From Trade to Plastic: The Evolution of Money in America

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Overview

To understand how to best take care of your money and finances, students should have a basic understanding of banking, savings, and loans. Recently there has been a push to educate students in America on the subject of finance, economics and banking at the elementary level. Since the recession of 2008, when banks and lending institutions went under, educating people on borrowing and savings has been identified as one way to ensure it does not happen again. Teaching students the history of currency and how trade affects our economy will create a foundation for the complex financial system that America shares with the world today. Teaching students to take care of their earnings, their savings, and the loans they may need someday will go a long way to assisting them in using their resources in an efficient and respectful way. This unit is designed for fourth and fifth grade students and can be modified for middle school students.

Rationale

Societies have been trading with each other for centuries. Beginning with foods and basic needs, people traded for goods that they or their village needed. It became a lot more complicated when people traded with foreign societies using ships and merchants to organize and finance trading agreements. In America, the Dutch, Swedes, English, French and Spanish, to name a few, ruled the colonies. Imagine how complicated trading with these countries would have been before the American Revolution. Students may be interested to know the history or evolution of trade and currency in America, not only trading with Europeans but also trading among themselves.

The financial world today is much more complex than at the time of the American Revolution or for that matter, since the Civil War. Our young country has gone through many changes including banking institution regulations, the creation of paper money, and gold and silver standards. Students today should receive lessons around banking, savings, and trading, including ways to get the most value out of the money they own. As our populations exponentially expand, the world resources available per person will decline – the haves vs. the have-nots will widen – and those who are educated in the money system will have a better chance of letting their money work for them.

For elementary students who do not have much experience with money unless their parents are providing them with opportunities to save, whether through their own bank accounts or through a "piggy bank", the idea of saving for a future goal is a concept that is best learned through discussion, modeling, and actual experience. Applying the understanding of savings and lending first in a way that allows the student to practice these concepts, i.e. through games, is an engaging way to get students thinking about how they can take care of their own earnings.

Objectives

- Students will be able to explore the history of money through early trading and bartering to our money system today in order to apply this understanding of money to their own savings and future goals.
- Students will be able to participate in a game where they are given "money" and make decisions about how to use their money in order to apply this knowledge to pay bills, use for entertainment, give to charity, put in savings, etc.
- Students will be able to explore the concept of bartering in order to analyze the system and see if it could work today – in communities, towns, cities, or countries.
- Students will be able to apply knowledge of banking in order to design their future financial plan.

Background Information

William Appleman Williams wrote that it became clear the expansion of the free marketplace had failed to bring freedom and prosperity to all Americans. Agricultural businessman in the 19th century, using the theory of Adam Smith, agreed that a free marketplace economy was essential to political and social freedom. Once Americans understood their marketplace orientation and their conception of the world, they understood that freedom and independence came when their economic problems were solved. Many men who feared that a strong national government would become powerful enough to restrict and control their activities supported a centralized system that would enable America to join the international marketplace. The drive to remain free and independent in the world became the drive to become a major player in the international marketplace. This in turn, became the drive behind the desire to possess more land, and some would say, to expand the American Empire.

Since before the time of the American Revolution, people have wanted freedom. Freedom to work where and how the want, live where they want, worship who they want, and raise their families in a healthy and prosperous way. The word sovereignty means to exist as an independent state or as used in the Bible, the absolute right to do all things according to one's own good pleasure. I use the word freedom and sovereignty interchangeably because to be free means to do things according to one's own good pleasure. Popular sovereignty is the idea that power is vested in the people and those that are chosen to govern. Americans, before the Civil War, used the term popular sovereignty to mean that people should be free from federal interference in determining domestic policy, especially with respect to slavery.

It was interesting to find the term sovereignty used in several ways. Joan Robinson (*Imperfect Competition*, 1933) used the term *consumer* sovereignty, which is the power of consumers to determine the products and services that are produced. Robinson called into question the conventional basis of consumer sovereignty doubting the validity of the whole supply and demand curve analysis, which is what our society has been based on. And then there is *economic* sovereignty, which means a country or government can make decisions independently of other nations or governments. Can an individual have economic sovereignty if they do not have the money, power, education, or skills necessary to do all things according to one's own pleasure? Understanding the connection between power and money as an individual in America today is important because the two are very much interconnected. What can an individual do to have economic sovereignty, the ability to make financial decisions independent of other people?

