

# The Free Silver Movement and Inflation

---

## Lesson Author

Scott Wolla, Federal Reserve Bank of St. Louis

---

## Standards and Benchmarks (see page 28)

---

## Lesson Description

Students learn that money is a medium of exchange that facilitates economic activity. Next, students learn the relationship between the money supply and inflation by participating in an inflation auction using gold and silver notes to better understand the historic debate of the Free Silver Movement. Students then read William Jennings Bryan's "Cross of Gold" speech to relate the historical context. The students use historical data to calculate income, fixed expenses, and variable expenses of a farmer to further understand the historical argument presented by the Free Silver Movement. Finally, students analyze two political cartoons against the Free Silver Movement.

---

## Grade Level

7-10

---

## Economic Concepts

Barter	Inflation
Deflation	Medium of exchange
Fiat money	Variable expenses
Fixed expenses	
Free Silver Movement (late nineteenth century)	

---

## Objectives

Students will

- define inflation and deflation,
  - define money as anything widely accepted as final payment for goods and services,
  - describe the relationship between the money supply and inflation,
-

- describe the relationship between the money supply and deflation,
  - explain how inflation and deflation affect the ability of debtors to pay debts, and
  - analyze political cartoons from the historical period to identify the opinion of the cartoonist.
- 

## Time Required

90 minutes

---

## Materials

- Visuals 1-6
  - *Handout 1: Gold Notes*, copied and cut so each student receives several (3-5) notes
  - *Handout 2: Silver Notes*, copied and cut so each student receives several (6-10) notes
  - *Handout 3: Key Events*, one copy for each student
  - *Handout 4: Cross of Gold Speech*, one copy for each student
  - *Handout 4: Cross of Gold Speech—Teacher Answer Key*
  - *Handout 5: Assessment*, one copy for each student
  - Five signs on large sheets of paper or cardstock with one of the following written on each: Inflation, Deflation, Gold Notes, Silver Notes, and Greenbacks. Optional: Attach each to a paint stick.
  - Two sets of three identical items for two auctions. These items should be ones of interest to students, for example, a candy bar, homework pass, and hall pass.
  - Masking tape: Use to mark a box on the classroom floor large enough for two students to stand inside.
- 

## Procedure

1. Ask the students:
  - What is money? (*Answers will vary. Students will likely recognize that money is what you use to buy goods and services.*)
  - How are dollar bills useful? Can you use them to do your homework? Can you use them to bake chocolate chip cookies? (*Dollar bills are useful for buying goods and services, but not useful for other activities.*)
  - Dollar bills would allow you to buy tools that you need to complete your homework—calculator, pencil, paper, book, computer. But you can't use actual dollars to do your homework. Likewise, you can use dollar bills to buy flour, sugar,

- chocolate chips, and so on. But, dollars themselves can't be used to produce cookies.
- Why are you willing to accept money as payment for work that you do or as payment for something you sell? (*People accept money because it can then be used to buy goods and services from other people.*)
2. Distribute "funny money" (from *Handout 1: Gold Notes*) to the students in random amounts. Ask the students if they would work in exchange for this money. Why or why not? (*Answers will vary. Students will likely recognize that no one will accept this money for goods and services; therefore, it is worthless.*)
  3. Tell the students to imagine that for every funny money dollar in circulation there is a U.S. dollar in a vault at a local bank; they and anyone else could exchange funny money for U.S. dollars at any time. Ask them whether they would change their willingness to accept funny money in exchange for work if this were true. (*Answers will vary. Students will likely recognize that people would be more likely to accept the funny money if it represented valuable assets.*)
  4. Ask the students if U.S. dollars represent something valuable held in a vault somewhere. In other words, can people take U.S. dollars to a bank and trade them for something else of value? (*Answers will vary. Some students might incorrectly think that dollars are backed by gold in a vault.*)
  5. Tell the students that U.S. dollars are **fiat money**, which means money that is not backed by a commodity like gold or silver or any other asset. People cannot go to a bank and exchange U.S. dollars for a certain amount of gold or silver. Display *Visual 1: Lesson Vocabulary* and read the definition of fiat money (a substance or device used as money, having no intrinsic value [no value of its own] or representational value [does not represent anything of value, such as gold]).
  6. Ask the students the following questions about why they and family members value U.S. dollars.
    - Why are you happy when you get U.S. dollars in a birthday card? (*U.S. dollars can buy goods and services.*)
    - Why are your parents willing to work to receive U.S. dollars? (*Answers will vary but will likely include that parents work for money so that they can buy goods and services.*)
  7. Ask the students why businesses accept U.S. dollars in exchange for other goods or services. (*Businesses accept U.S. dollars so they can pay employees and buy other goods and services.*)

8. Tell the students that U.S. dollars were once backed by gold or silver, but this is no longer the case. Many people believed that money that was backed by gold or some valuable commodity would hold its value better. Tell the students that money is helpful to an economy because it makes it easier to make economic exchanges—to pay workers, buy goods and services, and so on. This function of money is called **medium of exchange**.
9. Read the definition of medium of exchange from Visual 1 (anything that is generally accepted in exchange for goods and services). Tell the students that because money is a medium of exchange, it is generally accepted in exchange for goods and services. Before the invention of money people used **barter** to exchange goods and services. Read the definition of barter from Visual 1 (trading goods and services for other goods and services without using money). So, instead of trading or bartering for goods and services, people are paid for the work they do with money and use that money to buy goods and services from a variety of sellers.
10. Ask the students to imagine a barter economy where Bill is skilled at mowing lawns and needs a new backpack for school. Because there is no money in this economy, Bill must barter to get a backpack. Discuss the following:
  - How would Bill barter for a backpack? (*Bill would have to find someone who was willing to trade a backpack for a mowed lawn.*)
  - Would bartering for a backpack likely be an easy or difficult task for Bill? Why? (*It would likely be difficult because backpack sellers might not need their lawns mowed, might mow their own lawns, have a lawn mowing service already, or might not even have a lawn.*)
  - How would money make this transaction easier? (*Because many people are willing to pay for lawn mowing services, Bill could mow lawns in exchange for money. Bill could then take the money to a store and buy a backpack.*)
11. Explain that money facilitates economic activity, but too much money can cause problems. Discuss the following:
  - How would your spending likely change if you had more money? (*People with more money would likely spend more money.*)
  - In general, is spending good for the economy? (*Yes, more spending can lead to more production of goods and services. More production can lead to more jobs and income for people. This chain of events results in economic growth.*)
  - If more money results in more spending, and more spending can cause economic growth, why shouldn't the government continuously add money to the economy? (*Answers will vary.*)
12. Tell the students they will participate in an activity designed to help them understand the role of money in the economy. Explain that you will conduct an auction for which

