

Lesson Plan

Wayne Hill

American History & Economics

Title: History of Money

Class Time: 3 block scheduled days or 1 full week non-block

Lesson Objectives: Students will be able to

*Analyze the roles of money and banking in an economic system

E-1A-H7

*Explain the basic concepts of United States fiscal policy, monetary policy, and regulations and describing their efforts on the economy.

E-1C-H4

Essential Questions: What is *Real* money? What is the **Gold Standard**? What are the functions of money? Explain how money evolved throughout history to its present form today. What is the role of the Federal Reserve Bank?

Materials: Copy of excerpts from William M. Gouge book *A Short History of Paper Money and Banking*, Copy of Guided Reading Questions for re-view on excerpts, pictures of various types of money (commodities, coins, and paper money), video player or promethean/smart board for viewing you tube videos and worksheets on evolution of money, currency, and the Federal Reserve System. (If possible have speaker to come in from the Federal Reserve).

Lesson Steps:

Day 1 (May be done in groups or individually)

1. Introduce lesson to students on money and banking using theme question. **What Is Real Money?**
2. Pass out excerpt reading from William M. Gouge book *History of Paper Money and Banking* and guided reading questions.
3. Allow students to read for 20 to 30 minutes and answer questions.
4. Start probing questions with students from the guided reading sheet.
5. Pass out pictures of different forms of money that were used throughout history.
6. Show video from you tube and discuss them.
7. Pass out homework sheets.

<http://www.youtube.com/watch?v=YC1tIVXYZiE&feature=related>

Day 2

1. Review homework lesson on evolution of money.
2. Have students to answer questions while viewing second video from **You Tube** on the **Federal Reserve System**.

<http://www.youtube.com/watch?v=WSKjvAbVmVw&feature=related>

3. Review the questions for the Federal Reserve video.
4. Do reinforcement worksheets on the Federal Reserve.
5. Start writing a one page essay on the history of money in class and finish for homework.

Day 3

1. Have students to create a timeline on the evolution of money to help with essay.
2. Review for assessment test for next class period with worksheets already done.
3. If possible, reserve this time for speaker from the **Federal Reserve Bank**.

Day 1

Gold Standard Act- March 14, 1900



An Act To define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes.

Be it enacted . . . That the dollar consisting of twenty-five and eight-tenths grains of gold nine-tenths fine, as established by section thirty-five hundred and eleven of the Revised Statutes of the United States, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity.

18624

A
SHORT HISTORY
OF
PAPER MONEY AND BANKING
IN THE
UNITED STATES,
INCLUDING AN ACCOUNT OF
PROVINCIAL AND CONTINENTAL PAPER MONEY.
TO WHICH IS PREFIXED
AN INQUIRY
INTO THE
PRINCIPLES OF THE SYSTEM,
WITH
CONSIDERATIONS OF ITS EFFECTS
ON
MORALS AND HAPPINESS.
THE WHOLE INTENDED AS
A PLAIN EXPOSITION OF THE WAY IN WHICH PAPER MONEY
AND MONEY CORPORATIONS, AFFECT THE INTE-
RESTS OF DIFFERENT PORTIONS
OF THE COMMUNITY.



BY WILLIAM M. GOUGE.

Philadelphia:
PRINTED BY T. W. USTICK,
AND FOR SALE, BY GRIGG & ELLIOTT, NO. 3 NORTH FOURTH STREET, URIAH HUNT,
NO. 19 NORTH THIRD ST., HOGAN & THOMPSON, NO. 133 1/2 MARKET ST.
.....
1833.

and bountiful seasons, amongst an enlightened, industrious, and enterprising people, comparatively free from taxation, unrestrained in our pursuits, possessing abundance of fertile lands, and valuable minerals, with capital and capacity to improve, and an ardent disposition to avail ourselves of these great bounties.

“Calamities of an injurious and demoralizing nature, occurring with singular frequency, amidst a profusion of the elements of wealth, are well calculated to inspire and enforce the conviction that there is something *radically* erroneous in our monetary system, were it not that the judgment hesitates to yield assent, when grave, enlightened, and patriotic Senators, have deliberately announced to the public, in a recent report, that our system of money is in the main excellent, and that in most of its great principles, no innovation can be made with advantage.”

