

STUDENT WORKBOOK

THE 21ST CENTURY STUDENT'S GUIDE TO

FINANCIAL LITERACY

GOING GLOBAL



CHAPTER 4
WORKSHEETS
& ACTIVITIES

ILLUSTRATIONS
BY
ZAPP!

SUSAN MULCAIRE

LET'S PRACTICE

Name: _____

Chart it! The Morph of the Mediums

Money has evolved over time. It began as commodity money, evolved to metal coinage, then to paper backed by precious metal. Money is now backed *fiat*, which is a government decree that it has the value it is designated to have. Money has further evolved into electronic entries in *bytes*, moved around via EFT's (electronic funds transfers). In the chart below, compare the *functions* and *characteristics* of each of the listed mediums of exchange to see how they are alike, and how they are different.

Feature or Characteristic	Barter	Commodity Money	Precious Metal Coinage	Modern Metal Coin & Paper	Electronic Funds	VC
peer-to-peer trade						
intrinsic value						
fiat						
legal tender						
issued by central or reserve bank						
Government regulated						
exists in bytes						
stability of value						
divisible into smaller units						
transportable						
durable						
storage of value						
standard numerical measurement						
cryptocurrency						
stateless						
mined						

Check your knowledge about the Morph of the Mediums on page 312.

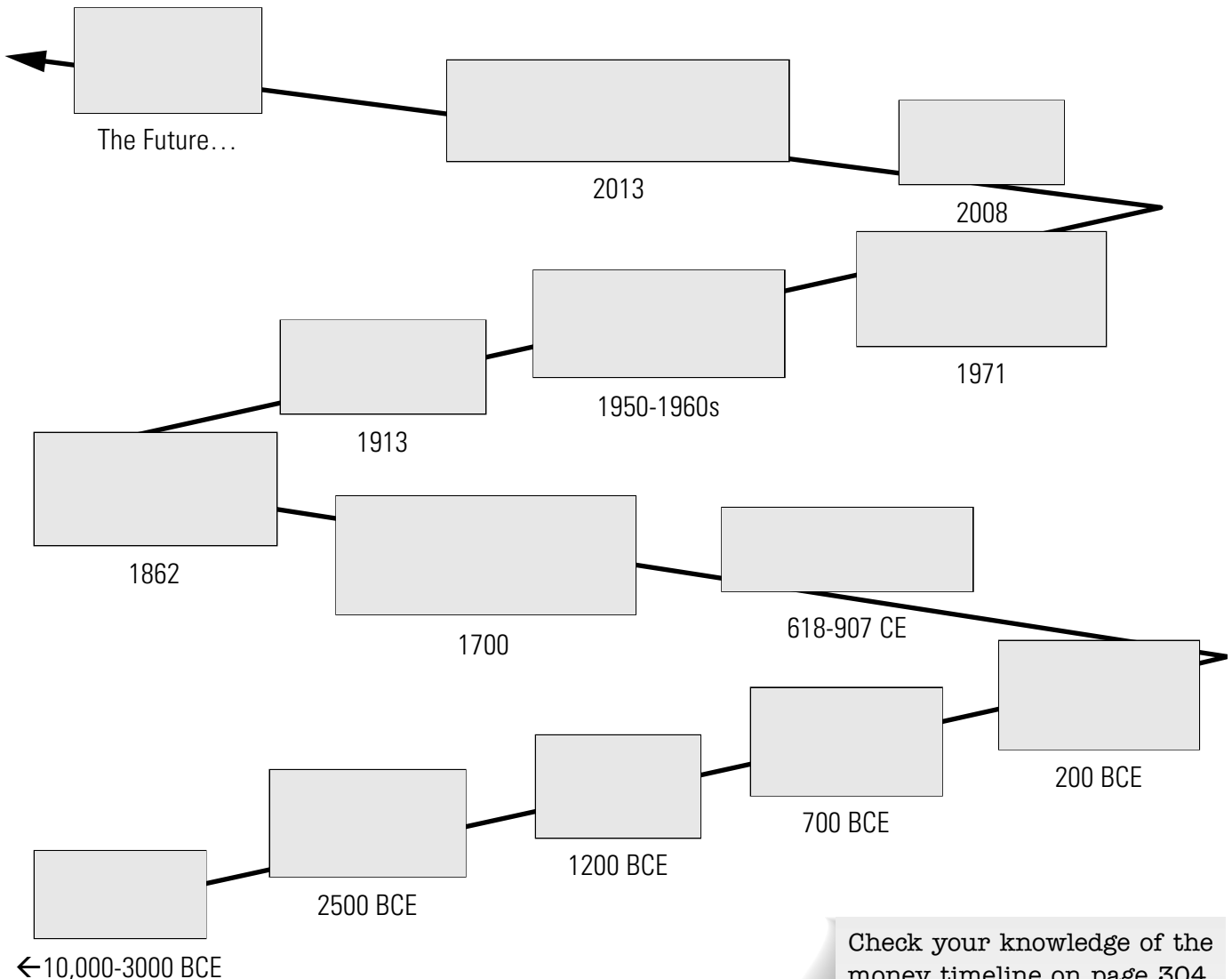
LET'S PRACTICE

Name: _____

Money Morph Timeline

Let's Practice! Place the following Money Morph events in order on the time line:

- Bitcoin founded
- Widespread use of coins in China
- Egyptians use metal rings for money
- U.S. goes off the gold standard to fiat money
- Barter is king
- Cashless society...?
- Use of cash drops to 7% of transactions in U.S.; 3% in Sweden
- credit cards & electronic money goes mainstream
- China uses paper money
- The Fed is founded
- European governments issue paper money
- China uses shells for money
- U.S. issues paper money



Check your knowledge of the money timeline on page 304.

LET'S PRACTICE

Name: _____

The Rise of Bitcoin and VC

Money evolves to meet the commercial needs of society. The latest in the evolution of money is **virtual currency**. VC is electronically created by its developer, bought through a digital exchange, and stored in e-wallets, not in bank accounts. Transactions are **peer-to-peer (P2P)** meaning a purchase/sale transaction is made directly with **no bank involvement or government intermediary** (in the form of legal tender).