the students may use the funny money they received. Note that the funny money says “Gold Note”; this means that every funny money dollar is worth a dollar in gold held in a vault. Explain that you will auction three items. These items represent the total output of goods and services produced in the classroom economy. Show the students the auction items. (Items should be ones students value such as candy, homework passes, or hall passes.) Tell the students that they cannot combine their funny money with any other student’s funny money. Conduct the auction in the following order:

- Sell each item to the highest bidder. Collect the funny money from students as part of the transaction.
- After you have sold all three items, use *Visual 2: Auction Results* to record the price of each item sold and calculate the total.
- Explain that leaders of the classroom economy have decided to add money to the classroom money supply. This money will be backed by silver instead of gold, but the money will have the same value as the money backed by gold: One silver note is worth a dollar of silver held in a vault.
- Distribute in random amounts approximately double the number of silver notes (Handout 2) as the gold notes you distributed earlier. Remind students that the “new” money is equal in value to the old money. Tell students you will conduct a second auction. The auction items will be identical to the items auctioned in Round 1. Tell students that if they have gold notes remaining they can use them in Round 2.
- Conduct the auction as before. Prices should be considerably higher in Round 2. If they are not, encourage more bidding by reminding students that this is the final auction. After you have sold all items, display Visual 2 again and complete the Round 2 column in the chart.

13. Ask the students the following questions:

- What happened to prices in Round 2 compared with those in Round 1? (*Prices were higher in Round 2.*)
- Were the goods in the auctions different in any way? (*No, they were exactly the same.*)
- Were there any more items available for people to buy in Round 2 than in Round 1? (*No, the number of items was the same in both auctions.*)
- Why were prices higher in Round 2? (*People had more money in Round 2 so they were able to bid higher amounts for the same item than in Round 1. The number of items available remained the same but there was more total money to spend in Round 2. The only thing that changed was the amount of money used and the prices that resulted.*)
- How would you summarize the relationship between the money supply and prices? (*The supply of money and the prices of goods and services are related.*)

*If the same amount of goods and services are available and the amount of money increases, prices will increase.)*

14. Display Visual 1 and read the definition of **inflation** (a general, sustained upward movement of prices for goods and services in an economy). Tell the students that inflation is a measure of the average level of prices in the economy, not the individual prices of a few goods. For example, while the prices of gasoline and movie tickets might increase, the prices of computers and baseball tickets might decrease. The inflation measurement is an average much like class grades on a spelling test. If the average grade on a spelling test is a “C,” it does not mean that all students earned a “C.” Remind students there were no more goods and services available in Round 2 than in Round 1, but people had more money so they were willing to pay higher prices to buy the goods. They bid up the price level of the goods—this is inflation. Economists sometimes describe inflation as “too much money chasing too few goods.”
15. Refer again to Visual 1 and read the definition of **deflation** (a general, sustained downward movement of prices for goods and services in an economy). Tell the students that deflation is a measure of the average level of prices in the economy, not individual prices of a few goods. Ask the students what would happen to prices if you removed the silver notes and half of the gold notes from circulation and conducted another auction. (*The average level of prices would likely decline.*) Explain that this would be an example of deflation.
16. Ask for four volunteers to play an active role in the discussion of historical events. Give one volunteer the “Inflation” and “Deflation” signs. Give remaining volunteers the currency signs: “Gold Notes,” “Silver Notes,” and “Greenbacks.” Explain that as you read a timeline of historical events, the students will learn about which currencies were used—or that people wanted to be used in the economy—and determine whether inflation or deflation did or could have occurred.
17. Explain that the masking-tape box (put down earlier) on the floor in the front of the classroom represents the economy. Tell the students holding the currency signs that they will enter and exit the economy—the box—as the events dictate. Ask the student holding the “Gold Notes” sign to stand in the box for the entire activity and to raise and lower the sign to show an increase or decrease in the gold-backed money supply. Ask the student with the “Inflation” and “Deflation” signs to stand in front to the right of the economy box and hold up the sign appropriate to the event—either inflation or deflation—and raise or lower the given sign as the events dictate to indicate higher or lower inflation or deflation. Instruct the class to participate by deciding which currencies should enter and exit the scenario and whether the change will likely lead to inflation or deflation. Distribute *Handout 3: Key Events* to students and ask them to follow along. (Visual 3 and Handout 3 include identical text and are an abbreviated version of the notes in steps 16 and 17.) Read the following events in American history and ask and discuss the questions after each:

The California Gold Rush of 1849 added to the gold supplies of the country. Because precious metals were at the base of the monetary system, more gold meant more money; the Gold Rush added to the money supply and caused inflation.

- Which currencies are in the economy? Is there inflation or deflation? (*The Gold Notes sign should be raised to show an increase in the money supply. When the money supply increases at a faster rate than the production of goods and services, inflation results. The Inflation sign should be held and raised just a bit.*)

Lincoln financed the Civil War (1860-1865) with greenbacks, money that was not backed by gold—it was fiat money. The dramatic increase in the money supply caused inflation.

