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Economics Textbook Chapter 9

1. Give an example of money being used as a measure of value.

Money is used as a measure of value when it allows people to compare the value of different goods and services. For example, if a book costs \$15 and a pizza costs \$10, then money can be used to measure that the book is worth 1.5 pizzas or the pizza is worth 0.67 books. Money can also be used to measure the value of a person's income, wealth, or debt.

2. How was paper money started?

Paper money originated in China in the 11th century CE, nearly 20 centuries after the earliest known use of metal coins. It was an invention of the Song Dynasty and was called "flying money". Paper money was easier to carry in large amounts, but had risks of counterfeiting and inflation

3. Does the USA have representative money or fiat money?

The USA has fiat money, which means its currency is not backed by any physical commodity like gold or silver, but by the government's authority and trust. Fiat money can be used as legal tender for all debts and transactions, as long as both parties agree on its value.

4. Why is it dangerous for the government to keep printing money in a fiat currency economy?

It can cause inflation, which is a general rise in the prices of goods and services. Inflation erodes the purchasing power of money and makes it less valuable. This can hurt people's savings, incomes, and living standards

5. When measuring the money supply of an economy, what is the difference between M-1 funds and M-2 funds?

The difference between M-1 funds and M-2 funds reflects the different functions of money: medium of exchange, store of value, and unit of account. M-1 funds are more suitable for the medium of exchange function, while M-2 funds are more suitable for the store of value function

6. What is the benefit of federal and state regulation of banks, rather than allowing private banks to proliferate?

Federal and state regulation of banks can have several benefits for the economy and society, such as:

Enhancing financial stability by preventing or mitigating systemic risks, bank failures, and financial crises

Protecting depositors and consumers by ensuring the safety and of banks, enforcing consumer protection laws, and providing deposit insurance

7. If money is only worth what it will buy, imagine what would happen if there were so much money around that a merchant could charge whatever he wanted for a dozen eggs, and you'd be able and willing to pay it. What would happen to the worth of a single dollar then?

it would be worth less