Bitcoin ("BTC") is the best known of all VCs. It has a growing user base and is gaining acceptance with mainstream retailers such as Home Depot, Amazon, Expedia, and many college campuses. However, VCs remain controversial for many reasons. Bitcoin, for example, has a shady past which includes links to illegal drug sales, arms trading, and money laundering. Moreover, the values of VCs can fluctuate wildly and VC exchanges (where people deposit their VC to exchange for dollars or other currency) have been the target of numerous successful hacks causing extensive losses for VC holders. Nonetheless, Bitcoin is here to stay, so let's learn a "bit" about it. Here are some suggested resources, but feel free to independently research and discover other resources.



- CNN Money *What is Bitcoin?* money.cnn.com/infographic/technology/what-isbitcoin
- *The History of Bitcoin* www.historyofbitcoin.org
- California Department of Business Oversight, *What You Should Know About Virtual Currencies* www.dbo.ca.gov/Consumers/Advisories/virtual_Currencies_0414.pdf <http://online.wsj.com/articles>
- What is Bitcoin? commons.wikimedia.org/wiki/File:What_is_Bitcoin?.webm

1. What are the advantages of using Bitcoin?

2. How do people send Bitcoins to each other?

LET'S PRACTICE

3. Are Bitcoin/VC transactions anonymous?

4. Why are VCs high risk?

5. What happens if your virtual currency is lost in any way – by forgetting your passcode (called *private keys*) to your virtual wallet, or as the result of a cyberattack? How is this different from money held in a regular bank account ?

6. According to **Consumer Advisory**, are VC exchanges required to register with what division of the Department of the U.S. Treasury?

7. According to **Consumer Advisory**, although a VC company has registered with the federal government, it is no guarantee that the company is _____.

8. According to **Consumer Advisory**, Bitcoin values are quite volatile. In fact, Bitcoin values fell _____ in a single day in 2013. In 2014, a one-day price drop was _____.

