CONCEPT: THE GOLD STANDARD

● The ***gold standard*** was a system of setting exchange rates based on the amount of _________ a country owned

 □ Gold coins and paper money were all “backed” by gold, meaning you could redeem your money for actual gold

 □ __________________ was the first to adopt the gold standard in 1816, but few countries followed

  > As their share of international trade increased, more countries began adopting

  > By 1913, most countries in Europe and the Western Hemisphere had adopted the gold standard

EXAMPLE: Suppose that each US dollar is backed by 1/3 of an ounce of gold. Each British pound is backed by one ounce of gold. What is the exchange rate between US dollars and British pounds?

● The gold standard was abandoned by many countries during the _________________________

 □ A major drawback of the gold standard was a lack of control over the ____________________

  > By printing more money, the currency would lose value without more gold to back it up

  > Finding more gold is not a simple task

 □ The longer a country took to abandon the gold standard, the harder the Depression affected them

  > For that reason, no real attempt has been made to reinstate the gold standard