- 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

Examples

- What are some examples of commodities that have served as money?

- Indicate which properties the commodities have and which properties they do not have.

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.

- **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.)

- **Store of Value** – Permits money to be held for use at a later time.

The Supply (Definitions) of Money:

- M1 – The narrowest definition of the U.S. Money is M1.
  - Currency (coins and paper money) in the hands of the public
  - All checkable deposits (all deposits in commercial banks and "thrift" or savings institutions on which checks can be drawn).

The Supply of Money

- M2
  - savings deposits, including money market deposit accounts
  - Small (less than ($100,000) time deposits (CDs)
  - Money Market Mutual finds
- M2 includes the immediate medium-or-exchange items that constitute M1 PLUS certain near-monies that can be easily converted into currency or checkable deposits.

The Supply of Money

- M3 Consists of:
- M2 Plus large time deposits
- Large ($100,000 or more) time deposits, usually CDs