

The Credit Crisis: A Middle School Play*

Campbell R. Harvey
<http://www.duke.edu/~charvey>

* Version, October 15, 2008. This is **not** copyrighted. I encourage teachers to reproduce the play. I appreciate the comments of Laura Brinn.

Author's Prologue

I was asked to give a talk to my son's middle school on the credit crisis. Rather than lecturing the students for 45 minutes, I decided it might be effective to have a play produced. The play is a vehicle to explain a very complex situation in terms that students aged 11-14 can readily understand. The play is about a bank that has the choice about making a mortgage loan to a prime borrower and a subprime borrower. It is clear in the play that the subprime lender presents extra risk. However, the bank chooses the subprime borrower because he generates more profit for them. In the end, the subprime loan goes bad. The bank is closed by the FDIC and the employees lose their jobs.

The goal of the play is to teach the fundamental lesson of risk and return. There is a reason for the high return offered by the subprime loan – it is risky. So beware of investments that promise very high returns.

I think it is especially important that children understand this crisis in real time – rather than trying to figure it out in history books many years later. These children are the next generation. We must learn from history and we are living through historic events. Hopefully, this new generation will be in a position to avoid the mistakes of the present generation.

Characters:

Dana Fordollar: Head Banker

Ana Actually: Assistant Banker

Nikki Tomplank: Bank trainee

Sammie Face: Bank customer #1

Sikeston Bainbridge: Bank customer #2

Peter Mint: Bank customer #3

FDIC Agent: Mr. Gossly

Extras: Three customers in line

Props:

Bank Façade: First Triangle Bank Corporation

Two chairs behind façade

One chair in front

\$100 monopoly money

\$10 monopoly money

park bench

optional flip chart for the interest math

Act 1

Scene 1

Bank façade. First Triangle Bank Corporation

Dana sitting at desk near Ana who is busy working

[Enter Nikki]

DF: Who are you?

NT: I am Nikki Tomplank

DF: Tomplank?

NT: Yes

DF: Like “walk the plank?”

NT: Yeah

DF: Why are you here?

NT: I am the new banking trainee.

DF: Great. That’s all I need, another distraction. Sit here.

[Nikki sits beside him]

DF: You will see how the bank works today.

Scene 2

[Enter Sammie Face, sits in chair facing DF, AA and NT]

AA: Can I help you young lady?

SF: I would like to make a deposit into your bank.

AA: What is your name?

SF: Sammie Face

AA: Face, like Facebook?

SF: Yes, is there a problem?

AA: No, no. How much is your deposit?

SF: \$100

AA: That is a lot of money.

SF: Before I make the deposit, I would like to ask some questions.

AA: Yes, please, go ahead *[condescending]*

SF: How safe will my money be?

AA: Our bank is very safe. We have a vault that is 12 inches thick and made of the strongest steel. In addition, we

have two armed guards 24 hours per day. Do you have any other questions?

SF: Yes. How much do I earn if I give you my money for one year.

AA: You will earn 1% interest. This means that at the end of the year, you will get your \$100 back plus \$1 in interest. (Holds up one finger) So a total of \$101. You make a profit of \$1 – and you get to keep your money in a very safe place! Quite a good deal for you don't you think?

SF: Well, I am sold. Here is my deposit

[S hands Ana the \$100]

AA: Thank you Ms. Face.

SF: You are welcome.

[SF leaves]

Scene 3

[NT and DF and AA alone.]

AA: Take this \$100 to the vault.

NT: Yes, mamam!

[N leaves, brief pause, N returns and approaches Dana]

DF: Did you put the money in the vault already?

NT: Yes mamam. *[pause]* But, ..., can I ask a question?

DF: Yes, ask...

NT: I kind of thought that there would be a lot of money in the vault, I mean a lot of money. But I hardly saw anything. There were safety deposit boxes that customers keep jewelry in. But, I did not see any cash. Where is all the cash that people have deposited – just like Ms. Face?

DF: You need to learn more – and here is the next lesson.

Scene 4

[Enter Dr. Sikeston Bainbridge – he is wealthy]

AA: Good morning.

SB: Top of the morning to you too.

AA: Can I help you, Mr...?

SB: Dr. to you,(PAUSE) I am Dr. Sikeston Bainbridge, the famous heart surgeon.(PAUSE) Have you heard of me?

AA: No, but nice to meet you Dr. Bainbridge. How can we help you at First Triangle Bank?

