

Lesson Plan

The American Currency Exhibit

Overview:

This lesson introduces students to the historical structure, as well as the purposes and functions of the United States monetary system. Utilizing a “scavenger hunt” model, students will compare U.S. currency notes from specific eras in U.S. history.

Learning Objectives:

- Identify the key security features in newly designed \$10 note.
- Investigate the historical significance of the changes in US currency.
- Explore the U.S. economy and banking system before and after the passage of the Federal Reserve Act of 1913.

Time:

One 50 minute class period or one homework assignment.

Materials:

- Handout #1, one per student or have students complete the handout directly on the website.
- Access to the World Wide Web.

Directions:

1. Distribute Handout #1, one per student.
2. Direct students to <http://www.frbsf.org/currency/index.html>.
3. Instruct students to complete Handout #1 as they click through and read the “Tour Exhibit by Era” and the “Historical Context” sections.
4. Allow students 20-30 minutes to complete the handout and then discuss their responses. An answer key to Handout #1 is located at the end of the lesson.

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Student Handout #1

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1. Name two primary roles the First Bank of the United States performed until 1811.
2. Why did President Andrew Jackson veto the re-charter of the Second Bank of the United States? What ramification did this decision have on U.S. currency?
3. What were “shinplasters, shingles, stump tails, and red dogs”?
4. Why was financing the Civil War seen as a catalyst for the continuing evolution of U.S. Currency?
5. What caused the scarcity of coins during the Civil war?
6. Find the Spencer Clark bill. Why is this bill significant?
7. What law was signed into existence to solve the United States' money and credit problems after the Civil War? Was it successful in establishing more U.S. government control over the issuance of currency?
8. What caused the United States to increase its reserves of precious metals in the late nineteenth century?
9. Why was the Federal Reserve Act passed in 1913?
10. What was the purpose behind Allied Military Currency?

Bonus Question: (Visit www.moneyfactory.com for the answer)

Name the three security features on the new \$10 bill:

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Student Handout #1 Answer Key

The American Currency Exhibit

1. Name two primary roles the First Bank of the United States performed until 1811.

After the Constitution was adopted in 1789, Congress established the First Bank of the United States, giving it power to operate until 1811 and authorizing it to issue paper currency. The First Bank also served as the U.S. Treasury's fiscal agent.

2. Why did President Andrew Jackson veto the re-charter of the Second Bank of the United States? What ramification did this decision have on U.S. currency?

Both the First and Second Banks of the United States were unpopular with those wanting easy credit—primarily the western agrarian interests. President Jackson supported those interests and chose to veto the charter. This decision paved the way for the Free Banking Era, marking a quarter century in which American banking was a hodgepodge of state-chartered banks without federal regulation. Lax federal and state banking laws allowed almost anyone to issue currency.

3. What were “shinplasters, shingles, stump tails, and red dogs”?

All are nicknames for privately issued notes during the United States' Free Banking Era of currency circulation.

4. Why was financing the U.S. Civil War seen as a catalyst for the continuing evolution of U.S. Currency?

In 1861, the U.S. Treasury began printing currency, “Demand notes,” to fund the U.S. Civil War. This was the first time the U.S. Treasury printed currency since the Continentals were printed. The Demand notes were redeemable in coin on demand and were printed in \$5, \$10 and \$20 denominations.

5. What caused the scarcity of coins during the U.S. Civil War?

Widespread hoarding of coins and the need to divert metals toward the war effort created a shortage of coins during the U.S. Civil War. Paper tickets, stamps, and bills were frequent substitutes, but the scarcity was so great that Congress authorized the issuance of a temporary “fractional currency.”

6. Find the Spencer Clark bill. Why is this bill significant?

Spencer M. Clark was an employee of the Treasury Department during the 1860's. He placed his portrait on a five cent bill instead of the portrait of the American explorer, William Clark. This insubordinate act led to Congress passing legislation banning the placement of portraits of living people on U.S. paper money.

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7. What law was signed into existence to solve the United States' money and credit problems during the Civil War? Was it successful in establishing more U.S. government control over the issuance of currency?

In 1863, President Abraham Lincoln, urged by Treasury Secretary, Salmon Chase, signed the National Bank Act to help solve the nations' money problems. The Act established a national banking system and a uniform national currency to be issued by new "national" banks. The banks were required to purchase U.S. government securities as backing for their National Bank notes. In 1865, a 10-percent tax was levied against State Bank notes which essentially taxed those notes out of existence.

8. What caused the United States to increase its reserves of precious metals in the late nineteenth century?

The late 19th century was a tumultuous time for America. As the country moved from an agrarian-based economy into the industrial age, it needed currency to fuel economic growth. The U.S government found it necessary to increase its reserves of precious metals. The Treasury offered certificates in exchange for deposits of gold and silver.

9. Why was the Federal Reserve Act passed in 1913?

Although the National Banking Act of 1863 established a national currency and banking system, the country was still plagued by bank failures, panics, business bankruptcies, and economic contractions as it entered the 20th century. A particularly severe bank panic in 1907 fueled the reform movement to create the Federal Reserve System.

10. What was the purpose behind Allied Military Currency?

The major Allied powers issued Allied Military currency during and after World War II to newly liberated or defeated countries such as France and Italy. This special currency, denominated in the currency of the occupied country, was used by Allied troops and citizens after a successful takeover. Allied Military currency was legal tender only in the occupied country and was under direct control of the Commander in Chief of the military government.

Bonus Question: (Visit www.moneyfactory.com for the answer)

*Name the three security features on the new \$10 bill:

Security thread, Color-shifting ink, and the watermark.