

# Teaching Basic Banking Principles

An Educator's Reference Desk Lesson Plan

---

**Submitted by:** Brian L. Johnson

**School or Affiliation:** Marana High, AZ

**Endorsed by:** These lesson plans are the result of the work of the teachers who have attended the Columbia Education Center's Summer Workshop. CEC is a consortium of teacher from 14 western states dedicated to improving the quality of education in the rural, western, United States, and particularly the quality of math and science Education. CEC uses Big Sky Telegraph as the hub of their telecommunications network that allows the participating teachers to stay in contact with their trainers and peers that they have met at the Workshops.

**Date:** May 1994

---

**Grade Level(s):** 11,12

**Subject(s):**

- Social Studies/Economics

**Overview:** This is a lesson that is intended to be used as a method of teaching basic banking principles. Rather than a dry textbook lesson, this lesson (which is probably best done orally, but can be utilized as a take- home or in-class reading assignment) provides an interesting approach to showing how banks "create" money, what reserves are, and what a "run" on a bank is. The lesson is adaptable to whatever the needs are in your particular situation.

**Purpose:** An understanding of banking is important for our students as we face the monetary situation of the coming years. This lesson is a good tool for getting them started.

**Objectives:** When this lesson is over, the students will be able to:

1. Explain what money is and why it is needed.
2. Explain how banks can enlarge or shrink the "money supply".
3. Define the term reserve as it applies to bank deposits.
4. Explain the concept of "net worth".

**Resources/Materials:** "Recollections of Pine Gulch" (listed at end) No special materials are needed for this project. Your students will probably want to take notes, especially if the story is presented orally, so this can be a good lesson for developing note taking skills.

**Activities and Procedures:** The sole activity of this lesson is the telling of the story "Recollections of Pine Gulch, 1840-1860". The story can be given to the students to read, but it is probably best orally presented, especially if the instructor is a good story teller. The humor in the story probably best comes across in an oral presentation of the story. The oral presentation should take about one class period, depending on the feedback from the students. After the story is finished, a series of follow-up questions can be assigned as homework or given in class as a class discussion to check understanding. Sample questions follow the story.

1. Why was there a demand for Slim's services in Pine Gulch? How did Slim use this demand to check a monetary system for the town?
2. Why was important for Slim to go to San Francisco to get the ink and paper to write the receipts? Why did the people of Pine Gulch accept these receipts as currency?
3. How did Slim increase the money supply in Pine Gulch? How did he decrease it? Who benefited from this practice?
4. Why did Slim have to leave town after Big Bart shot him?
5. How did Slim become one of the richest men in Pine Gulch?

**Tying It All Together:** The Pine Gulch story can be a good lead-in to a study of contemporary banking and the Fed. Americans have faith in their monetary system, much as the citizens of Pine Gulch had faith in Slim.

*I am indebted to Dr. Donald Wells of the University of Arizona Economics Department for the story of Pine Gulch. Dr. Wells does an excellent presentation of this story in his classes and the workshops that he puts on for teachers. While this version of the story is mine own, I would not presume to take credit for the idea. Dr. Wells, I salute you for doing something that many teachers have struggled with for years-- finding a way to explain how banking works.*

**Refer to: RECOLLECTIONS OF PINE GULCH** , 1840-1890. Taken from the Memoirs of Gus Mahler

URL: <http://ofcn.org/cyber.serv/academy/ace/soc/cecsst/cecsst136.html>

[http://www.eduref.org/Virtual/Lessons/Social\\_Studies/Economics/ECO0012.html](http://www.eduref.org/Virtual/Lessons/Social_Studies/Economics/ECO0012.html)