

# The Federal Reserve by The Mises Institute, 1996

You will view the first section of this video to understand the origin of money!

- Who controls the monetary system? \_\_\_\_\_
- The Federal Reserve is accountable to \_\_\_\_\_

*The Mises Institute is an essential organization to know about if you want to understand economics! They teach about "Austrian economics" which is the term for free market capitalistic economics. In most schools and colleges they only teach about "Keynesian economics" which is a fundamentally socialist economic system based on taxation and government spending.*

- The Federal Reserve claims to \_\_\_\_\_
- If you want money that has value, you want...     the present system     the gold standard
- The early means of exchange was called \_\_\_\_\_
- Money is another word for the most generally accepted means of \_\_\_\_\_
- Some money of the past was:  
 feathers     beaver pelts     wampam     metal coins     tea leaves compressed into bricks
- What country struck the first metal coins in the Americas? \_\_\_\_\_
- What were pieces of eight? \_\_\_\_\_
- ❖ One quarter of a Spanish coin was called " \_\_\_\_\_ "
- British mercantilist policies deliberately tried to keep coins... [  in     out ] ...of the American colonies.
- Thomas Jefferson spoke of the ...     dangers of paper money     benefits of paper money
- During the Revolutionary War colonists printed paper money to fund the war effort. What happened to the value of this money? \_\_\_\_\_
- In 16<sup>th</sup> century Europe, goldsmiths stored gold for customers for a fee and gave them \_\_\_\_\_ for the stored gold.
- People started using these receipts as a medium of exchange.     True     False
- As time went on, the goldsmiths started loaning out these receipts for a fee, but they were not backed by any \_\_\_\_\_.
- This system became known as "fractional reserve banking." Is it legal for other industries to do this?  
 Yes     No
- Which leader believed in a strong central bank.     Alexander Hamilton     Thomas Jefferson
- The First Central Bank was dismantled after only \_\_\_\_\_ years.
- In 1816 a Second Central Bank was established, but it was abolished in 1836 by  
 Thomas Jefferson     Andrew Jackson     Theodore Roosevelt
- The money system become more stable in 1834. Why?  
\_\_\_\_\_
- What did Abraham Lincoln do to fund his invasion of the South? \_\_\_\_\_
- In history, almost every major war has involved a departure from the \_\_\_\_\_ standard.
- "Fiat notes" during the Civil War were called \_\_\_\_\_

24. They were...     not redeemable for in gold     redeemable in gold
25. The government's power to print unbacked notes became the foundation of the \_\_\_\_\_
26. After the Civil War, the country went back on the gold standard. This led to ...  
 depression                       recession                       prosperity
27. The Interstate Commerce Act was put in place to protect railroad companies from \_\_\_\_\_
28. The most powerful banker of the age was...  
 John D. Rockefeller     Andrew Carnegie                       JP Morgan                       John Barrymore
29. The famous oil tycoon was...  
 John D. Rockefeller     Andrew Carnegie                       JP Morgan                       John Barrymore
30. These wealthy men were adversaries but they both wanted a strong central bank for cheap \_\_\_\_\_ and an inflated money supply to expand their empires.
31. In 1907 there was a run on the banks. How did the wealthy tycoons use this to promote their goal for a strong central bank? \_\_\_\_\_
32. What does it mean for the government to become the "lender of last resort"?  
 \_\_\_\_\_
33. In 1908, the National Monetary Commission was established. It was headed by Senator Nelson Aldrich, who was the father-in-law of \_\_\_\_\_.
34. What did Nelson Aldrich do in November of 1910?  
 \_\_\_\_\_
35. How many men took the secret train ride? \_\_\_\_\_
36. Where were they pretending to go? \_\_\_\_\_
37. Where did they go? \_\_\_\_\_
38. What was their purpose for the trip? \_\_\_\_\_
39. What did these men create at the secret meeting?  
 \_\_\_\_\_
40. In what year was the Federal Reserve Act passed? \_\_\_\_\_  
*Note: It was passed on December 23<sup>rd</sup> of that year. Congressmen like to pass controversial laws in the days before Christmas. Another more recent example of this - Obamacare was passed by the Senate on December 24<sup>th</sup> of 2009.*
41. What president signed the Federal Reserve Act into law? \_\_\_\_\_
42. How many members are on the Board of Governors of the Federal Reserve? \_\_\_\_\_
43. How are these board member selected?  
 Nationwide election     Senate votes on it     The House votes on them     President appoints

**Feel free to view the remainder of the video! It's optional! You will see a much younger Ron Paul!!!**