



THE HISTORY OF MONEY

GRADE LEVEL 7-12



“ACTIVE LEARNING TOOL”

Original Source: Federal Reserve Bank of Minneapolis
<http://woodrow.mpls.frb.fed.us/econed/curric/history.cfm>

Time to complete: varies

INTRODUCTION

The History of Money is an article that describes the evolution of money through various time periods. The changing appearance of money is described and pictures showing the changes are included in the article. A worksheet is also provided that guides students through the article. The History of Money can be assigned as an additional short reading assignment for students with all Family Economics & Financial Education units and lesson plans.

FACILITATION

1. Make one copy of *The History of Money* article 5.0.29.E1 and *The History of Money Worksheet* 5.0.29.A1 for all students.
2. Working in teams of two, have students work together to answer the following questions.
 - a. Where did money originate?
 - b. Why it is necessary that people have money?
3. Ask a couple of groups to share their answers with the class.
4. Pass out one *The History of Money* article 5.0.29.E1 and *The History of Money Worksheet* 5.0.29.A1 to each student.
5. Explain that *The History of Money* article 5.0.29.E1 will describe the evolution of money and why money is a necessity in today's society.
6. Instruct students to read the article individually and complete *The History of Money Worksheet* 5.0.29.A1 as they read.
7. Allow time for the students to read the article and complete the worksheet.

MATERIALS

The History of Money Worksheet – 5.0.29.A1
 The History of Money article – 5.0.29.E1
 Answer Key – 5.0.29.K1

RESOURCES

Federal Reserve Bank of Minneapolis

- <http://woodrow.mpls.frb.fed.us/econed/curric/history.cfm#content>

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CONSIDER THIS PROBLEM:

You catch fish for your food supply, but you are tired of eating it every day. Instead you want to eat some bread. Fortunately, a baker lives next door. Trading the baker some fish for bread is an example of **bartering**, the direct exchange of one good for another.

However, bartering is difficult when you try to obtain a good from a producer that does not want what you have. For example, how do you get shoes if the shoemaker does not like fish? The series of trades required to obtain shoes could be complicated and time consuming.

Early societies faced these problems. The solution was **money**. Money is an item, or commodity, that is agreed to be accepted in trade. Over the years people have used a wide variety of items for money, such as seashells, beads, tea, fish hooks, fur, cattle and even tobacco.

COINS

Most early cultures traded precious metals. In 2500 BC the Egyptians produced metal rings for use as money. By 700 BC, a group of seafaring people called the Lydians became the first in the Western world to make coins. The Lydians used coins to expand their vast trading empire. The Greeks and Romans continued the coining tradition and passed it on to later Western civilizations. Coins were appealing since they were durable, easy to carry and contained valuable metals.

Lydian Coin (Western Turkey), 700-637 BC



Dracma, Thessaly (Eastern Greece), 400-344 BC



During the 18th century, coins became popular throughout Europe as trading increased. One of the most widely used coins was the Spanish 8-reale. It was often split into pieces or bits to make change. Half a coin was 4 bits, a quarter was 2 bits; a term still used today.

Coins containing precious metals are an example of **commodity money**. The item was traded because it held value. For example, the value of the coin depended upon the amount of gold and silver it contained.

PAPER CURRENCY

The Chinese were the first to use paper money, beginning in the T'ang Dynasty (618-907 AD). During the Ming Dynasty in 1300 AD, the Chinese placed the emperor's seal and signatures of the treasurers on a crude paper made from mulberry bark. (see picture to the right)



Representative money is tokens or pieces of paper that are not intrinsically valuable themselves, but can be exchanged for a specific commodity, such as gold or silver. In 1715 Maryland, North Carolina and Virginia issued a "tobacco note" which could be converted to a certain amount of tobacco. This type of money was easier to make large payments and carry than coins or tobacco leaves.



New York Note, 1776

In the late 1800s, the U.S. government issued gold and silver certificates (see picture to the right).

Silver Certificate 1886 (worth \$5 of silver)



Fiat money is similar to representative money except it can not be redeemed for a commodity, such as gold or silver. The Federal Reserve notes we use today are an example of fiat money. In 1967, Congress authorized the U.S. Treasury to stop redeeming silver certificates in silver dollars or bullion beginning the following year. By 1970, silver was removed from the production of coins. The old coins were gradually removed from circulation and replaced with new copper-cored coins that were faced or "clad" with layers of an alloy of 75 percent copper and 25 percent nickel—the same alloy used in nickels today.

\$10,000 Federal Reserve Note 1934 (no longer in print).
Portrait of Salmon Chase, Treasury Secretary 1861-1864



People are willing to accept fiat money in exchange for the goods and services they sell only because they are confident it will be honored when they buy goods and services. The Federal Reserve is responsible for maintaining the integrity of US currency by setting monetary policy - controlling the amount of money in circulation—to keep prices stable. If prices remain stable, people have confidence that the dollar they use to buy goods and services today will buy a similar amount in the future.

THE HISTORY OF MONEY WORKSHEET

	Total Points Earned
20	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Answer the following questions while reading through The History of Money article 5.0.29.E1.

1. Define bartering. (1 point)
2. Why is bartering not practical in today's society? (2 points)
3. In 2500 BC the Egyptians produced _____ for money. (1 point)
4. Which group of people was the first in the Western World to make coins? (1 point)
5. Why were coins appealing to Western civilizations? (1 point)
6. What was one of the most widely used coins during the 18th century? (1 point)
7. How was change made using the Spanish 8-reale? (2 points)
8. A common high school cheer is "Two bits, four bits, a dollar sixteen. All for ..." Where do the terms "two bits" and "four bits" come from? (2 points)

9. How is “commodity money” determined? (2 points)

10. Which nationality was the first to use paper money? (1 point)

11. Which type of tree did the Chinese use to make their paper money from? (1 point)

12. Define representative money. (1 point)

13. How much was the 1886 Silver Certificate worth? (1 point)

14. How is fiat money different than representative money? (2 points)

15. Who is responsible for maintaining the integrity of U.S. currency by setting monetary policy? (1 point)

ACTIVITY ANSWER KEY

The History of Money worksheet 5.0.29.A1:

1. The process of direct exchange of one good for another.
2. Bartering is not practical in today's society because the series of trades can become complicated and time consuming. Bartering is also difficult when an individual tries to obtain a good from a producer that does not want what you have.
3. metal rings
4. Lydians
5. Coins are durable and easy to carry. They also contain valuable metals.
6. Spanish 8-reale
7. It was split into pieces or bits to make change.
8. The process of splitting a Spanish 8-reale into pieces.
9. Coins containing precious metals that held value.
10. Chinese
11. mulberry tree
12. Representative money is tokens or pieces of paper that are not intrinsically valuable themselves, but can be exchanged for a specific commodity, such as gold or silver.
13. \$5 of silver
14. Fiat money can not be redeemed for a commodity, such as gold or silver.
15. The Federal Reserve