

Lesson Plan

LESSON DESCRIPTION

In this lesson, students consider who is pictured on the different denominations of U.S. currency and why. They participate in an activity to identify functions of basic, everyday items and then identify and explain the functions of another basic, everyday item—money. Students learn some basic facts about money as well as some basics about the Federal Reserve System. In addition, they describe the Federal Reserve’s role in the distribution of money by identifying features of the \$5 note.

GRADE LEVEL

8-12

CONCEPTS

Currency features and history
Federal Reserve System
Functions of money

OBJECTIVES

Students will:

- Identify the features of the \$5 note that refer to the Federal Reserve.
- Explain why Abraham Lincoln is featured on the \$5 note.
- Identify three functions of money.
- Explain how the Federal Reserve supports money’s function as a store of value.

Lesson Plan

C O N T E N T S T A N D A R D

National Standards in Economics

Standard 11: Money makes it easier to trade, borrow, save, invest and compare the value of goods and services.

Benchmark 1, Grade 8: As a store of value, money makes it easier for people to save and defer consumption until the future.

Benchmark 2, Grade 8: As a unit of account, money is used to compare the market value of different goods and services.

Standard 20: Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output and prices.

Benchmark 8, Grades 9-12: Monetary policies are decisions by the Federal Reserve System that lead to changes in the supply of money and the availability of credit. Changes in the money supply can influence overall levels of spending, employment and prices in the economy by inducing changes in interest rates charged for credit and by affecting the levels of personal and business investment spending.

National Council for the Social Studies Strands

Power, authority and governance

T I M E R E Q U I R E D

60 minutes

Lesson Plan

M A T E R I A L S

- A copy of Handouts 1, 2, 3, 4 and 5 for each student
- A sheet of chart paper and colored markers for each group
- Visuals 1, 2 and 3
- One classroom item for each group, such as a stapler, tape, calculator, tablet, etc.

P R O C E D U R E S

1. Hold up any denomination of currency and ask students to identify what it is. (*Answers will vary but may include money, a dollar bill, a piece of currency, etc.*)
2. Explain that several terms may be used to describe this bill. Those terms include:
 - money, because it is exchanged for goods and services;
 - currency, because bills are a paper-based form of money as opposed to coins;
 - or
 - note, because the phrase “Federal Reserve Note” is at the top of the face of the currency. (The term *note* is a formal term that we often interchange with the term *bill*.)
3. Distribute a copy of *Handout 1: Who Is Pictured on the Currency?* to each student. Direct students to work in pairs to identify who is pictured on each denomination of currency. Ask students the following questions.
 - Who is pictured on the \$1 note? (*George Washington, first U.S. president*)
 - Who is pictured on the \$2 note? (*Thomas Jefferson, third U.S. president*)
 - Who is pictured on the \$5 note? (*Abraham Lincoln, 16th U.S. president*)
 - Who is pictured on the \$10 note? (*Alexander Hamilton, first Secretary of the Treasury*)
 - Who is pictured on the \$20 note? (*Andrew Jackson, seventh U.S. president*)
 - Who is pictured on the \$50 note? (*Ulysses S. Grant, 18th U.S. president*)
 - Who is pictured on the \$100 note? (*Benjamin Franklin, statesman*)

Lesson Plan

4. Ask students whether all seven people pictured on U.S. currency are former presidents of the United States? (*No, Hamilton and Franklin did not hold the office of president.*)
5. Ask students to think about the seven people pictured on currency and, working in pairs, to list three adjectives that would describe these seven individuals. (*Possible correct and incorrect answers might include well-known historical figures, male gender, held elected office, are deceased, were popular, etc.*)
6. Tell students that the Secretary of the Treasury is responsible for the selection of the designs, including the portraits, which appear on paper currency. According to the Department of Treasury, Bureau of Engraving and Printing, “The portraits currently appearing on the various denominations of paper currency were adopted in 1929 when the size of the notes was reduced. ... It was determined that portraits of presidents of the United States have a more permanent familiarity in the minds of the public than any others. ... Treasury Department records do not reveal the reason that portraits of these particular statesmen were chosen in preference to those of other persons of equal importance and prominence. By law, only the portrait of a deceased individual may appear on U.S. currency and [government] securities.” (www.moneyfactory.gov/document.cfm/18/2041/118)
7. Ask students the following questions.
 - Based on this information from the Bureau of Engraving and Printing, which prints currency, what are three adjectives that we could use to describe the selection of the portrait for currency? Have students recall the adjectives that were generated when discussing the seven individuals pictures on U.S. currency. (*Possible answers might include well-known person, deceased, made a significant contribution to the nation—such as a president or statesman.*)
 - Which of these descriptions fit Abraham Lincoln? (*All of the descriptions fit Lincoln.*)
8. Point out that according to a book the Bureau of Engraving and Printing wrote for its Centennial (1862-1962) the reason given for selecting Lincoln for the \$5 note as follows: “because he followed Washington in the rank of American heroes and it seemed logical that Abe’s likeness should appear on the denomination having the second-largest circulation.” (www.treas.gov/education/faq/currency/portraits.html) (*Note: The \$5 note had the second-largest circulation at the time Lincoln was chosen to appear on it.*)

