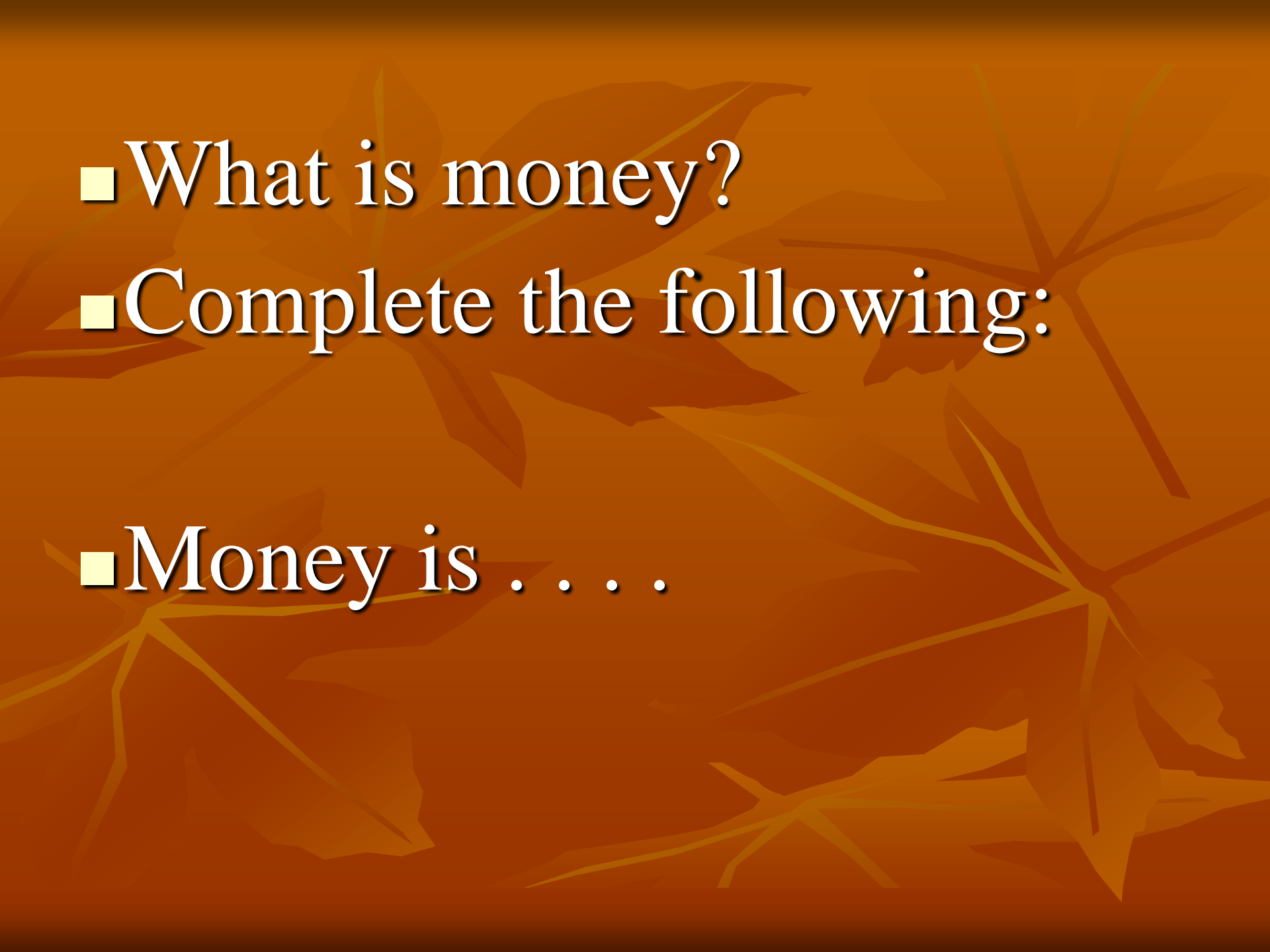


- 
- What is money?
 - Complete the following:
 - Money is



Properties of Money

Functions of Money

Definition of Money

Properties of Money

- Portability
- Uniformity
- Durability
- Stability in value
- Acceptability

What are the three basic functions of money?

- Medium of exchange
- Standard of value (unit of account)
- Store of value

Functions of Money

- **Medium of Exchange** - When money is usable for buying and selling goods and services. The medium of exchange function eliminates the need for the double coincidence of wants.
- **Store of Value** – Permits money to be held for use at a later time.
- **The unit-of-account, or standard-of-value, function** means there is an agreed-to measure for stating the prices of goods and services. (simplifies price comparisons.)

The Supply (Definitions) of Money:

- M_0 – The narrowest definition of U.S. Money is M_0 .
 - Currency (coins and paper money) in the hands of the public

The Supply of Money

- M1
 - Includes M0, demand deposits, and traveler' checks.
- M2 Includes M1, Savings and small time deposits, and money market shares
- M0 and M1 include items that are primarily used as a medium of exchange while M2 adds items that are primarily used as a store of value.

Which of the following is NOT a use of money?

- A. as a medium of exchange
- B. a unit of account
- C. a store of value
- D. a means of barter

If you decide to obtain a 6 month Certificate of Deposit from your bank,

- A. you are using money as a unit of account
- B. you are using money as a store of value
- C. you are using money as a medium of exchange
- D. you are using money as a purchase.

As of 2006, The Federal Reserve concluded that measuring M3 was no longer useful.

- M0 – Included Paper Currency and Coins
- M1 – Includes M0, demand deposits, and Traveler's checks
- M2 – Includes M1, Savings and small time deposits, and money market shares.
- M0 and M1 – Uses are primarily used as a medium of exchange.
- M2 – Primarily used as a store of value.