SB: Yes. I would like a loan. I have sold my estate in Kentucky but the sale will not take place till next month. In the mean time, I have an eye on a new house and I would like to buy it, today. So, I need the bank to help me out.

AA: You would like a mortgage loan?

SB: Yes, exactly. You help me buy the new house. I can easily pay you from the proceeds from the old house when that sale is final. If the house doesn't sell right away, not to worry I earn **plenty** of money from my heart surgery.

AA: OK.

SB: I propose the following. You loan me \$100 and I will pay you back \$105 at the end of the year. You make a profit of \$5 on the loan.

AA: Thank you Dr. Bainbridge. Let us take that into consideration. (Condescending)Don't call us, we'll call you.

[SB leaves]

Scene 5

[NT and DF]

NT: That seems like a good deal. You help Dr. Bainbridge with his house. The bank makes \$5. But you only have to

pay Ms. Face \$1 for her deposit. So the bank makes a profit of \$4 – and you really haven't done anything.

DF: You are a quick learner, Nikki. But slow down, there is one lesson you have not yet learned. \$4 profit is not enough. Let's see if we can do better.

Scene 6

[NT, AA and DF sitting. Enter P. Mint – with exaggerated motions walking.]

DF: Can I help you?

PP: I am looking for a loan.

DF: What is your name?

PP: Peter Mint....but people call me Pepper.

AA: *[To audience]* We get the strangest characters here!

DF: What sort of loan are you looking for?

PP: I want to buy a house in this really cool new area. They will have a pool and a tennis court and an indoor soccer stadium and an outdoor theatre and really nice yards.

DF: What area?

PP: The Tarn.

AA: That's the name?

PP: Yes, very exclusive. They have already built one house in the development and they promise to build 99 more.

AA: How old are your Mr. Mint:

PP: I am 23.

AA: That's a little young for a house...

[DF interrupting AA.]

DF: What do you do, Mr. Mint?

PP: Well,.... I am a bit in between work right now. However, I have an audition next week.

AA: Audition... for what?

PP: I am an Artist...(Spreads arms and fingers wide and looks off into the distance) one who has been called to bring pleasure to the eyes, hearts and minds of humanity, YES.. a dancer. (PAUSE)

AA: You dance? *[incredibly]*

PP: Why yes.

DF: (Seriously) Is there a steady income from that?

PP: If I get the job – and I know I will get the job, because I am a dancer.

[PM starts to dance and it is awful dancing]

DF: OK. How much do you need?

PP: I need \$100 and I propose to pay you after one year \$112. My mortgage will provide you with a profit of \$12.

DF: *[Standing up]* That is a deal!

[NT Still sitting down, shaking her head]

DF: Ms. Thomplank, go to the vault and get Mr. Mint his loan money.

NT: Yes, sir – uhh, maam.

[N leaves and returns with \$100. DF grabs the money and hands it to PM]

DF: Here you go Mr. Mint

PP: Thank you. *[PM takes money and dances away]*

Scene 7

[NT and DF]

NT: Why did you give the loan to Mr. Mint and not Dr. Bainbridge?

[Optional flip chart for the simple math here. The numbers could be on the chart in advance.]

DF: Well, you still have a lot to learn. Mr. Mint promised to pay us back interest of \$12. We owe Ms. Face only \$1. This means we have a profit of \$11. But if we gave the loan to Dr. Bainbridge, he would pay us interest of \$5. Our profit would only be \$4.

NT: But Dr. Bainbridge is very famous and he will pay the loan back for sure. (Makes quotation signal with fingers when saying dancer) Who knows about this “dancer,” Pepper Mint?

DF: He will have a house in The Tarn. I have heard it is very exclusive.

NT: Who did you hear that from?

DF: I forget.

NT: Probably from Mr. Mint ... (As though she gets it) So this is the reason there is no money in the vault. You take Ms. Face’s money and you don’t keep it in the vault. You

use it to lend to other people – and you make a profit on that.

DF: You are finally learning about banking.

Act II

Scene 1

[NT and DF and AA at façade. Enter SF]

SF: Good morning.

AA: Good morning Ms. Face. How can we help you?

SF: I would like to withdraw my deposit. It has been one year and I would like the deposit and my interest. I am moving to Kentucky.

AA: Not a problem, Ms. Face. Uhhhh ...as you know, the vault is on a special system and it can only be opened during the hours of 2-3pm. If you could return, say in 3 hours, we will have your money for you.

