



# AMERICAN GOVERNMENT



## FIAT MONEY

### Multiple Choice Questions

1. What is the core definition of "fiat" in the context of money?
  - A. Money backed by gold and silver
  - B. Money based on rarity in nature
  - C. Government-decreed value without a physical commodity backing
  - D. Money created through barter and trade
2. Which standard traditionally backed currency in the Western world?
  - A. Oil
  - B. Gold and silver
  - C. Rare seashells
  - D. Agricultural products
3. What happens to fiat money if people lose confidence in the government or economy?
  - A. Its value increases
  - B. Its value decreases
  - C. It remains stable
  - D. It becomes a commodity
4. What feature of commodity-backed money ensures its stability?
  - A. It is based on trust in government
  - B. It has consistent value based on tangible substances like gold or silver
  - C. It can be printed infinitely
  - D. It does not require weights and measures
5. In the U.S., what year marked the shift away from gold and silver-backed currency?
  - A. 1776
  - B. 1865
  - C. 1964
  - D. 1984



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6. What is a significant consequence of printing more fiat money?
  - A. Deflation
  - B. Inflation
  - C. Stabilization of currency
  - D. Increase in commodity value
  
7. What does the phrase “Federal Reserve Note” on modern currency indicate?
  - A. It is backed by gold or silver
  - B. It has no backing other than government decree
  - C. It can be exchanged for commodities
  - D. It is a private bank’s certificate of value
  
8. How much is a pre-1964 dime (made of 90% silver) worth today based on silver’s value?
  - A. 10 cents
  - B. \$2.80
  - C. \$7.00
  - D. \$35.00
  
9. According to the lesson, what drives inflation in a fiat monetary system?
  - A. Decreasing commodity values
  - B. Increased rarity of fiat money
  - C. Printing excessive currency without real backing
  - D. Interest rates set by individuals
  
10. What solution does the lesson propose to stabilize the economy?
  - A. Increase government oversight over the Federal Reserve
  - B. Return to commodity-backed money based on gold and silver
  - C. Print more money to reduce inflation
  - D. Allow the Federal Reserve to set stricter monetary policies



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\*Answer Key:

1. C - Government-decreed value without a physical commodity backing
2. B- Gold and silver
3. B- Its value decreases
4. B - It has consistent value based on tangible substances like gold or silver
- 5.C- 1964
6. B - Inflation
7. B It has no backing other than government decree
8. B- \$2.80
9. C- Printing excessive currency without real backing
10. B - Return to commodity-backed money based on gold and silver



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### Discussion Questions

- 1. What are the main differences between fiat money and commodity-backed money?**
  - **Follow-up:** Which system do you think provides greater stability and why?
- 2. How does public confidence in a government affect the value of fiat currency?**
  - **Follow-up:** What might happen if a country's citizens lose trust in its economic system?
- 3. Why do you think the U.S. moved away from the gold and silver standard in 1964?**
  - **Follow-up:** Do you think this was a good decision for the economy? Why or why not?
- 4. Inflation was described as being caused by printing excessive fiat money. Can you think of real-world examples where this has happened? What were the effects on the economy and society?**
- 5. The lesson suggests returning to a gold and silver-backed currency system. What challenges might the government face if it decided to make this change today?**
  - **Follow-up:** How would this impact the value of money, wages, and everyday prices?