

Chapter 4

Economic Winter





Back To Pennsylvania

The week went by with no contact from Fred. The twins passed his house at least twice a day, hoping to see his old car in the driveway, but it was never there. They only knew he had been in the wilderness and near a river. He could've been in a million different places in the world.

Summers in Spoonerville were great—this summer especially, learning about the founding of America. But the best time of the whole season was their trip to Grandma and Grandpa Tuttle's little pink house in Pennsylvania! The twins thought perhaps Fred would surprise them there. After all, Pennsylvania *was* the state where some of the battles they were learning about happened. But Mr. Tuttle explained that the town he grew up in, Gnarled Oaks, was in western Pennsylvania, the center of conflict during the French and Indian War but far from Philadelphia and the major battles of the war for independence.

Not much chance of meeting up with Fred there.

“Fred only started teaching us at the start of summer, but it feels like years ago.” Ethan stretched and yawned. It was early—still dark as they packed up the van. “Oh, Fred, why have you abandoned us?” He was only half joking.

“Hey, Fred *did* teach us about the French and Indian War. We’re driving right through that area,” Emily said, looking on the bright side. “Just think, the path toward American independence actually started there, with young George Washington’s march to the Ohio Territory.”

“Yeah, he made a mistake inviting King Ugly and his tribe of renegades,” Ethan remembered.

“You mean Half-King!” Emily said, correcting him.

“Yeah. Anyway, that mistake started a whole world war, the taxes, the revolts, the Intolerable Acts, the Boston Massacre, the Tea Party...” He was out of breath listing all the events they had learned about.

“History is like dominoes,” Mr. Tuttle chimed in. “One thing leads to another. It’s impossible to know how much one event might change the world.” He pulled the van out of the driveway, starting their adventure. The sun was just peeking over the mountains in the distance.

Emily thought about that as they drove down the tree-lined highways toward Pennsylvania. The dominoes started even before George Washington. There was the Age of Exploration, the Reformation, the printing press, the fall of Constantinople, the Silk Road... maybe there was no beginning to the chain of dominoes. And perhaps there is no end to it either—history continues. Maybe she could be someone that pushes over a domino that changes the world... for good.



More About This!

Creature from Jekyll Island

In the *Creature from Jekyll Island*, Grandpa Tuttle taught the twins all about the Federal Reserve—a private bank that has been given total control over the country’s currency. The plans for this bank were first created at a secret meeting between some politicians and bankers at a club in Jekyll Island, Georgia.

Just like with the Continental Dollars, when the Federal Reserve creates new money, the banks and businesses who access it first can use it before prices go up, making them rich in the process. By the time everyone else gets it, the money has been severely devalued.

This “creature” has the authority and ability to create new money, just as Congress did with the Continental Dollars. It is the reason why inflation is happening and why prices keep going up.

Creature from Jekyll Island

“You two hit the restroom while I fill up the tank,” Mrs. Tuttle instructed. They were halfway to Gnarled Oaks and needed more fuel for the trip.

“May I grab some snacks, Honey?” asked Mr. Tuttle sheepishly.

Mrs. Tuttle, who was the family financial bookkeeper, didn’t respond with words. Just with a finger pointing to the price of fuel. Over \$6 per gallon!

Mr. Tuttle got the clue about the unnecessary snacks and took a hug instead. “That creature from Jekyll Island is really being aggressive these days,” he said. “I honestly don’t know how most people are surviving this inflation.”

As Ethan exited the restroom, he passed by the chips, cookies, and candy. He noticed the price of his favorite chocolate candy, Peanut Butter Cupsee’s, was \$2. He specifically remembered the price was only \$1 the last time they went to the beach.

“The price doubled?” he exclaimed to his sister, who was walking through the drink aisle.

Emily looked through the glass doors and noticed a similar phenomenon. “That little bottle of water is \$3. That was the price of the big ones before,” she responded.



When the twins got back in the van, their mother looked solemnly at her family. “I know road trips aren’t as fun without picking out treats, but our money isn’t going as far as it used to. Thank you for understanding.”

She passed out steel water tumblers that she had filled from home and bags of homemade trail mix. The drinks weren’t as chilly as ones from the store would be, but the trail mix was certainly more nutritious than the Cupsee’s would have been.

They got to the little pink house in the mid afternoon. The property sat right on the shore of the Monongahela River, and the big trees kept the property shady and very cool. The side yard sloped down to a pier that jutted into the dark water. Everything there was weathered and worn, but to the Tuttle it was the most perfect home in the world. Fifty yards to the south was the neighborhood rope swing and swimming hole. It seemed as if it was calling to them.

But Grandpa Tuttle was *actually* calling to them from out in the workshop behind the house. Grandpa Tuttle was a carpenter and all-around handyman. The twins admired the wood carvings and beautiful furniture he made for his family and friends.

“Come in here and take a look at what I’m working on!”

They jogged around the side of the house, and there he was, emerging from the

workshop with a big smile, curls of wood shavings in his hair and, as always, wearing sunglasses. He almost never took them off, even inside. He held out his leathered, sunburnt arms, and they ran to him for a big hug.

“Grandpa!” Emily said. “Are you working on something special?”

“Yup. It’s a tough project. I’ve never tackled something this difficult before. Come and see.”

Inside the workshop was a partially chiseled block of wood. It was hard to tell what it was, exactly. It looked like...

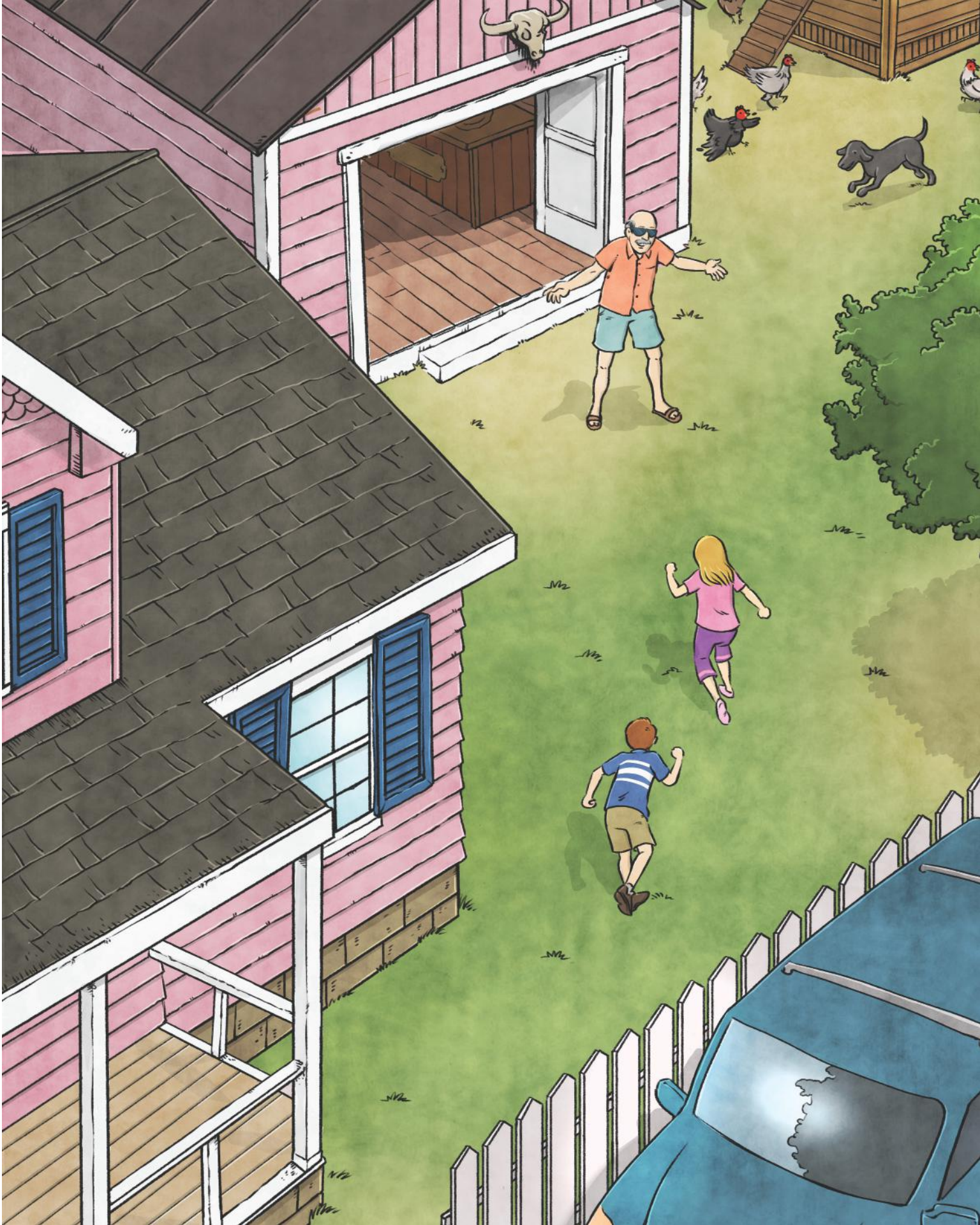
“Is that a bird?” Ethan asked.