- Which currencies are in the economy? Is there inflation or deflation? (*The Gold Notes sign should remain in its current position. The Greenbacks sign should enter the box. The Inflation sign should be raised a bit higher.*)

After the Civil War, leaders attempted to withdraw the greenbacks until each dollar had 100 percent backing in precious metals. The decrease in the money supply led to deflation and economic depression. In addition, the decades following the Civil War saw a shortage of gold, which further reduced the money supply, adding to deflation.

- Which currencies are in the economy? Is there inflation or deflation? (*The Gold Notes sign should be lowered. The Greenbacks sign should leave the box. The Inflation sign should be put down and the Deflation sign displayed.*)

Further deflation led to the Long Depression—the Depression of 1873-1879—which was the longest economic depression in U.S. history, lasting 65 months.

- Which currencies are in the economy? Is there inflation or deflation? (*The Gold Notes sign should be lowered again. The Deflation sign should be raised higher.*)

Farmers were having financial difficulty because the money they received for their crops was decreasing but their farm debts remained fixed, which means that because of deflation, running their farms became more expensive over time.

The Free Silver Movement was a political movement that proposed returning to “bimetallism”: Those in the movement wanted money backed by silver to be added to the money supply, which was backed by gold. Adding to the money supply would have ended the deflation and created the possibility of inflation.

- Which currencies would have been in the economy if the Free Silver Movement had succeeded? Would inflation or deflation have likely resulted? (*The Gold Notes sign should remain in the box. The Silver Notes sign should enter the box. The*

*Inflation sign should be displayed.*) After the students show this possibility, have them return to their previous positions.

The Democratic Party chose William Jennings Bryan, a supporter of “bimetallism,” as its candidate for president in the election of 1896. The Republicans wanted to protect the gold standard and chose William McKinley as their candidate. The “bimetallism” debate became a central issue in the campaign.

- Let’s summarize by having our participants act out the answers. What is bimetallism? (*Gold and silver should stand together.*)
  - What would have happened to the price level as a result of bimetallism? (*The Inflation sign should be raised, indicating a higher inflation rate.*)
18. Thank the students who participated and have them take their seats. Explain that a policy that resulted in inflation would benefit borrowers because borrowers would be able to pay back loans using money worth less than the money they had borrowed. Such a policy would hurt lenders—banks—because banks would receive payments with money worth less than the money they had lent out. Continue with the historical events.

In 1896 William Jennings Bryan made a very famous speech in which he argued that a strict gold standard was hurting working people—especially farmers.

William Jennings Bryan lost the election of 1896, and gold discoveries in the 1890s generated a gradual inflation. A surge in gold production at the end of the nineteenth century reversed the deflationary trend, which helped indebted farmers and ended the call for a bimetallic money standard.

The United States had a number of policy changes during the Great Depression that led to the weakening of and later break from the gold standard. The United States broke all monetary ties to gold, even for international trade, in 1973.

19. Tell the students that the speech William Jennings Bryan made during the election of 1896 has become one of the most famous speeches in American History. Distribute copies of *Handout 4: Cross of Gold Speech* and have students read the given sections of the speech and answer the questions based on the content. Use the *Handout 4: Cross of Gold Speech—Teacher Answer Key* to review the students’ answers.
20. Ask the students the following questions:
- What happens when the money supply increases? (*As the money supply increases, economic activity likely increases and the price level likely increases. Inflation results when the money supply increases faster than production of goods and services.*)



- What happens when the money supply decreases? (*As the money supply decreases, economic activity and the price level likely decrease. Deflation results when the money supply decreases faster than the production of goods and services.*)
  - If you own a business and inflation means that you raise the prices of goods, what happens to the amount of money you earn from selling those goods? (*The amount of money you earn will go up.*)
  - During inflation, what likely happens to the cost of producing your goods? (*It is likely that the cost of producing your goods also increases.*)
  - If you own a business and deflation means that you decrease the prices of the goods you sell, what likely happens to the amount of money you earn from selling those goods? (*The amount of money you earn will go down.*)
  - During deflation, what likely happens to the cost of producing your goods? (*It is likely that the cost of producing your goods also decreases.*)
21. Explain to students that one type of payment that does not change with rising or falling prices is loan payments, because they are usually set at the time of the loan, with a fixed payment for a fixed amount of time. These loans are **fixed expenses**. Read the definition of fixed expenses from Visual 1 (expenditures that remain the same from week to week or month to month, such as a mortgage, rent, or car payment). For example, the terms of a modern home loan—a mortgage—might specify that \$1,000 is due on the first day of every month for the next 30 years. This payment would stay the same regardless of what happens to other prices in the economy.
22. Tell the students that unlike today, in the 1800s farm workers made up a large part of the population and the economy. For example, in 1860, farm workers comprised 53 percent of the labor force; by 1890 that number dropped to 43 percent. By comparison, today farm workers comprise about 2 percent of the labor force.
23. Farmers depend on loans to buy land and equipment. They pay off the land and equipment over time. Because these loans often have a fixed interest rate, the payment is the same every month for the life of the loan. Again, this is called a fixed expense. Tell the students that farmers, like all businesses, also have **variable expenses**. Read the definition of variable expenses from Visual 1 (expenditures that can vary from week to week or month to month, for example, for food, clothing, recreation, or entertainment). Ask the students for examples of variable expenses a farmer might have. (*Answers will vary but may include seed, feed for animals, equipment, or supplies.*)
24. Display *Visual 3: Inflation and Deflation*. Refer to Table 1 and ask students the following questions:
- At Date 1, this farmer’s income is \$800. How does a farmer generate income? (*A farmer generates income from growing crops or raising animals and then selling them.*)

