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**Civics 101: Money**

**Adia Samba-Quee:** [00:00:00] Civics 101 is supported in part by the Corporation for Public Broadcasting.

**Nick Capodice:** [00:00:03] OK, your levels sound good, professor, Are you ready to jump in?

**Stephen Mihm:** [00:00:07] Absolutely. Absolutely.

**Nick Capodice:** [00:00:09] So my first question, and maybe it's foolish to start with this one, but what is money?

**Stephen Mihm:** [00:00:21] (laughs) Do you really want me to try to answer that?

**Nick Capodice:** [00:00:48] This is Civics 101, the podcast refresher course on the basics of how our democracy works. I'm Nick Capodice.

**Hannah McCarthy:** [00:00:53] I'm Hannah McCarthy.

**Nick Capodice:** [00:00:55] And yeah, today we're talking about it. Talking about money. American money [00:01:00]. Its history, bills, coins, the Mint, you name it.

**Hannah McCarthy:** [00:01:06] Did you get an answer from him?

**Nick Capodice:** [00:01:08] I did. That is Stephen Mihm, by the way, he's a professor of history at the University of Georgia, and he wrote a book called A Nation of Counterfeiters, Capitalists, Con Men and the Making of the United States. And he is the first guest on Civics 101 to deal with natural disaster.

**Stephen Mihm:** [00:01:24] I don't mean to be trouble here, but Athens, Clark County is under a tornado warning. Tornado warning for us means that there is a likelihood there is a tornado in our area...

**Nick Capodice:** [00:01:34] And Stephen stuck it out through a tornado warning so he could tell me about money. And sometimes in this episode, you're going to hear him talking and you'll hear a little siren in the background. But back to my broad question. So money is this thing we all have or we want to have. It's something we need to carry out our daily life. But have you ever just wondered what it is?

**Nick Capodice:** [00:01:56] Stephen told me that money, in its classic sense, consists of three [00:02:00] things. Number one, it has to store value. It has to hold its value over time. It can't rot like a banana. Two, unit of account. That means its value is measurable. It's countable and it's the same everywhere, right. No dollars worth more than any other dollar. And three medium of exchange. That means it is something that is generally accepted to be exchanged for goods and services.

**Hannah McCarthy:** [00:02:23] All right. Gotcha.

**Nick Capodice:** [00:02:24] But Stephen also said.

**Stephen Mihm:** [00:02:25] That question, what is money, the answer will tell you a great deal about the person answering it and less about what money actually is. Anthropologists might invest money with cultural significance. That money originated not to meet economic needs, but rather originated out of something like either religious ritual or kinship relations or some way of creating reciprocity between social groups. Money, in other words, is is is [00:03:00] what you make of it. And what you make of it depends very much if you're asking an academic on your academic training.

**Nick Capodice:** [00:03:07] And I asked that same question to Ellen Feingold. She is the curator of the National Numismatic Collection at Smithsonian.

**Hannah McCarthy:** [00:03:13] And what does numismatic mean?

**Nick Capodice:** [00:03:15] A numismatist is somebody who collects and studies money.

**Ellen Feingold:** [00:03:18] I prefer a simpler definition of money, and that is money is anything that can be used to make a payment. And really, any object can serve that purpose as long as it has an agreed upon value and is trusted for use in transactions.

**Nick Capodice:** [00:03:32] And in the past in world history, that's been shells, beads, giant stones with holes in them. And in America today, we're talking about coins, bills, credit cards, cryptocurrency and any of the myriad ways that banks electronically handle our accounts.

**Hannah McCarthy:** [00:03:46] How did we start using money in America? Was a dollar always this green thing with George Washington on it?

**Nick Capodice:** [00:03:53] No. Oh, not by a long shot.

**Stephen Mihm:** [00:03:55] Before the United States was created as an actual bonafide independent nation, [00:04:00] America and the colonies that would become the United States experimented with monetary substitutes in ways that actually marked the United States, or what became the United States, as very unusual. In other words, one of the first and really arguably the first state issued paper currencies in the Western world at least came in Massachusetts.

**Nick Capodice:** [00:04:23] So Massachusetts had no way to pay its soldiers.

**Stephen Mihm:** [00:04:27] And ultimately hit upon this very interesting idea of issuing what were effectively IOUs that would derive their value, interestingly enough, from the fact that they could be used down the line to pay taxes.