The “grave, enlightened, and patriotic Senators,” whom Mr. White alludes, are those who, with Mr. Smith, of Maryland, at their head, made a report, in the year 1830, in which they represented certain kinds of Bank paper as being as good as gold, and even better. If their opinion is correct, it ought to be confirmed. If it is not correct, its erroneousness ought to be exposed; for error in such a subject as this, may be productive of incalculable mischief.

CHAPTER II.

Of Real Money.

Paper money is the foundation of the American Banking System. But, as, without a knowledge of what is genuine, it is impossible to have a clear conception of what is spurious, it will be necessary to give a statement of the qualities and functions of real money.

Money is not, as was asserted by a late Secretary of the Treasury, (Mr. I.) “merely the representative of property.” Money of gold and silver *is* property—*is wealth*. A hundred dollars in silver can no more be considered as the representative of a hundred dollars' worth of flour, than a

hundred dollars' worth of flour can be considered as the representative of a hundred dollars' worth of iron. Each is the *equivalent* of the other; but each is *real* wealth—not a mere symbol or representative.

But money is not, as is supposed by some others, superior in its nature to all other kinds of wealth. The precious metals do not differ *essentially* from other items of wealth. This is distinctly seen when they are in the form of bullion. Converting them into coin, does not change their nature. It only adapts them to a particular use—fits them for passing from hand to hand, without the trouble of weighing and assaying each piece at each transfer. An increase of the stock of gold and silver in our country, is very desirable; but it is for precisely the same reasons that an increase of other kinds of wealth is desirable.

Some fancy that it is the authority of Government that gives money its value. But the true value of money, as measured by the amount of goods for which it will honestly exchange, cannot be affected by edicts of Princes or acts of Parliament. Monarchs and Ministers may alter the weight of coins, or lessen their purity; but they cannot make a coin containing an half of an ounce of pure silver, worth as much as a coin containing an ounce. The stamp of the State is a mere certificate of the weight and fineness of the piece.

Others suppose that the precious metals owe their value entirely to their *scarcity*. But if gold and silver were not useful in the arts, they would have no value in commerce. Their utility is so great, that even if they were not the material of money, they would exchange for great quantities of corn and other commodities. If they were as plentiful as copper and tin, they would be more valuable than these base metals; because they are applicable to more various uses. The market value of the precious metals is, as that of all other things, *in the compound ratio of their utility and of their scarcity*. It does not depend on their scarcity alone.

Money is, simply, that valuable by reference to which the value of other things is estimated, and by the instrumentality of which the interchange of other things is effected. There is nothing mystical in its nature; nor is it likely that its character would ever have been misunderstood in the United

States, if the avoirdupois ounce of silver had been made the unit of reference, and if coins had been struck of the weight of an ounce, and of aliquot parts of the ounce. Men would then have had as clear conceptions of the nature of the transactions into which money enters, as they now have of those in which iron is exchanged for wheat. They would then have seen that there is no essential difference in these transactions—that trade by barter, is exchanging wheat for one metal, and that trade with money, is only exchanging wheat for another metal. It has been by taking for the unit of reference a fractional part of the Troy ounce, which is a weight with which the people are not familiar, and by giving to this unit the arbitrary name of "a dollar," that the subject has been rendered obscure to many minds.

As whatever is extended may be made the standard of length, in like manner, whatever is valuable may be made the standard of value. Instead of saying, this tract of land, or this bale of cloth, is worth so many ounces, or so many pieces of silver, men might say, it is worth so many horses or cows, or so many pounds of lead or of iron. The *principle* of valuation would be identical with that which is adhered to in countries where only solid money is used. But he who had a small article to sell, would find it difficult to calculate its exact value in the *fractional* parts of a horse or a cow, and pounds of lead or of iron would be a very inconvenient circulating medium.

Corn, cattle, iron, leather, cocoa, tobacco, and other commodities, have all, in point of fact, been used as money, in different ages and different countries; but they have long ceased to be so used, by commercial nations, for reasons similar to those which have induced men to choose for their standard of length, some object less liable to variation than the foot of a Chancellor, or the fore arm of a King.