9. Who is Satoshi Nakamoto?

10. What is Mt. Gox?

11. What warning did the Financial Action Task Force issue in October 2010?

LET'S PRACTICE

12. What happened to MyBitcoin, a Bitcoin exchange on August 5, 2011?

13. What happened to Bitcoin February 27, 2012?

14. According to **The History of Bitcoin**, what happened to BTC exchange website hosting company Linode in March 2012?

15. What happened to Mt. Gox in February 2014?

16. Can you:

buy a Tesla with Bitcoin? _____

shop on Overstock.com using Bitcoin? _____

book a flight on Expedia using Bitcoin? _____

buy a sandwich at Subway with Bitcoin? _____

spend Bitcoin at Target? _____

BONUS: What's your opinion of Bitcoin? Circle one:



Check page 305 to find out if you know a bit about Bitcoin.

EXPLORING 21ST CENTURY SKILLS AND ISSUES

Name: _____

Side Trip to the Federal Reserve Bank

Government “banks” responsible for deciding how much legal tender (money) to issue and when to issue it, are called **central banks**, **reserve banks** or in some places, **monetary authority**. They are government-created and authorized, but independent institutions. In the U.S., **the Federal Reserve Bank (the “Fed”)** is the bank of the federal government. What do you know about this very important agency?



The Federal Reserve Bank in Washington D.C.

Your resources for this exercise are:

- Learning Markets, *The Goals of the Federal Reserve* (www.learningmarkets.com/the-goals-of-the-federal-reserve)
- federalreserveeducation.org (*This is an excellent website to learn more about money and monetary policy in the U.S.*)
- Student Workbook pages 50-52

1. According to the Fed, what is **monetary policy**? (federalreserveeducation.org – About the Fed)

2. What are the Fed’s **three tools of monetary policy**? (About the Fed – Monetary Policy)

3. According to the Fed, what is **inflation** and how does it affect the economy? (About the Fed – Monetary Policy)

4. What is the name of the Fed’s **monetary policy making body** (committee)? (About the Fed – Monetary Policy)

5. Who is the current **chair of the Board of Governors** of the Federal Reserve Bank? (*Research outside of site.*)

EXPLORING 21ST CENTURY SKILLS AND ISSUES

6. How does one become a governor of the Federal Reserve Board? (*About the Fed; Structure and Functions.*)

7. In addition to making and implementing monetary policy, the Fed's functions include **financial services** and **banking supervision**. What are those? Describe: (About the Fed – by Function)

a. Financial Services:

b. Banking Supervision

8. According to **Learning Markets**, the goals of the Fed monetary policy are to promote all of these, except:

- a. stability in the financial system
- b. stable prices, full employment and economic growth
- c. moderate long-term interest rates and currency
- d. Overseas trade

9. The Fed operates through **Reserve Banks** located in districts throughout the country. How many Reserve Bank districts are there, and where are they located? (*See About the Fed; Structure and Functions.*)

10. Find the Reserve Bank district you live in (The Structure of the Federal Reserve System – Click on map). Write the address of the Reserve Bank in your district below. Are tours available at your district bank? If so, why not take a tour? (*Click on map.*)

EXPLORING 21ST CENTURY SKILLS AND ISSUES

11. Can you walk into the Federal Reserve Bank, a central bank, or reserve district bank and make a deposit or open an account? Yes No

12. Name the Fed's UK, Chinese, Eurozone, and Japanese **central bank counterparts**:

13. The **interest rate** the Fed charges on money it loans to banks is called the

- a. U.S. Rate
- b. discount rate
- c. bank rate
- d. governors' rate

14. **To reduce the amount of money in the money supply**, what might the Feds do to the discount rate?

- a. eliminate it
- b. raise it
- c. lower it
- d. nothing

15. **Open market operations** refers to the Fed's actions of:

- a. raising or lowering the discount rate
- b. ordering of the printing and minting of money;
- c. buying and selling government bonds to/from the public
- d. all of the above

16. Action taken by a central or reserve bank to **increase the supply of money to stimulate a sluggish economy** is called _____ easing.

- a. currency
- b. qualitative
- c. quantitative
- d. economic

Go to page 305 to find out if you're right about the Fed.

