

Understanding Money

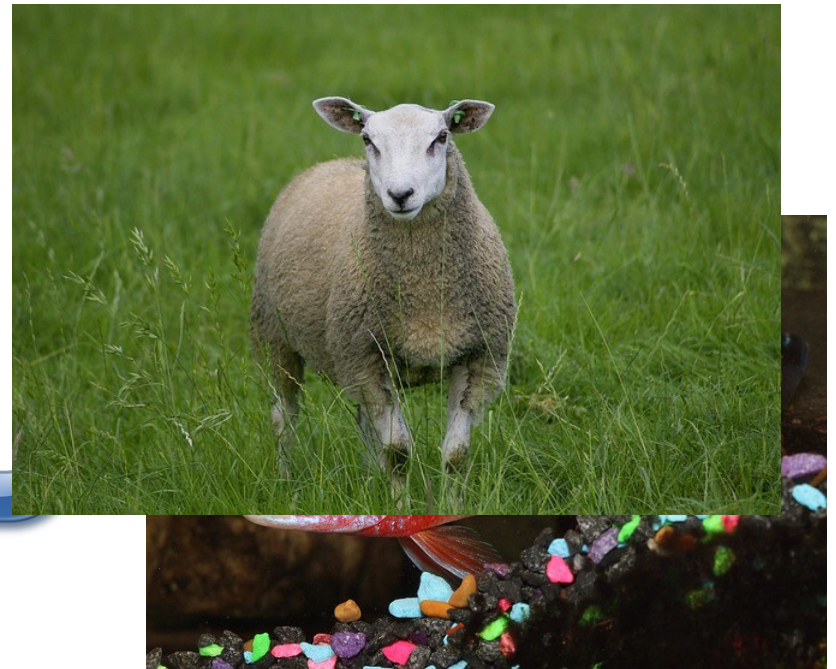
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Learning objectives

- Explain the function of money in the economy
- Briefly describe the history of money, progressing from early forms of exchange to representative money
- List the major desirable properties of money

Before money

"barter"



Quiz 1

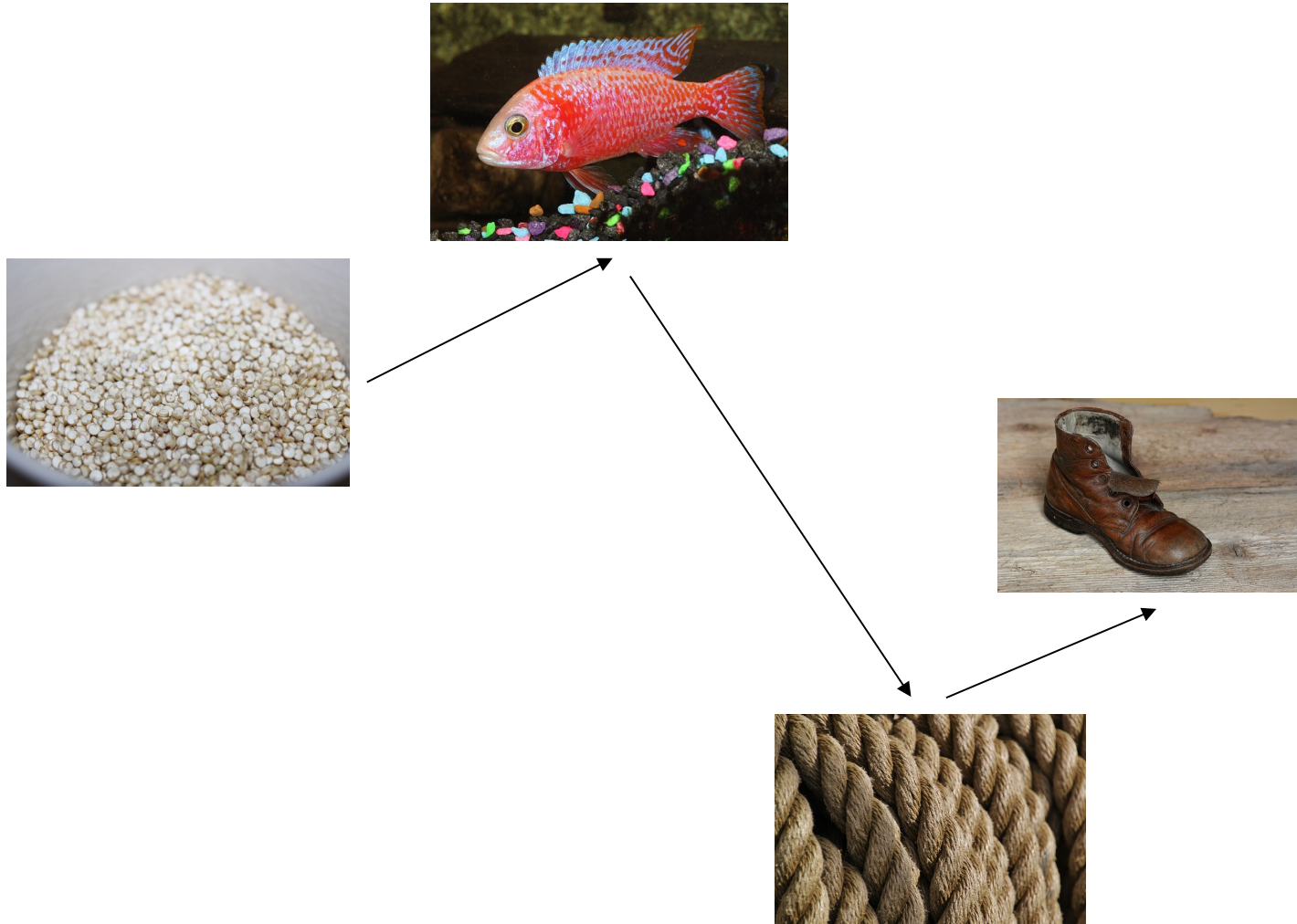
Imagine there's no such thing as money.