The high estimation in which the precious metals have been held, in nearly all ages and all regions, is evidence that they must possess something more than merely ideal value. It is not from the mere vagaries of fancy, that they are equally prized by the Laplander and the Siamese. It was not from compliance with any preconceived theories of philosophers or statesmen, that they were, for many thousand years, in all commercial countries, the exclusive cir-

culating medium. Men chose gold and silver for the material for money, for reasons similar to those which induced them to choose wool, flax, silk, and cotton, for materials for clothing, and stone, brick, and timber, for materials for building. They found the precious metals had those *specific* qualities, which fitted them to be standards and measures of value, and to serve, when in the shape of coin, the purposes of a circulating medium. To this use they are admirably adapted :

1. Because they are divisible into extremely minute portions, and capable of re-union without any sensible loss of weight or value ; so that the quantity may be easily apportioned to the value of the articles of purchase.*

2. They have a sameness of quality all over the world. The difference between iron from different parts of our own country and of Europe, is well known to all dealers in that article. The copper of Siberia is superior to that of Germany, while that of Sweden is better than that of Siberia, and that of Sweden is surpassed by that of Japan. But, one grain of pure gold is exactly similar to another, whether it comes from the mines of Europe or of America, or from the sands of Africa. Time, weather, and damp, have no power to alter the quality : the relative weight of any specific portion, therefore, determines its relative quantity and value to every other portion ; two grains of gold are worth exactly twice as much as one.

3. Gold and silver, especially with the mixture of alloy that they admit of, are hard enough to resist very considerable friction, and are therefore fitted for rapid circulation.

4. Their rarity and consequent dearness are not so great, that the quantity of gold or of silver, equivalent to the generality of goods, is too minute for ordinary perception : nor, on the other hand, are they so abundant and cheap, as to make a large value amount to a great weight.

5. They are capable of receiving a stamp or impression, certifying the weight of the piece, and the degree of its purity.

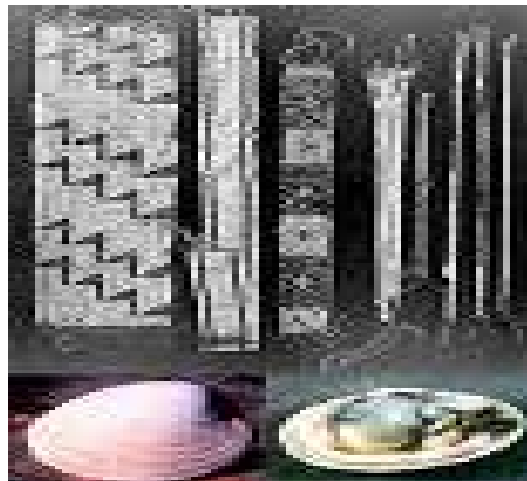
6. They are liable to less variation than any other article, from changes in the relations of supply and demand, including the cost of production among the conditions of supply.

*See Say, Book, Chap. xxi, Section 2.

Guided Reading Questions

- 1. What was Real money according to William M. Gouge?**
- 2. What kind of things that was used as money? What were they called?**
- 3. Why did the people stop using commodities?**
- 4. Why did people start using gold and silver as a form of money in earlier times?**
- 5. What was the foundation of American Banking system in earlier times? And, do you think is it considered to be the same today?**

Types of Commodities



Early Colonial and Spanish Species



Representative Paper Money



American paper money that were redeemable in gold or silver. Issued from 1878 to 1963, they were available in a variety of denominations, from \$1 to \$1,000.



Today's Fiat/Currency

The US Dollar is an example of fiat money or fiat currency. Fiat money basically means that the currency has no intrinsic value (nor can it be redeemed for precious metals or something of intrinsic value). Rather, the currency is only backed by the goodwill of the government that issues it.



YOUTUBE VIDEOS ON THE HISTORY OF MONEY

History of Money:

<http://www.youtube.com/watch?v=YC1tlVXYZiE&feature=related>

Federal Reserve System:

<http://www.youtube.com/watch?v=WSKjvAbVmVw&feature=related>

Day 2

THE FEDERAL RESERVE

<http://www.youtube.com/watch?v=WSKjvAbVmVw&feature=related>

Answer the following questions while watching the video:

Who has the power to coin money and regulate it?

Where does this power come from?

What did Coinage Act 1792 do?

Can states coin money?

Over

Over

Over

Federal Reserve questions cont.

What two early presidents did not want private banks to control United States money?

Why was the **Green Back paper money created?**

When was the Federal Reserve System created?

What is the purpose of the Federal Reserve System?

Is the Federal Reserve Note (paper money) valuable?

Day 3

A. Have students to create a timeline to show the evolution of money to help with essay.

Commodities Species Paper Money Today's Money

B. Review for assessment.

C. If possible get a guest speaker from the **Federal Reserve Bank**.