## **inflation**

A general rise in the price of goods and services throughout the country.

## **interest rate**

The cost or price of borrowing money.

## **loan**

Money advanced to a business or individual based on the condition that it will be repaid in the future with interest.

## **money**

Any generally accepted medium of exchange which is used as payment for goods and services.

## **monetary policy**

The controlling of the money flows in our economy by the Federal Reserve System to achieve the goals of maximum employment, stable prices, and steady economic growth.

## **product**

An item that is made from resources

## **recession**

An economic slowdown often marked by unemployment and a reduction in the total number of goods and services produced in the economy.

## **resources**

Materials used to make products. Resources can be divided into three categories consisting of labor (people), natural materials, and equipment.

## **speculator**

An individual who assumes a business risk by investing money in hopes of making a profit.

## **U.S. Bureau of Engraving and Printing (BEP)**

Part of the U.S. Department of the Treasury, the BEP is responsible for designing, engraving, and printing Federal Reserve Notes. The BEP also prints other government financial items such as treasury securities, postage stamps, and food coupons. The BEP is headquartered in Washington, D.C., and has a printing plant located in Fort Worth, Texas.

## **U.S. Mint**

A bureau of the U.S. Department of the Treasury, the U.S. Mint is responsible for manufacturing coin for our nation. U.S. Mints are located in Philadelphia and Denver.

## **wampum**

Indian beads made of polished shells which were commonly used as money by the American colonists.



# FED Word Search

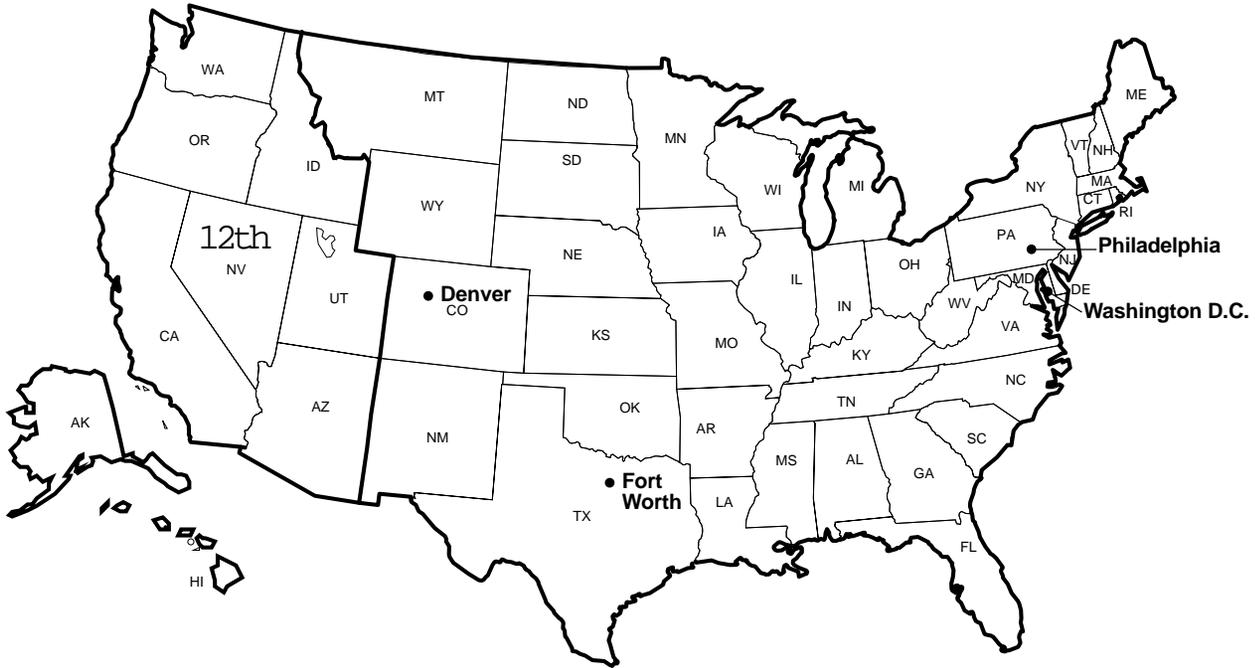
K E F E D S A V I N G L Y V A  
N C O U N T E R F E I T L R W  
B I O T S Q W M K H G E C X Z  
K N U T R F A H G X Q M C A U  
O F N A C B M P R W N C U I K  
A L E S U N P I Q C E J I D S  
W A B W E R U E V D N A I L S  
E T U P M I M O N E J C T W E  
B I R U N E A I N T E R E S T  
U O E E D R R E S O U R C E S  
T N A R C U Z P U L M A W E R  
R U T E N Q U E N C P L A T E  
H A M R A I S I N G Z O N E D

