



Name: Giovanni

Economics Textbook Chapter 9

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

Using the measurement you are most comfortable with to determine it's value like knowing the worth of an item

2. How was paper money started?

Before paper money it was all gold. Borrowers, not wanting to carry bulky

3. Does the USA have representative money or fiat money?
gold coins, began requesting paper instead. A banker lends out more paper money than he can back in gold

fiat money

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

It increases the risk for inflation.

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

M-1 attempts to measure the money Americans have available for immediate spending reflects the role that money has as a medium of exchange. M-2 represents money that consumers could immediately spend.

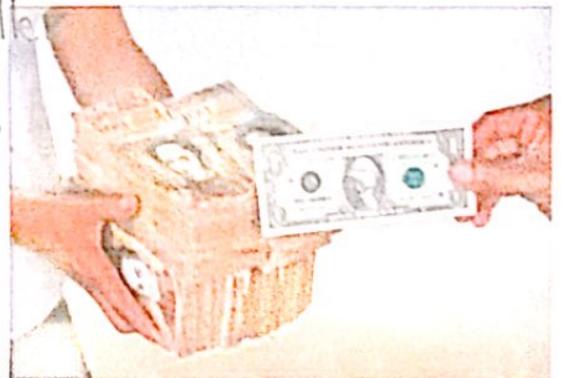
6. What is the benefit of federal and state regulation of banks, rather than allowing private banks to proliferate?

Federal authorization comes from the United States Treasury's Comptroller

of the currency, while each states banking commission provides state charters.

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 will plummet due to inflation.



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Economics
Southmont Christian Academics

BASIC ECONOMICS

CHAPTER 17: Money and the Banking System

QUESTIONS

1. How can you tell what money is worth?
Its determined by aggregate supply and demand.
2. In your own words, why do prices go up when people have more money to spend?
It must stay balanced in order to keep its value. Money is worth what it will buy.
3. How does the government confiscate the value of our money through inflation?
With inflation, currency loses value. The Government may set their official exchange rate anywhere they wish, but that does not mean that the actual purchasing power of the money will be whatever they say it is.
4. Why do people buy gold during times of high inflation?
Because the value for gold stays the same.
5. How did politicians and/or the Federal Reserve make the Great Depression worse?
Raising interest rates