EDUCATORS' CORNER

INTRODUCTION

Financial success and ruin; the excitement of a trading floor; getting a leg up on investing through information; entrepreneurship; the origins of money and counterfeiting; the life of Alexander Hamilton. These are some of the topics that we can share with you and your students during a visit to the Museum of American Finance.

Since it is no longer possible to tour the New York Stock Exchange, many teachers appreciate exposing their students to the excitement and energy of Wall Street through the Museum's exhibits. Financial education is at the core of the Museum's mission, and the Museum's collections are designed to accommodate school visits.

Located in the heart of Wall Street, the Museum provides students with an opportunity to delve into important historical topics and current financial events through exhibits of historical documents, financial artifacts, short original movies and contemporary, interactive materials. Your visit to the Museum and the following Curriculum Guide will allow students to hone critical thinking skills, gain historical context for the current recession, learn about America's financial history and begin to plan their own financial futures.

The Museum's exhibits are organized around these themes:

- Financial markets: Stocks, Bonds and Commodities
- Previous market fluctuations and crises
- Alexander Hamilton and early American financial history
- Banking in America
- History of money and counterfeiting
- Entrepreneurship
- Special temporary exhibits

Students may explore the Museum on their own using scavenger hunts designed for that purpose. In addition to viewing the exhibits, the Museum offers a variety of classes by appointment, from Tuesday-Friday. For information on booking a class visit or tour, please visit www.moaf.org/education, or e-mail reservations@moaf.org.

CURRICULUM GUIDE

Each section in this Curriculum Guide consists of objectives for that unit, vocabulary and text that corresponds to exhibits at the Museum, followed by discussion questions and a suggested classroom activity. The units can be used alone or together, to support your established curriculum, or to prepare your students for their visit to the Museum. At the end of the Curriculum Guide you will find a glossary and a scavenger hunt, which can be used on self-guided tours of the Museum, and a quiz to assess mastery of the information presented during your visit.

UNIT CURRICULUM GUIDES

The Financial Markets, Market Fluctuations and Financial Information

Money: A History

Banking in America

Entrepreneurs

Alexander Hamilton

GLOSSARY

Asset – Something of value to an individual or a company. The major financial asset classes are stocks, bonds and commodities.

Bank Note – A bill or piece of paper money issued by a bank that may be used to buy goods or services.

Bear Market – A market that is declining in value.

Bond – A financial instrument that is a promise to repay borrowed money. Bonds are issued at a fixed rate of interest, and with a set maturity date. Bonds traded in the financial markets include treasuries, municipal bonds, corporate bonds and asset backed securities, such as those backed by a package of mortgage loans.

Bubble – An extended period of extreme overvaluation. During a bubble, investors are driven by contagious optimism and by the fear of missing out while others make millions. A bubble can occur to the stock, bond, commodity or real estate markets, or to the economy of one country or region.

Bull Market – A market that is rising in value.

Commodities – Any raw material, such as oil, silver, gold, wheat or pork bellies. Commodities can be sold for physical delivery, or traded as “futures” on a commodities exchange, where investors or farmers or companies buy or sell a raw material for delivery at a certain price on a set date in the future. Financial futures, such as foreign exchange and interest rates, are also traded on commodity exchanges.

Commodity Exchange – A place which offers a regulated market in everything from the future price of pork bellies to stock indexes. The Chicago Mercantile Exchange Group (CME) is the futures exchange where interest rates, foreign exchange and stock indices, among other things, are traded.

Counterfeit Money – Fake money which tries to look like the real thing. Counterfeiting is illegal and has been a problem throughout America’s history.

Credit – A loan; the ability of a person(s) or organization(s) to borrow money.

Credit Ratings – An independent evaluation of the ability of a company, government or person to repay debt and meet its obligation to bond investors. A credit rating is usually expressed as a letter or number.

Currency – A country’s official paper money; a medium of exchange.

Diversification – Investing in more than one type of asset to reduce investment risk. For example, a diverse portfolio would have different stocks from a variety of industries, not just one stock.

Dividend – A payment made to shareholders from a company’s earnings. The company’s board of directors usually set the amount of the dividend.

Dow Jones Industrial Average – An index that measures the performance of a group of 30 stocks, used widely to track the performance of the stock market. The first Dow Jones Industrial Average, created in 1896, consisted of only 12 stocks, 11 of which are still in business today.

Earnings Per Share – The profits allocated to each outstanding share of stock. This figure is determined by dividing the company’s net income by the number of shares outstanding.

Entrepreneur – Someone who starts a new business. More than 50% of the jobs in the private sector in the United States are in companies or small businesses started by entrepreneurs.

Federalist – A member of the 18th/early 19th century political party in the United States that favored a strong centralized federal government.

Federal Reserve – The central bank of the United States. The “Fed” conducts US monetary policy; supervises, regulates and provides services to US financial institutions; and is charged with keeping the economy stable in troubled times. The Federal Reserve was established in 1913.

Foreign Exchange – The value of the currency of one country compared to another.

Futures – A financial instrument that represents a legally binding agreement to buy or sell a specified quantity of a commodity at a set price on a predetermined date.

Gold Standard – A formal commitment to fix the prices of a currency to a set amount of gold. The Gold Standard Act was in effect from 1900 until 1933.

Insider Trading – The illegal manipulation or communication of information by insiders to get an investing edge.

Liquidity – The ability of an asset to be changed into cash quickly without a loss in value.

Monetary Policy – The management of the money supply, interest rates and credit availability by a central bank, such as the Federal Reserve, to influence the economy.

Scrip – A certificate that represents something of value and is used as a medium of exchange, although it has no intrinsic value.

Stock – A share of ownership in a company.

Stock Exchange – A marketplace where stocks are bought and sold.

Securitization – The process of pooling and packaging loans, such as mortgages or credit cards, into bonds that can be bought or sold by investors.

Sub-Prime Mortgage – A mortgage loan to a borrower whose credit, or ability to re-pay the loan, is below average.

The Federalist Papers – A series of essays written by Alexander Hamilton, John Jay and James Madison in 1787, which were pivotal in the writing of the US Constitution in l788.

Ticker – A scrolling print or electronic display of current stock prices.

Venture Capitalist – A person who invests in new businesses and entrepreneurs' companies.

Volatility – The rate at which the price of a stock, bond or commodity changes (fluctuates) in value. This may also be applied to an entire exchange or the market in general.

Watermark – A design that is embossed into a piece of paper, such as a dollar bill, during its production. Watermarks can be seen when the bill is held up to the light, and are one way that the government prevents the counterfeiting of paper money.

Yield – For a bond, the yield is the income from the interest rate on the bond divided by its face value. For a stock, the yield is the dividend per share divided by the price of the stock.