

How Banks Work Activity – Teacher Information

In the reading information, students learned about banks and how they act as intermediaries between savers and borrowers. This activity demonstrates how banks make loans and earn a profit. The teacher is the banker and the object of the game is to fill the community with homes and businesses, just like a real community.

Items Needed:

- One penny for each student
- 6 paper clips per student (plus 25 additional paper clips)
- Write the numbers 1, 2, 3, or 4 on half slips of paper (enough so each student in class gets a number). Fold those half slips of paper either in half or quarters so the students don't see the number on the inside.
- 100 index cards
- Stapler
- Build a “community” by using either a large table or putting a few desks together

Instructions:

- Place the folded slips of paper with numbers in a paper bag. Each student draws a number out of the bag and receives that number of index cards.
- Explain to students that the index cards and paper clips represent income. Not all students have the same income, just as people in a real society earn different incomes.
- After the students receive their cards, put the remaining cards in the ‘bank’.
- You, as the teacher, are the bank. Count the bank's assets:
 - How many paper clips does the bank have? (This should be 25- the additional paper clips listed in Items Needed)
 - How many index cards does the bank have?
 - Write those numbers on the board
- Explain that students will use their income to either build a house or start a business.
- Each student will flip their coin two times to decide what they will build:
 - Heads-Heads: They will build a big business (4 cards)

- Heads-Tails: They will build a big house (3 index cards)
- Tails-Heads: They will build a small business (2 index cards)
- Tails-Tails: They will build a small house (1 index card)
- If students have enough index cards to build, they staple the index cards together
 - If they are building a house, they label their pack of cards “H” and place the pack somewhere on the community table.
 - If they are building a business, they label their pack of cards with the kind of business they decide to build (e.g., grocery store, jewelry shop, barber, computer repair, ice cream, restaurant, etc.) and put that pack on the community table.
 - Students should not duplicate any businesses.
 - Students should arrange the businesses and houses so that they are set up the way a real community might be.
- If students have index cards left over, they can save them in the bank. They receive one paper clip in interest from the bank for each card they save.
- Have students flip their coins at least three times.
- What can students do if they do not have enough cards to build? Explain that students who need money to build can borrow from the bank. They must pay the bank 2 paper clips for each card they receive.
 - Explain that the bank charges more interest to borrowers (2 clips per index card) than it pays to savers (1 clip per index card). This is part of how a bank makes a profit.
- To conclude, count the number of paper clips and cards the bank has at the end (after three flips of the coins) and compare it to the numbers on the board from the start of the activity.
- Discuss how many has changed hands and how the bank has helped people in the community.