- What happens to the income of a farmer who produces grain if the price of grain rises or falls? (*The farmer's income will rise or fall.*)
- In the example, at Date 1 the farmer's variable expenses total \$350. What will happen to the farmer's variable expenses during periods of inflation or deflation? (*During inflation, the farmer's variable expenses will increase; during deflation they will decrease.*) Explain that the farmer's expenses won't necessarily change at the same inflation/deflation rate because the inflation/deflation rate is the average of many goods and services. Again, if the average grade on a spelling test is a "C," it does not mean that all students earned a "C."
- This farmer's fixed expenses (debt repayment) are \$450. Will a farmer's fixed expenses also rise or fall during periods of inflation or deflation? (*No, fixed expenses do not change during inflation or deflation.*)
- In Table 1, after paying his expenses, how much money does the farmer have left? (*\$0*)

Visual 3: Table 1—Teacher Answer Key

	Date 1	Date 2 Deflation 10%	Date 3 Inflation 20%
Income from crop	\$800	<b>\$720</b>	<b>\$864</b>
Variable expenses	\$350	<b>\$315</b>	<b>\$378</b>
Fixed expenses (debt repayment)	\$450	\$450	\$450
Net income	<b>\$0</b>	<b>-\$45</b>	<b>\$36</b>

25. Ask the students to assume a 10 percent deflation rate and that the farmer's income and expenses are affected at this same rate. Based on the information in column 1, calculate his income and expenses for Date 2: (Answers are noted in the table above.)
- With a 10 percent deflation rate, what does the farmer's income fall to? (*\$720*)
  - If the farmer's variable expenses also fall 10 percent due to 10 percent deflation, what will his variable expenses be? (*\$315*)
  - What will happen to the farmer's fixed expenses due to the 10 percent deflation? (*The fixed expenses will not change.*)
  - After paying his expenses, how much money does the farmer have left? (*-\$45*)

26. Ask the students to now assume a 20 percent inflation rate and that the farmer's income and expenses are affected at this same rate. Based on the information in column 2, calculate his income and expenses for Date 3:
- With a 20 percent inflation rate, what does the farmer's income rise to? (\$864)
  - If the farmer's variable expenses also rise 20 percent due to 20 percent inflation, what will his variable expenses be? (\$378)
  - What will happen to the farmer's fixed expenses due to the 20 percent inflation? (*Because these are fixed, they will not change.*)
  - After paying his expenses, how much money does the farmer have left? (\$36)
  - What conclusions can you draw about how inflation and deflation affect the farmer? (*The farmer will benefit during times of inflation, but will suffer during times of deflation.*)
  - Besides farmers, who might have benefited financially from inflation? Who might have been hurt financially by inflation? (*The same principle holds true regardless of occupation or time period: Those who have taken debt with a fixed interest rate for a long period will benefit from unexpected inflation because they are able to pay their debts with money that has lost value due to inflation. Those who lose are those who have lent money at a fixed rate for a long period because the money they receive as repayment has lost purchasing power.*)
27. Refer students to Table 2 on Visual 3. Tell students that this table includes historical data regarding the price of wheat. Ask student to use the information provided in the table to complete the calculations to show the change in income based on crop prices in various years. (Answers are noted in the table below.)

Visual 3: Table 2—Teacher Answer Key

	Price per bushel		Bushels harvested		Total income from wheat crop
Year 1: 1866	\$2.06	x	2,000	=	<b>\$4,120</b>
Year 2: 1894	\$0.49	x	2,000	=	<b>\$980</b>
Year 3: 1904	\$0.93	x	2,000	=	<b>\$1,860</b>

Ask the students:

- What caused the dramatic changes in income? (*Increases and decreases in the crop prices caused the changes in income.*)
- Based on our prior discussion, what problems might the grain farmers have experienced when crop prices decreased in Year 2? (*Because their fixed payments*

*did not change, they might not have been able to pay their expenses with the lower income.)*

- If farmers cannot pay their bills, what might happen? (*The farmers might lose their farms.*)
  - What kind of policy might help these farmers? (*A policy that causes inflation would make it easier for farmers to pay their bills, especially their fixed expenses such as loans.*) Explain that the Free Silver Movement was a policy idea designed to do exactly that—it proposed using inflation as a strategy to make it easier for farmers to pay back their farm loans.
28. Explain that Table 3 on Visual 3 calculates income for an average farmer in the given years based on the prices from Table 2. The change in variable expenses is estimated based on historical records of changes in the price level. Fixed expenses for debt repayment remain the same. Ask the students if farmers faced with these types of fixed payments were likely able to pay their bills in 1894. (*Probably not. While their income and variable payments decreased dramatically, fixed payments stayed the same.*)

**Visual 3: Table 3—Teacher Answer Key**

	<b>1866</b>	<b>1894</b>
Income from wheat crop	\$4,120	\$980
Variable expenses	\$2,000	\$1,079
Fixed expenses (debt repayment)	\$2,000	\$2,000
Net income	\$120	−\$2,099

29. Explain to the students that political cartoons are often used to provide political or social commentary. They use humor, symbolism, and satire to communicate their message. Political cartoons often exaggerate or distort the issue to make a point. They are not meant to be neutral; instead, they are used to communicate the cartoonist's opinion of a political issue.
30. Display *Visual 4: Political Cartoon 1*. Tell the students that this political cartoon from 1895 is helpful for understanding the political debate over adding silver to the money supply. The text size may be difficult to read, so tell the students that a flag above the tent says "Silver Convention." The caption at the bottom of the cartoon says "It's fun for them, but death to the party! The Democrats have started their Free-Silver Campaign." Ask the students:

