

Planet Money Lessons

Lesson 1: The Basic Function of Banks

Aim: What do banks do with your money?

Time: 30-minutes

Materials Needed:

- Bad Bank Worksheets (Appendix A)
- *This American Life Episode: Bad Bank* (March 2, 2009)
- Speakers/Listening Device

Key Terms:

- Capital
- Balance Sheet
- Assets
- Liabilities

Warm Up: Under what conditions would you lend a friend your pen, favorite piece of clothing, or your video game console? How would the conditions differ for each item? (5 minutes)

Procedures:

1. Pass out Worksheet 1 for Bad Bank (Appendix A)
2. Use student replies from Warm Up to define the term **interest rate**; students should copy the class generated, teacher approved definition onto their worksheet (5 min)
3. Students begin listening to *This American Life Episode Bad Bank* from 3:19-9:53 (“It all has to do with Caitlin.”) (7min)
 - a. As students listen to the episode they should fill in the key terms, blank lines within Adam’s Bank, and numbers associated with Adam’s Bank balance sheet.
 - i. Left Column
 1. Blank line= Assets
 2. \$100 to Caitlin
 3. Interest Rate 6%
 - ii. Right Column Top Portion
 1. Blank Line = Capital
 2. \$10 of Adam’s own money to start the bank
 - iii. Right Column Lower Portion
 1. Blank Line = Liabilities
 2. \$90 of Alex’s money to hold
 3. Interest Rate 3%
 - iv. Two bottom boxes separated by dotted line

1. Both \$100
4. Pause the episode at 9:53. (7 min)
 - a. Review the structure of the balance sheet with students.
 - b. Review the key terms capital, assets, liabilities, balance sheet
 - c. Check for understanding via informal assessment (2 min)
 - i. Why is Alex's \$90 called a liability?
 - ii. Why is Caitlin's loan called an asset if the bank doesn't own her house?
 - iii. What does it mean to pay a low interest rate and loan at a high interest rate?
5. Prediction: "It all has to do with Caitlin" (5 min)
 - a. What actions could Caitlin take that might mess up Adam's balance sheet?
 - b. What actions could Alex take that might mess up Adam's balance sheet?
 - c. List student predictions on the board
 - d. Resume episode at 9:53
 - e. Pause at 10:13 ("deadbeats like Caitlin.")- Elicit student response: Why is it important for Caitlin to pay back her loan? Were your predictions about Caitlin's actions correct?
6. Resume episode at 10:13 and turn to Bad Bank Worksheet 2 (2 min—may need to repeat listening)
 - a. Two more balance sheet scenarios are described in the next 2 minutes
 - i. Students should fill out the first one described where the balance sheet does not balance
 - ii. Students should fill out the second sheet described where the balance sheet does balance, but Adam is out \$5.
 - iii. Stop episode at 11:48 ("This really sucks.")
 - b. Review what happened to Adam's Balance sheet because of Caitlin's actions.
 - i. Caitlin couldn't pay back her debt to Adam
 - ii. Adam took Caitlin's house
 - iii. Caitlin's house is now only worth \$95 instead of the original \$100
 - iv. Adam's balance sheet didn't balance
 - v. Adam had to give up some of his own money in order to balance his bank
 - c. Pose question to students:
 - i. Why would a bank make a loan to someone who couldn't pay it back?
 - ii. How could Adam's Bank prevent this from happening again?
 1. Elicit student suggestions, review pros and cons of most plausible suggestions.
7. Wrap Up: Answer the Aim

Planet Money Listening and Learning Activities:

Listening and Learning Activity 1:

Objective: Students will understand the role of a bank regulator.