History of Trade

Bartering is the direct exchange of services and resources for mutual advantage. People using this system probably felt they had economic sovereignty in that they were able to make decisions about who and what to trade - with neighbors or communities - in exchange for what was needed. This system has been around since the beginning of time and continues today not only in third world countries, but also between nations. The value of bartering today is the simple idea that you are exchanging for a needed or desired resource, not for paper or a promise of future payment. The demand of trade throughout the world as populations grew exceeded the bartering system's ability to meets these demands. As money came into greater use, it offered considerable advantages over the barter system and gradually took over a larger role in trading between nations. The logical sequence of trade among communities as given by Glyn Davies is "barter, barter plus primitive money, then modern money almost exclusively." [i] The most common and obvious drawback of bartering is the absence of common standards of values. As the variety and enormity of goods were exchanged, the problems of accounting multiplied enormously so that in modern societies, the use of money became an easier way of trading with other countries. But do not think that trading and exchange is "easy" today because of the use of money. Davies wrote "in the Financial Times there are listed over 200 different national currencies." [ii]

Colonial America in the seventeenth century depended on bartering. Trading was done locally and when merchants shipped New England's products to the West Indies, sugar planters there paid for the goods with a letter of credit on their accounts in England. As trade became more complex in Boston, New York, and Philadelphia, where colonists gradually found a need for some form of currency. Coins were not minted in the Colonies, as they did not have permission from England to do so. The Spanish, who were mining a vast treasure of gold and silver in Central and South America, were minting huge quantities of coins.

In Colonial America, bartering between neighbors and friends was the norm. Colonists in each colony were responsible for developing their currency. Eventually, the colonies decided to use a form of paper currency to meet the needs of their merchants and businessmen. People who were not familiar with this form of currency had a difficult time using and trusting paper money. Counterfeiting was easy because printing was in its early stages. There were often misspellings and imperfect copies made. By the time of the Civil War, approximately one half of the notes in circulation were counterfeit. Forty years later, less than 1% was in circulation due to the Secret Service, who "assumed the task of safeguarding the currency by the end of the Civil War, and spent the next four decades systematically driving the counterfeiters out of business." [iii]

Pennsylvania had its fair share of counterfeiters. Penalties for counterfeiting were stiff because of the effect it had on the economy of the colonies. In Pennsylvania, there were at least seven known female counterfeiters. The severity of punishment depended on whether the money forged was colonial or British and the number of times you were caught. Kenneth Scott recounts one such story:

> "Ann Tew, a spinster, was found guilty at a court of quarter sessions held in Lancaster in 1765 of having altered a two shilling Pennsylvania bill to ten and then passed it to one Abraham Rinehart. Ann stood for an hour in the pillory, had both ears cut off and nailed to the pillory, was given thirty-one lashes, and was required to pay a fine of *L*100 and costs. So severe a punishment, it might be thought, would have taught her a lesson, but such as not the case, for exactly a year later she was charged with altering a one shilling bill to ten…. She received the same sentence as before, which makes one wonder how the executioner solved the problem of cutting off ears which he had already removed in 1766." [iv]

Before we turn to currency and the advantages of using currency, Niall Ferguson reminds us that throughout recent history, people and groups have spoken out against the "almighty dollar". Karl Marx and others felt that money "was merely an instrument of capitalist exploitation, replacing all human relationships, even within the family, with the callus 'cash nexus'."[v] Even into the late 1900s, communist communities were dreaming of a moneyless world, but no country has found a practical way to dispense with money. Indeed to go back to a life of bartering where everyone produces a good that can be used for trade is not practical or desirable in a world with so many people depending on others for their goods and services, especially in urban areas. To return to the life of "hunter-gatherer", we are reminded that this life was especially difficult and short. Societies that continue to live like this today are few and far between. They are more likely to engage in battle for land and confiscate "loot" then trading or as Ferguson said, "(H)unters and gatherers do not trade. They raid." [vi] As humans have evolved throughout the centuries, trading not raiding is a marker of a civilized society.

Currency

Currency is defined as money in actual use. Currency began as precious metals and in some cases stones, beads, and shells (wampum). The most precious metals, gold and silver, have been used by countries for years to pay for goods and services. By the 1700s, countries such as Great Britain used a gold standard to trade with other countries. How and where they got gold and silver from is a story in and of itself. For our purposes, standardizing the value of these metals is part of our American history because of the economic decisions that were made before (and after) the U.S. Constitution.

From the beginning, the colonies had to convert the value of coins when trading with European countries and when trading among the colonies. At that time, France, Spain, England were the main countries that had ties to the colonies. Indeed, Christopher Columbus came to the "New World expressly to search for and monetize precious metal." [vii] Gold was found in Peru by the Spaniards but not without a cost. Fighting for control and death among the miners, who worked in the silver mines at Cerro Rico, cost the Peruvians their lives and their culture.

The early English Colonists had to rely on the "mother country" for its currency. By law, they were not allowed to mint their own coins or print their own paper money. In the early years, colonists were drastically short of money. Their ability to create an economic presence in the known world was curtailed by a lack of currency. Immigrants arrived to America poor, usually fleeing from countries because they had no means of surviving due to wars and famines. Spending all they had to come to America, they arrived poor sometimes as indentured servants or slaves and bought few possessions with them. There were no known gold or silver mines in America and Britain exerted a strong and sustained pressure on the colonists draining away any bullion or specie (coins) away from what little they brought with them. The colonists resorted to other forms of money substitutes.