“It will be. It’s a commission for an old friend. I only have a few weeks to finish it, so I need to work quickly.”

“You still have a ways to go,” Emily said, walking around the pedestal. “How can we help?”

“I could use someone to sweep up all the shavings. It’s getting slippery in here. And someone else can hand me different tools when I ask for them.”

Ethan grabbed a broom, and Emily took the tool tray and set it on her lap. In the corner of the shed, a radio played a news program. A fresh breeze blew through the shed, and Ethan was sure he could smell Grandma’s peach pie baking.





They worked steadily. Emily handed over tools as Grandpa Tuttle worked, and Ethan swept the wood shavings into a pile that went into a bucket for burning in the fire pit.

They didn't talk much because the radio kept up a steady chatter. The news commentators discussed many of the issues of the day. Then they started talking about proposals for military aid to other countries and emergency subsidies for suffering businesses. Congress would be voting on the bills in a few weeks.

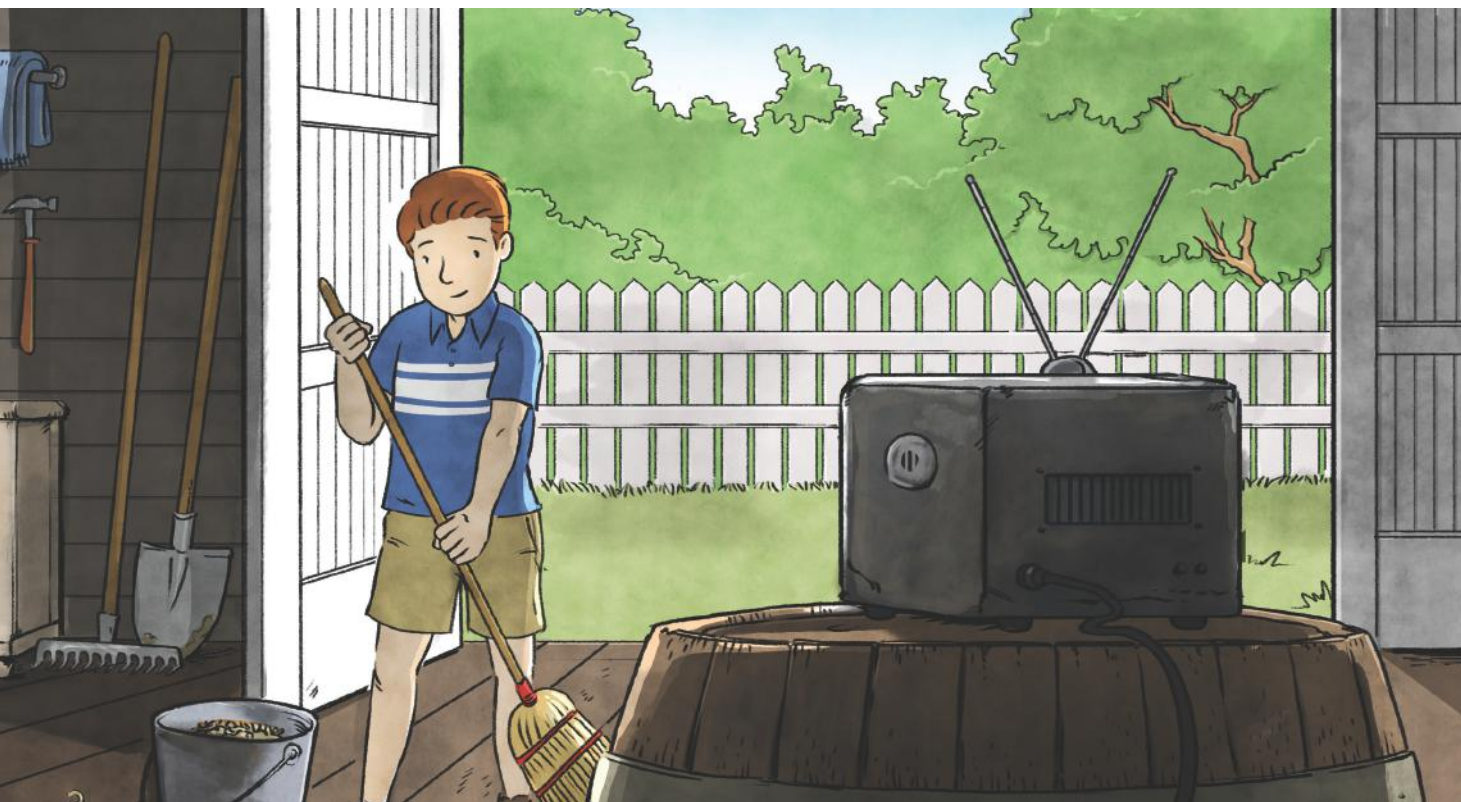
"It's another three trillion dollars," one of them said, "It will go directly to the government's foreign allies and corporate partners. They'll use it to pay soldiers

and build weapons. They also suggested this spending would stimulate the US economy."

"Three trillion dollars?" Emily asked. "Are they going to raise taxes to pay for that?"

"Ha!" their grandpa bellowed. "If they squeezed taxpayers that much, they'd all lose their elections. No, they'll do what they always do—print more money. That's going to mean a lot more inflation."

"The creature from Jekyll Island strikes yet again," Ethan said. "It looks like those prices we saw at the gas station today are going to go up even more. That means I should probably buy as many Cupsee's as I can while they're at the lower price!"



“The Federal Reserve is printing money at an incredible rate,” a different voice on the radio said. “Never before in US history has the money supply inflated so much in such a short time.”

“Ha!” Emily bellowed, mimicking her grandpa. “Someone needs to get this man a history book,” she said. “It’s a lot of money, for sure, but there’s been inflation before, and worse than this. Fred told us.”

Grandpa Tuttle straightened up and slapped his chisel down on the table. “Fred? The codger next door?” He busted out laughing, “You two are in good hands with ol’ Fred!”