Lesson Plan

9. Display *Visual 1: The Lincoln Five*. Tell students that they will be looking for clues about the Federal Reserve on the \$5 note. Tell students that each year the Bureau of Engraving and Printing prints billions of notes (currency) for delivery to the Federal Reserve System, also known as “The Fed.” Ask the students if they know what the Fed is. (*Answers will vary.*) Distribute a copy of *Handout 2: The Federal Reserve* and instruct students to use the handout to take notes. Discuss the following about the Federal Reserve.
- The Fed is the central bank of the United States. It is composed of 12 regional Reserve banks located in cities across the nation from New York to San Francisco and a Board of Governors in Washington, D.C.
 - The Fed serves as a bank for banks and performs many services for financial institutions that a local financial institution performs for people. What services do banks provide for their clients? (*Answers will vary but may include: holds my checking account deposit, provides currency and coin, or clears checks.*)
 - Regional Federal Reserve banks hold deposits for banks, store banks’ excess currency in the Fed vaults, provide currency for banks and provide check-clearing services.
 - The Fed serves as a bank for the U.S. government. As such, it holds checking accounts for the government, receives revenue for the government—such as tax payments—and provides other U.S. Treasury services, such as issuing treasury notes for the government.
 - The Fed is responsible for managing the money supply of the United States. The Fed’s job is to make sure that the prices of goods and services are relatively stable over time.
10. Give each student a copy of *Handout 3: The Lincoln Five* and *Handout 4: Fed Facts*. Instruct students to circle on Handout 3 features that indicate a connection to the Federal Reserve. Tell students to use Handout 4 for clues. Call on students to tell you what they circled, and display *Visual 2: The Federal Reserve System and Our Nation’s Currency*. Use Visual 2 to explain the Fed’s connection to the features on the note.
11. Divide students into groups of four. Give each group an item from the classroom such as one of the following: stapler, tape, pen, calculator, tablet or a related or similar item. Instruct each group to identify one to two functions for its item. Call on groups to share answers. (*Answers will vary, but might include: stapler—attaching papers, maybe removing staples; pen—recording information, drawing; calculator—tabulating numbers; tablet —surface for recording information, for drawing*)

Lesson Plan

12. Ask students what function they need from money. (*Answers will vary but may include: to buy stuff, make me rich, provide a way for me to save, etc.*)
13. Display *Visual 3: Three Functions of Money* and explain that money—like staplers, tape, pens, calculators and many other items—performs important functions. If something is a good form of money, it serves these three functions:
 - **Medium of exchange:** It can be used to buy goods and services. Usually, to be a good medium of exchange, an item used as money should be generally acceptable, durable, portable, divisible and relatively scarce.
 - **Store of value:** It keeps its purchasing power over time. People expect to be able to hold money and use it in the future to buy goods and services.
 - **Unit of account:** It indicates how much different goods and services are worth. In stores in the United States, prices are recorded in dollars and cents.
14. Ask students to determine, based on the three criteria above, if the following items would serve effectively as money.
 - Bananas (*No, bananas wouldn't be a good store of value when they started to spoil.*)
 - Seashells (*No, they wouldn't effectively perform as a medium of exchange because in some areas—near the ocean—they're not relatively scarce.*)
 - Cows (*No, they wouldn't effectively perform as a medium of exchange because they're not easily divisible or portable. They wouldn't perform effectively as a store of value because they get sick and they die.*)
 - Plastic coins (*Yes, plastic coins could serve as money if they had: designated denominations or values, so that they could serve as a unit of account, and security features, so that they weren't replicable by the public and therefore would be relatively scarce, enabling them to serve their medium of exchange function.*)
15. Explain to students that, in the past, items such as tobacco, fish and shells were used as money. People are not still using these items as money because they didn't perform all three functions of money well. The U.S. currency and coin that we use today does serve the three functions of money effectively.
16. Divide students into groups of 4-5 and assign each group one of the three functions of money. Instruct the groups to create a short skit or vignette that illustrates that function. The class will guess which function of money the group is portraying after each skit is performed. Give students approximately five minutes to plan their skit. Use the skits as an opportunity to reinforce the concepts of “medium of exchange,” “store of value” and “unit of account.”