The main sources of currency, which the colonists used, fell into five groups. The first, essential to frontier trading with native people was furs and wampum. Wampum or wampumpeag, (peag meant "string of beads", wampum meant "white") are small shells made from the clam (Venus Mercenaria) that were found in estuaries in the northeastern parts of America and Canada. The shells are mostly white with a smaller deep purple rim. The scarcer black or "blue-black" wampum was precious and worth double the price of the white wampum. It was made legal tender in some of the thirteen colonies. "In 1637, Massachusetts declared white wampum legal tender at six beads a penny and black at three a penny…" [viii] In the 1760s, a wampum factory was opened in New Jersey by J. W. Campbell, "where an expert worker could produce up to 20 ft of wampum a day." [ix] Wampum continued to be used while the colonists sorted out their monetary systems. By the last quarter of the nineteenth century, modern coins replaced the use of wampum.

The New Jersey wampum factory remained in production for a hundred years, resorting to selling belts, bracelets and necklaces.

The second group used "Country Money" or natural commodities such as tobacco, rice, indigo, wheat, maize, etc., in much the same way was wampum. The third group used "unofficial" or foreign coinages mostly from Spain and Portuguese. These coins played an important role in trading locally and long distances. The fourth group used the scarce official British coinage including the golden guinea, the silver crown, shilling, copper pennies, halfpence, and farthings. Finally, the fifth and most important for future colonists was the use of their own paper money. Rates of exchange varied from colony to colony. In North Carolina alone there were as many as seventeen different forms of money in 1715. All in all, it is easy to see that the colonial monetary system "lacked any systematic cohesion." [x] The use of foreign coins as currency, not only in America but other European countries, lasted for hundreds of years. Gold was not found in America until 1848, so Colonists did not have access to this precious metal, and so they used silver as the standard for several decades, until 1913.

The Gold Standard

Great Britain adopted the gold standard in 1821. By 1871, other countries including France and Germany followed suit. Each country defined its monetary unit as a fixed quantity of gold and had to accept certain rules of behavior. "Gold could be coined freely, nongold types of money could be redeemed in gold and gold could be imported and exported without restriction." [xi] The central function of the gold standard is that it controls the creation of money in that the quantity of gold automatically determines the money stock of the country. "The money supply is tethered to the amount of gold." [xii] America's money supply was tied to the amount of gold that was held in its reserves. From 1879 to 1914, gold could be taken to American mints and exchanged for gold coin without limit and could be moved in and out of the country without restriction. Most of America's gold was outside the Treasury's vaults. It was held by the general public and the banks.

In 1900, the Currency Act or the Gold Standard Act, as it was referred to, was enacted. The two fundamental provisions of the act were: 1) The U.S. Dollar was defined as 23.22 grains of pure gold and declared to be the standard unit of value and 2) the secretary of the treasury was directed to set up a separate reserve in gold coin and bullion of $150 million for use in redeeming greenbacks and treasury notes of 1890.[xiii]

The Gold Standard Act of 1900 brought positive results such as the refunding of bonds, increase in National banks (increased to 340 in number), the increase in the issue of gold certificates, and the increase of silver certificates used for smaller denominations. The Act standardized the value of the dollar and coins in the United States and maintained a parity of value with this standard ("that the dollar consisting of twenty-five and eight-tenths grains of gold, nine-tenths fine…").[xiv] In the ensuing years, America prospered, and in 1901 alone, the supply of gold increased to $420,000,000 and bank notes increased by more than $120,000,00.

The desire to furnish sound money did not come without obstacles. Leading up to the Act of 1900, America vacillated between a gold system and a bimetallic system. There were many who throughout America's history believed that a bimetallic (gold and silver combined) standard was the most secure. But America was not just working alone to create a standard for sound money. They were working together with other countries throughout the world to create a standard that would be fair and equitable for all (or most) countries. Creating a bimetallic monetary system was a strain for many countries, some finding it impossible to maintain. Using a bimetallic system versus one metal (gold) would be easier or less restrictive to maintain.

In 1907, a series of Trust funds failed causing a banking panic that lasted for two years. Some 246 banks, not small country banks but the country's largest financial institutions, failed in the two-year period. A call was raised for an overhaul of the banking system. This led to federal reforms and in 1913, President Woodrow Wilson signed into law an act establishing the Federal Reserve System, 'its declared objects being to 'provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of re-discounting commercial paper, to establish a more effective supervision of banking…'"[xv] Before the Federal Reserve System could be completed, the outbreak of World War I in Europe caused a drain on U.S. securities and gold. It was the only time that emergency reserves set up by the Aldrich-Vreeland Act of 1908, had to be used, some $380 million in temporary notes were put into circulation.

Twentieth Century

The Gold Standard was in place throughout the first half of the twentieth century. After WWII, America's economy was able to make a swift recovery. The European economy was quite different as there was so much devastation. America played a big part in assisting countries through the Anglo-American Loan, which helped Europe in the 1950s and 1960s to share a long period of unprecedented growth with full employment. In 1944, 730 delegates from 44 countries met in Bretton Woods, New Hampshire, to plan the framework for the post-war system of international trade, payments, and investments.