- What does the man on the donkey represent? (*The Democratic Party. The donkey is the symbol of the Democratic Party.*)
  - What is rolling toward the man? (*A silver coin.*)
  - What is happening in the political cartoon? (*A group of people at the Silver Convention have rolled a huge silver coin, which might crush the man on the donkey, which represents the Democratic Party.*)
  - What is the opinion of the political cartoonist? (*The cartoonist feels that the Free Silver Movement is destructive to the Democratic Party.*)
31. Display *Visual 5: Political Cartoon 2*. Tell the students that this political cartoon is from 1896. The text size may be difficult to read, so tell the students that the devil character has a nameplate that says “Bryan” and the farmer’s sash is labeled “American Farmer.” The document at the farmer’s feet says, “Tremendous majorities in the farming districts of the New England states for Sound Money. September 1896.” The devil is motioning with his hand to the cities, rivers, and hills of silver below. Ask the students:
- This cartoon was published in 1896. Do you remember the significance of that year to the Free Silver Movement? (1896 was a presidential election year. The Democratic candidate was William Jennings Bryan, who supported bimetallism; William McKinley, the Republican candidate, supported a strong gold standard, or “sound money.”)
  - How is the farmer portrayed by the cartoonist? (*The farmer is shown as strong, brave, and noble, trying to resist the temptation of the devil.*)
  - How is William Jennings Bryan portrayed? (*Bryan is shown as the devil, tempting American farmers to fall for the Free Silver message.*)
  - What is the opinion of the political cartoonist? (*The cartoonist feels that William Jennings Bryan is leading American farmers astray—toward bimetallism, which would cause farmers to give up their noble support of sound money.*)
  - How are the two political cartoons (Visuals 5 and 6) similar? (*Both cartoons are against the Free Silver Movement.*)

---

## Closure

32. Review the important content of this lesson by asking the following questions:
- How is buying goods and services with money a more efficient method than barter? (*Barter involves finding someone willing and able to trade the goods or services you want for the goods or services you offer. Money allows a person to provide goods and services to those who want to buy them with money. The seller can then take that money and buy other goods and services—an ongoing cycle.*)

- What is a medium of exchange? (*A medium of exchange is a characteristic of money. A medium of exchange is anything that is generally accepted in exchange for goods and services.*)
- What is fiat money? (*Fiat money is a substance or device used as money, having no intrinsic value [no value of its own] or representational value [does not represent anything of value, such as gold].*)
- What is inflation? (*Inflation is a general, sustained upward movement of prices for goods and services in an economy.*)
- What is deflation? (*Deflation is a general, sustained downward movement of prices for goods and services in an economy.*)
- What is the relationship between the money supply and inflation? (*Inflation is caused when the money supply increases at a faster rate than the output of goods and services.*)
- What is the relationship between the money supply and deflation? (*Deflation is caused when the money supply increases at a slower rate than the output of goods and services.*)
- During periods of high inflation, who benefits and who loses? (*Those who have taken debt with a fixed interest rate for a long period benefit from high inflation because they are able to pay their debts with money that has lost purchasing power due to inflation. Those who lose are those who have lent money at a fixed rate for a long period because the money they receive as repayment has lost purchasing power due to inflation.*)
- What was the goal of the Free Silver Movement? (*The goal of the Free Silver Movement was to add money backed by silver to the money supply. The addition to the money supply would have created inflation and helped the working class.*)
- What was the result of the election of 1896? (*William Jennings Bryan lost the election to William McKinley, who favored a strong gold standard.*)
- What happened to the money supply after the election of 1896? (*A surge in gold production at the end of the nineteenth century reversed the deflationary trend, which helped indebted farmers and ended the call for a bimetallic money standard.*)

---

## Assessment

33. Distribute a copy of *Handout 5: Assessment* to each student. Read the directions to the students and encourage them to be creative. Remind students that political cartoons are often used to provide political or social commentary: They use humor, symbolism, and satire to communicate their message. Political cartoons often exaggerate or distort the issue to make a point. They are not meant to be neutral; instead, they are used to communicate the cartoonist's opinion of a political issue. Allow time for students to complete the assessment.

**Visual 1: Lesson Vocabulary**

**Barter**—Trading goods and services for other goods and services without using money.

**Deflation**—A general, sustained downward movement of prices for goods and services in an economy.

**Fiat money**—A substance or device used as money, having no intrinsic value (no value of its own) or representational value (does not represent anything of value, such as gold).

**Fixed expenses**—Expenditures that remain the same from week to week or month to month, such as mortgage, rent, or car payment.

**Inflation**—A general, sustained upward movement of prices for goods and services in an economy.

**Medium of exchange**—Anything that is generally accepted in exchange for goods and services.

**Variable expenses**—Expenditures that can vary from week to week or month to month, for example, for food, clothing, recreation, or entertainment.

## Visual 2: Auction Results

	Round 1	Round 2
<b>Item 1</b>		
<b>Item 2</b>		
<b>Item 3</b>		
<b>Total</b>		



**Visual 3: Inflation and Deflation****Table 1**

	Date 1	Date 2 Deflation 10%	Date 3 Inflation 20%
Income from crop	\$800		
Variable expenses	\$350		
Fixed expenses (debt repayment)	\$450	\$450	\$450
Net income			

**Table 2**

	Price per bushel		Bushels harvested		Total income from wheat crop
Year 1: 1866	\$2.06	x	2,000	=	
Year 2: 1894	\$0.49	x	2,000	=	
Year 3: 1904	\$0.93	x	2,000	=	

**Table 3**

	1866	1894
Income from crop	\$4,120	\$980
Variable expenses	\$2,000	\$1,079
Fixed expenses (debt repayment)	\$2,000	\$2,000
Net income	\$120	-\$2,099