Lesson Plan

C L O S U R E

17. Instruct students to refer to *Handout 4: Fed Facts*. Divide students into groups of four. Distribute a piece of large chart paper and colored markers to each group. Ask students to design a new \$5 note that incorporates four facts about the Fed. Have students designate a spokesperson and describe their newly designed currency, explaining how the Fed facts relate to their design.

A S S E S S M E N T

18. Distribute a copy of *Handout 5: The Editor's Inbox*. Tell students to read the e-mails and Janet Johnson's responses. Instruct students to match each of the messages with the corresponding letter by writing the number of the letter on the blank line next to each of Ms. Johnson's responses. Next, they are to state whether Ms. Johnson's e-mail response is accurate and explain why or why not.

Answers:

- Response to Message 5, 2, 6, 1, 3 and 4.
- The response to Message 5 is accurate. Money facilitates saving for future consumption.
- The response to Message 2 is accurate. Currency is printed by the Bureau of Engraving and Printing (BEP).
- The response to Message 6 is accurate. U.S. money is not backed by gold.
- The response to Message 1 is accurate. Each Federal Reserve bank is associated with a letter and a number.
- The response to Message 3 is accurate. The Fed puts currency and coin into circulation and is responsible for monetary policy, i.e. managing the U.S. money supply.
- The response to Message 4 is incorrect. Ulysses S. Grant is pictured on the \$50 note, not John F. Kennedy.

Note: The following sources provide information about currency and coin.

- U.S. Department of the Treasury coins and currency web site at www.ustreas.gov/topics/currency/

Lesson Plan

- Bureau of Engraving and Printing web site at www.moneyfactory.gov/
 - Board of Governors of the Federal Reserve System web site at www.federalreserve.gov
 - Federal Reserve Education web site at federalreserveeducation.org
19. Instruct students to use *Handout 4: Fed Facts* and *Handout 2: The Federal Reserve* to create an original letter to the editor—using the same topics used in this lesson, such as the Fed, functions of money and features of money. Students should also create a response to that letter; the response can be either accurate or inaccurate. These letters and responses should fit on one side of a page.

Have students exchange their letter and response with a partner. The partners should read the letter and response and give a written response on the back side of the page, explaining whether or not the student's response was accurate and why. Student pairs end the activity by discussing the accuracy of each response and its evaluation by the reader. Students' work can be evaluated in terms of how they apply language and letter-writing skills and/or in terms of the accuracy of their response for their own letter, as well as the evaluation of their partner's letter.

Handout 1: Who Is Pictured on the Currency?

Directions: Write the name of the person who is pictured on each of the following.















Handout 2: The Federal Reserve

Use this page to take notes as your teacher discusses the Federal Reserve.

What is the Federal Reserve (the Fed)? _____

What services does the Fed provide for financial institutions? _____

What services does the Fed provide for the federal government? _____

What is the primary responsibility of the Fed? _____

Handout 3: The Lincoln Five

Instructions: Circle features on the \$5 note below that refer to the Federal Reserve System.



Handout 4: Fed Facts

The Federal Reserve System is our nation's central bank. It is composed of the Board of Governors in Washington, D.C. and 12 regional Federal Reserve banks. Each Federal Reserve note includes a letter and number indicator representing one of the banks.

Boston-A1	Richmond-E5	Minneapolis-I9
New York-B2	Atlanta-F6	Kansas City-J10
Philadelphia-C3	Chicago-G7	Dallas-K11
Cleveland-D4	St. Louis-H8	San Francisco-L12

The Federal Reserve, often referred to as “The Fed,” promotes a stable financial system for the nation. It serves as a “banker’s bank” as well as a bank for our government.