The Bretton Woods Agreement envisaged an idealized post-war world of convertible currencies, fixed exchange rates, and free trade. Out of this agreement emerged the most comprehensive and successful group of financial institutions: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development. The two organizations began operating in 1947 and by 1951, fifty countries made contributions of $8.16 billion to the IMF, payable 25% in gold or dollars and the rest in their own currencies. As time went on, it was obvious that the funds were inadequate in reaching the six objectives of the Article of Agreement which were in general to promote international monetary cooperation, expand international trade, to promote exchange stability, to assist in the establishment of a multilateral system of payments, and to shorten the duration and lesson the degree of disequilibrium.

In the years following WWI, Germany and then Japan were able to borrow funds to assist them during a time of chronic trade deficits. By 1957, Japan had borrowed $250 million, and between 1953 and 1966, they borrowed another $850 million for modern highways, the bullet train and other basic industrial projects. The Fund had been helping economically advanced or backward countries and in an effort to stay viable, the members created "Special Drawing Rights" to "tide over countries with balances of payments deficits, and with which countries with surpluses could be credited rather than with gold."[xvi] The SDR serves as an emergency reserve in which members have the right to draw upon in addition to their normal, regular drawing rights, usually when the latter has been used up to their quota limits.

In 1971, President Nixon convened an emergency meeting of the ten major trading nations. As a result of this meeting, the IMF permitted a realignment of currencies with the official price of the dollar being raised from $35.00 to $38.00 representing a devaluation of around 10%. The price of gold was rising, devaluing the dollar. By 1973, the price of gold was raised to $42.22 devaluing the dollar again by 11%. It was at this time that major countries including America gave up trying to hold on to a fixed price for gold – and the end of the gold standard. There was more "currency" in the world than there was gold to back or cover it.

From Paper to Plastic

Bill Yang defines money as a "medium of exchange-the set of assets in an economy that people regularly exchange for good and services from others."[xvii] He made the distinction between money and one's assets versus checks and credit cards. Checks, credit as well as debit cards, are a means of payment. They are not in and of themselves an exchange of one's own assets for goods and services.

Credit cards were first introduced for general purposes in 1958. By 2001, 76.2% of U.S. households held at least one general-purpose credit card. Interestingly enough, there was a concern about the welfare of consumers. Would consumers be worse off using credit cards because of the high interest rates? Some behaviorists felt that consumers would pay close attention to the short-term features of credit cards (low introductory interest rates) and ignore the long-tern features, namely, high long-term interest rates.

The first credit card was actually a "charge" card. One day in 1949, Frank McNamara left his wallet at home. He came up with the idea of a charge card and started a company, which he named Diners Club. The company would issue cards to consumers and sign merchants to accept those cards. Members would pay an annual fee and promise to pay Diners Club for their charges. The merchants promised to accept all Diners Club cards and agreed to sell the right to collect these bills by cardholders at a discount to their face value. The Diners Club was somewhat successful; the downside was that they were not able to get enough merchants to sign on.

In 1958 Bank of America introduced the credit card. At first they were not profitable, but by the following year they had 25,000 merchants and nearly two million cardholders.

Once they started becoming profitable, other banks around the country followed suit. In 1975, the debit card was developed by a group of Visa executives. This new product had two features: for merchants, the new card would offer guarantee payments and for consumers the card would offer universal acceptance. When used, debit cards draw down consumers' checking account balances – it is not a line of credit. Consumers often chose this means of payment before credit cards so that they will not accrue large debts and, for some banks, so that they will not have annual fees.

Debit and credit cards have reduced the volume of checks used. But it is interesting to note that these cards have not reduced the demand for money except for in the case of small denominations and coins. In cases where consumers are purchasing small items such as those found in vending machines, tollbooths, and newspaper machines, debit cards are gaining in popularity. Gene Amromin and Sujit Chakravorti wrote, "cash transactions are more difficult to trace to the transactors because it can be used multiple times without third-party intervention. Consequently, cash will continue to be attractive for facilitating illicit transactions, as well as for storing ill-gotten (or, at least, untaxed) wealth." [xviii] It looks like at least paper money will be around for a long time.

Looking toward the future, one can only image the technology that will be created to save and use our wealth. Teaching students how to save, how to be good stewards of their money/assets, and how to make decisions about their money will help America continue to lead the way as a one of the world's wealthiest country.

Lesson Plans

This unit includes seven lessons and extension lessons. Most lessons will take 45 minutes and some lessons can be spilt in half and completed in two days. Lessons can be modified for fifth grade teachers teaching United States History.

1. Lesson One – Bartering.
Objective – Students will be able to describe market transactions in terms of goods, services, consumers and producers in order to play a bartering game.

A. Ask students what people used to trade before money was created. List answers on chart paper/Smart board. Introduce the term bartering and create a working definition.

