

Money + Banking Ch11

IX

The evolution of money

- Before money barter system a trade
- remember you need a mutual consensus of wants

A. Functions of Money

1. Medium of Exchange

- something accepted by everyone as payment

2. Measure of Value

- a common denominator that can be used to express worth in terms people understand.

3. Store of Value

- purchasing power can be saved until it's needed.

A Money is anything that does these 3 things.

B. Money in Early Societies

2 Types:

1. Commodity Money: money that has an alternative use.

Ex: Tea, Gunpowder, Cow Chips.

2. Fiat Money: money because the government says so.

Ex: US money.

C. Money in Colonial America

- some commodity and some fiat

gunpowder, musketballs, corn, hogs tobacco

Paper Currency

- states printed their own money
- Backed by Gold or Silver.