# Money Basics \$ ₤ € ¥ Lectures in Macroeconomics-Charles W. Upton

### The Functions of Money

- Medium of Exchange
- · Storer of Value
- Unit of Account

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Money Basics

## Money as Medium of Exchange

- Money liberates us from the perils of a barter economy.
  - People who literally work for money, as opposed to what money can buy, are candidates for psychotherapy.
  - However, the cost of exchanging goods and services for each other directly instead of using a medium of exchange is very high.



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## Example

- I teach for the things money can buy. If I want new tires for my car, I go out and buy them with money.
- I do not expect you to show up with four new tires for my car, though it is as if you do.



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# Example

- I teach for the things money can buy. If I want new tires for my car. I go out and buy them with mo! This is big stuff. We would
- I do not expec new tires for n do.

probably all be living as cavemen without money.

Societies without money are frightening places.



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# Money as a Storer of Value

Fred has the following assets: Stocks with a market value of \$400,000

Government Bonds worth \$100,000 A \$50,000 Certificate of Deposit

\$500 in Currency

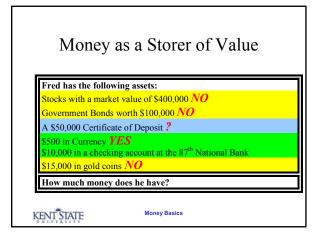
10,000 in a checking account at the  $87^{\rm th}$  National Bank 15,000 in gold coins

How much money does he have?



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# Money as a Storer of Value Fred has the following assets: Stocks with a market value of \$400,000 Government Bonds worth \$100,000 A \$50,000 Certif \$500 in Currence \$10,000 in a chee \$15,000 in gold corress of value, but How much mo which are money? Money Basics



## Is a Credit Card Money?

- Medium of Exchange
- · Storer of Value
- · Unit of Account

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## Is a Credit Card Money?

- Medium of Exchange Yes
- Storer of Value No
- Unit of Account No

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# Is a Credit Card Money?

- Medium of Exchange Y Credit Cards
- Storer of Value No
- Unit of Account No

Credit Cards are useful and valuable, but so too are many other things that are also not money.

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# Money as a Unit of Account

\$	Dollar	United States
¥	Yen	Japan
£	Pounds Sterling	United Kingdom
€	Euro	European Union

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