The Federal Reserve System provides financial services, including electronic payments, cash services and check collection.

The Fed determines the supply of money in the economy and adjusts interest rates, i.e., the price of credit. This is known as “monetary policy.”

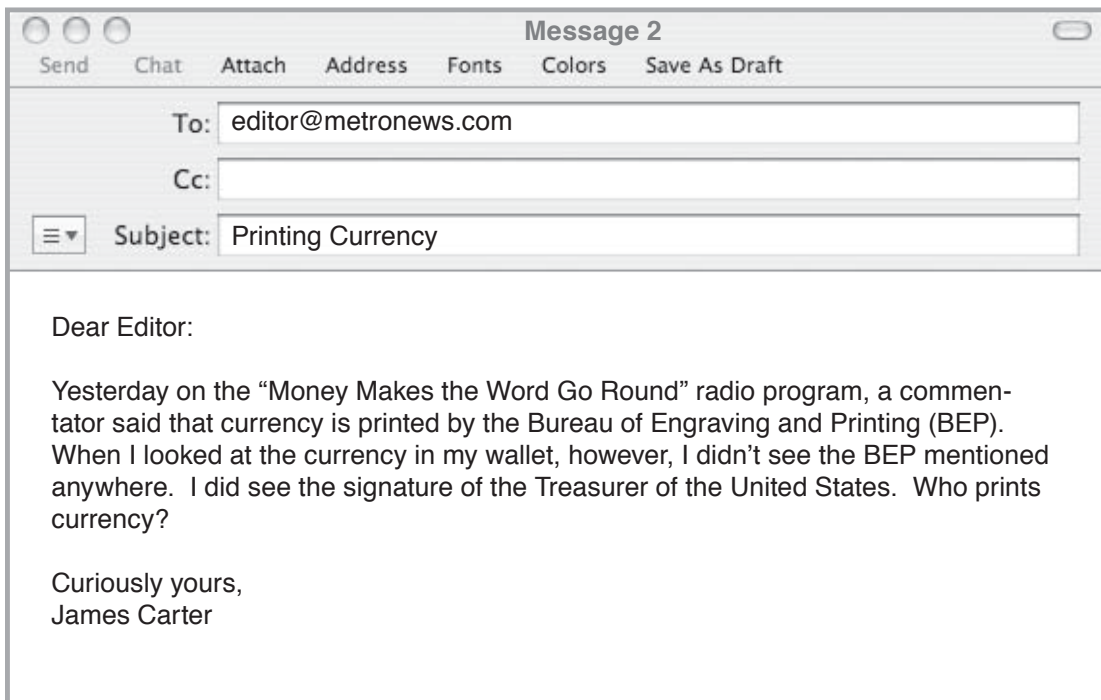
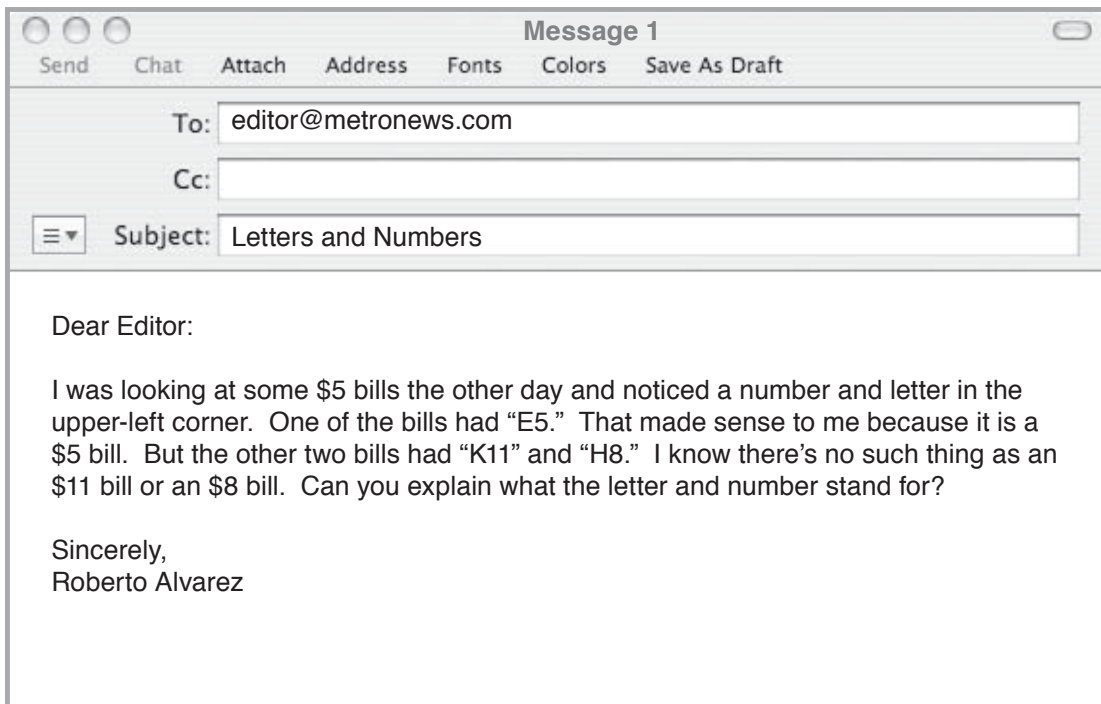
The \$5 bill and all other denominations are officially known as Federal Reserve notes. Their value is established by government declaration and isn't backed by gold or any other commodity. Money not backed by a commodity is called “fiat money.” The word “fiat” means authorization or sanction. Our currency and coin is sanctioned or authorized by the U.S. government.

