

## Chapter 11 - The Monetary System

### Money

vs.

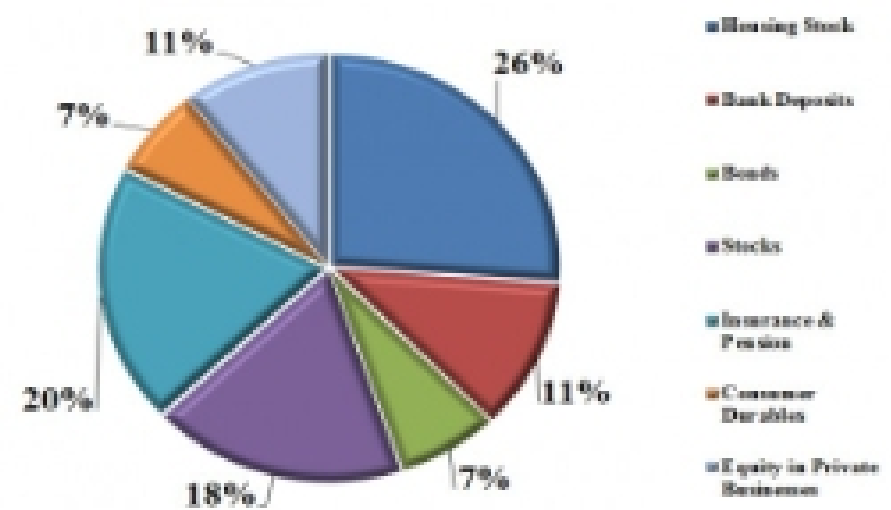
### Wealth

The set of assets that people use regularly to \_\_\_\_\_.

Total accumulation of \_\_\_\_\_.



United States Household Wealth



### Importance of money

- Without money, trade would require \_\_\_\_\_: the \_\_\_\_\_ of one good or service for another.
- Thus every trade would require a \_\_\_\_\_ which is where one person is selling what you \_\_\_\_\_, and they want what you are \_\_\_\_\_.
- This would require a lot of \_\_\_\_\_! Thus money makes trade \_\_\_\_\_.
- Permits \_\_\_\_\_, facilitates \_\_\_\_\_.



## 4 Functions of Money

1. \_\_\_\_\_ : an item buyers give to sellers when they want to purchase g& s.



2. \_\_\_\_\_ : the yardstick people use to post prices and record debts.



3. \_\_\_\_\_ ;an item people can use to transfer purchasing power from the present to the future.



Many assets can take on the form of stores of value. (and most are better stores of value due to \_\_\_\_\_.) But only money can take on all 3 functions of money.

Money is not a perfect store of value due to \_\_\_\_\_.

4. \_\_\_\_\_ : A property of an item that makes it desirable for use as a means of settling \_\_\_\_\_.



## What is counted as money?

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Boar tusk	Goats	Rice
Boats	Gold	Round stones with centers removed
Cigarettes	Horses	Rum
Copper	Iron	Salt
Corn	Molasses	Silver
Cows	Polished beads (wampum)	Tobacco
Feathers	Pots	Tortoise shells
Glass	Red woodpecker scalps	Whale teeth

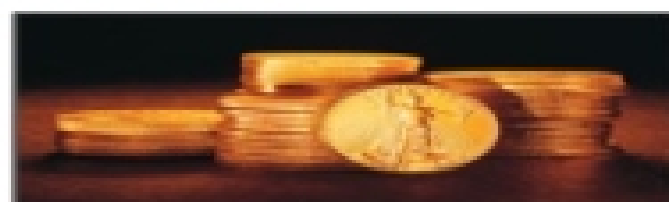
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### The 2 Kinds of Money

\_\_\_\_\_;  
takes the form of a commodity  
with intrinsic value

Examples: gold coins,  
cigarettes in POW camps



THE MONETARY SYSTEM

\_\_\_\_\_;  
money without intrinsic value,  
used as money because of  
govt decree

Example: the U.S. dollar

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## What backs money?

For commodity money it is its \_\_\_\_\_.

Convertible money \_\_\_\_\_.

For fiat money it is \_\_\_\_\_.

## Fiduciary Monetary System

- A system in which currency is issued by the \_\_\_\_\_  
and its value rests on the public's confidence that it can be  
exchanged for \_\_\_\_\_