Notes for Money of the world

*What is money?*

Money can be any if these three things

* + any substance that serves as a medium of exchange
  + measure of value
  + store of value

Medium of exchange: accepted by all parties as a payment for goods and services

Measure of value: A common denominator that can used to express worth in terms that most individuals understand

Store of value: The property that allows purchasing power to be saved until needed.

*Early Version of Money*

The use of money developed because the it made life easier for people.

The earliest type of money was commodity money

Commodity money: Money that has an alternative use as an economic good or commodity

A Other form of money used was fiat money

Fiat money: money by government decree

The last type of money used in this time period was Specie

Specie: or money in the form of coins made silver or gold

*Characteristic of money*

The four types of characteristic of money are

* + Portability: money must be portable or easily transferred from one person to another to make the exchange of money for products easier
  + Limited availability: if something is to serve as money it must be available but only in a limited supply
  + Divisibility: money should be easily divisible into smaller units so that people can use only as much as needed for any transaction
  + Durability: Money must also be reasonably durable so that it lasts when handled and does not deteriorate when being held as a store of value

*Early Banking problems*

Wild cat banks- fraudulent banks that printed large amounts of currency in remote areas to make the redemption of their currency difficult.

To many different types pf currency: even when banks were honest problems with the currency arose. First each bank issued its own currency in different sizes, colors, and denominations

Too much currency: a bank could print more money whenever it wanted and the temptation existed.

All of these lead to the creation of the national currency

National currency: paper currency of uniform appearance that was backed by US government bonds

*The Gold Standard*

Advantages of Gold standards

* + Prevent the government from printing to much paper money
  + Money can be converted into gold

Disadvantages of Gold standards

* + Gold stock may not grow fast enough to support a growing economy
  + People may suddenly decide to convert their currency into gold thereby draining the government gold reserves

*Federal Reserve System*

Federal Reserve System: or Fed, as the nation first true central bank a central bank is a bank that can lead to other banks in times of needed

*Credit unions and banks*

Credit unions: a nonprofit-making money cooperative whose members can borrow from pooled deposits at low interest rates