**Chapter 19 - Money, Prices, and Finance in the Postbellum Era**

1. Between the Civil War and World War I, the U.S. monetary system

a. experienced a persistent deflation.

b. suffered several financial crises in which banks closed and firms went bankrupt.

c. adopted a *de facto* gold standard.

d. adopted a central bank.

**e. All of the above.**

2. Following the Civil War, U.S. forms of money included all of the following except:

**a. wooden nickels.**

b. checks.

c. state bank notes.

d. greenbacks.

3. The "greenback"

a. provided a uniform currency across the U.S.

b. provided additional revenue for the government during the Civil War.

c. supplied monetary increases that sent prices skyrocketing.

**d. All of the above are correct.**

e. Only a and b are correct.

4. Most of the increase in total money supply between 1860 and 1920 was due to

a. an increase in national bank notes.

**b. the growth of bank deposits.**

c. an increase in greenbacks.

d. new discoveries of gold and silver.

5. Republicans in Congress pushed for the passage of the National Bank Act of 1863 because

a. they wanted the executive branch to have more control over the amount of notes in circulation.

b. they wanted to encourage a mild inflation in the U.S.

**c. they felt that the Act would reduce the temptation for weak administrations to over issue paper currency.**

d. they wanted to reduce the number of banks in the U.S.

6. Provisions of the National Bank Act of 1863 included all of the following except

a. mandated legal reserve requirements for banks chartered under the Act.

b. the requirement that banks chartered under the Act purchase a certain amount of US government bonds.

c. the creation of a currency with a standard design.

**d. the creation of a central bank responsible for serving as a lender of last resort and an overseer of the money supply.**

7. In 1865, Congress raised the tax on state bank notes to 10 percent of the value of notes in circulation. This tax

a. ended the dual banking system in the U.S.

b. was less than the tax on national bank notes.

c. was rescinded in 1870.

**d. was avoided through the use of demand deposits.**

8. Market barriers imposed on national banks

a. included both restrictions on mortgages and high capital requirements.

b. allowed rural banks to charge higher rates.

c. allowed national banks to price discriminate.

**b**

**e. Only a and b are correct.**

**9. Which of the following statements *most* accurately describes the role of banks in the United States between the Civil War and WWI?**

a. The U.S., which had the largest economy in the world, also had the largest banks in the world.

b. Banking reforms increased the ability of state banks to issue their own notes.

**c. Compared to state banks, national banks generally had higher reserve requirements and more restrictions on how they could handle their assets.**

d. Those who borrowed money at fixed interest rates gain significantly during deflationary periods.

**10. During the Civil War, inflation caused U.S. prices to rise by roughly**

a. 12 percent.

b. 32 percent.

c. 54 percent.

**d. 76 percent.**

11. During the post-Civil War debate over resuming the exchange of gold for greenbacks,

a. members of the Greenback party argued the returning to gold was not worth the economic pain.

b. Republicans argued that those who had loaned money to the government during the Civil War had the right to be paid in gold.

c. Republican argued that due to the Public Credit Act of 1869, bondholders were not required to be paid in gold.

d. None of the above is correct.

**e. Only a and b are correct.**

12. Persistent U.S. deflation between 1879 and the mid-1890s was primarily due to the fact that the \_\_\_\_\_\_\_\_\_\_\_ was growing faster than the \_\_\_\_\_\_\_\_\_.

a. supply of money; demand for money

**b. demand for money; supply of money**

c. demand for money; demand for goods

d. demand for goods; supply of money

13. Between 1891 and 1896,

a. both “external” and “internal” gold drains plagued the U.S. Treasury.

b. Americans rushed to exchange notes for gold.

c. Treasury reserves of gold became critically low.

d. increases in commodity exports ultimately bolstered the gold reserves of the Treasury.

**e. All of the above.**

14. The years between 1896 and World War I were characterized by

a. rapidly rising prices in the U.S.

b. wild fluctuations in international exchange rates.

**c. the “heyday” of the gold standard in the U.S. and most industrialized countries.**

d. barriers that prevented the flow of goods and capital across international borders.

e. All of the above.

15. The move to an international gold standard between 1896 and World War I

a. encouraged the free flow of goods and capital between countries.

b. was accompanied by moderate increases in prices.

c. required a higher use of resources than would have been the case under a paper standard.

d. made it difficult to exercise expansionary monetary policy.

**e. All of the above.**

16. In the late 1800s, problems with the U.S. banking system included

a. uneven distribution of notes throughout the country.

b. varied banking regulations across states.

c. the use of “country bank” reserves to support call loans made by larger urban banks.

d. the tendency of commercial banks to reduce money and credit during recessions.

**e. All of the above.**

17. In the U.S. during the late 1800s and early 1900s, investment banks

**a. emerged to serve the expansion of railroads, mining companies and large manufacturers.**

b. issued bank notes.

c. competed with state and national banks for deposits.

d. were required by law to maintain a minimum reserve ratio.

e. All of the above.

18. J.P. Morgan was instrumental in the formation of

a. Ford Automobiles.

**b. U.S. Steel Corporation.**

c. Standard Oil.

d. Swift Meats.

19. In the late 1800s, options for banks faced with a severe panic included all of the following *except*:

a. selling bonds.

b. calling in loans.

c. suspending cash payments.

**d. obtaining a short-term loan from the central bank.**

20. The Federal Reserve Act

**a. established a clearinghouse system for checks and notes.**

b. allowed only nationally-chartered banks to become members of the Federal Reserve system.

c. allowed the Fed District Banks to offer commercial loans to private businesses at reduced interest rates.

d. required that all Fed District Bank directors be associated with the commercial banking industry.

e. all of the above.

21. What is *not* true of The Federal Reserve Act (1913)?

a. Membership in the system was made compulsory for national banks.

**b. State banks were not permitted to join the system.**

c. The member banks nominally owned the Federal Reserve Banks.

d. Member banks had to deposit cash, previously held as reserves, with the District Federal Reserve Bank.