**Nick Capodice:** [00:04:42] But when we just started out as a nation, we used other people's money.

**Stephen Mihm:** [00:04:48] A motley assortment of coins made in other countries, either Spain or more likely Spanish colonies like Mexico or Bolivia, [00:05:00] what have you. To compound this confusion from our modern day perspective, if you were in Massachusetts, a Massachusetts pound might not be the same as a British pound.

**Hannah McCarthy:** [00:05:16] This sounds impossible.

**Nick Capodice:** [00:05:17] It does. And it was. And that's why we started to make some changes in 1776.

**Stephen Mihm:** [00:05:22] During the American Revolution, though, there was there was a desire to create a new currency. So that's really where it dates to. And this was a currency known as the dollar. But again, this dollar was not a truly novel creation. It was a dollar pegged to the Spanish peso. That is one reason why the American dollar is divided in the way that it's divided say, in quarters and originally also in 8ths and in halves, because the Spanish peso is divided into 8ths. And this made total sense. I mean, it was. Basically, we were lazy [00:06:00] and we're like, look, there's already a currency out there, most of us handle these silver coins. Let's just roll with this.

**Nick Capodice:** [00:06:06] The peso.

**Hannah McCarthy:** [00:06:09] I never knew the peso was to thank for the dollar.

**Nick Capodice:** [00:06:12] Right. But speaking of the dollar, let's get back to the paper currency. It caught on really quickly with merchants because there wasn't a lot of money around.

**Stephen Mihm:** [00:06:22] It's hard for us to understand now this problem which bedeviled the colonies. And that problem was that there was literally a shortage of money. Not a shortage of wealth, but a shortage of things that could be used as tokens to move between people and economic transactions. So people might have huge amounts of silver in the form of, say, plates and teapots and the like sitting on their mantel. But they had no money. The paper money solved this problem. It was a way [00:07:00] of making economic transactions move smoothly and operate, you know, with less friction than they would when you have to engage in barter or try to pay for a cow with a teapot. In which case, you know, there's a problem making change and and so on and so forth.

**Nick Capodice:** [00:07:18] But the biggest problem with all these paper bills at the time was forgery.

**Ellen Feingold:** [00:07:23] The colonial notes were, were were were often targets for counterfeiting. And that could be by American colonists. That could be by British troops, that could be by anyone who had an interest in taking advantage of those banknotes. Many of the notes had a statement on them that stated the legal penalty for counterfeiting, they said "to counterfeit is death." Many states went to, well, early colonies, went to great lengths to try to make their notes hard to copy. And one of the most famous examples of this comes from Benjamin Franklin.

**Stephen Mihm:** [00:07:54] Ben Franklin, who is the kind of where's Waldo of colonial America, he's everywhere, he devised [00:08:00] these paper notes that used a very kind of proprietary process to take a leaf and turn it into an engraving. And every leaf's veins are unique. So it was kind of this nature looking like a nature print on the back of his currency.

**Hannah McCarthy:** [00:08:19] Were counterfeiters actually killed?

**Nick Capodice:** [00:08:22] No. I mean, it was the technical penalty in a lot of states. But Stephen said it very rarely happened. Sometimes colonial authorities later hired counterfeiters to make bills for them. And the Secret Service, which today we think of their primary function as protecting the president, that agency was created specifically to deal with forgeries. It was that massive of a threat to our economy.

**Hannah McCarthy:** [00:08:43] Do they still do that?

**Nick Capodice:** [00:08:44] They do. If you're making some funny money, the Secret Service just might show up at your door. But it's harder today than it was even in Franklin's time. We've got color changing ink, watermarks, thread that glows in ultraviolet light. It's very sophisticated.

**Hannah McCarthy:** [00:09:05] All [00:09:00] right, when did we start to print a federal greenback dollar?

**Nick Capodice:** [00:09:11] Civil war.

**Ellen Feingold:** [00:09:16] So in 1861, beginning of the Civil War, the federal government decides to get into the business of printing money mainly to pay for the war. So, they produce what are called demand notes. And they have this vibrant greenback. And they have an intricate design, though not nearly as intricate as the designs become over time. And that quickly evolves into a variety of types of notes, over the decades that follow. And what really unites the design of these notes is a consistent use of... Of green ink.

**Nick Capodice:** [00:09:51] And Ellen told me an interesting story about George Washington's face being printed on these.

**Ellen Feingold:** [00:09:56] George Washington is currently on the $1 bill. And the predecessor [00:10:00] of that bill is a $1 silver certificate. George Washington, when he first appears on that note, does not appear by himself. He actually appears alongside Martha Washington in 1896. And in fact, 10 years earlier, that same denomination, the 1886 silver certificate, actually featured Martha Washington by herself. It's the only example of a... Of a historic American woman being featured on a federal banknote in a portrait on her own.

