

ACTIVITY 34**Money Is What Money Does**

Throughout history, a wide variety of items have served as money. These include gold, silver, large stone wheels, tobacco, beer, dog teeth, porpoise teeth, cattle, metal coins, paper bills, and checks. All of these types of money should be judged on how well they accomplish the functions of money. Money is what money does.

To be a good **medium of exchange**, money must be *accepted by people* when buying and selling their productive resources and when buying and selling goods and services. It should be *portable* or easily carried from place to place. It also must be *divisible* so that large and small transactions can be made.

To be a good **store of value**, money must be *durable* so it can be kept for future use. It also should have a *stable value* so people do not lose purchasing power if they use the money at a later time.

To be a good **standard of value** or unit of account, money must be useful for quoting prices. To accomplish this, money must be *familiar, divisible, and acceptable*.

Evaluate each item below as to how well it would perform the functions of money. In your evaluation, discuss how well the item would serve as a medium of exchange, a store of value, and a standard of value. As you make your evaluations, be sure to consider portability, uniformity, acceptability, durability, and stability in value.

1. Salt

2. Large stone wheels

3. Cattle

4. Gold

5. Copper coins

6. Pieces of paper printed by a government

7. A personal check