The origin of money – Part I: cash

1. Terms

Watch the film "The origin of money – Part I: cash".

a) Whilst you watch, make notes on the following terms:

Cash	
Eurosystem	
Monopoly on issuing banknotes	
Coinage prerogative	

b) Compare your notes with your partner's and add to them if necessary.

c) In small groups or in front of the class, take turns explaining one of the terms listed above without saying which one it is. The person who guesses it correctly goes next.

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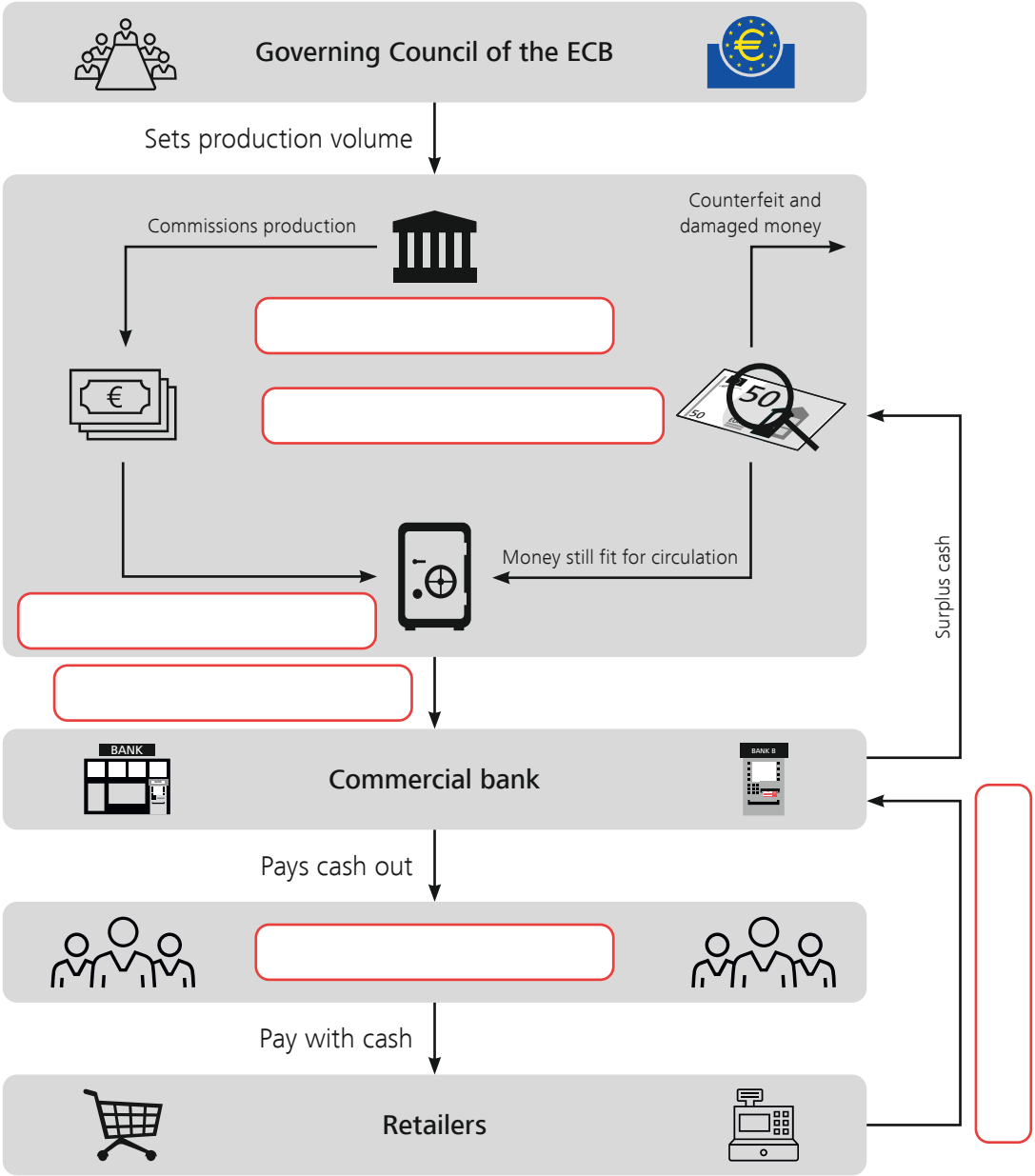
2. Cash cycle

Complete the diagram by placing these words in the correct boxes:

- Private individuals
- Checks authenticity and quality
- Deutsche Bundesbank
- Stores money in vaults
- Cash transport
- Surplus cash



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3. Cash quiz

(1) Where do banks usually get the money that they pay out to their customers?

a) They print new banknotes and mint new coins with their own machines.

b) From the Bundesbank or from other customers depositing cash in their bank accounts.

c) They sell securities that they own to customers in return for cash.

(2) What will a bank usually do if it does not have enough funds in its account at the central bank to cover the amount of cash that it wishes to withdraw?

a) It will take out a loan from the central bank and then withdraw that money.

b) It will print new banknotes and mint new coins with its own machines.

c) It will tell its customers that it cannot disburse any more cash at present.

(3) What are banknotes when they are in the Bundesbank's vaults?

a) Just printed paper

b) Legal tender

c) Non-interest-bearing assets

(4) When do banknotes become legal tender?

a) As soon as they are printed

b) Never

c) When they are disbursed by the central bank

(5) What does the Bundesbank do with the cash that banks pay back in to it?

a) It destroys it completely and issues new cash.

b) It puts a marker on all notes for law enforcement purposes.

c) It carries out checks for authenticity, quality and fitness for circulation.

(6) What does the term "monopoly on banknote issuance" refer to?

a) Having the sole authority to produce banknotes and bring them into circulation.

b) Having the sole authority to produce banknotes for "monopoly".

c) Having the sole authority to exchange banknotes for foreign currency.

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(7) Who has the monopoly on banknote issuance in Germany?

a) The Federal Government

b) The Federal Ministry of Finance

c) The Bundesbank

(8) What does "coinage prerogative" mean?

a) The right to use coins to pay in a shop, irrespective of the amount.

b) The right to issue coins.

c) The right to possess any amount of coins you like.

(9) Who has the coinage prerogative in Germany?

a) The individual federal states

b) The Federal Ministry of Finance

c) The Bundesbank

(10) How does coin and banknote issuance generate profit?

a) The banks receive less cash than is debited from their account.

b) High rates of inflation mean lower costs for producing, transporting and checking cash.

c) The costs for producing, transporting and checking cash are lower than the interest that central banks earn on the loans that commercial banks have taken out with them.

(11) What happens to the profits generated through banknote and coin issuance?

a) They are paid out to the Bundesbank's staff as a bonus.

b) They are transferred to the government and so benefit everybody.

c) There are no profits.

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4. Gap-fill

To satisfy customer demand for cash, banks need _____ .

They get this from the central bank.

Banks withdraw money from their accounts with the

_____. If banks do not have sufficient funds in their

central bank account, they take out a _____ from the central bank.

The commercial bank usually has to provide _____ –

typically securities – and pay interest to the central bank.

The central bank makes _____ from the interest that banks

pay on the loans they take out for the purposes of obtaining banknotes.

The _____ made in this way contributes to the Bundesbank's

total profit, which, in turn, is paid on an annual basis to the Federal

Ministry of Finance, that is the _____ .

Ultimately, all profits from the creation of cash benefit the government,

and therefore _____ as a whole.

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