

Money

Throughout history, a wide variety of items have served as money. These include gold, silver, large stone wheels, tobacco, beer, dog teeth, porpoise teeth, cattle, metal coins, paper bills and checks. All of these types of money should be judged on how well they accomplish the functions of money. Money is what money does!

The functions of money are to serve as a medium of exchange, a standard of value and a store of value.

To be a good *medium of exchange*, money must be *accepted by people* when they buy and sell goods and services. It should be *portable* or easily carried from place to place. It must also be *divisible* so that large and small transactions can be made. It must also be *uniform* so that a particular unit such as a quarter represents the same value as every other quarter.

To be a good *standard of value*, or *unit of account*, money must be useful for quoting prices. To accomplish this, money must be *familiar*, *divisible* and *accepted*.

To be a good *store of value*, money must be *durable* so it can be kept for future use. It also should have a *stable value* so people do not lose purchasing power if they use the money at a later time.

Money is any item or commodity that is generally accepted in payment for goods and services or in repayment of debts, and serves as an asset to its holder.

Activity written by John Morton, National Council on Economic Education, New York, N.Y., and revised by Charles A. Bennett, Gannon University, Erie, Pa.

1. Use the table below to evaluate how well each item would perform the functions of money in today's economy. If an item seems to fulfill the function, put a + sign in the box; if it does not fulfill a function in your opinion, place a - sign in the box. Put a ? sign in the box if you are unsure whether the item fulfills the functions of money. The item with the most + signs would be the best form of money for you. In the space below the table, list the top six forms of money, according to your evaluation.

Item	Medium of Exchange	Store of Value	Standard of Value
Salt			
Large stone wheels			
Cattle			
Gold			
Copper coins			
Beaver pelts			
Personal checks			
Savings account passbook			
Prepaid phone card			
Debit card			
Credit card			
Cigarettes			
Playing cards			
Bushels of wheat			
\$1 bill			
\$100 bill			

Your top six forms of money:

2. After you finish the evaluation in Question 1, rate the various items in the table below. Evaluate how well they meet the characteristics of money. Again, if an item seems to fit a characteristic, use a + sign; if the item does not seem to fit a characteristic, use a – sign. If there is a difference of opinion or if you are uncertain, use a ? sign. The item with the most + signs would best fit the characteristics of money. In the space below the table, list your six top items.

Item	Portability	Uniformity	Acceptability	Durability	Stability in Value
Salt					
Large stone wheels					
Cattle					
Gold					
Copper coins					
Beaver pelts					
Personal checks					
Savings account passbook					
Prepaid phone card					
Debit card					
Credit card					
Cigarettes					
Playing cards					
Bushels of wheat					
\$1 bill					
\$100 bill					

Your top six items:

3. Why might factors such as ease of storage, difficulty in counterfeiting and security of electronic transfer of funds also be characteristics that you might use in evaluating money?