**Nick Capodice:** [00:10:31] That's the last time there was a woman on our paper currency. But in 2016, then Secretary of the Treasury Jack Lew announced that Harriet Tubman was going to replace Andrew Jackson, a slave owner, on the front of the $20 bill. It actually initially was going to replace Hamilton on the $10 bill but after the musical his popularity skyrocketed and they put an end to that. Today, Steven Mnuchin, our current Secretary of the Treasury, has not yet committed to the Harriet [00:11:00] Tubman change.

**Ellen Feingold:** [00:11:00] Something I collected recently, that's now on display in our gallery The Value of Money, is a 3-D stamp produced by a man named Dano Wall. And it is a stamp of Harriet Tubman. And individuals can use this stamp to stamp Harriet's portrait on $20 bills, thereby replacing Andrew Jackson with Harriet Tubman.

**Hannah McCarthy:** [00:11:27] Is that legal?

**Nick Capodice:** [00:11:28] Good question. Did you grew up hearing that it's illegal to deface money? Like you're not allowed to mess with money.

**Hannah McCarthy:** [00:11:34] Yeah, I always had a sense that you like...You shouldn't rip a dollar bill in half or something like that.

**Nick Capodice:** [00:11:38] Right. Right. It's not legal to rip a dollar bill in half because that's defacing or destroying currency. It's it's in the U.S. code that you're not allowed to do that.But to Ellen's knowledge, nobody has been reprimanded for stamping money or writing on money because scholars are currently debating what defacing means.

**Hannah McCarthy:** [00:11:56] And who is actually making our money today?

**Nick Capodice:** [00:11:59] Starting [00:12:00] in 1913, the Congress put the Federal Reserve in charge of money production and the value of the bills produced was tied to a specific amount of gold. This is called the gold standard. We don't do this anymore. I'll talk more about that a little bit. The Federal Reserve is in charge of money, but the bills are printed by the Bureau of Engraving and Printing. Whose web site is the delightfully named moneyfactory. gov. Do you have any dollars on you?

**Hannah McCarthy:** [00:12:25] I can go get one.

**Nick Capodice:** [00:12:25] I don't have any cash on me! We're a cashless society. Oh, thank you. What's this?

**Hannah McCarthy:** [00:12:30] A nice fresh dollar bill.

**Nick Capodice:** [00:12:30] Look at this dollar bill.`I've never been to either a place that prints bills or a Mint.Have you visited one of these?

**Hannah McCarthy:** [00:12:39] I think I have.

**Nick Capodice:** [00:12:41] Where?

**Hannah McCarthy:** [00:12:41] In Massachusetts.

**Nick Capodice:** [00:12:43] So there are 12 federal banks under the Bureau of Engraving and Printing that print our paper currency. And if you were in Boston that is the A bank. So if you look at this dollar bill on the left side, to the left of George Washington, it has a big A on it. That says which of the 12 banks it was printed at. [00:13:00]

**Hannah McCarthy:** [00:12:59] No way!

[00:13:00] Yeah, so A is Boston. B is New York. C is Philadelphia. You could look up the whole list online. And when it comes to the Mint, I spoke with Todd Martin. He's the Chief of Corporate Communications at the U.S. Mint. He told me the six things that are on every coin-.

**Todd Martin:** [00:13:14] Which are liberty, in God we trust, United States of America, E Pluribus Unum- which is Latin for " out of many, one"-the domination, and the year that the coin was produced.

**Nick Capodice:** [00:13:29] And there's one more feature to look for. It's the Mint mark. This is like that letter on the dollar bill. It's a tiny letter on the head side that tells you where it was made-.

**Todd Martin:** [00:13:37] P for Philadelphia and D for Denver.

**Nick Capodice:** [00:13:42] The Federal Reserve, our National Bank, decides how many bills and coins to make every year. That's what puts money into circulation so you can have it in your wallet and your back pocket. But far and away, the most fascinating thing I learned about the Mint from Todd- and this doesn't happen with the Bureau of Engraving and Printing, by [00:14:00] the way- is that the Mint makes coins and they shipped them to the Federal Reserve. The Federal Reserve buys them from the U.S. Mint at the rate of a penny for a penny. Five cents for a nickel. Twenty five cents for a quarter. Do you understand what I'm saying?