Ethan beamed as his grandpa turned off the radio to hear what the twins had to say. “We learned that during the Revolutionary War, the Continental Congress needed money to pay for the army but didn’t have a lot of gold. So they printed paper dollars—called Continentals—and used them to buy supplies and pay the soldiers. They said they could be turned in for gold later, but that didn’t happen. Congress just kept printing more until the paper dollars were basically worthless.”

Emily added, “The people used to say something with no value was ‘not worth a continental.’ That was because inflation destroyed the value of their money, just like Congress is still destroying it today.”

The Creature from Continental Congress

“And *Fred* taught you all that, did he?” Grandpa Tuttle asked, a bit jealously.

“No!” the twins said together. “*You* taught us about inflation last year!”

“We wouldn’t forget our other *favorite* teacher,” Ethan said.

“Even more favorite than Fred,” Emily clarified.

“Good,” said Grandpa Tuttle after letting out a deep belly laugh. “Just making sure you don’t forget *this* ol’ codger. Can I teach you something more about inflation during the Revolution?” Ethan leaned his broom against the wall and pulled up a stool next to Emily to listen closely.

“The Articles of Confederation were actually proposed and written by the Conservatives to raise taxes, pay off Congress’s debts, and create an army, all under a strong, central government.”

Grandpa Tuttle continued: “The Liberals resisted so much about the central government’s power to tax that the final agreement made it *almost* impossible to collect taxes from the states.”

“Not *almost* impossible,” Emily stated. “It *was* impossible. It says right in the Articles that they couldn’t do anything without every state’s permission.”

“Ah, then you really don’t understand the true power of fiat paper currency,” Grandpa Tuttle said, tipping his sunglasses down to look over them. He was giddy that he had an opportunity to teach his grandchildren, and also to one-up Fred. “Making prices go up hurts people, but that isn’t the worst part about inflation.”

“I remember you teaching us before,” Ethan said, remembering the conversation they had last year about the creature from Jekyll Island. “But I’m not sure if I understand it very well.”

“Well, I’d love to elaborate!” Grandpa Tuttle said, rubbing his hands together. Then, suddenly, he froze, and his eyebrows rose up from behind his sunglasses. He looked toward the little pink house as if he was startled. The twins began to feel alarmed, like maybe there was danger.

“What is it?” Emily whispered.

“Do you smell that?” Grandpa Tuttle answered. He took two sniffs in the air.

Ethan laughed. “Yeah, I’ve been smelling Grandma’s peach pie since we arrived.”

“Smells ready to eat to me,” Grandpa Tuttle said, slapping his hands down on the work bench. “It’d also be the perfect analogy for this lesson. Let’s go!”

Before they left the workshop, Grandpa Tuttle grabbed the bucket of wood



shavings that Ethan had swept up. The trio stomped up the creaky porch of the little pink house and went straight toward the kitchen table where Grandma and Mr. and Mrs. Tuttle were.

“Excuse me, folks. Would you mind participating in an educational activity with us?” Grandpa Tuttle asked politely, but insistently. “Please have a seat.”

With everyone seated at the table, Grandpa Tuttle passed out one ingredient from the peach pie to each of the Tuttles. “You now all represent workers in our economy,” he said. “Ethan, you’re a peach farmer. Emily, a traveling sugar and spice merchant. Your dad is a dairy farmer, and

your mom a miller of wheat. Grandma is a master baker, of course, and I will be the military weapons contractor.”

There was a pause as everyone looked at each other under suspicious eyebrows.

“Don’t you think defense is a noble occupation? This pie needs protection from invading forces, right?” Grandpa Tuttle asked, taking offense.

Mr. Tuttle chimed in. “Yes, you’re correct. There are all kinds of people with different skills in an economy. Protection of life and property is a valuable service.”

“Thank you,” Grandpa Tuttle said as he got up from the table.

He walked to the window sill, where a few peach pies were cooling. He gently delivered one of them to the table. "This pie represents all of the wealth in our economy—wealth that we have all helped create with our work. Traditionally, we would all be rewarded when we trade with each other with an amount of gold or silver, so that way we can buy some of the other goods and services that we need," he said. "But watch what happens when real money is replaced with printable government currency."

He put the bucket of wood shavings on the table next to him. "This is the Continental Congress. They'll be printing out Continental Dollars. But listen, you can trade it back for a real dollar of gold in the future. Got it?"

"Sounds good so far," Emily said, pretending. "Instead of gold coins, Congress is going to buy some of our pie with wood shavings as money. They're just as valuable as gold because they promise to buy them back with real gold, right?"

"They definitely promise!" Grandpa Tuttle said with his hand over his heart.

"I want some of those wood shavings, so I can buy some pie too. I'm getting really hungry," Ethan cried.

"That's exactly where I'm going with this, my boy. First let's pay ourselves for the

work we've done," Grandpa Tuttle said. He took a pinch of wood shavings from the bucket and passed a shaving to each member of the family. "Now, let's decide how to divide up this pie."

Ethan was the ace at math, so he spoke up first. "We each have one shaving... er, I mean Continental Dollar, so it makes sense that we'd divide up the pie into six equal slices," he said.

"So can we all agree that one slice of pie is worth one dollar?" Grandpa Tuttle asked the group.

They all agreed that it made the most sense. But before Grandma Tuttle could cut into the pie, Grandpa Tuttle stopped her. "Wait, I need to teach the next part."

Everyone's shoulders sank, and a few tummies grumbled.

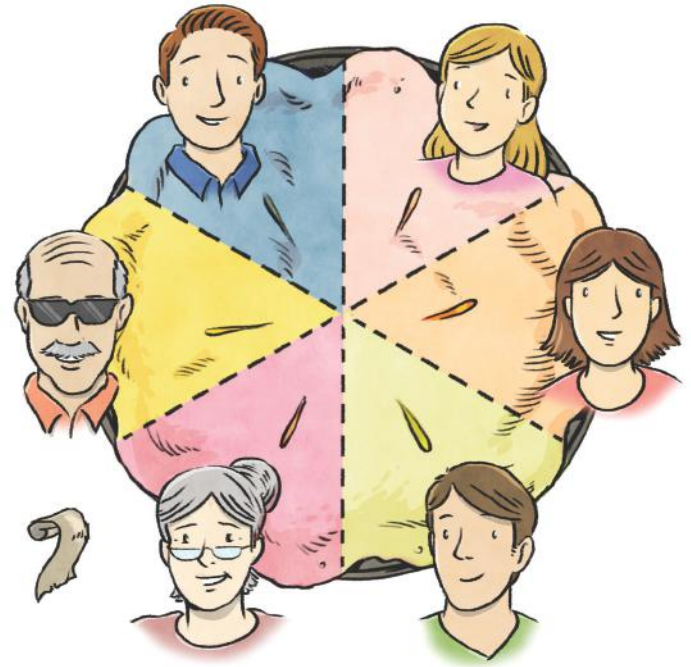
"The government has just paid me for some new weapons," Grandpa Tuttle said, as he plunked another shaving from the bucket and passed both of his wood shavings to Grandma Tuttle, the baker. "I would like a double slice of pie, please."

He then asked, "Now how would you divide up the pie?"

The five remaining portions of the pie were clearly going to be smaller, but still cost one dollar per slice.

“Wait. Now I have the extra dollar,” Grandma Tuttle said. “I might as well get a double slice too... though it won’t be as big as Grandpa’s double slice.” She then passed the extra dollar onto Mrs. Tuttle to pay for her wheat farming services.

“Well, that’s not fair!” Emily said. “None of you did any extra work to add wealth to the economy. You’re just able to get more pie because you have the new dollar. By the time the new dollar gets to us, our slices will be super small.”



Gold and other “hard money”



Inflationary fiat paper currency

“Well, the Continental Congress is going to keep printing money to buy more weapons from me, and I’m going to keep buying bigger slices, so what are you going to do about it?”

