Money and Banking

TOPIC SUMMARY

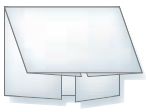
The basis of a market economy is voluntary exchange. In the U.S. economy, this process usually involves money being exchanged for goods and services. Money functions in a society as a source and a measure of value. Three types of financial institutions offer people a safe place to deposit money. Commercial banks offer full banking services to individuals and businesses. Savings and loan associations perform many of the same services as commercial banks. Credit unions provide banking services only for members of the groups that sponsor them. These institutions make a profit by charging interest and fees to individuals who use their services. The Federal Deposit Insurance Corporation insures individual deposits at these institutions up to $100,000. Each type of financial institution borrows money from the Federal Reserve System. The Fed sets the interest rate for lending money to banks. The United States has 12 Federal Reserve districts. Banking has changed throughout U.S. history.

FOLDABLES™ Study Organizer

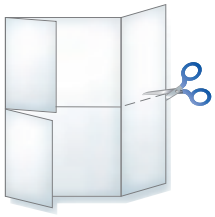
Evaluating Information Study Foldable *Make the following Foldable to help evaluate the workings of the Federal Reserve.*

Step 1 *Mark the midpoint of the side edge of a sheet of paper. Then fold in the outside edges to meet at the midpoint.*

Step 2 *Fold in half from side to side.*



Step 3 *Open and cut the inside fold lines to form four tabs. Label the tabs* what, when, where *and* why.



Reading and Writing

Note information about the Federal Reserve under the appropriate tab.

TOPIC ACTIVITY IDEAS

Foldables Follow-Up Activity

Have students create the Study Foldable above, including the Reading and Writing activity. Have small groups of students create flash cards with information answering the *What, When, Where, Why,* and *How* of the Federal Reserve. Students may include pictures, definitions, time lines, and facts on their flash cards. Encourage students to use their flash cards as a study tool for the chapter test.

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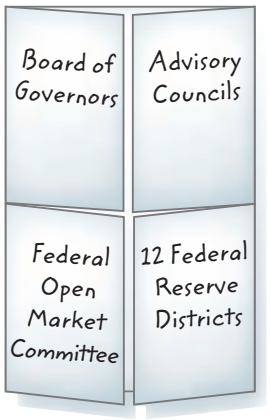
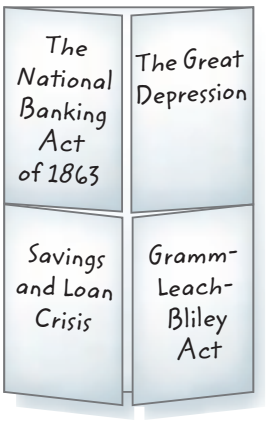
ORGANIZING

Help students learn more about the Federal Reserve System by having them organize information about four important parts of the system. Students should label the Foldable as shown and should describe each component beneath the appropriate tab. When students have completed the Foldable, have them draw a rough map that shows the location of all 12 district banks. Tell students to identify the district bank closest to them.





IDENTIFYING

Have students use the Foldable to identify important events or changes that have affected the banking industry. Beneath the appropriate Foldable tabs, students should explain how each event has affected banking in the United States. When they have completed the Foldable, have students write a half-page newspaper article about one of the events. The article should describe the event and explain its impact on the banking industry.

Student Study Tip

Point out that historical events may be better understood if students examine the context in which they took place. Ask students to make a cause-and-effect chart that explains the reasons behind important events or developments in banking, such as the elimination of the Bank of the United States or the passage of the Federal Reserve Act of 1913.

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