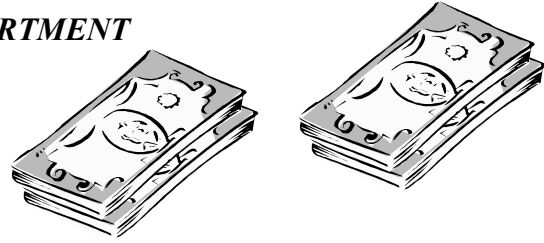


LIGHTHOUSE CPA SOCIAL SCIENCES DEPARTMENT

AP ECONOMICS

STUDY GUIDE # 11 - MONEY



CHAPTER LEARNING OBJECTIVES

1. **STUDENTS WILL BE ABLE TO EXPLAIN WHY MONEY IS NEEDED IN MODERN ECONOMIC SYSTEMS**
2. **STUDENTS WILL BE ABLE TO DEFINE MONEY AND EXPLAIN THE TYPES OF MONEY**
3. **STUDENTS WILL BE ABLE TO EXPLAIN THE 3 USES OF MONEY**
4. **STUDENTS WILL BE ABLE TO EXPLAIN THE KEY CONCEPTS BEHIND WHAT MAKES “ FIAT MONEY ” WORK**
5. **STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE 6 CHARACTERISTICS OF MONEY**
6. **STUDENTS WILL BE ABLE TO PROVIDE AN EXPLANATION OF THE MONEY SUPPLY AND ITS CATEGORIES / COMPONENT PARTS**

WHY DO WE NEED MONEY ?

WHAT IS “BARTER” ?

WHAT IS “MONEY” ?

WHAT ARE THE 3 USES OF MONEY ?

1. **“MEDIUM OF EXCHANGE” -**
2. **“UNIT OF ACCOUNT” -**

3. “STORE OF VALUE” -

WHAT ARE THE 3 TYPES OF MONEY AND THEIR SOURCES OF VALUE ?

1. “COMMODITY MONEY” -



2. “REPRESENTATIVE MONEY” -

3. “FIAT MONEY” -



WHAT ARE THE 2 KEY CONCEPTS THAT MAKES FIAT MONEY WORK ?

1.



2.

WHAT ARE THE 6 CHARACTERISTICS OF A GOOD MONEY SYSTEM ?

1. **DURABILITY** >

2. **PORTABILITY**

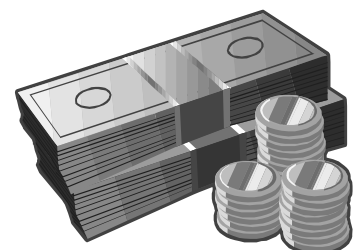
3. **DIVISIBILITY** >

4. **UNIFORMITY** >

5. **LIMITED SUPPLY** >-

6. **ACCEPTABILITY** >-

WHAT IS THE “MONEY SUPPLY” AND HOW MUCH MONEY IS IN THE UNITED STATES ECONOMY ?



WHAT ARE THE 3 CATEGORIES OF THE MONEY SUPPLY ?

1. “M1” -

“LIQUIDITY” -

“DEMAND DEPOSITS” -

2. “M 2 (NEAR MONEY)” -

3. “M 3” -

1.

2.

3.

TECHNICALITY > DISTINGUISHING BETWEEN THE MONEY SUPPLY AND MONEY STOCK

ADVANCED CONCEPT IN VALUATION

“GRESHAM'S LAW” -

“GOOD MONEY” -



“BAD MONEY” -

GRESHAM'S LAW > EXAMPLE # 1 > WHEN MONEY THAT HAS COMMODITY ASPECT TO IT IS SUBJECT TO LEGAL TENDER LAWS AND COINS HAVE A PURE METALLIC CONTENT TO THEM

1.

2.

3.



TWO EXAMPLES OF HOW THIS LAW APPLIES TO OTHER ECONOMIC SITUATIONS :

1.

2.