

# Money Basics

## Class Activity

### CHARACTERISTICS OF MONEY

In the table below, the top row lists the seven major characteristics of effective money. The left-hand column contains several items that have been used as money in the past. On a scale of 1 to 3, with 1 being the lowest and 3 being the highest, rate how well each item meets the standard of each characteristic. When completed, calculate the sum of each row.

	Divisible	Portable	Acceptable	Scarce	Durable	Stable	Uniform	TOTAL
Cows								
Gold Coins								
Salt								
Paper Money								
Sea Shells								
Large Rocks								
Copper Coins								
Barley								

Use the results from the table above to rank these items. List them in order from the best item to use as money to the worst item to use as money.

- 1) (Best) \_\_\_\_\_
- 2) \_\_\_\_\_
- 3) \_\_\_\_\_
- 4) \_\_\_\_\_
- 5) \_\_\_\_\_
- 6) \_\_\_\_\_
- 7) \_\_\_\_\_
- 8) (Worst) \_\_\_\_\_

## TYPES OF MONEY

Classify each of the following objects as either commodity, representative, or fiat money. When completed, fill in the three extra blanks with your own examples.

	Commodity Money	Representative Money	Fiat Money
U.S. Dollar Bill			
Bar of Silver	1) _____	1) _____	1) _____
Silver Certificate			
Japanese Yen	2) _____	2) _____	2) _____
State Bank Note			
Chinese Silk	3) _____	3) _____	3) _____

## FUNCTIONS OF MONEY

Identify the function of money being described in each story below. The three functions of money include being a medium of exchange, a store of value, or a unit of account.

1) Horace works full-time at a local gas station, making approximately \$1,400 a month. He is trying to calculate whether he makes enough money to pay all of his bills or if he needs to get a second job.

\_\_\_\_\_

2) Janine makes most of her money during the summer, but she makes most of her purchases during the winter holiday season. This is not a problem since she knows the money will be there when she needs it.

\_\_\_\_\_

3) John owns a small lawn mowing business. One of his customers is a professional chef, and she wants to pay him in chocolate chip cookies. John appreciates the gesture, but he says he would rather be paid in cash.

\_\_\_\_\_

## THE MONEY SUPPLY AND LIQUIDITY

The table below lists the seven monies in the monetary base, M1, and M2. First, identify the non-liquid money in the monetary base. Then, rank the monies in order from the most liquid to the least liquid.

Monetary Base, M1, and M2 Monies
Time Deposits
Traveler's Checks
Savings Deposits
Bank Reserves
Currency in Circulation
Checkable Deposits
Money Market Funds

## Monetary Base

0) (Not Liquid) \_\_\_\_\_

## M1

1) (Most Liquid) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

## M2

4) \_\_\_\_\_

5) \_\_\_\_\_

6) (Least Liquid) \_\_\_\_\_