**Hannah McCarthy:** [00:14:19] No. They make a penny.

**Nick Capodice:** [00:14:22] Yeah.

**Hannah McCarthy:** [00:14:23] And then they sell it for a penny?

**Nick Capodice:** [00:14:25] Right. They sell the Federal Reserve a copper-ish piece of metal. That's a penny. And the Federal Reserve pays them a cent for it. So- and that's how the Mint pays for itself.

**Hannah McCarthy:** [00:14:37] Ok. I want to get back to this. Right? This dollar bill in my hand here. Does it represent anything? Is there like a piece of gold in a vault somewhere? Do you know what I mean- like what does this mean?

**Ellen Feingold:** [00:14:52] It means that you trust the federal government.So it's fiduciary or fiat currency, which [00:15:00] means that it's money because the law says it is. And because you choose to trust the federal government and trust the law that establishes our national currency system.

**Hannah McCarthy:** [00:15:09] When did that change happen? When did we stop using notes to represent silver or gold, and start using fiat currency, and just trust that this dollar is what it says it is? Who did that?

**Stephen Mihm:** [00:15:21] FDR did- Franklin Delano Roosevelt.

**Franklin Delano Roosevelt:** [00:15:24] Therefore, the United States must take firmly in it's own hands the control of the gold value of our dollar.

**Stephen Mihm:** [00:15:32] You know, when people think about FDR and the New Deal, they always think about like Civilian Conservation Corps, you know, public works projects and WPA or what have you. But one of the most momentous revolutionary things he did was to sever and put an end to the gold standard. And he did that quite dramatically. It became illegal to own gold. In order for a currency that [00:16:00]is a fiat currency to work you've got to stamp out other- the competition. And in this case, holding gold would have been a very potent way of competing with the nation's currency. So it became illegal. There was a executive order. Gold was confiscated. And you got paper money in return at a fixed rate.

**Nick Capodice:** [00:16:20] But we kept using gold to represent the value of the dollar internationally until-.

[00:16:26] I directed Secretary Connally to suspend temporarily the convertibility of the dollar into gold or other reserve assets-

**Nick Capodice:** [00:16:33] President Richard Nixon.In 1971, he announced that the U.S. would no longer convert dollars to gold at a fixed value. And that ended all official ties to the gold standard. Now, we have to be careful with fiat currency, because now that our money isn't tied to a gold standard, inflation- which means our money is worth less- can happen if you print too much of it. If you're making too much money. And finally, in 1975, it became legal to own [00:17:00] gold again.

**Hannah McCarthy:** [00:17:00] So this dollar only means a dollar because I believe that it does?

**Nick Capodice:** [00:17:08] You got it right on the money. So the next time you look at the number in your bank account remember that it only has value because everyone else agrees that it does. Are the levels okay? They seem fine they seem fine.

**Hannah McCarthy:** [00:17:19] They seem fine to me.

**Nick Capodice:** [00:17:19] Alright let's go! Let's go! Five, six, seven, eight Put it in the bank. Today's episode is produced by me, Nick Capodice, with you Hannah McCarthy, thank you.

**Hannah McCarthy:** [00:17:29] You're welcome.

**Nick Capodice:** [00:17:29] Our staff includes Jacqui Fulton, who asked if blue jeans are used to make our dollars and we all laughed and it turns out it was TRUE.

**Hannah McCarthy:** [00:17:29] Erika Janik is our Executive Producer and has been waiting to do an episode on the Mint for two years.

**Nick Capodice:** [00:17:34] Maureen McMurray is a hip hip hip hip lady.

**Hannah McCarthy:** [00:17:38] Music in this episode by South London, Hi Fi, Broke for Free, Blue Dot Sessions, Matt Harris, Sara the Instrumentalist- no-.

**Nick Capodice:** [00:17:44] Sarah the Illstrumentalist.

**Hannah McCarthy:** [00:17:45] Yep. Sarah the Illstrumentalist. Rachel Collier, RKVC, and that wonderful 1910s band, the Weems.

**Nick Capodice:** [00:17:52] There is just so much, good heavens, to learn about our bills and our coins. What is on them and why it's addictive. And now I can't stop [00:18:00] looking at serial numbers on my dollars. To join my newfound obsession visit our website Civic101podcast.org where we put links to our favorite explainers on money.

**Hannah McCarthy:** [00:18:10] Civics 101 is supported in part by the Corporation for Public Broadcasting. And it is a production of NHPR, New Hampshire Public Radio..