Visual 4: Political Cartoon 1



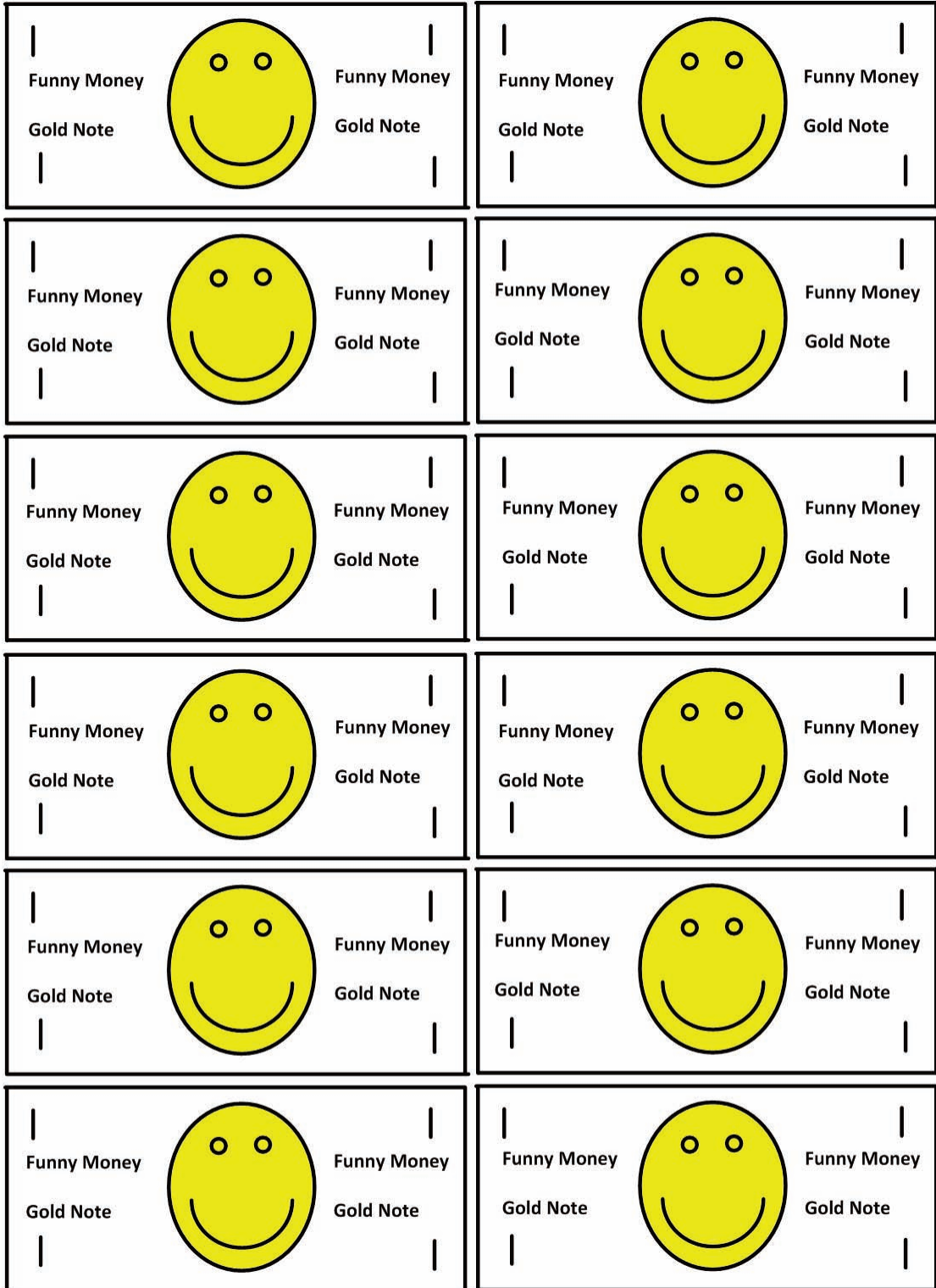
Judge. New York: Judge Publishing Company, 1895; [http://fraser.stlouisfed.org/docs/historical/brookings/16818\\_06\\_0001.pdf](http://fraser.stlouisfed.org/docs/historical/brookings/16818_06_0001.pdf).