“We have to raise the price of pie,” Mr. Tuttle said. “Then at least we’d be getting more of those Continental Dollars, so we could afford to keep working and making a lot more pie. We’re going to need it.”

“From now on, a slice of pie is three dollars a slice!” Ethan demanded.

“Since things are getting more expensive, I’m also going to have to raise the price of my weapons too,” Grandpa Tuttle responded, taking another shaving from the bucket. “No problem. Brrrrrrr... that’s the sound of a printer printing more money—for me.”

Everyone could see that raising the prices of their work was the only way to keep up with the inflation of the new money, and prices wouldn’t stop going up as long as Congress kept printing. But there was an even bigger problem: Grandpa Tuttle was going to keep getting bigger and bigger slices of pie. Soon they’d be spending lots of money trying to get whatever pie was left.

“Now I understand!” Emily said, remembering what her grandpa had

mentioned earlier. “Prices going up *isn’t* the worst part about inflation. The worst part is that it messes up the economy. Instead of getting richer by creating more pie, the ones who get rich are the politically connected people who get the new money first.”

She continued: “Everyone else has to work harder and harder just to get anything at all, while you get the bigger slices for doing nothing extra.”

“Wait, that really happened?” Ethan asked.

“It did. In fact, one of the companies that sold weapons and equipment to the Continental Congress was owned by the very leader of the committee in charge of spending the new dollars,” Grandpa Tuttle explained. He paused a moment to add some suspense. “It was Robert Morris! He became extremely wealthy.”

This was flabbergasting news to everyone (except Grandma Tuttle who clearly had heard Grandpa Tuttle’s tirade before).

After a moment, Ethan also had a realization. “This is all on purpose!” he said, putting his fist on the table. “The Liberals wouldn’t give the Conservatives the power to tax them directly. Heck, that’s what started the rebellion in the first place!”

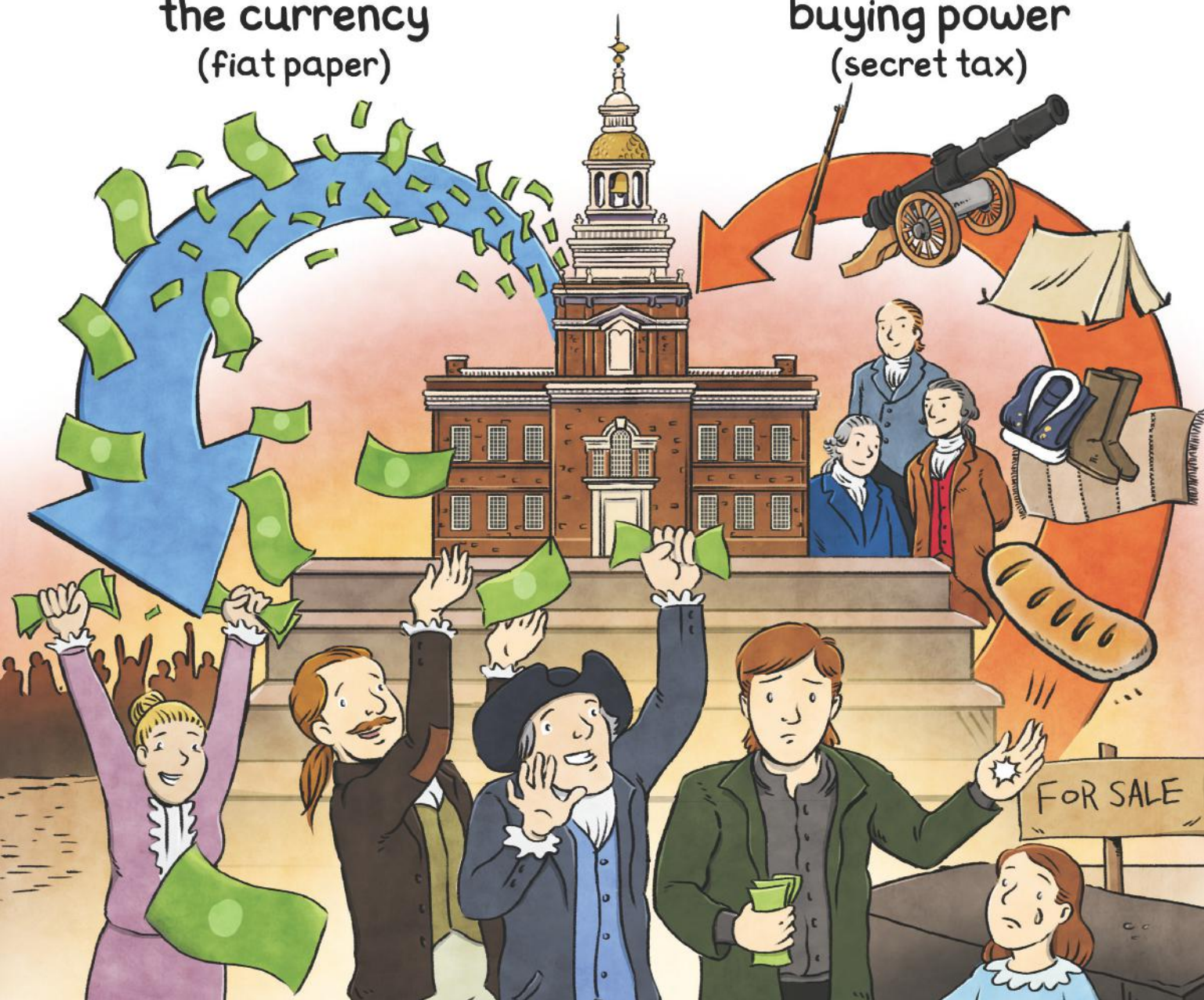
“It’s just that... I think that inflation *is* a tax—an invisible one,” Ethan added. “But instead of taxing people directly or through their state governments, they’re decreasing the value of the money, so that they can take people’s wealth in a sneaky way. The government got the supplies that they needed, and some of them even got rich in the process.”

Inflation of the currency (fiat paper)

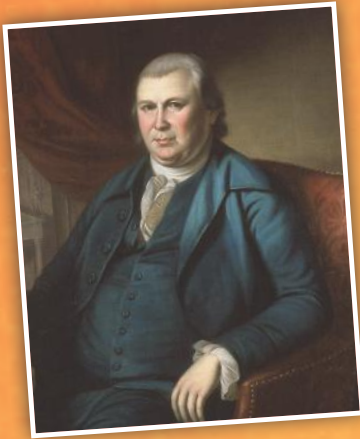
“I wouldn’t have guessed that a signer of the Declaration of Independence could be corrupt like that,” Mrs. Tuttle added in a disturbed tone.

“Oh, it gets worse than that,” Grandpa Tuttle said. “Remember the name Robert Morris. He’s not done with his funny business yet.”

Unfair buying power (secret tax)



More About Me!



Robert Morris

1734–1806

Sometimes false historical narratives are created and a legend lives on through continual retelling. The typical narrative about Robert Morris is that he was a patriotic Founding Father who signed the Declaration of Independence and a man who funded the war effort with his own money. But this isn't accurate—it leaves out a lot of his story.

While it is true that Morris signed the Declaration, he was initially a Loyalist, in part because being friendly with the British helped his business. At the time, Morris was a partner in one of the biggest merchant businesses in Pennsylvania, and he did not want to upset his British trade partners.

Morris waffled on various issues and was more likely to support a measure when it was politically or economically beneficial to him.

