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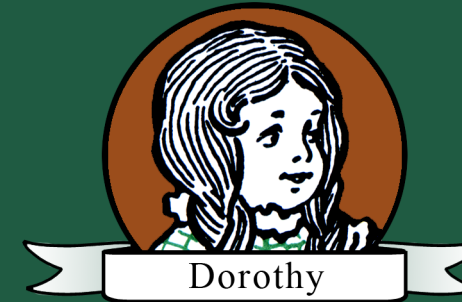
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The Learning Center and Money Museum is open to the public from
10:00 am to 2:00 pm Monday through Thursday (closed holidays).

Admission is always **FREE**.

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FEDERAL RESERVE BANK *of* CLEVELAND



Dorothy



Toto



Cowardly Lion



Tin Woodman



Wicked Witch of the West



Scarecrow

Follow
the
yellow
brick
road...

*A monetary policy journey through
L. Frank Baum's The Wonderful
Wizard of Oz*



Monetary policy refers to the actions taken by a central bank, such as the Federal Reserve, to help encourage a healthy economy. The actions taken influence the availability and cost of money and credit. The U.S. Congress sets the Federal Reserve’s monetary policy goals, which include maximum employment, stable prices, and moderate long-term interest rates.

THE VALUE OF A
Good Book

*Is something hiding in the pages of **The Wonderful Wizard of Oz**?
Something that links the story to our country’s history?
Some historians think so. To understand what might be
hidden inside, first you must understand what gives money value—
and why it matters to the economy.*

Money is worth something because it’s backed by the belief that we can trade it for goods and services, like a computer or a haircut. In the United States, it’s the Federal Reserve System’s job to maintain our money’s value by influencing the amount in circulation, otherwise known as **monetary policy**.

In the late 1800s, the Federal Reserve didn’t exist, and the United States backed its money with gold and silver (known as a two-metal, or bi-metallic, standard). This means that the amount of money circulating in the economy

The End
OF A MOVEMENT

After the Wizard is exposed as a fraud,
the four travelers realize that they already had what they sought—

- Dorothy:** the power to go home
- Scarecrow:** a brain
- Tin Woodman:** a heart
- Cowardly Lion:** courage

Dorothy ends up back in Kansas, but without the silver shoes. The Free Silver Movement was disappearing in the late 1890s and ended unhappily for its supporters. Voters rejected free-silver candidates, and the Gold Standard Act, which committed the United States firmly to the gold standard, was passed in 1900.

In 1933, the United States suspended the right to exchange dollars for gold, temporarily nullifying the gold standard, in response to high demand for gold in the midst of worsening economic conditions. Following years of trying to incorporate the stability of the gold standard with the flexibility needed to control its own economy, the U.S. government went off the gold standard permanently in 1971.

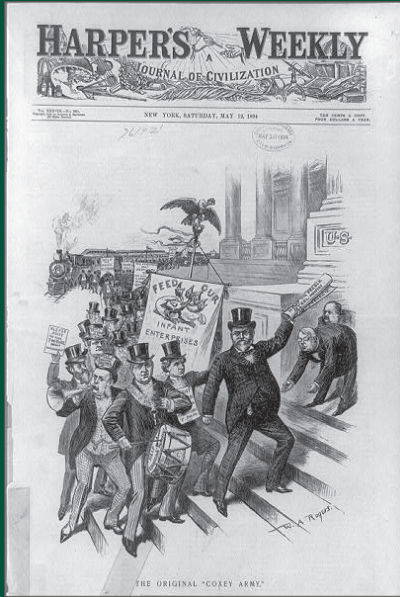
While the Federal Reserve has influenced the nation’s money supply since its creation in 1913, its ability to respond to shocks such as financial crises through monetary policy has become much more effective since the end of the gold standard.

Acknowledgements



*L. Frank Baum, author of
The Wonderful Wizard of Oz*

Interpretation of *The Wonderful Wizard of Oz* was based on Hugh Rockoff’s 1990 article in the *Journal of Political Economy*, “The ‘Wizard of Oz’ as a Monetary Allegory,” 98(4):739-60.



Coxey's Army

Each character in *The Wonderful Wizard of Oz* is searching for something. The story is reminiscent of the 1894 march of Coxey's Army, a band of unemployed men from Massillon, Ohio, who traveled to Washington, DC, demanding more jobs and changes in the U.S. monetary system. The leader, Jacob Coxey, wanted the government to build public works and pay for them by printing money. The march addressed serious issues, but the army took on a comedic quality. When Coxey tried to speak at the U.S. Capitol, police arrested him for walking on the grass.

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The Wicked Witch of the West President

William McKinley, an Ohio native who defeated William Jennings Bryan to become the 25th president of the United States; the witch knows the power of Dorothy's silver shoes and steals one—when the silver shoes are divided, they are useless. Dorothy later recovers the stolen shoes.