If your asset is a goat, and you want to acquire a cellphone, what problems might you encounter in your quest?

Coincidence of wants



Coincidence of wants



Emergence of money

Commodity money



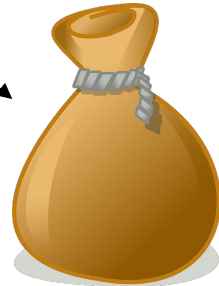
Representative money



Use of money

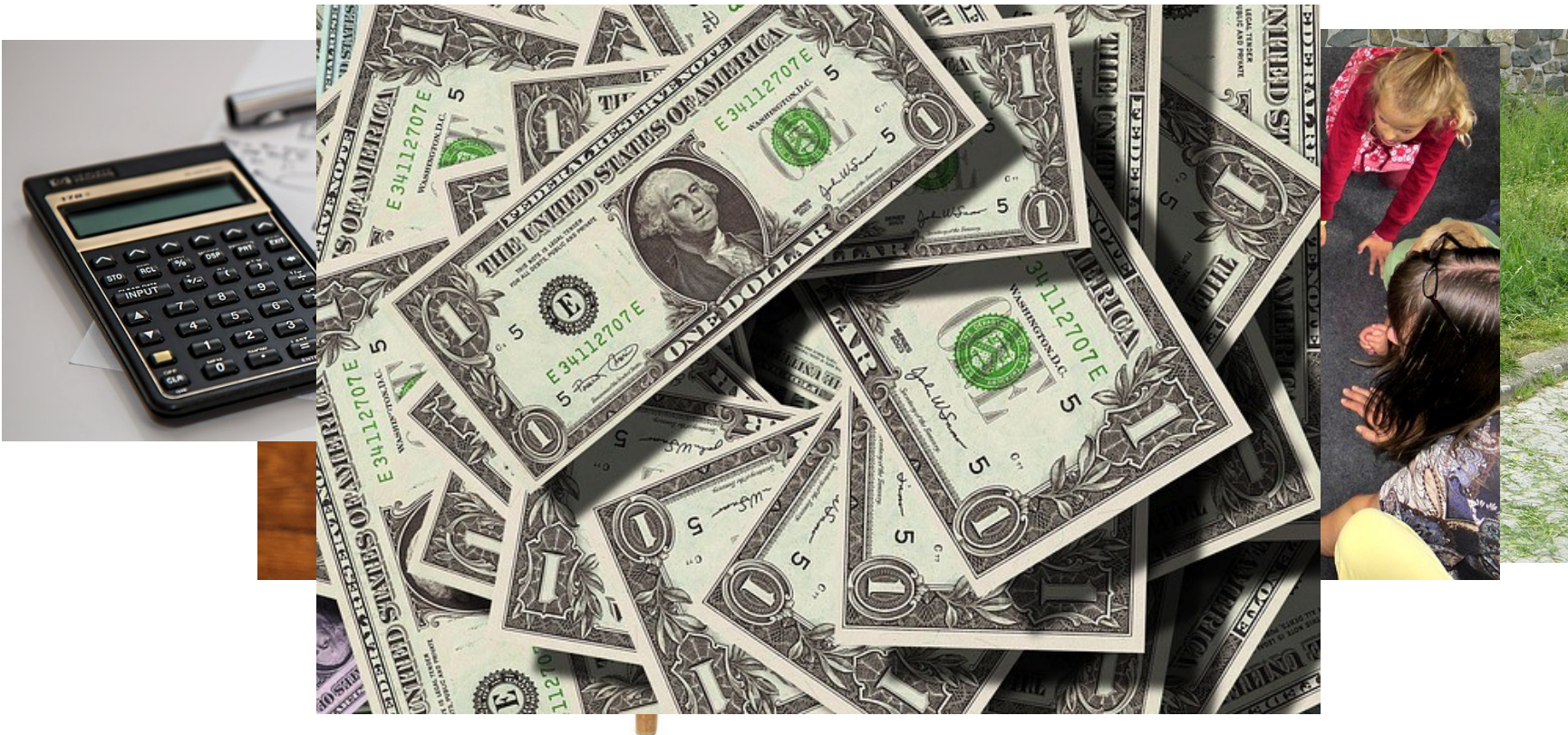


Money: medium of exchange



What is money

- Unit of account
- Store of value



Quiz 2

List some desirable properties for money to have.



Desirable properties of money

- Durability
- Divisibility
- Portability
- Fungibility (uniformity)
- Scarcity
- Recognizability