B. Ask students what goods people might have bartered for. List answers on chart paper/Smart board. Goods should include any fruits or vegetables, chickens, pigs, cow's milk, furs, and produced goods such as clothes, kitchenware, blankets, baked goods, etc. Encourage students to think of other things to barter such as services – helping to harvest crops, working with animals, cleaning, etc.

C. Ask students what problems might arise from bartering different goods and services. Discuss how these problems could be solved – agreeing on amounts of goods to trade, time working in service, etc.

D. Create a bartering game. Create cards with the list of goods and services that students have brainstormed (and you have agreed to by adding to the list). Divide students into groups of four. Students can create the cards (minimum of 16) and agree in their group on the quantity of each item that is reasonable to trade. They will add a value to each item using simple numbers such as 1-for items needed to survive, 2-for items that are seasonal and need to be stored or used right away, 3- for "luxury items. Rules for the game include: each player receives two cards from the top of the deck, using one die, students will roll to see who goes first, players will place cards in front of them, face up. The first player will try to trade with one player. That player has the choice to trade or not. Going left, the next player will try to trade and again the other player has a choice to trade or not. Suggested ending -give players 10 minutes to trade. When time is up, players will add up the value of their cards, the player with the highest points wins.

E. Exit Slip – Ask students to respond: What problems did you find when bartering for goods and services? What are the advantages and disadvantages of bartering?

2. Lesson Two – Colonial Money
Objective: Students will be able to explain the function of money and its use in society in order to explore currency in the early colonies.

A. Show students paper "coins" issued in the 1700s in Pennsylvania using this website: http://www.coins.nd.edu/ColCurrency/CurrencyText/PA-01-01-56.html
Ask students what they are looking at, showing both plates-you may enlarge the pictures on the website. Ask students to describe the document and what they notice about it. (If they do not see Pennsylvania is spelled wrong-point this out.) Explain that before the American Revolution, England would not allow the colonies to mint coins. Using the website information, point out the currency shown was printed by Benjamin Franklin and David Hall of Philadelphia. Ask why he spelled Pennsylvania wrong – to prevent counterfeiting, he spelled the state differently on different currencies.

B. Ask students why it would be important for the colonies to print their own money. Reasons should include the disadvantages of bartering, need to trade between themselves, desire to be independent of England, etc.

C. Using half of 8 ½ " paper, ask students to design "money" that could be used in the school store. Ask students to think about the value of the school money and how they would design the money so that it would be difficult to copy.

D. Exit Slip – What was the advantages and disadvantages of the colonies not being allowed to mint their own money?

3. Lesson Three - Coins & Counterfeiting
Objective: Students will be able to explain the function of money and its use in society in order explore the impact of counterfeiting on the economic system.

A. Show the advertisement from "Counterfeiting in Colonial America" page 176 below. Read the advertisement:

> "Persons going into other Colonies may be supplied with any Number of counterfeit Congress Notes, for the Price of the paper per Ream. They are no neatly and exactly executed that there is no Risque in getting them off, it being almost impossible to discover, that they are not genuine. This has been proved by Bills to a very large Amount, which have already been successfully circulated." [xix]

Ask students to discuss what the advertisement is for and get reactions. Define counterfeiting and discuss whether it is still done today. (Yes! It is.)

B. Discuss the function of money. It is used in place of one's personal assets. What happens if you are given counterfeit money and try to use it? Tell the story of Ann Tew above. Discuss her punishment – too harsh or not harsh enough?

C. Ask students what the effect is of people using counterfeit money on your personal finances. (If you are given counterfeit money, how does that impact your life?) Share out answers – include the issue of trust. What would happen if we could not trust the money that we get in exchange for our services?

D. Exit Slip – How does counterfeiting money harm our country and us?

4. Lesson Four - Gold & Silver Standard
Objective: Students will be able to explain the function of money and its use in society in order to define currency as an asset.

A. Introduce the concept of money/currency as something someone owns and can trade for goods and services. Demonstrate how currency works. Trading money for goods means that the seller of goods can take the money to the bank for gold or silver and/or use it to buy what he needs. It is an exchange of assets or something one owns.

B. Illustrate the concept of the gold standard to demonstrate how paper currency was backed by gold and silver. Using the Smart board or projector, display a copy of U.S. paper money/gold certificate from 1928.
http://people.ku.edu/~kaf/pmoney/images/10gc28.jpg
Allow students to look at this document and discuss differences from paper money today. Explain that the U.S. Government held gold in reserves and the amount of money printed was determined by the value of the gold in reserve.

C. Define the value of the gold certificate in the early 1900s as 25.8 grains of gold. One ounce of gold equals 437.5 grains. A grain is defined as a unit of mass and based on the average mass of a seed of a cereal, barley, and wheat. Ask students to help you demonstrate this by using a jar and barley seeds. Drop 25.8 (round to 26) grains of barley and explain that after the Gold Act of 1900, you could take the gold certificate to the bank and receive 25.8 grains of gold in exchange.