The Wizard Marcus A. Hanna, a Cleveland

businessman who planned William McKinley's 1896 presidential campaign, in which Bryan was defeated; the Wizard is eventually unmasked as an ordinary man who didn't always tell the truth—he has no great power and cannot grant Dorothy's wish; Hanna became the villain of Populist mythology.

Glinda, The Good Witch of the South The South

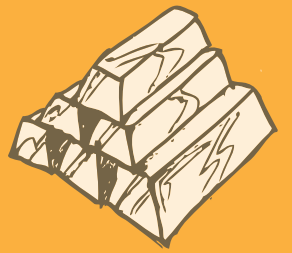
was generally sympathetic to free silver, so it's not a surprise that it's ruled by a good witch; she solves all remaining problems and tells Dorothy how to return to Kansas: click the heels of her silver shoes together three times; the power to solve her problems (by adding silver to the money stock) was there all the time.

was determined by the physical quantity of each metal. In 1873, the Coinage Act put the nation on a gold-only standard, setting an official price of \$20.67 per ounce. As the economy grew, the gold standard limited money growth. **Deflation**—a widespread drop in prices—followed because people were still being productive but the money supply to buy the goods wasn't growing with productivity.

Western farmers were among the hardest hit because many of them had borrowed a lot of money to grow their crops. So even though crop prices fell along with everything else and even though people were postponing spending because they thought prices would keep dropping, the farmers still had to pay back all the money they owed. With their crops worth less and fewer people willing to buy them, repaying their debts became hard.

With deflation's grip on the economy, how to maintain the value of American money became one of the hottest issues leading up to the 1896 presidential election. The **Populist Party** (one of several existing parties at the time) wanted to elect a president who would support the Free Silver Movement; that is, a return to the two-metal standard. Reviving this standard would have increased the amount of money in circulation, battled the deflation, and reduced the burden of the farmers' debts. Others, however, opposed the movement because it would devalue the dollar and make investments less valuable.

Author L. Frank Baum captured this debate on American money, whether intentional or not, through his **allegorical** book, *The Wonderful Wizard of Oz*, first published in 1900. Follow the yellow brick road on the following pages to discover the secrets about who and what the characters, places, and props might represent. And while you might remember something about “ruby slippers,” don't be surprised when you find out the shoes in Baum's story are silver...



Deflation is a rise in the purchasing power of money that results when the demand for money rises faster than supply. Deflation is manifested in a fall in all prices.

The **Populist Party** grew out of farmers' concerns over economic suffering in agricultural communities.

An **allegory** is a story with two meanings, one literal and one symbolic.



From Kansas to the Yellow Brick Road and Back Again

Dorothy’s journey begins in **Kansas**, just as the Populist movement began in the western United States. Once blown to Oz, Dorothy must follow the **yellow brick road**—the national gold standard—to find a way to return home. This road leads to the **Emerald City**, Washington, DC, where green—the color of money—dominates the landscape.



Dorothy America—honest, kindhearted, and brave; also identified as Mary Elizabeth Lease, a spokesperson for the Populist Movement.

Toto The Prohibitionist Party, which supported the Free Silver Movement and the presidential candidacy of Populist William Jennings Bryan; a play on the word teetotaler, someone who doesn’t drink alcohol.

Cyclone The Free Silver Movement that roared out of the west in 1896; sweeps Dorothy and Toto away to Oz.



Wicked Witch of the East Grover Cleveland, who was pro-gold; like a house dropped from above, William Jennings Bryan and the Free Silver Movement suddenly and unexpectedly defeated Cleveland’s bid for the Democratic Party’s nomination in the 1896 presidential election.

Oz Baum’s fantasy counterpart to America, where gold reigns supreme; a reference to an ounce of gold—the abbreviation for *ounce* is oz.



Silver Shoes Silver component of the two-metal standard; have a magical power understood by the Wicked Witch of the East, but not by the Munchkins; changed to ruby slippers in the movie adaptation.

Munchkins Citizens of the eastern United States; do not understand the charm connected with the silver shoes.

The Scarecrow The western farmer, who many mistakenly thought was incapable of understanding complex money issues; Scarecrow doubts his abilities but proves to be clever and capable.

The Tin Woodman The workingman, who was once human, but was cursed by the Wicked Witch of the East until he was only tin; now lacks a heart, showing how industrialization had alienated the workingman.

The Cowardly Lion William Jennings Bryan, known as the “Great Commoner”; lost the presidential elections of 1896, 1900, and 1908; by 1900, the economy had improved, and Bryan didn’t fight for the silver issue as hard as the Populists wanted—for that, they considered him cowardly.



The Cross of Gold Speech

On July 9, 1896, at the Democratic National Convention in Chicago, William Jennings Bryan delivered his now-famous *Cross of Gold* speech in which he endorsed the free coinage of silver, an inflationary measure that would have increased the amount of money in circulation and aided cash-poor and debt-burdened farmers. Bryan, who aspired to be the Democratic nominee for president, dramatically ended his speech with “You shall not crucify mankind upon a cross of gold.” Bryan was nominated the next day for president.