Handout 5: The Editor's Inbox

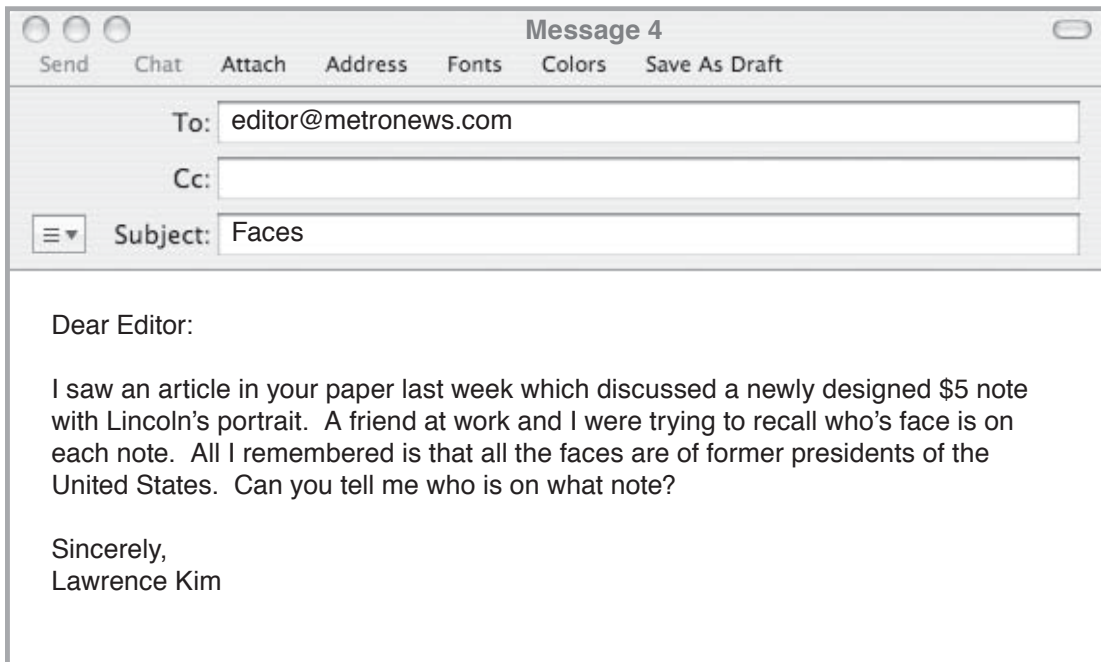
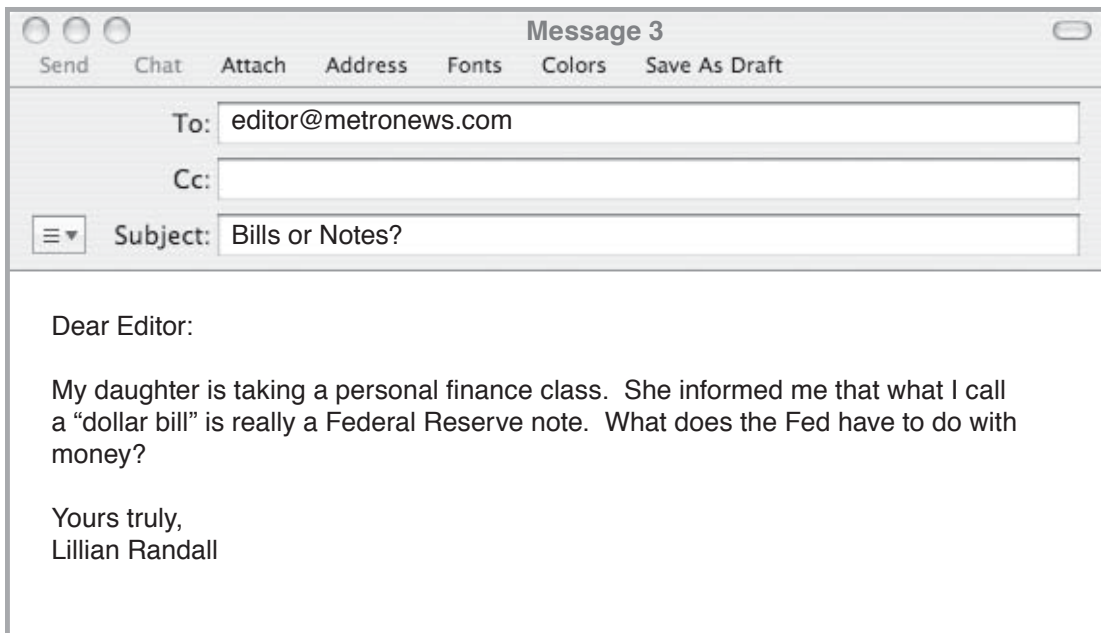
Janet Johnson graduated with a degree in journalism and has worked at a metropolitan newspaper for two years. Ms. Johnson's supervisor usually answers e-mails to the editor, but he has asked Ms. Johnson to answer the messages this week while he is out of town. Since this is *Personal Financial Literacy* week, she has received numerous e-mails about money.