Visual 5: Political Cartoon 2

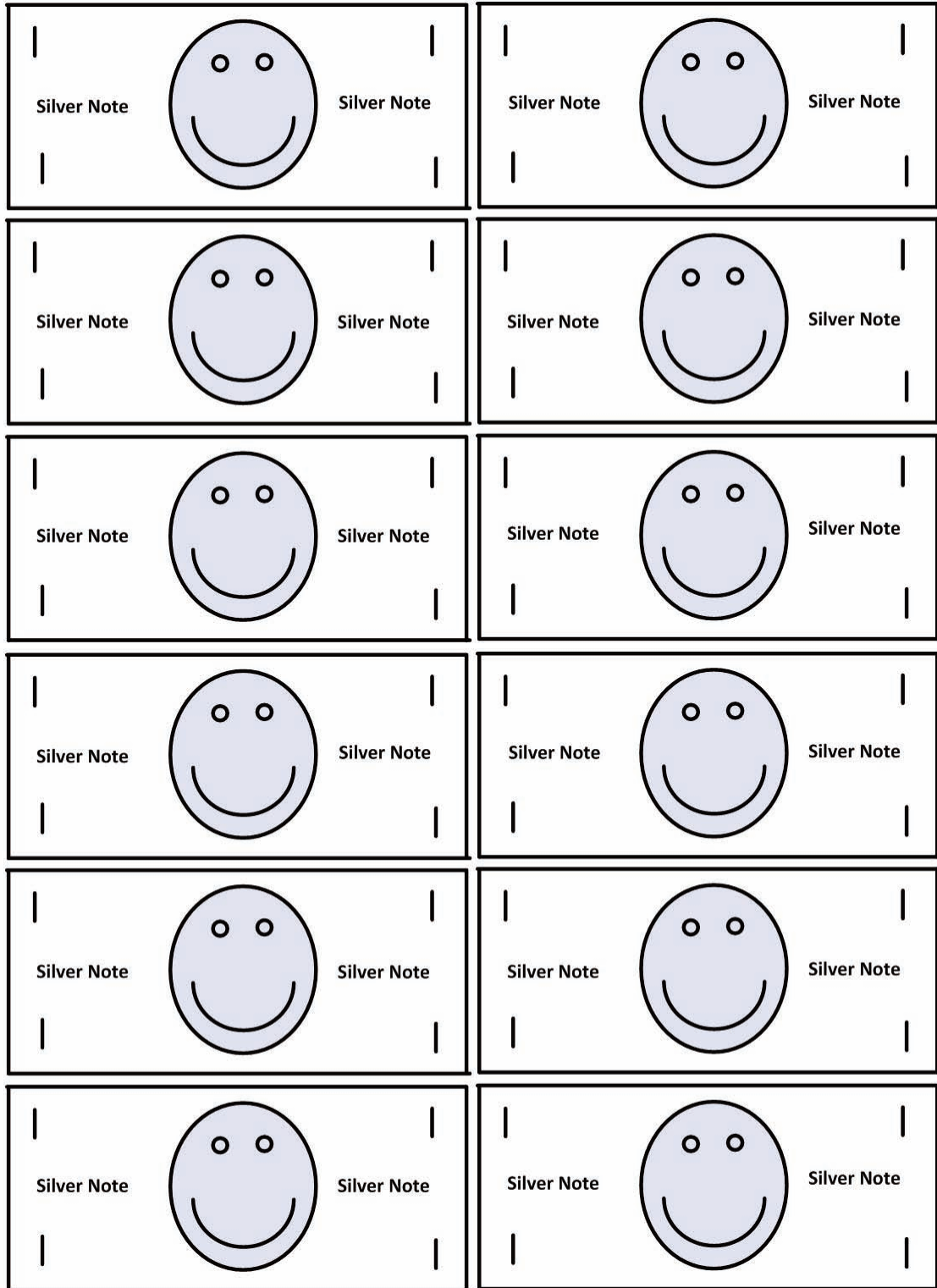


Judge. New York: Judge Publishing Company, 1896; [http://fraser.stlouisfed.org/docs/historical/brookings/16818\\_06\\_0001.pdf](http://fraser.stlouisfed.org/docs/historical/brookings/16818_06_0001.pdf).

Handout 1: Gold Notes



Handout 2: Silver Notes



**Handout 3: Key Events**

- The California Gold Rush of 1849 added to the gold supplies of the country. The Gold Rush added to the money supply and caused inflation.
- Lincoln financed the Civil War (1860-1865) with greenbacks, money that was not backed by gold—it was fiat money. The dramatic increase in the money supply caused inflation.
- After the Civil War, leaders attempted to withdraw the greenbacks. The decrease in the money supply led to deflation and economic depression.
- Further deflation led to the Long Depression—the Depression of 1873-1879, which lasted 65 months.
- Farmers were having financial difficulty because the money they received for their crops was decreasing but their farm debts remained fixed, which means that because of periods of deflation, running their farms became more expensive over time.
- Those in the Free Silver Movement wanted to return to “bimetallism”: They wanted money backed by silver to be added to the money supply, which was backed by gold. Adding to the money supply would have ended the deflation and created the possibility of inflation.
- The Democratic Party chose William Jennings Bryan, a supporter of “bimetallism,” as its candidate for president in the election of 1896. The Republicans wanted to protect the gold standard and chose William McKinley as their candidate. The “bimetallism” debate became a central issue in the campaign.
- In 1896 William Jennings Bryan made a very famous speech in which he argued that a strict gold standard was hurting working people—especially farmers.
- William Jennings Bryan lost the election of 1896. A surge in gold production at the end of the nineteenth century reversed the deflationary trend, which helped indebted farmers and ended the call for a bimetallic money standard.
- The United States had a number of policy changes during the Great Depression that led to a weakening of and later break from the gold standard. The United States broke all monetary ties to gold, even for international trade, in 1973.

**Handout 4: Cross of Gold Speech (page 1 of 2)**

Name \_\_\_\_\_

Read the segments from William Jennings Bryan's Cross of Gold speech and answer the questions that follow.

*But we stand here representing people who are the equals before the law of the largest cities in the state of Massachusetts. When you come before us and tell us that we shall disturb your business interests, we reply that you have disturbed our business interests by your action. We say to you that you have made too limited in its application the definition of a businessman. The man who is employed for wages is as much a businessman as his employer. The attorney in a country town is as much a businessman as the corporation counsel in a great metropolis. The merchant at the crossroads store is as much a businessman as the merchant of New York. The farmer who goes forth in the morning and toils all day, begins in the spring and toils all summer, and by the application of brain and muscle to the natural resources of this country creates wealth, is as much a businessman as the man who goes upon the Board of Trade and bets upon the price of grain. The miners who go 1,000 feet into the earth or climb 2,000 feet upon the cliffs and bring forth from their hiding places the precious metals to be poured in the channels of trade are as much businessmen as the few financial magnates who in a backroom corner the money of the world.*

What does Bryan say about the status of working people?

*You come to us and tell us that the great cities are in favor of the gold standard. I tell you that the great cities rest upon these broad and fertile prairies. Burn down your cities and leave our farms, and your cities will spring up again as if by magic. But destroy our farms and the grass will grow in the streets of every city in the country.*

What does Bryan say about the importance of farming?

**Handout 4: Cross of Gold Speech (page 2 of 2)**

*If they dare to come out in the open field and defend the gold standard as a good thing, we shall fight them to the uttermost, having behind us the producing masses of the nation and the world. Having behind us the commercial interests and the laboring interests and all the toiling masses, we shall answer their demands for a gold standard by saying to them, you shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold.*

Explain the point Bryan is making by using the thorns and cross metaphors to describe the gold standard.

Bryan speaks for those who would benefit from inflation making it easier to pay debts. Consider the other side of the transaction, the lenders. Write a thoughtful response to Bryan explaining your opposition to bimetallism as an attempt to create inflation.



**Handout 4: Cross of Gold Speech—Teacher Answer Key (page 1 of 2)**

Read the segments from William Jennings Bryan’s Cross of Gold speech and answer the questions that follow.

