

US/ VA History

Mr. Nah

Name _____

Date _____ Pd ____

The Economics of Bimetallism

During the late 19th Century, there was growing movement towards bimetallism in the United States. This means that both gold and silver would be accepted as money.

Your task is to get into the role-playing groups that you were in last class, (banker, immigrant-factory worker, farmer, etc.), and apply how you would feel about the following economic conditions.

Your role/ occupation _____

1. The Gold Standard is a system where every bank note issued is backed by gold only. Since gold is difficult to transport, the paper is “as good as gold”. Under this system you could go into any bank in the US and convert your paper money into gold. This is difficult because the supply of gold is not as significant as silver. Anyone who is in debt and is dependent upon the price of goods to sell their product would not like the gold standard because there is less money in circulation and people buy less stuff. However many who are already wealthy consider it is a more sound financial system because inflation only happens when a new gold mine is discovered.

Based on your role do you like the gold standard? Why or Why not?

2. Free silver is the idea of having silver accepted as currency in addition to gold. Silver was not as scarce a commodity as gold. In the mid to late 1800's there were several discoveries of silver mines throughout the United States that added to the nation's silver supply and made it more available. With bimetallism, or free silver, more people would use the silver because it was more available even though the government made it 1/16 of the value. This influx of silver into the money supply would bring about inflation and a sharp rise in prices.

Based on your role would you like the introduction of free silver? Why or why not?

3. Inflation is the devaluation of money over time as more money is being added to the money supply. At one extreme it's bad if it happens too quickly because you may need a wheelbarrow full of money to buy a loaf of bread. At the other extreme it's bad if there is no inflation at all because then there isn't any money being added to the money supply. In that scenario there isn't enough money for all the people and no one is buying anything.

Based on your role would like to see inflation go up? Why or why not?

4. Based on your role would you like to see the price of goods go up? Why or why not?
5. Based on your role are you more likely to be investing your money or spending your money? Why? What possible implications could bimetallism have on your decision?