

Chapter 12 Money and Financial Institutions

Characteristics of Money

Imagine you are starting your own country and need to create money so people could exchange goods and services. To get started, you intend to give each citizen a set amount of “money.” The citizens then start businesses to offer products and services to one another in exchange for money. Bartering, dollars, coins, and funds transfers are not options.

Your advisors give you the following ideas of what could be used as “money.” Explain why each of these would not be a good idea.

Answer Bank

| Accepted | Divisible | Durable | Portable | Scarce |

Missing Characteristic	Money
	100 Beautiful gems per citizen. More gems can be easily found throughout the country.
	Each citizen will create its own design of paper money and print on paper provided by the government. Each citizen will receive 100 pieces of special paper that does not fall apart when wet. A problem, however, is that there are so many designs that people can't tell which dollars are “real” and which are counterfeit. They become hesitant to use money and choose to barter instead.
	One bar of gold per citizen.
	100 heavy coins that only the government can create.
	100 Fresh flowers of a plant that only the government has the seeds to grow.

Explain the three functions of money

Medium of exchange	
Standard of Value	
Store of value	