

Chapter 9

Money: Who Needs It?

Money has replaced bartering as main form of exchange.

Define "barter":

What are the main problems with bartering?

Functions of Money

- **standard of value (like a measuring stick)**
- **medium of exchange (for trade)**
- **store of value (can be used later)**

Characteristics of Money

- **durable (lasts a long time)**
- **portable (can be carried)**
- **divisible (can be divided)**
- **stable (keeps value)**
- **hard to counterfeit (duplicate)**

Kinds of Money

- **commodity money**
 - **gold, salt**
 - **valuable in itself**
- **representative money**
 - **checks, including travelers'**
 - **stands for other kinds of money**
- **fiat money**
 - **coins and bills – *currency***
 - **government says it has value**
- **NOT MONEY:**
 - **Credit cards (not exchanged, no fixed value)**
 - **Savings accounts (not a medium of exchange)**