D. Explain to students that today, our money is not backed by gold. In small groups, have students discuss why this happened. (Value of gold sky rocketed and U.S. prints money based on economic factors such as goods produced) One each group has shared out their thoughts, give the correct response.

E. Exit Slip - Have students complete a T-chart showing the pros and cons of devaluing the dollar.

5. Lessson Five - From paper to plastic
Objective: Students will be able to explain the function of money and its use in society in order to explore the use of credit and debit cards in place of coins and paper money.

A. Ask students to explain how credit cards work. Record answers including misconceptions. Explain the concept of credit cards – plastic cards that are issued by a bank or other business allowing the holder to purchase goods and services without using cash. This allows you to buy things that you may not currently have the money to buy. It is important to note that credit cards are not currency – you and not exchanging assets. You are exchanging a good or service for the promise of payments. The credit company pays the store for your purchase and bills you for the purchase. If you do not pay in full, you will pay interest on the portion not paid.

B. Ask students what the difference is between credit cards and debit cards. Define debit cards - plastic cards that look very similar to credit cards. The difference is that debit cards are linked to checking accounts or savings accounts. The money comes directly out of the account instead of being billed.

C. Distribute Venn diagram graphic organizer. Have student complete the diagram showing the similarities and differences of credit and debit cards. Share out observations. Difference – credit cards you get billed and pay later, debit cards the money is taken right out of an account. Similarities – plastic cards, have account numbers, issued by banks, use to buy goods and services.

D.   Post a master list in the classroom of times it is good or okay to use a credit card and one that shows times it is a bad idea to use a credit card.

E. Exit slip – ask students to write 3 important facts about using credit cards. Share out answers.

6. Lesson 6 – Developing a spending plan – divide into two parts
Objective: Students will be able to identify the costs and benefits of savings in order to prepare a personal spending plan.

Part One

A. Ask students to raise their hands if they receive an allowance each week. If the whole class does not raise their hand, ask a student to describe an allowance. Then, ask students to raise their hands if they save their allowance, and then who spends all of their allowance each week. Tally responses on chart paper or Smart board.

B. Create "spending cards". On each card, have students record the amount of their allowance for the week. Then list the following items: video games, movies, clothes, donations, toys, candy, and food. Create a blank space for students to add any additional categories. Have students assign percentages of their allowance they use for each item in a typical week. Ask for any reflections on their spending habits.

C. Start a spending diary. Create a chart such as that found in the website: www.practicalmoneyskills.com on allowances and spending plans. This chart allows students to record their daily expenditures, create common categories for the expenses, and reflect on their spending habits by adding up how much they spend in each category. Have students record their spending for one week.

Part Two

D. Ask students to discuss the results of their spending diary in small groups. Ask: Were there any surprises? Are there any changes that you would like to make? Using the spending diary worksheet, have students create a budget for one month. Create a chart such as that found in the website: www.practicalmoneyskills.com on allowances and spending plans. Have students record the expense categories they created from their diary and allocate the amount they want to budget for each item. Each week they can record how much money they spend in each category.

E. Exit slip – Ask students to write about how keeping track of their spending will help them develop good spending habits.

7. Lesson 7 – How can I become economically sovereign? - May be divided into two parts
Objective: Students will be able to identify the costs and benefits of savings in order to create a financial plan.

Part One

A. Ask students if they recognize the word sovereign. If not, define as the absolute right to do all things according to one's own good pleasure. Divide students in small groups and assign each group to look up a given type of sovereignty: popular sovereignty, consumer sovereignty, and economic sovereignty. This can be done using the Internet. Have groups share out answers. Ask students to reflect: can an individual have economic sovereignty? If so, how?

B. Ask students to think about ways they can use their money. Record their answers on chart paper or Smart board. Create an activity using scenarios that reflect choices that people make with their money. Using index cards, create situations like that found in www.practicalmoneyskills.com on money responsibility. Distribute blank index cards and ask students to create a situation or record an actual situation they had with money. Divide students into small groups and distribute three or four cards to each group. After reading each situation, ask students to discuss their opinions. Ask each group to share what situation caused the most disagreement.

C. Ask students to raise their hands if they have a savings account with a bank. Ask what the benefits are of using a savings account. Record answers on chart paper or Smart board. If no one has mentioned interest that the bank gives its customers, ask what interest is. If no one knows, explain that it is money you earn from the bank for letting it use your money.

Part Two

D. Create an activity sheet such as that found in the website: www.practicalmoneyskills.com for interest rates. Since rates are now so low, I would change the chart to 1%, 3%, and 5%. Students will complete the future value of $1.00. Discuss the value of saving money in a bank versus saving in a “piggy bank”.

D. Create a financial plan for the future. Ask students what should be included in a financial plan (earnings, expenses, etc). Describe and discuss each part. Ask students to think about a goal that they could work on next month. Brainstorm with students ideas such as a pair of jeans, electronic game, book, gift for family member, etc. Discuss what these items would cost (estimate for now-students can find out the cost at home). Introduce the Financial Plan worksheet (this can be found at the end of the unit) and model how it can be used as a guide to reaching a goal. Have students complete their own financial plan.