Morris carried this act on into several roles he held during the war. Because he was rich and well connected, he found himself in powerful roles. He served as the head of the Committee of Secret Correspondence. This committee was responsible for securing arms for the Continental Army. He later became chairman of the Secret Committee of Trade.

Using these two titles, he secured nearly two million dollars in contracts for his business! Morris continued to run schemes like this throughout the war and beyond. He allocated funds from the French to his own bank and then had the government borrow the money to fund the war.

His actions did not go unnoticed. He was oftentimes investigated, but accusations were never able to stick. After he left office, he took many of his ledgers and writings with him, only to return partial records.

Several historians have worked to bring this to light in an attempt to correct this historical narrative and create a more accurate account of this “American Patriot.”

“I think it’s time for some pie,” Grandma Tuttle said, serving a slice on each plate, “except equal portions this time, you ol’ scoundrel.”

Giggling under his breath, Grandpa Tuttle went to the freezer for a carton of vanilla ice cream. When he put it on the table, the twins noticed that the container seemed smaller than usual.

“Are we growing or are ice cream cartons getting smaller?” Emily asked.

“Both,” Ethan answered. “My guess is that we’ve been ice cream taxed by inflation. But instead of letting the price go up, they shrunk the amount we get!”

“The creature strikes again!” they all said, at once.

Trial at Valley Forge

“You said Fred taught you through the Battle of Saratoga, right?”

“Yep, he did,” answered Ethan.

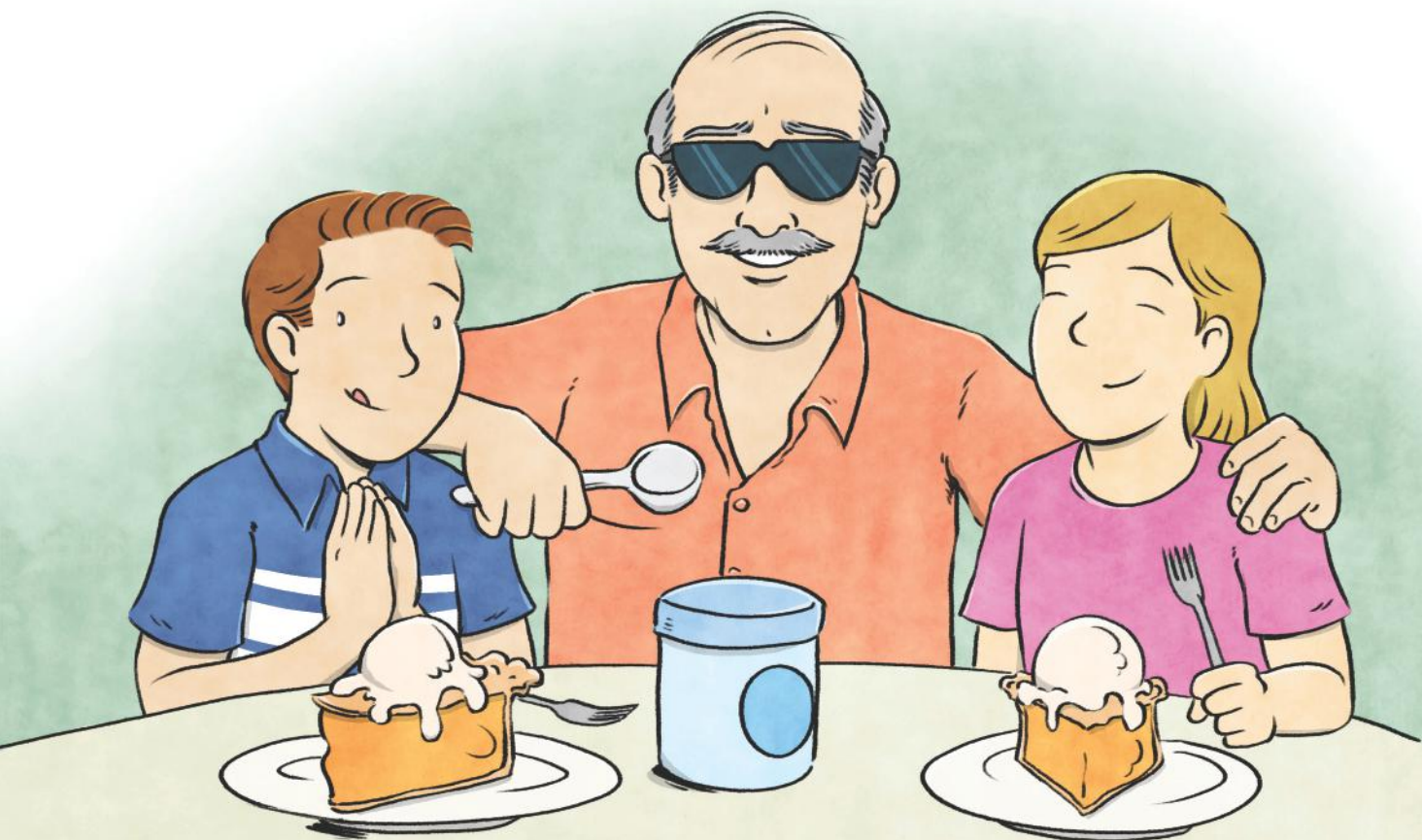
“Okay. Big battle, Saratoga. Changed the whole war. But right before that, Washington had lost Philadelphia.”

“We know about that too,” Emily said.

“Ol’ Fred is thorough.”

“Yes. We also have the *Big Book of Battles*. The Battle at Brandywine Bridge,” Ethan said, tapping his head. “That’s where Washington lost Philadelphia. Is that all you were going to teach us?”

“No. That’s just the warm-up. The next part of the lesson occurs once the Patriot army is pushed out. They have to abandon Philadelphia, the capital city at the time, and camp out in the woods in a valley not too far away. It wasn’t much of a place, really just a blacksmith shop around a few old huts.”



Grandpa Tuttle dropped large scoops of vanilla ice cream on top of the slices of peach pie, and stabbed dessert forks right on top like flag poles in snow. It began to melt instantly against the warm peach pie. “Wait,” Ethan said, taking a big forkful from the middle of the ice cream. “This valley. With the blacksmith. Blacksmiths have forges, don’t they? This is Valley Forge!”

“Correct,” Grandpa Tuttle said, taking a bite and smacking his lips. “Now the French have decided to help, thanks to the diplomatic efforts of Benjamin Franklin and the heroism of many Patriot soldiers during the Battle of Saratoga. All the Americans really had to do was survive the cold until spring—and they almost couldn’t do it.”

“The winter of 1777 was miraculously a moderate one,” he continued. “Still, temperatures dropped below freezing at night, and snow fell heavily. The soldiers were—as usual—not clothed very well. They didn’t have shelter. They had to build their own huts to live in.”

Emily felt the frosty chill from the ice cream on her face. She imagined tiny wooden huts at Valley Forge, camping on the white snow.

“All this was accomplished with very little to eat,” Grandpa Tuttle said. “A thousand poor soldiers starved to death.”

“I have a question,” Ethan interjected. “If Congress was printing Continental Dollars to buy military supplies, why weren’t there food, blankets, or clothing for the army?”

“You get extra ice cream for that question,” Grandpa Tuttle said, scooping a bit more ice cream from the bottom of the carton. “There’s more than one reason, but let’s see if you two can think of what one answer might be.”

The twins turned to each other to discuss. A minute later they had some answers to try.

“Great Britain probably stopped trading with them after they declared independence. So there would have been a shortage of goods from England,” guessed Ethan.

“That was definitely a part of it, but the American continent was a major supplier of crops, lumber, and manufacturing. Plus France was now trading with them. So there still should have been plenty of food and basic supplies,” Grandpa Tuttle replied.