1. The Federal Reserve is nicknamed the \_\_\_\_\_.
2. Indian beads used as money in Colonial America are called \_\_\_\_\_.
3. When people panic and want to take all of their money out of the bank, this is called a bank \_\_\_\_\_.
4. \_\_\_\_\_ is another word for “funny money.”
5. When prices rise in the economy, this is called \_\_\_\_\_.
6. Something used to make “change” in Colonial America that also is used to build houses.  
\_\_\_\_\_
7. The flour, tomatoes, machinery, and people use to make pizza are examples of \_\_\_\_\_.
8. An \_\_\_\_\_ card is an example of electronic money.
9. When you put your money away to buy something in the future, you are \_\_\_\_\_ your money.
10. The extra money people pay to borrow money for a loan is called \_\_\_\_\_.

### Answer Key:

1. Fed
2. wampum
3. run
4. counterfeit
5. inflation
6. nails
7. resources
8. ATM
9. saving
10. interest

# Federal Reserve Geographer



1. The main banks of the 12 Federal Reserve Districts are listed below. Write the name of each city and its Federal District number in the correct place on your map.

- |                      |                        |
|----------------------|------------------------|
| 1 – Boston, MA       | 7 – Chicago, IL        |
| 2 – New York, NY     | 8 – St. Louis, MO      |
| 3 – Philadelphia, PA | 9 – Minneapolis, MN    |
| 4 – Cleveland, OH    | 10 – Kansas City, MO   |
| 5 – Richmond, VA     | 11 – Dallas, TX        |
| 6 – Atlanta, GA      | 12 – San Francisco, CA |

2. Which Federal Reserve District do you live in? 12th Outline your Federal Reserve District with a colored pen.

Name the states located in your Federal Reserve District:  
Alaska, Arizona, California, Hawaii, Idaho,  
Nevada, Oregon, Utah, Washington  
 (also includes Guam, American Samoa, Northern Mariana Islands)  
 \_\_\_\_\_  
 \_\_\_\_\_

3. Which is the largest Federal Reserve District? 12th District

4. The Board of Governors watches over the Federal Reserve System. Write the name of the city where the Board of Governors is located on the map.

5. List some of the jobs that each of the Federal Reserve main banks and branches do in their Districts. (Hint: According to Frannie, the weather person in the **Money Connection**, what jobs are done by the Federal Reserve Bank of San Francisco and its Branches?):

- examine banks
- clear checks
- store money for banks
- shred old Federal Reserve Notes
- distribute new coin and currency
- use computers to transfer money

6. New coin is sent to the Fed banks from the U.S. Mints located in Denver and Philadelphia. New Federal Reserve Notes are sent to the Fed Banks from the U.S. Bureau of Engraving and Printing in Washington, D.C., and its printing plant in Fort Worth, Texas. Mark these locations on your map.

# A Bird's-eye View of the Economy

Imagine you're in an airplane cruising over your city, your state, or even the whole country. What would you see? Some of the things you might see are: people going to work or going shopping; businesses like gas stations, pizza parlors, grocery stores, and movie theaters; houses,

freeways, big cities, small towns, and farmland for growing the fruits and vegetables we eat. That's the economy! As part of its job, the Federal Reserve watches over the economy of each Fed District and the economy of the whole country to control the flow of money to make the economy go 'round.



Pick a state to learn more about, outline it on the map, then fill in the blanks.

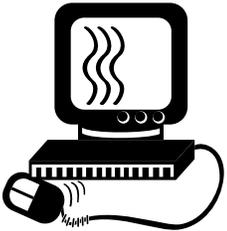
## State:

California

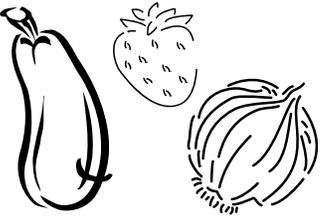
## Products:

In the three boxes, write the names of three products made in your state and draw a picture of each.

Computers



Fruits and Vegetables



Movies



## Resources:

What resources are used to make these products? List at least three resources used to make each product.

1. educated workers
2. equipment
3. materials such as metals and plastics

1. water
2. farmland
3. tractors

1. movie equipment
2. movie studios
3. movie stars

**Follow That Check! PART 2**

Annie wants you to help her spend all or part of her birthday money for the items pictured below. Can you help her fill out the checks for the right amount of money and balance her checkbook? You may write up to four checks, but make sure the total amount you spend is less than or equal to the amount she has in her checkbook.