Extension Lessons

A. There are a few children’s books on money and ways to manage money. These stories can be read aloud at the beginning as a way of introducing the unit or at the end to provide another opportunity to discuss the benefits of taking care of money at an early age. Suggested books:

- Adler, David A. (2009). *Money Madness*, Holiday House, New York. This is a great book to use as an introduction to the unit. It begins with bartering and ends with money around the world.
- Harman, P.F.P., Hollis Page. (2004). *Money Sense for Kids!* Baron’s Educational Series, New York. This book gives great facts about the dollar bill, how to earn it, and about saving it.
- Drobot, Eve. (2004). *Money Money Money!* Publishers Group West, Berkeley, CA. This book is more in depth and includes the history of money, banking and credit and debit card use.

- Sylvester, Kevin and Hlinka, Michael. (2013). *Follow Your Money*. Annick Press Ltd., Buffalo, New York. This is a great book that shows students how much things cost and how much those things cost to make. It explains profits and loss, banking, and paying with credit cards.

B. *Monopoly** is a great game that will allow students to explore the concepts learned by the end of this unit. It is a somewhat sophisticated money game that was created years ago for eight year olds and up. The object of the game is to become the wealthiest player through buying, renting, and selling property. The original game has very detailed directions for the banker who has to keep track of the money, the Title Deeds to property, paying salaries and bonuses, selling properties, selling houses and hotels, lending money and receiving money from players. Players have to understand how to pay rent, which increases as houses and hotels are added to the property. They need to understand how to buy houses and hotels, pay mortgages, and sell their property when they need money. They have to declare "bankruptcy" when they no longer have enough money to pay their debts.

If you feel the original game is too difficult for your class, there is a *Monopoly Junior** version, which is easier for younger children. There are used games that can be purchased at places like Good Will for a fraction of the price of a new game so that you can purchase enough for small groups (2 to 6 players can play together on the original version.)
What is even more interesting and I think will be fascinating to students, is the new electronic version of Monopoly called *Monopoly Electronic Banking**. The game comes with an electronic banking machine and 6 bankcards (like debit cards!). Players can swipe their card to get paid, to pay rent, to find out how much money is in their account, etc. It works like a debit card, which will fit with the lessons in this unit. After playing the original version, students can compare the two versions of the game and learn how debit cards are used today. The electronic version is quicker because of this technology, which students should appreciate in their comparisons. They should be able to compare and contrast the two versions with specific differences and similarities using a graphic organizer such as a Venn diagram. This information can be used for a more formal writing piece where students write an opinion essay saying which version they like better and why.

**Monopoly* games are trademarks of Hasbro, copyright 1935, 2009 Hasbro, Pawtucket RI 02862, U.S. Trademark 01251.

Annotated Bibliography

Amromin, G., & Chakravorti, S. (2009). Journal of Money, Credit and Banking. *Whither Loose Change? The Diminishing Demand for Small-Denomination Currency, 41*(2/3), 315-335. Retrieved June 6, 2015, from www.jstor.org/stable/245483491

This article compares the demand for currency with the increase use of credit and debit card usage. Findings show that although the demand for currency has decreased somewhat, it has not decreased at the predicted level and rate.

Borzekowski, R., Kiser, E., & Ahmed, S. (2008). Journal of Money, Credit and Banking. *Consumers' Use of Debit Cards: Patterns, Preferences, and Price Response,* 149-172.

This article describes the current use of debit cards in the United States, how consumers substitute between debit and credit card usage, and examine the relationship between household financial conditions and payment choice.

Brown, T., & Plache, L. (2006). Paying with Plastic: Maybe Not so Crazy. *The University of Chicago Law Review, 73*(1), 63-86. Retrieved June 6, 2015, from www.jstor.org/stable/4495544

This article looks at the history of the credit cards, beginning with the "charge cards" of 1958 and ending with the current day use of credit and debit cards.

Davies, G. (2002). *A history of money from ancient times to the present day* (3rd ed.). Cardiff: University of Wales Press.

This work is a complete history of money beginning with bartering to the present day. It is filled with details and facts about world trade, coinage, paper money, standardization of species, and banking.

Degen, R. (1987). *The American monetary system: A concise survey of its evolution since 1896*. Lexington, Mass.: Lexington Books.

This work is a history of the United States Monetary System beginning with the birth of the Federal Reserve System to and including financial reforms in the 1980s.

Ferguson, N. (2008). *The ascent of money: A financial history of the world*. New York: Penguin Press.

This work is shows that tracing the financial history throughout time is the essential backstory behind all history. Beginning with trading between neighbors to trading among nations today, the author sheds light on the rise and fall of Western civilization.

Hepburn, A. (1903). *History of coinage and currency in the United States and the perennial contest for sound money,*. New York: Macmillan;.