- Value density

Quiz 3

One interesting form of money Rai stones, used on the island of Yap in Micronesia, is made of large stone disks. The photo on the right is of one such disk, which is about 8 feet in diameter.

What characteristics of money are missing from Rai stones?

How about cattle?



Missing features

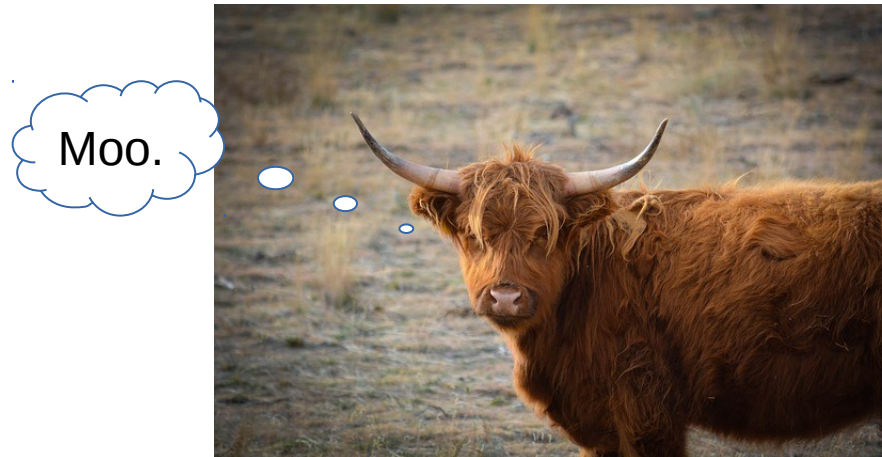
Rai:

- Portability
- Divisibility
- Fungibility



Cattle:

- Divisibility
- Fungibility



Additional reading

Coined: The Rich Life of Money and How Its
History Has Shaped Us

by Kabir Sehgal

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