**Annie**  
Any Street  
Atlanta, Georgia

Date 6/30/97 115

TO: Tower Records Amount \$ 16.07

\$ Sixteen & 07/00

**EAST COAST BANK**  
Atlanta, Georgia – member FDIC

Memo \_\_\_\_\_ Signature Annie Becker

0012345 00029384 488273

**Annie**  
Any Street  
Atlanta, Georgia

Date 7/15/97 116

TO: Stereo Central Amount \$ 70.94

\$ Seventy & 94/100

**EAST COAST BANK**  
Atlanta, Georgia – member FDIC

Memo \_\_\_\_\_ Signature Annie Becker

0012345 00029384 488273

**Annie**  
Any Street  
Atlanta, Georgia

Date 7/25/97 117

TO: KIDZ-ZINE Amount \$ 15.63

\$ Fifteen & 63/100

**EAST COAST BANK**  
Atlanta, Georgia – member FDIC

Memo \_\_\_\_\_ Signature Annie Becker

0012345 00029384 488273

**Annie**  
Any Street  
Atlanta, Georgia

Date \_\_\_\_\_ 118

TO: \_\_\_\_\_ Amount \$

\$ \_\_\_\_\_

**EAST COAST BANK**  
Atlanta, Georgia – member FDIC

Memo \_\_\_\_\_ Signature \_\_\_\_\_

0012345 00029384 488273

Do you think Annie should spend all of her \$100.00? Why or why not?

In this example, Annie decided to spend most of her money. Students may decide to save rather than spend their money.

Annie's Checking Account		<b>Balance from Previous page:</b> <u>\$29.31</u>		
Check #	To	Credit	Debit	Balance
—	<i>From Grandpa Becker</i>	<b>100.00</b>		<b>129.31</b>
115	<b>Tower Records</b>		<b>16.07</b>	<b>113.24</b>
116	<b>Stereo Central</b>		<b>70.94</b>	<b>42.30</b>
117	<b>KIDZ-ZINE</b>		<b>15.63</b>	<b>26.67</b>

# Samantha's Dollar Bill

Samantha wants to know where the dollar bill her mom gives her for her allowance comes from and where it goes after she spends it. Solve this mystery by filling in the blanks.

**1** New dollar bills are printed by the U.S. Bureau of Engraving and Printing which is located in our nation's capital in

**W a s h i n g t o n ,  
D . C .**



**2** New dollar bills then travel to the vaults of the 12

**F e d e r a l  
R e s e r v e**

Banks which send the new dollar bills to local banks when they request money from their deposits at the Fed.

**3** Local banks give the new dollar bills to their customers when they cash a

**c h e c k .**



**4** After 15–18 months of spending, the old, worn out bills are

**s h r e d d e d**

by Federal Reserve Banks when they receive the old bills from local banks. Fed Banks replace the old bills with new bills.

## Word Scramble

Arrange the letters in the squares from above to form the surprise answer in the word scramble.

*Federal Reserve Banks send all “funny money” to these special government agents who track down counterfeiters.*

**S e c r e t**

**S e r v i c e**

# Would You Lend Money to Anybody?

**The Loan Application:**

You are now loan officers at a local bank. Your job is to decide whether to loan money to a borrower who has asked for a loan. First, write the name of your bank. Next, fill in the rest of the information you know about the borrower. After you've filled in everything, you must decide whether to approve the borrower's loan.

Bank First Bank of Big Bucks

Borrower Sara

Purpose of loan computer

Assets \$500.00 Bicycle

Weekly Income \$5.00/week

Weekly Expenses [ - 0 - ]

Loan Amount  
(Payable in 12 months) \$2,000

Weekly payments \$166.66

**LOAN APPROVED?**

YES     NO

Reasons: Sara doesn't have  
enough income and assets  
to make the payments  
unless her parents help her.

Write three questions that you would like to ask the borrower:

1. Are you willing to give up all  
your allowance?

2. How are you going to pay  
interest?

3. Are your parents going to  
help you with the monthly  
payments?



# Additional Resources

## *THE FEDERAL RESERVE SYSTEM CATALOG OF PUBLIC INFORMATION MATERIALS*

Lists publications of all 12 Federal Reserve Banks and the Board of Governors. For a copy of a free catalog, contact Publication Services, Board of Governors of the Federal Reserve System, (202) 452-3244. ([www.bog.frb.fed.us](http://www.bog.frb.fed.us))

## *THE MONEY STORY*

Produced by the U.S. Mint and the U.S. Bureau of Engraving and Printing, this three-part video and accompanying Teacher's Guide introduces fourth through sixth grade audiences to the history of money, the production of coins, and the uses of money. Order copies (\$4.50 each) from the U.S. Mint, (202) 283-2646.

## *VIRTUAL ECONOMICS*

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