This work traces the history of coinage and currency in America beginning in 1776 and ending in 1902. Each chapter focuses on isses surrounding currency including coinage, paper currency, silver standards, gold standards, the National Banking System, and the Reform Act of 1900.

Macesich, G. (1990). *Money and democracy*. New York: Praeger.

Can a democratic market system based on self-interest be entrusted to an unconstrained bureaucracy and political elite? The author looks at the economic problems facing democratic societies and how policies are made because of these issues.

Scott, K. (1957). *Counterfeiting in colonial America*. New York: Oxford University Press.

This work looks at early trade and currency. In Colonial America, paper money was printed in each colony and was easy to counterfeit due to primitive printing devices. It is filled with fascinating stories of counterfeiters both in America and in the British Isles and methods used to stop counterfeiting.

Williams, W. (1969). *The roots of the modern American empire; a study of the growth and shaping of social consciousness in a marketplace society.* New York: Random House.

This work looks at decisions made in early America and how the expansion of the free market society has shaped our Country and its place in the economic world today.

Zang, B. (2007). What is Not Money? Medium of Exchange is not equal to Means of Payment. *The American Economist*, 101-104.

This article provides a definition of money and distinguishes between a "medium of exchange" and "means of payment. A person's assets are what is exchanged for goods and services, how it is exchanged could be checks, debit and credit cards.

Teacher Websites

1. http://www.coins.nd.edu/ColCurrency/CurrencyText/PA-01-01-56.html

This website shows pictures of legal tender in Pennsylvania in 1700s along with currencies in other colonies.

2. http://people.ku.edu/~kaf/pmoney/images/10gc28.jpg

This website shows pictures of Gold Certificates – money printed that was backed by gold in the early 1900s.

3. www.practicalmoneyskills.com

This website has great lessons for all grades on managing money. It includes activities, worksheets and resources for the classroom.

Content Standards

1.2.4.L: Read and comprehend literary non-fiction and informational text on grade level, reading independently and proficiently.

1.4.4.R: Demonstrate a grade appropriate command of conventions of standard English grammar and spelling

2.1.5.B.1: Apply place value concepts to show an understanding of operations and rounding as they pertain to whole numbers and decimals.

Pennsylvania Economic Standards:
6.2.6.A. Describe market transactions in terms of goods, services, consumers and producers.

6.2.6.C. Explain the function of money and its use in society

6.5.6.G. Identify the costs and benefits of saving: Piggy banks, Savings Accounts, U.S. Savings Bonds

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[i] Davies, Glyn. *History of Money from Ancient Times to the Present Day,* Edition 3, 2010, University of Wales Press, http://www.jstor.org/stable/j.ctt9qhh79, page 11.
[ii] Ibid, page 16.
[iii] Scott, Kenneth. Counterfeiting in Colonial America, 1957, Oxford University Press, New York, NY, page xxii.
[iv] Scott, Kenneth. *Counterfeiting in Colonial America*, 1957, Oxford University Press, New York, NY, page 54.
[v] Ferguson, Niall. *The Ascent of Money,* 2008, Penguin Group, New York, NY, page 18.
[vi] Ibid, page 20.
[vii] Ibid, page 20.
[viii] Davies, Glyn. *History of Money from Ancient Times to the Present Day,* Edition 3, 2010, University of Wales Press, http://www.jstor.org/stable/j.ctt9qhh79, page 41.
[ix] Ibid, page 41.
[x] Ibid, page 459.
[xi] Degen, Robert A. *The American Monetary System: A Concise Survey of Its Evolution Since 1986*, 1987, D. C. Heath and Company, Lexington, MA, page 8.
[xii] Ibid, page 8.
[xiii] Ibid, page 6.
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[xvii] Yang, Bill Z. "What is (Not) Money? Medium of Exchange is not equal to Means of Payment. The American Economist, Vol. 51, No. 2. (Fall 2007), page 101
[xviii] Amromin, Gene and Sujit Chakravorti. "Whither Loose Change? The Diminishing Demand for Small-Denomination Currency", Journal of Money, Credit and Banking, Vol. 41, No. 2/3, March and April 2009, page 316.
[xix] Scott, Kenneth. *Counterfeiting in Colonial America*, 1957, Oxford University Press, New York, NY, page 254.

Name ______________________________ Date ____________________

My Monthly Financial Plan

1. This month's Goal: ______________________ Cost $____________
   (-think about one thing you would like to save up for)

2. My weekly allowance is: $_______________.

3. What do you spend your allowance on:
   1. ________________________ $________
   2. ________________________ $________
   3. ________________________ $________
   4. ________________________ $________
   5. ________________________ $________
   Total $________

4. How much should I save each week to reach my goal?
   $ ___________

5. How much could I save this month? $__________ x 4 =
$___________

6. Here's My Plan:

	Week 1	Week 2	Week 3	Week 4	Totals
My Allowance					$
Weekly Expenses					
My Savings					= $