Read the messages on the following pages and Ms. Johnson's responses. Decide which response goes with each message by placing a number on the line next to the response. State whether the response e-mail is accurate and explain why or why not.

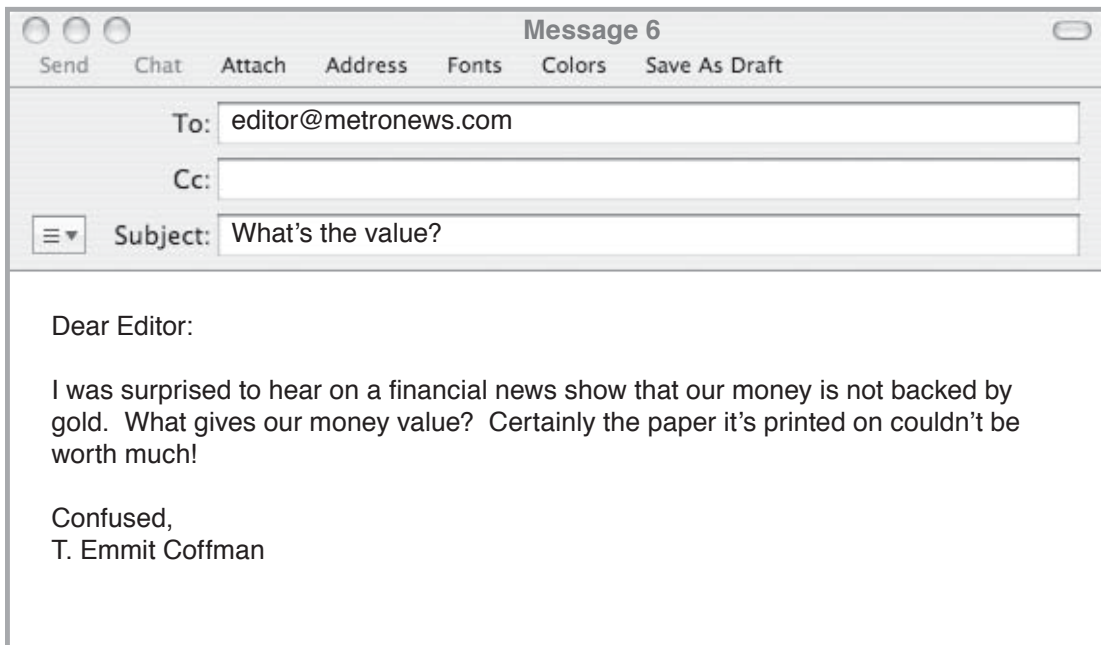
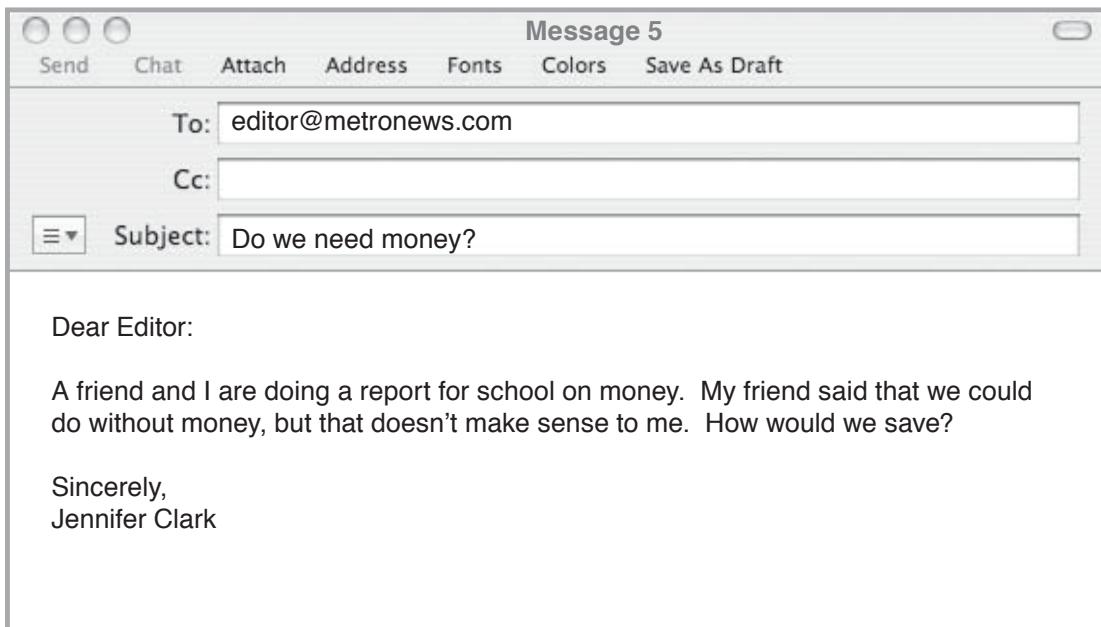
Handout 5: The Editor's Inbox



Handout 5: The Editor's Inbox



Handout 5: The Editor's Inbox



Handout 5: The Editor's Inbox

Below are the e-mails that Janet Johnson wrote in response to The Editor's Inbox questions:

Response to message # _____

You have asked a very good question. If we didn't have money, it would be very difficult to exchange goods and services since money serves as a medium of exchange. But it would be possible to obtain some goods and services through barter. For example, you mow my lawn and I'll send you a weekly subscription to the newspaper. But you also need money to serve as a store of value. You can save money today for future college expenses or to purchase a car. So you're exactly right in your observation that we need money so that we can save for the future. And I'm glad to see that you're thinking about saving!

Inbox Editor

Why is the response correct or incorrect?

Response to message # _____

The radio commentator's statement that U.S. currency is printed by the Bureau of Engraving and Printing (BEP) is correct. The reason you see the Treasury's seal is that the BEP is an agency of the Treasury. Since you're so observant, I'm sure you noticed the other seal—that of the Federal Reserve System. The Fed doesn't print currency but does distribute currency to financial institutions.

Inbox Editor

Why is the response correct or incorrect?

Handout 5: The Editor's Inbox

Response to message # _____

Some people are under the misconception that our money is backed by gold. Our money is no longer backed by gold or any other precious metal or commodity. It is backed by faith in the government, which issues the currency and coin. This includes trust that the government will make sound fiscal decisions and that the Federal Reserve will make sound monetary policy decisions to ensure price stability.

Inbox Editor

Why is the response correct or incorrect?