“I think the snow might have made it hard to get supplies there,” Emily said.

“Yes! Also redcoats were seizing food and supplies en route. Always a risk of that.”

“Did inflation of the dollar have anything to do with it?” Emily tried again. “When you were getting new wood shavings from the bucket, you had stronger buying power and bought up more of the pie, leaving less for us.”

Grandpa Tuttle slapped his knee. “Now you’re getting to the meat of the matter!” he said. “The inflation took resources from the economy and funneled them to the central government for the war cause, just like some had secretly

planned. But as we know, government central planning does a pretty poor job at efficiency.”

He continued: “A lot of those resources were squandered through mismanagement, stolen through corruption, or wasted by buying the wrong stuff at the wrong time. But there were more consequences that came from their political arrogance and economic ignorance.”

Grandpa Tuttle placed in front of the twins a golden coin and a wood shaving. “Which one would you take for payment?”

“Is that real gold?” Ethan asked. “I’ll take that one.”

More About This!

Fiat Currency

The government typically creates a specific kind of money that it requires everyone to use to buy goods and services. It is called fiat because they force us to use it (even as they inflate it and make it worth less!). Fiat is Latin for “let it be done!”

In other words, the paper bills in your wallet are used as money just because the government tells everyone they must accept them. They aren’t backed by gold or anything more than the government’s fiat decree.

Hard Money

In a free market, people choose what currency to use. Throughout history, people have often relied on precious metals like gold or silver, since they are rare and easily made into coins.

Because they are rare, the government can’t unfairly create new money since they are limited by how much gold or silver has actually been discovered. This keeps the government in check, so they don’t dishonestly take people’s wealth through inflation.



“That’s just a chip of wood,” Emily remarked. “But I guess it’s not much different than worthless paper currency.”

Grandpa Tuttle grinned from ear to ear. His prized grandchildren were making him so proud. “Once farmers and businesses realized the dollar wasn’t worth anything anymore, and that they’d never get gold like they were promised, they had to sell their products to people who *did* have real gold money,” he said. “Who do you think that was?”

“The British,” Ethan said. “Loyalists, and probably even the redcoat army.”

“Bingo. The redcoats and British officers were living comfortably in the freshly conquered Philadelphia. Warm and well fed,” Grandpa Tuttle continued. “To fight this predicament, Congress instituted legal tender laws, which made it illegal to refuse Continental Dollars as payment—that’s called fiat money.” Grandpa Tuttle took the gold coin from Ethan and gave him the wood shaving.

“They also started making promissory notes, which was a paper that said that the government promised to pay for the things later with real gold.”

Emily giggled. “Sorry, I just think it’s funny that these promissory notes are basically promising the same thing as the dollars,” she said. “I wouldn’t trust them.”

“Wise girl,” Grandma Tuttle said as she left the room to take a phone call.

“If the people are forced to accept fiat paper money, then they’ll have to increase the cost of their products. They need more Continental Dollars to make ends meet,” Ethan said. “Just like we had to do to save some pie for ourselves.”

“Makes sense to me, and it made sense to the farmers and shops around Valley Forge,” Grandpa Tuttle said. “But then came the height of arrogance, hypocrisy, and economic stupidity—the final straw that broke the economy!” Grandpa Tuttle was standing now with his finger in the air. He did this when he got passionate about something.

“Price controls!” he said, shaking. “Some states and the central government, with the support of George Washington, set a limit on what price people could sell things for. They even accused farmers and business owners of being greedy!”

“I mean... I feel bad for George Washington and the troops at Valley Forge, but...” Ethan was thinking out loud. “It seems the American government is becoming a lot like the British government they’re fighting.”

“Power corrupts,” Mrs. Tuttle spoke up. “Almost no one can resist that effect of having power.”



More About Me!

Pelotiah Webster 1726-1795

Oftentimes when politicians make mistakes, they shrug their shoulders and say, "Who could have foreseen this?" And there is always someone who did, but who was ignored.

That certainly applied to Pelotiah Webster, a powerful voice for free markets. He was a Philadelphia merchant and published a number of pamphlets dealing with finances and politics.

He knew that price controls would create economic problems and warned Congress about them. For example, he wrote: "Freedom of trade, or unrestrained liberty of the subject to hold or dispose of his property as he pleases, is absolutely necessary to the prosperity of every community."

Congress learned their lesson the hard way after ignoring Webster and imposing price controls. Webster was right!



Grandpa Tuttle tapped his temple. “Think about the effect that price controls would have on you if you were a business owner.”

Ethan thought about the pie example. They decided that they needed to raise costs to prevent Grandpa Tuttle from buying all the pie with the new money. What would have happened if they didn’t raise prices?

“Remember?” Ethan said, standing and pointing his finger in the air like his grandpa. “Everyone started grabbing as much pie as they could afford, and as soon as they could! It was a mad rush to get the pie while the price was still lower!”

“Shortages!” Emily realized suddenly. “That’s why there was no food or

supplies. When inflation gets like this, people rush to get as much stuff as they can before it’s all gone.”

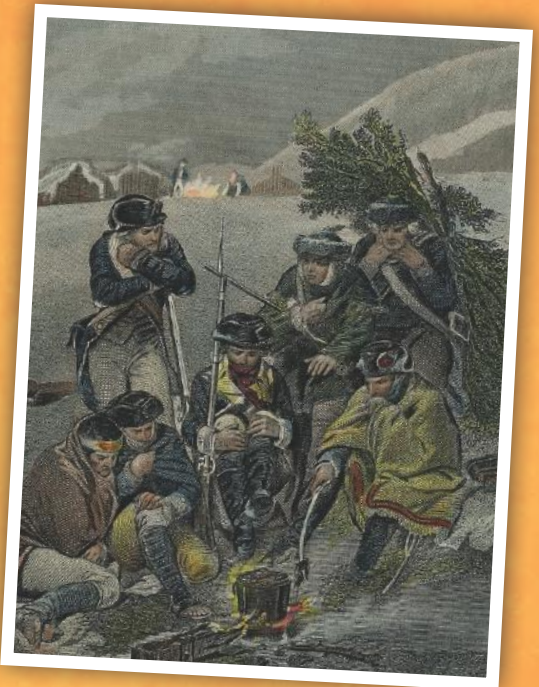
“You got it!” Grandpa Tuttle yelled. “All the stuff gets bought up quick, and by the wealthy first. And if the suppliers aren’t allowed to bring up their prices, then they won’t have enough money to live, take care of their families, or make new stuff. In an economic crisis, governments almost always turn to price controls, and price controls always produce shortages.”

“The good news is that they at least learned this economics lesson,” Grandma Tuttle intervened. “Government price controls end in disaster!”

More About This!

Winter of Death

- When Washington and his men arrived at Valley Forge in 1777, there were over 10,000 soldiers and 400 women and children. With this military establishment, Valley Forge became the fourth largest city in America.
- Conditions were brutal with constant freeze and thaw. Hundreds died from disease and malnourishment.
- Many soldiers lacked complete uniforms, including no shoes, or even socks, leading to frequent frostbite and hypothermia.
- During one stretch of winter, the camp went several days with no meat, and what little they did have was spoiled.
- By early March, over 3,000 men were declared unfit for duty because they lacked food or clothing.





We fight alongside
General Washington,
got it?

An Army Reinvented

“Now you know one of the biggest problems the Continental Army faced—shortages of food and supplies,” Grandpa Tuttle said. “It was deadly... more deadly than many of the battles they fought. You also know that Congress had to move to Baltimore because General Washington had lost Philadelphia. This caused another big problem for Washington. Many members of Congress wanted to fire him and replace him with General Horatio Gates, the man who led the victory at Saratoga. General Charles Lee was also considered for the position.”