Time: 40-minutes

Materials Needed:

- Regulate Me, Baby (Appendix A)
- *Planet Money Episode: Regulate Me, Baby*(May 6, 2009)
- Speakers/Listening Device

Key Terms:

- Regulatory Arbitrage
- Bank Regulator
- FDIC
- Office of Thrift Supervision
- Office of the Comptroller of the Currency
- The Federal Reserve
- Thrifts
- Capital Requirements

Procedures:

1. Break Students into 5 groups
 - a. AIG, The Bachelor
 - b. Federal Deposit Insurance Company (FDIC)
 - c. Office of the Comptroller of the Currency (OCC)
 - d. The Federal Reserve
 - e. The Office of Thrift Supervision
2. Reveal the activity to the students: The Bachelor: Regulatory Arbitrage, and that you will be listening to an episode of Planet Money playing the same game.
 - a. Review the terms *regulatory arbitrage* (compare it to dating), *bank regulator*, *capital requirements*, and *thrifts*.
 - b. Each group gets an information card on their role.
 - c. On flipchart paper, students should highlight 3 main points about each role in the game and present them briefly to the class.
3. Students listen to *Regulate Me Baby* until 12:52
 - a. Allow students in each group to make one final remark about why they should be chosen to regulate AIG
 - b. Students in the AIG group will deliberate and choose a regulator and tell the group why they made their choice.
4. Continue listening to episode 16:21
 - a. Have students in all groups make notes about the reasons AIG choose the OTS.
 - b. Review Pros and Cons of each regulator as a group
5. Brief discussion of how this played out in real life.

Listening and Learning Activity 2:

Objective: Students will understand how economics impacts their choices everyday; students will learn how to think like an economist

Time: 45-minutes

Materials Needed:

- Everyday Economics Worksheets (Appendix A)
- *Planet Money Episodes:*
 - The Economics of Cheating (July 1, 2009)
 - Fancy Food Economics (July 15, 2009)
 - Pirates Have Time Sheets (April 22, 2009)
 - Which Teacher's Worth More? (July 6, 2009)
 - The Lime Green Coat (April 6, 2009)
 - A World Without Donuts (July 20, 2009)
 - All episodes will be listened to completely (approximately 18 minutes), EXCEPT for Fancy Food Economics and Pirates Have Times Sheets. See times listed in procedures for more information.
- Speakers/Listening Device for each group or all students

Procedures:

1. In a group of 24 students, break students into 6 groups of 4. Ideally there should be the same number of students in each group.
 - a. Assign each group one of the following episodes:
 - i. The Economics of Cheating
 - ii. Fancy Food Economics (16:15-28:09)
 - iii. Pirates Have Time Sheets (from 9:48-27:55)
 - iv. Which Teacher's Worth More?
 - v. The Lime Green Coat
 - vi. A World Without Donuts
2. As students listen they should fill in their Everyday Economics worksheet
 - a. Upon completion of listening, allow students 5 minutes to come to an agreement about answers on their worksheet
3. Re-arrange groups to create 4 new groups made of 6 students. Each new group should have one student representing each episode of the pod-cast.
 - a. Groups should review the problems presented in their episode and the economics solutions presented.
 - b. Students should also look for commonalities in problems and solutions.

Planet Money Discussion Guides:

Planet Money Episode: *Banking on the FDIC*, April 1, 2009; 11:04-End

The following questions are meant to provoke discussion amongst students about the FDIC after or while listening to the Planet Money episode listed above.

1. Why would the FDIC find it necessary to sneak into a city where it is going to take over a bank?
2. How is the bank takeover comparable to a spy movie?
3. What characteristics cause a bank to be considered “failed?”
4. What does it mean for so many banks to fail throughout the country?
5. Where does the FDIC get its money from?
6. Why would banks be willing to pay more into the FDIC insurance fund today than they would have prior to the 2008 economic crisis?

Planet Money Episode: *Elizabeth Warren Checks In*, May 8, 2009; 5:10- End

The following questions are meant to provoke discussion amongst students about the Troubled Asset Relief Program after or while listening to the Planet Money episode listed above.

1. Who is Elizabeth Warren?
2. What is the significance of her position in the American economy?
3. What is the Troubled Asset Relief Program (TARP)?
4. Why is important for someone in her position to be as objective as possible?
5. What is Warren’s “take” on the economy and her position as the chair of the congressional oversight panel for TARP?
6. What is Adam’s “take” on the economy and Warren’s position as the chair of the congressional oversight panel for TARP?
7. Is it possible to fix the economic crisis of 2008 and take into consideration both the systemic issues of the economy and the American family on the ground level?
8. Who’s side are you on? Why?
9. What is the basic problem this episode presents about the Congressional Oversight Panel?
10. Why is it important to constructively criticize the work of government officials ?