Follow the new currency

Understanding the Cantillon Effect | Ages 13-18 | Online core: about 15 minutes

Name: _____ Date: _____

> **The question:** Can changing who receives new purchasing power first change the sequence of effects? Use this sheet with page 4. For a paper-only lesson, use pages 2-4 instead.

Set up: Open monetarymastery.net/pages/cantillon. Choose **Open Laboratory**. Keep **New Money Created** at **$100 Billion** and **Money Circulation Speed** at **Medium**. These are model settings, not a historical claim.

Compare: Scroll to **Compare Two Monetary Pathways**. Set Scenario A to **Financial Markets** and Scenario B to **Direct Payments**. Make your prediction below, then select **Run Side-by-Side Comparison**. Read both panels and the sentence below them.

Predict: Which pathway will affect asset markets earlier? Why?

Record what the model shows

Observation	A: Financial Markets	B: Direct Payments
First receiver		
Distribution path (use words or arrows)		
Asset / consumer channels (compare the bars)		

Compare: What changed even though the amount of new currency stayed the same?

Model check: The bars show simulated relative pressure. They are not measured inflation rates or a forecast. Continue with the three discussion questions and exit sentence on page 4.

Who can buy what?

Paper alternative | Use with role cards on page 3 and discussion on page 4

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Fictional rules: Start each round with 20 identical notebooks. A and B each receive $20, but at different times. The first buyer pays $4 per notebook; the second pays $5. Both spend all $20. There are enough notebooks for both. All numbers and the price change are invented.

Run two rounds

Round 1: Give A $20. A buys at $4. Change the price to $5. Then give B $20; B buys at $5. Record both purchases.
Round 2: Reset balances, receipts, and all 20 notebooks. Reverse the order: B receives and spends first at $4; A receives and spends second at $5.
Optional Round 3: Reset again. A acts before B, but keep the price at $4 for both. Each still receives $20.

Calculate: Notebooks bought = dollars available divided by price per notebook.

Round	A: price / notebooks	B: price / notebooks	Shop receipts / stock left
1: A first	$____ / ____	$____ / ____	$____ / ____
2: B first	$____ / ____	$____ / ____	$____ / ____
3: no price rise (optional)	$____ / ____	$____ / ____	$____ / ____

What changed when you reversed the order? What stayed the same?

Does a rule that forces a price rise prove that new currency always causes that rise? Explain.

Optional arithmetic: Calculate the percentage rise from $4 to $5. Then calculate the percentage fall in what the same $20 buys. Explain why these percentages differ.

Four printable role cards

Read the roles or cut along the borders. Print single-sided if cutting. No real money needed.

ROLE A

Buyer A

Asset-owning household

Receive an allocation of $20 when the teacher calls your turn. Buy as many identical notebooks as $20 allows at the posted price. Record what you buy. You act first in Round 1 and second in Round 2.

ROLE B

Buyer B

Wage-earning household

Receive an allocation of $20 when the teacher calls your turn. Buy as many identical notebooks as $20 allows at the posted price. Record what you buy. You act second in Round 1 and first in Round 2.

ROLE C

Shopkeeper

Business

Begin each round with 20 identical notebooks and no receipts. Charge $4 per notebook to the first buyer. Change the posted price to $5 before the second buyer. Record receipts and notebooks left. Follow the separate rule for optional Round 3.

ROLE D

Observer

Recorder

Track receipt order, posted prices, purchases, and shop receipts. Check that each buyer receives only $20 per round. Reset everything between rounds. Ask whether a result was observed, calculated, or assumed by the rules.

Price signs

BEFORE THE CHANGE	AFTER THE CHANGE
$4 per notebook	$5 per notebook

One learner and one adult: The adult reads the rounds and acts as shopkeeper. The learner alternates between A, B, and recorder. Write balances on scrap paper instead of using tokens.

Keep the story precise: The $20 allocations isolate timing; their funding is not modeled. They do not stand for a completed asset sale, wage payment, or bank loan. Real people can own assets and earn wages at the same time.

Discuss, explain, and check

Use the three questions and exit sentence in the core lesson. The assessment is an extension.

Name: _____ Date: _____

Three discussion questions

1. Who received new purchasing power first, and what could they do with it?

2. What happens to someone whose living costs rise before their income does?

3. How might the outcome change if businesses produce more goods or wages adjust sooner?

Short assessment | optional 5-10 minutes

A. In your activity, what variable did you change and what new amount did you hold constant?

B. If both paper buyers receive $20 and both pay $4 per notebook, how many can each buy? Is there a timing advantage here?

C. A bank creates a $20 deposit by lending to a borrower. Does the borrower receive a debt-free gift? Explain.

D. Name one real-world observation you would need before claiming that a simulator result explains an actual historical event.

Exit sentence

Receiving new currency earlier can matter because ... One condition that could change the outcome is ...

Watch, read, and check a claim

Optional extension | Allow viewing/reading time plus 15-20 minutes for this sheet

Name: _____ Date: _____

Watch: Hidden Secrets of Money, Episode 4. Your teacher may assign a previewed excerpt. Record actual timestamps; do not guess.
Compare: Bank of England: Money Creation in the Modern Economy. Read the opening explanation.
Read: In the second post of Nominal Confusion, read "What Is Nominal Confusion?" and "Wages".

1. Film claim: Paraphrase one claim about currency creation or who benefits. Record the start and end timestamps.

2. Lending check: What does the film suggest happens when a bank lends? Compare that with the Bank of England explanation and Pack 01.

3. Evidence check: What observation, record, or comparison could support or challenge the claim you selected? Distinguish an illustration from evidence.

4. Reading application: If living costs rise before wages, why might a later pay rise still leave a household buying less?

5. Your conclusion: What would you now explain differently? Name one unresolved question.

Further reading: Cantillon, Part II, Chapter VI. Identify the initial recipients in his mining example and a group whose income adjusts later. Treat this as a historical argument to examine.