“I mean... not to be mean to George Washington,” Ethan said, “but those other guys did seem to have better plans most of the time. This isn’t a game. Soldiers are dying.”

“He didn’t get fired, right?” Emily asked.

“No. At the last moment, Washington made an appeal for himself. He convinced them that only he was the leader that the army honored enough to continue fighting. His men were loyal to him because he had proven to be loyal to them. While other generals and officers typically left their armies in the wintertime to live in fine homes and eat the best food, Washington camped in a tent in the snow along with them. He didn’t take shelter until every man had a shelter. He also demanded blankets

and food for his suffering army at Valley Forge. Congress replaced the committee in charge of supplying the army, and the situation improved.”

“I need more supplies too,” Ethan said. He was scraping up the last few bites of his pie and ice cream from his plate. He saw that Emily still had half of her ice cream left.

“You’ve had plenty,” Emily said. She pulled her plate to the side where Ethan couldn’t reach it. “Now that they had shelter and better supplies, what else did they do in the winter? Make snowmen?”

“They trained. Washington still wanted professional troops who could win battles the traditional way, in a pitch battle. He was assisted by Baron von Steuben, who helped organize the camp and drill his men until they improved at fighting and shooting. It gave them pride and something to do besides freeze.”

Ethan rolled his eyes. “Lining up on the grass and shooting at each other. It seems so dumb. Who even invented pitch battles?”

“We don’t really know, actually,” Grandpa Tuttle said while shaking his head. “Would you believe that this method of fighting is older than the historical record?”

“So cavemen invented it? Makes sense now,” Ethan said, licking his fork clean.

More About Me!



Baron von Steuben

1730-1794

At age 17, Friedrich Wilhelm von Steuben became a Prussian officer in the German military who rose through the ranks during the Seven Years’ War.

For many years after the war, he sought employment working with foreign armies, and eventually connected with Benjamin Franklin while he was in Paris, who saw in von Steuben someone who could bring order to the struggling Continental Army.

Washington vouched for von Steuben’s credentials to Congress, even though they were exaggerated. Von Steuben did not have all the experience and ability that he claimed he did, but he was appointed as a general in the army.

He was responsible for training the soldiers at Valley Forge and created a “model company” of 100 men who he trained. Then these soldiers went on and trained other soldiers as well.

He also collaborated with Alexander Hamilton and Marquis de Lafayette to create a training manual for soldiers that was used for decades after it was published.

The training that von Steuben put the soldiers through prepared them enough to fight well at the Battle of Monmouth. He later commanded a battalion of soldiers in the Battle of Yorktown to help win the war.

“Did their training pay off?” Emily asked.

“Hard to say. By spring 1778, General Howe and his brother had resigned and were replaced by General Clinton. The French military was quickly on its way to assist the Americans. The British and thousands of Tory Loyalists had no choice but to evacuate Philadelphia.”





Worth it!

Not worth it!

Emily had an idea. “Washington should attack them one more time before they leave to show General Clinton, General Cornwallis and the redcoats that the Continental Army is a trained army now, so they won’t come back again!” she said with a raised voice, pointing her finger sternly into the tabletop.

“Emily!” Ethan said in a firm tone, “It’s not worth the lives of more soldiers. Let them run. The war in the north is over.”

“That’s exactly the discussion that was had among the generals of Washington’s war council,” Grandpa Tuttle said.

“General Charles Lee wanted to hold a strong position, but not attack—to let the British leave.”

“That’s what I would have done,” Ethan said. “It’s not worth an attack.”

“General Wayne wanted a full-on attack—to take them out for good,” Grandpa Tuttle added.

“Right! Beat General Cornwallis and his redcoat army now!” Emily said. Her pointing finger was now a pounding fist. “Don’t give them another chance.”

“But most of the generals wanted to attack just a little, to send a final message as the British retreated,” Grandpa Tuttle said, finishing his pie. “This is what Washington decided to do, but Lee still insisted it was a *criminal* waste of men and ammunition.”

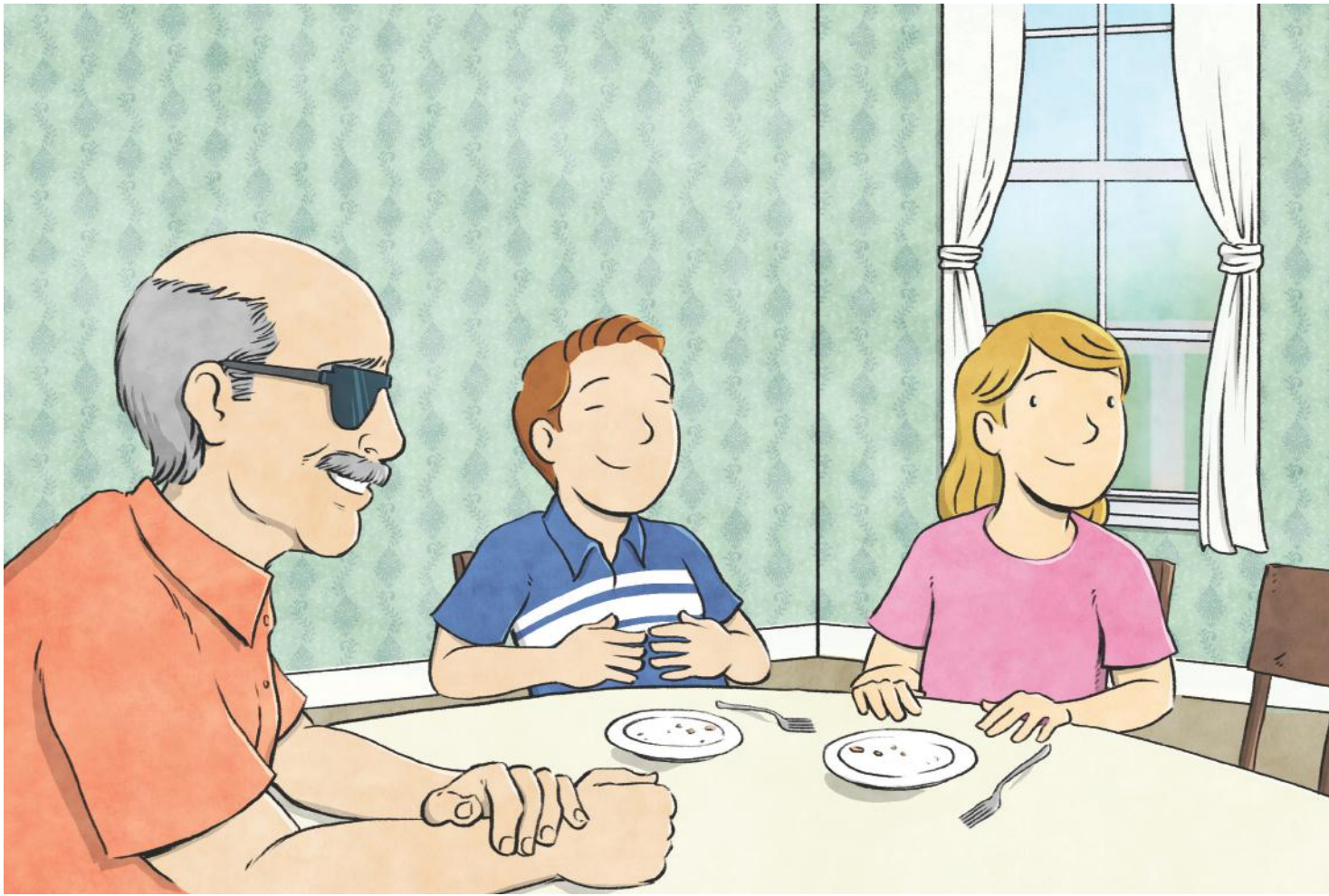
“So how’d that go?” Emily asked.