SF: That would be fine. I have some shopping to do.

[SF leaves]

Scene 2

[AA and NT]

AA: *[Shouting]* Get Mr. Mint in here immediately. He needs to pay his loan back today.

NT: Yes, maam.

Scene 3

[N and D. and Ana, Enter Mr. P. Mint]

AA: *[Sternly]* Mint, you are late on your loan. We need the money today.

PP: (Sad) I don't have the money.

AA: *[getting angry, and raising voice]* What do you mean you don't have the money?

PP: They took my \$100 and started to build my house. They cut down some trees. They started the foundation. Then they took off. All I have is the foundation of the house.

DF: *[Loudly]* A foundation ... you mean the bricks around the bottom of the house? --- that's worthless. I demand you pay me back my \$100 -- or we will foreclose on your place.

PP: By foreclosure, you mean take over my house or in my case the foundation because I owe you money? Well, that's

fine but it is only worth \$10. Here is \$10 for the foreclosure – and the house – or foundation – is yours! Bye!

[P dances out of the bank]

DF: *[to NT]* Put this \$10 in the vault!

Scene 4

[SF enters, three other people also enter and get into line behind her]

AA: (Surprised) Ms. Face, you're back. (Trying to be friendly) Great. Did you get your hair done? It looks fabulous. Is that how they are wearing it in Kentucky? (PAUSE) I didn't expect you back so early.

SF: Early? it is 4pm, well after you told me to come back.

AA: Yes. Indeed.

SF: I would like to make my withdrawal.

AA: Certainly. Ms. Thomplank, go to the vault and get the funds.

[NT gives DF a look of what are you talking about????]

[NT returns and hands \$10 to AA.]

AA: Ms. Face, here is \$10.

SF: Where is the other \$90? Plus my interest?

DF: Well, we have had some technical difficulties.

SF: *[getting angry]* What do you mean?

DF: We can only pay you \$10 right now.

SF: *[angry]* But you promised me \$100 plus \$1 (holding up one finger) of interest. You owe me another \$91.

DF: *[very nicely]* Yes, but we are short of funds right now.

SF: Was there a robbery?

DF: No, not exactly.

SF: *[Screaming now.]* This is an outrage. Give me my money.

[Others in line look at each other, raise hands.]

Others in unison: We want our money too!

DF: The bank does not have sufficient funds to pay you either.

Others + SF: *[Leave bank shouting.]* This bank has ripped us off.

Act III
Scene 1

[NT and DF still at desk. Enter SF with FDIC agent, Mr. Gossly]

G: Are you the manager of the bank?

DF: Yes, and who are you?

G: I am with the Federal Deposit Insurance Corporation. I have come here to shut your bank down.

DF: Why?

G: You are what we call insolvent. In simple terms, you owe Ms. Face \$101 but you can only pay her \$10. You cannot meet your obligations. Hence, the government will shut you down.

DF: Does that mean I am out of work?

G: Exactly, you're fired.

SF: What about my deposit?

G: Luckily, the government provides guarantee insurance for deposits of \$100 or less. Here is your deposit, Ms. Face.

[G takes \$100 and gives to SF]

NT: Am I fired too?

G: Yes, your job here is finished.

Scene 2

[NT and DF on park bench]

DF: *[DF hands over face, sobbing]* I can't believe it. We're both out of work.

NT: Snap out of it, Fordollar. You can't believe it – Well, I can. Really? You have no idea?

DF: uhh..., well,.... no

NT: You should have taken Ms Face's deposit and lent it to Dr. Bainbridge. You know he would have paid back the \$105. There would have been no problem paying Ms. Face. You would have made a \$4 profit – and Ana I would still have jobs.

DF: But Mr. Mint offered a profit of \$11 which is much more than \$4.

NT: That is true. But our dancing friend didn't even have a job. In addition, his house wasn't even built. You were greedy. Anyways, do you know what a Tarn is?

DF: Well, uhh, no.

NT: *[points to the audience]* Does anybody know what a Tarn is?

[Someone in audience answers. If no quick response, pretend someone got it right.]

NT: Yes, exactly a swamp. The exclusive development is in a swamp!

DF: I had no idea.

NT: You didn't do your homework. You took a very risky bet on Mr. Mint. It didn't turn out like you would have liked and the bank is closed as a result.

DF: Well, it seems like I have learned something.

NT: Beware of the highest promised profit because it could be very risky – and put you out of business.

DF: Yep (Sigh).