Study Questions for Chown’s “Some concepts of Money”


1. ____ What is “seignoirage”?
   a. the age at which one enters one’s last year of college
   b. the age at which one qualifies for the “old age” discount at Denny’s restaurants
   c. a polite way to address Mariano Age, an elderly gentleman from Spain
   d. … or some other answer

2. ____ What is “bullion”?
   a. a coin made out of a precious metal
   b. precious metal that has not been made into a coin
   c. a little cube made up of salt and flavoring (ex. beef bouillon) that is used in cooking
   d. a slang term meaning “Awesome!”, often used in sports
   e. $10^9$

3. ____ Why is a coins made out of (for example) 1 ounce of silver usually preferred to 1 ounce of silver bullion?
   a. Dang it! I left out the possible answers.
   b. I hate it when that happens.

4. ____ When, if ever, did England start minting coins without charging seignorage?
   a. When Mr. Age, or Senior Age as he was addressed, finally found a “free minting” coupon in the newspaper.
   b. … or … the correct answer. As long as you know the answer to within a decade, that’s awesome.

5. ____ What is “debasement”??
   a. part of building that’s underground
   b. issuing a coin that contains little or precious metal, but promising it can redeemed for the (still) standard amount of precious metal as before.
   c. talking negatively about a person to their face
   d. issuing a coin with less precious metal than before, but still decreeing that it counts as much as an earlier coin
#'s 6 – 8: A worry about today’s fiat money is that the government issuing the fiat money will print too many of them. This overprinting of fiat money leads to money that is worth less, inflation, and harm to holders of money. For example: Janice hoped the $20,000 she saved would buy a decent car. However, since the government printed so many new $ bills, her $20,000 will only buy a scooter.

6. ______ Could governments devalue currency in a similar way back when commodity money (gold or silver) was the norm? If so, how?
   a. Blah, blah, blah.
   b. Blah, blah, blah

7. ______ What was the process called?
   a. Blah, blah, blah … You may have seen the term just a few questions back.
   b. Blah, blah, blah

8. ______ Why would a ruler ever do the thing described in #'s 6 & 7?
   c. Blah, blah, blah
   d. Blah, blah, blah

9. ______ What is clipping?
   a. Blah, blah, blah
   b. Blah, blah, blah

#'s 10 – 14: An English 1 shilling coins minted in 1540 had about 0.3 ounces of silver. An English shilling of minted in 1546, after the “Great Debasement” of King Henry VIII (of; “he had six wives and executed 2” fame), had about 0.1 ounces of silver.

10. ______ David the debtor owes Craig the creditor 1 shilling. David has the two coins shown at right. Which one would Dave rather give to Craig to pay off his (Dave’s) debt? By the way, Craig’s eyesight is really, really bad so he can’t read small print.
    c. David uses (i.e. spends) the 1540 coin.
    d. David uses (i.e. spends) the 1546 coin.
    e. David doesn’t care which coin he uses.

11. ______ “Gresham’s Law” is often stated; “Bad money drives out good money”. Which of the coins at right is “bad money”?

12. ______ Which of the coins at right is “good money”?
13. _____ Billy wants to buy some deerskin boots from Danielle. Danielle tells Billy, “That’ll be 1 shilling”. Billy shows her the two coins at right and Danielle say; “I’ll take either one.” Danielle is willing the accept the 1546 (i.e. debased) coin:
   a. in tale, i.e. at face value
   b. in specie
   c. per diem ex post facto habeas corpus

14. _____ Billy wants to buy a leather jerkin (jacket) from Evan. Evan tells Billy, “That’ll be 1 shilling”. Billy shows Evan the two coins at right. Evan replies; “I’ll take either 1 on your 1540 shilling or 3 of you 1546 shilling as payment.” Evan is willing the accept the 1546 (i.e. debased) coin:
   a. in tale, i.e. at face value
   b. in specie
   c. per diem ex post facto habeas corpus

15. _____ Debasement allows a King or Queen to buy a lot more stuff (with the newly debased coins) only if people accept the new coins:
   d. in tale, i.e. at face value
   e. in specie
   f. per diem ex post facto habeas corpus

16. _____ What is bi-metallism?
   a. Blah, blah, blah
   b. Blah, blah, blah

17. _____ Look back on your lecture notes and handouts from Lovett chapter 21. Why would a country use bi-metallism?
   a. Blah, blah, blah
   b. Blah, blah, blah

18. _____ It is the year 1300. In Europe, an ounce of gold is generally considered to be worth 10 times as much as an ounce of silver (1 G to 10 S). If a horse trades for 4 ounces of gold, it will trade for 40 ounces of silver. Prince Markus of Marklenburg mints the two coins at right. Hans is a merchant in Marklenburg. Hans has both types of coins. Hans owes Prince Markus “1 Mark” in taxes. Hans will likely:
   a. pay with (get rid of) the silver coin.
   b. pay with (get rid of) the gold coin.
   c. be indifferent regarding which coin he uses.
19. ______ It is the year 1600. Over the past 300 years, better mining techniques and discoveries in the Americas have meant that lots of silver has been flowing into Europe. Now (1600) in Europe, an ounce of gold is generally considered to be worth 15 times as much as an ounce of silver (1 G to 15 S). If a horse trades for 4 ounces of gold, it will trade for 60 ounces of silver. Marklenburg still uses the same gold and silver coins at right. Hans is a merchant in Marklenburg. Hans has both types of coins. Hans owes the government “1 Mark” in taxes. Hans will likely:
   a. pay with (get rid of) the silver coin.
   b. pay with (get rid of) the gold coin.
   c. be indifferent regarding which coin he uses.

20. ______ The above (#19) phenomena, a phenomena in which people prefer to spend (i.e. get rid of) of one type of money over another, is called:
   a. seignoirage.
   b. bullion.
   c. Booyah Baby!!!
   d. Abraham’s Law
   e. Gresham’s Law
   f. a Smithian Transaction
   g. a Keynesian Transaction
   h. the Post Hoc fallacy
   i. the Mea Culpa fallacy

21. ______ It is back to the year 1300. Now (1300) in Europe, an ounce of gold is generally considered to be worth 10 times as much as an ounce of silver (1 G to 10 S). If a horse trades for 4 ounces of gold, it will trade for 40 ounces of silver. The European country of Pretendsylvania has printed both gold and silver coins (Pretendos) as shown at right. Stella owes the government “1 Pretendo” in taxes. Stella will likely:
   d. pay with (get rid of) the silver coin.
   e. pay with (get rid of) the gold coin.
   f. be indifferent regarding which coin he uses.

22. ______ What does the verb; “assay” mean? What does an; “assayer” do?
   a. Blah, blah, blah
   b. Blah, blah, blah