Response to message # _____

You're right. The last time I looked, I didn't see any \$8 or \$11 bills in my wallet. The letter and the number are the designation for the Federal Reserve bank which issued the note. There are 12 Reserve banks; so, you can look for designations from A1 to L12. I was curious about the designations so I did some research. Here are the 12 designations for the Reserve banks:

Boston-A1

New York-B2

Philadelphia-C3

Cleveland-D4

Richmond-E5

Atlanta-F6

Chicago-G7

St. Louis-H8

Minneapolis-I9

Kansas City-J10

Dallas-K11

San Francisco-L12

Inbox Editor

Why is the response correct or incorrect?

Handout 5: The Editor's Inbox

Response to message # _____

As a matter of fact, the Fed has quite a lot to do with money. Although the Federal Reserve doesn't print currency or mint coin, it does put these into circulation by providing currency and coin to financial institutions. Furthermore, the Fed's management of the money supply, or monetary policy, is designed to foster stable prices, which helps money fulfill its function as a store of value—i.e., keeping its purchasing power over time. The Fed's responsibility to provide a safe and sound payments system includes providing financial services such as electronic payments, cash services and check collection. The Fed is known as a "banker's bank" as well as the bank for our government. It turns out the Fed has quite a bit to do with money!

Inbox Editor

Why is the response correct or incorrect?

Response to message # _____

Although many of the portraits on Federal Reserve notes are those of former presidents, not all were presidents or even held an elected office. Here's who you'll find:

\$1 – George Washington	\$20 – Andrew Jackson
\$2 – Thomas Jefferson	\$50 – John F. Kennedy
\$5 – Abraham Lincoln	\$100 – Benjamin Franklin
\$10 – Alexander Hamilton	

Of the list above, Hamilton and Franklin never served as president.

Inbox Editor

Why is the response correct or incorrect?

Visual 1: The Lincoln Five



Visual 2: The Federal Reserve System and Our Nation's Currency

THE FEDERAL RESERVE SYSTEM AND OUR NATION'S CURRENCY



The \$5 bill and all other denominations are officially known as Federal Reserve notes. Their value is established by government declaration and isn't backed by gold or any other commodity. Money not backed by a commodity is called "fiat money."



The Federal Reserve System is our nation's central bank. It is composed of the Board of Governors, in Washington, D.C., and 12 regional Federal Reserve banks. Each Federal Reserve note includes a letter and number indicator representing one of the banks. For example, F6 corresponds to the Federal Reserve Bank of Atlanta.

The Federal Reserve System provides financial services, including electronic payments, cash services and check collection.

The Fed promotes a stable financial system for the nation. It serves as a "banker's bank" as well as the bank for our government.

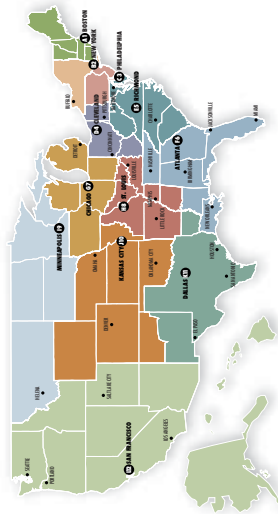
The Fed determines the supply of money in the economy and adjusts interest rates (the cost of credit). This is known as monetary policy.



Check out www.FederalReserveEducation.org to learn about the Federal Reserve System's role in managing the nation's money supply. Visit www.moneyfactory.gov to learn more about the new design of the \$5 note.

Where's the Fed?

- Boston - A1
- New York - B2
- Philadelphia - C3
- Cleveland - D4
- Richmond - E5
- Atlanta - F6
- Chicago - G7
- St. Louis - H8
- Minneapolis - I9
- Kansas City - J10
- Dallas - K11
- San Francisco - L12



What Characteristics Should Money Have?

It should be:

- Portable**—it's easy to carry.
- Durable**—it lasts a long time.
- Divisible**—it can be broken into smaller units.
- Generally acceptable**—People will accept it as payment for their work or as payment for goods and services.
- Relatively scarce**—Money, like any other economic good, must be scarce in relation to the desire for it in order to have exchange value.

What is Money?

Money is anything that serves these three functions:

- Medium of exchange**—it can be used to buy goods and services.
- Store of value**—it keeps its purchasing power over time.
- Unit of account**—it tells you how much different goods and services are worth.

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Visual 3: Three Functions of Money

Money is anything that serves these three functions:

Medium of exchange—It can be used to buy goods and services.

Store of value—It keeps its purchasing power over time.

Unit of account—It tells you how much different goods and services are worth.