“Lee was ordered to take 600 men and do a surprise attack on Cornwallis’s 1,500 redcoats from the rear at Monmouth, New Jersey, while Washington would bring more men behind for a second wave. But Lee realized quickly that the plan wasn’t going to work. The terrain made it too difficult, and Cornwallis’s troops knew they were coming. He made the choice to retreat, saving his men from a dangerous situation. But when he ran into George Washington who was coming in for the second wave, Washington was furious with him, took control of the army, and continued the attack at Monmouth. In the end, each side lost about 350 men.”

“See, Emily? It was a draw. A total waste. Seven hundred men killed for no good reason,” Ethan said.

“Nuh uh, Ethan,” Emily said somewhat dismissively. “Washington proved his newly trained men could stand up to Cornwallis’s professional troops. It showed they were equal in power. They wouldn’t have sent that message if they didn’t attack at all. Now we know they won’t be coming back to Philadelphia again!”

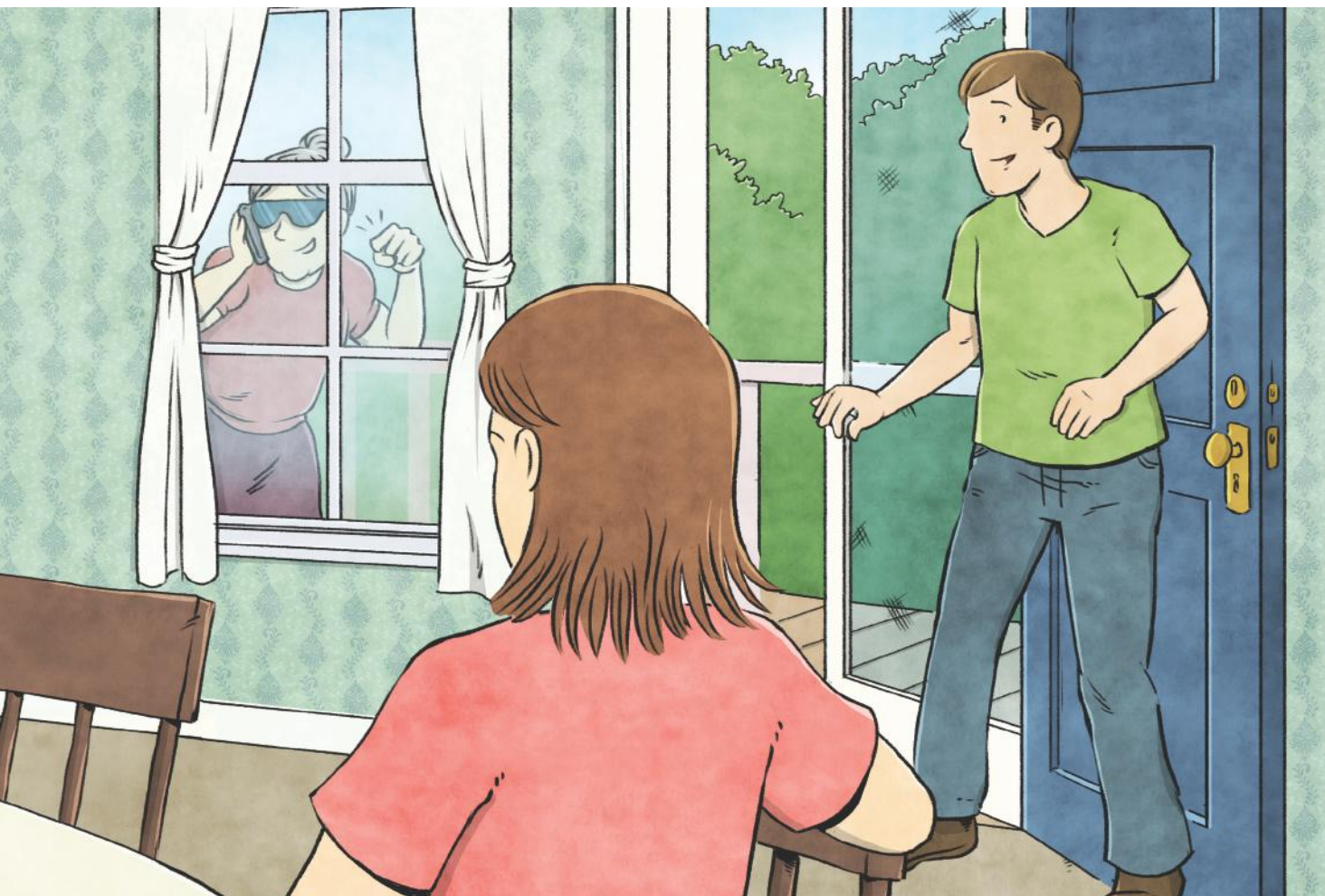
“The Continental Army didn’t just lose 350 men...” Grandpa Tuttle said, trailing off. The twins stared at him, waiting for the information. He stalled, enjoying the moment.



“They also lost one more the next day. Lee and Washington had a final confrontation. Lee questioned Washington’s abilities to lead and his loyalty to his men. Washington court martialled General Lee and had him arrested. Alexander Hamilton even accused Lee of treason. Many of the other generals thought this punishment was too harsh, but they also didn’t agree with Lee’s accusations about Washington—he had proven his loyalty to his men at Valley Forge. Lee had gone too far. Because of this, he was court martialled. That means he was fired.”

“Well,” Emily said after a minute, “that’s sad. The Patriots needed every good soldier they could get, and Lee was a great one, and a brave leader.”

“Firing him *does* seem pretty harsh to me,” Ethan said. “Lee was right most of the time, especially about guerrilla warfare. He was a really smart general with lots of experience, and a true Patriot who had been fighting for freedom from the very first day. I think he was right to retreat. Washington retreated a lot too.”



Grandpa Tuttle shrugged his shoulders. “But opposing Washington personally and questioning his character—which Lee did a lot—is what did him in. Lee eventually withdrew his loyalty, not only from Washington, but to the American cause. He retired to Virginia to raise dogs and grow tobacco.”

Emily couldn’t finish the last little bit of her pie. She slid it over to Ethan, who slurped up the last of it and rubbed his stomach. “That hit the spot.”

Grandpa Tuttle laughed. “And Charles Lee wasn’t the only one who betrayed Washington.”

Suddenly, a rap-tapping noise came from the porch door. It was Grandma Tuttle, still on the phone with someone.

“Hey, you all! There’s a surprise out here for you.”

“Then, I guess that discussion will have to wait,” Grandpa Tuttle said, getting up from the table.

Let's Talk About It!

Robert Morris took advantage of his position and wealth to secure even *more* power and wealth. Mrs. Tuttle was disappointed by this corruption. Was she judging Morris too harshly?

Morris was a mercantilist, meaning he supported trade being controlled, restricted, and managed—especially if he was the one controlling it. Mercantilists opposed free trade because they could not take advantage of special deals that would allow them to easily earn money by using the government to shut out competitors.

This is clearly problematic, but perhaps it's unfair to judge people like Morris too harshly, when it's all they had ever experienced. Like most people of his time, Morris wouldn't have believed that there was another viable way. They wouldn't have even wanted to consider that free market competition was desirable after having benefited so much from government privileges.

So how harshly should we judge Morris and other Patriots who printed a bunch of fiat Continental Dollars and used excessive government power to control trade and prices?

Knowing what you do now, would you choose differently than they did?

