

UNDERSTANDING CURRENCY

What is currency?

Currency is another name for money, or the bills and coins we use to buy and sell things. Each piece of currency has a value. The value could be a small amount of money, like a penny, or a large amount of money, like \$100.

The currency itself isn't worth very much. The piece of paper on which a dollar bill is printed is not actually a dollar's worth of paper. Instead, currency has value because it represents \$1.



Fun Fact!

When the U.S. government introduced a national currency in 1861, the bills were called "greenbacks" because of the green ink used to print them.



The United States adopted the dollar sign in 1785.

Has there always been a national currency?

The United States didn't start using a national currency until 1861. Before that, each state had its own money, and banks could print their own money too. When people used this money, they were trusting that the banks would honor their currency. In other words, if you brought a 5 cent note (or bill) like this → one to Merrimack River Bank, you trusted that Merrimack River Bank would treat it as being worth 5 cents and that you could trade this 5 cent note for another 5 cent note from a different bank.



This system worked when you lived near the bank that had printed the note. But if you lived far away from the bank, like in another state, then people might not know if the note had value. Since they didn't know Merrimack River Bank, how did they know if the bank would back up this currency? Not having a national currency made it hard to do business with people who didn't live in the same area as you did.