*But we stand here representing people who are the equals before the law of the largest cities in the state of Massachusetts. When you come before us and tell us that we shall disturb your business interests, we reply that you have disturbed our business interests by your action. We say to you that you have made too limited in its application the definition of a businessman. The man who is employed for wages is as much a businessman as his employer. The attorney in a country town is as much a businessman as the corporation counsel in a great metropolis. The merchant at the crossroads store is as much a businessman as the merchant of New York. The farmer who goes forth in the morning and toils all day, begins in the spring and toils all summer, and by the application of brain and muscle to the natural resources of this country creates wealth, is as much a businessman as the man who goes upon the Board of Trade and bets upon the price of grain. The miners who go 1,000 feet into the earth or climb 2,000 feet upon the cliffs and bring forth from their hiding places the precious metals to be poured in the channels of trade are as much businessmen as the few financial magnates who in a backroom corner the money of the world.*

What does Bryan say about the status of working people?

*Those who work in manual labor are as much a part of the business community and as important to the economy as those who work in finance and management.*

*You come to us and tell us that the great cities are in favor of the gold standard. I tell you that the great cities rest upon these broad and fertile prairies. Burn down your cities and leave our farms, and your cities will spring up again as if by magic. But destroy our farms and the grass will grow in the streets of every city in the country.*

What does Bryan say about the importance of farming?

*Farms are the source of economic strength in the country.*

**Handout 4: Cross of Gold Speech—Teacher Answer Key (page 2 of 2)**

*If they dare to come out in the open field and defend the gold standard as a good thing, we shall fight them to the uttermost, having behind us the producing masses of the nation and the world. Having behind us the commercial interests and the laboring interests and all the toiling masses, we shall answer their demands for a gold standard by saying to them, you shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold.*

Explain the point Bryan is making by using the thorns and cross metaphors to describe the gold standard.

*The crown of thorns and cross metaphors are biblical references regarding the treatment of Jesus. Bryan is saying the gold standard is a form of persecution of common laborers—it would inflict great harm on them. That harm would then extend to society (mankind) as a whole.*

Bryan speaks for those who would benefit from inflation making it easier to pay debts. Consider the other side of the transaction, the lenders. Write a thoughtful response to Bryan explaining your opposition to bimetallism as an attempt to create inflation.

*Mr. Bryan,*

*While I can appreciate your concern for farmers, you must also consider the banks that help finance the farmers. Without the lending services provided by banks, most farms would be unable to operate. A sudden high rate of inflation would cause many banks to go bankrupt as people pay back money that is worth much less than it was when the loan was made. While this might be good for borrowers, it would be destructive for lenders.*

*Sincerely,*

*Mr. Banker*

**Handout 5: Assessment**

Name \_\_\_\_\_

Use the space below to draw a political cartoon that supports the goals of the Free Silver Movement. Write a caption under your cartoon to emphasize your view.

## Content Standards and Benchmarks

### Voluntary National Content Standards in Economics

**Standard 11:** Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services. The amount of money in the economy affects the overall price level. Inflation is an increase in the overall price level that reduces the value of money.

- **Benchmark 4, Grade 8:** Inflation reduces the value of money.
- **Benchmark 5, Grade 12:** In the long run, inflation results from increases in a nation's money supply that exceed increases in its output of goods and services.

**Standard 13:** Income for most people is determined by the market value of the productive resources they sell. What workers earn primarily depends on the market value of what they produce.

- **Benchmark 5, Grade 12:** Changes in demand for specific goods and services often, in the short run, affect the incomes of the workers who make those goods and services.

### Common Core Standards, Literacy in History/Social Studies and Technical Subject, Grades 6-12

#### English Language Arts Standards, History/Social Studies

- **Craft and Structure, Grades 9-10**

RH.9-10.4: Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social, or economic aspects of history/social science.
- **Key Ideas and Details, Grades 11-12**

RH.11-12.1: Cite specific textual evidence to support analysis of primary and secondary sources, connecting insights gained from specific details to an understanding of the text as a whole.

RH.11-12.2: Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.
- **Range of Reading and Level of Text Complexity, Grades 11-12**

RH.11-12.10: By the end of grade 12, read and comprehend history/social studies texts in the grades 11–CCR text complexity band independently and proficiently.

#### English Language Arts Standards, Writing

- **Texts Types and Purposes, Grades 9-10**

WHST.9-10.1: Write arguments focused on *discipline-specific content*.

- Introduce precise claim(s), distinguish the claim(s) from alternate or opposing claims, and create an organization that establishes clear relationships among the claim(s), counterclaims, reasons, and evidence.
- Develop claim(s) and counterclaims fairly, supplying data and evidence for each while pointing out the strengths and limitations of both claim(s) and counterclaims in a discipline-appropriate form and in a manner that anticipates the audience's knowledge level and concerns.
- Use words, phrases, and clauses to link the major sections of the text, create cohesion, and clarify the relationships between claim(s) and reasons, between reasons and evidence, and between claim(s) and counterclaims.
- Establish and maintain a formal style and objective tone while attending to the norms and conventions of the discipline in which they are writing.
- Provide a concluding statement or section that follows from or supports the argument presented.
- **Production and Distribution of Writing, Grades 11-12**

WHST.11-12.4: Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose, and audience.

WHST.11-12.5: Develop and strengthen writing as needed by planning, revising, editing, rewriting, or trying a new approach, focusing on addressing what is most significant for a specific purpose and audience.
- **Research to Build and Present Knowledge, Grades 11-12**

WHST.11-12.9. Draw evidence from informational texts to support analysis, reflection, and research.

### U.S. History Content Standards for Grades 5-12

Era 6: The Development of the Industrial United States (1870 -1900)

- **Standard 3:** The rise of the American labor movement and how political issues reflected social and economic changes.
  - **Standard 3C:** The student understands how Americans grappled with social, economic, and political issues.
    - Grade level 7-12: Explain how Democrats and Republicans responded to civil service reform, monetary policy, tariffs, and business regulation.
    - Grade level 9-12: Explain the causes and effects of the depressions of 1873-79 and 1893-97 and the ways in which government, business, labor, and farmers responded.
    - Grade level 5-12: Analyze the issues and results of the 1896 election and determine to what extent it was a turning point in American politics.