



Name: _____

Economics Textbook Chapter 9

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

An example of money being used as a measure of value is the dollar and the peso. 17.52 Mexican pesos is exactly one US dollar. This is just one of many different examples, others would be shell, rocks, teeth, etc.....

2. **How was paper money started?**

Paper money was started by means of replacing bartering and the costs that it has. It started with basic paper receipts backing up gold and shifted to just the paper receipts.

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

The US has Fiat money, which is produced by the government and not backed by gold or silver.

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

If the government were to keep printing money in a fiat currency, then the value of that currency would diminish because of the surplus in money created that would allow people to buy in large quantities. Businesses and the nation would surely raise prices immediately and inflation would occur which would in turn hurt the poor.

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

M-1 funds are the available funds a nation's people have available to spend, this includes paper money and coins. While M-2 funds are the all-around savings of a nation, these include checks, credits, etc.....

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

Banks are more reliable and stable.

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?**

A single dollar would hardly be worth anything, likely you would have to keep them in money piles like the picture on this page. The single dollars' worth drops as more and more of it is produced.

