

Money

15-1. Money definition: there are a lot of definition of money as follows:

- A medium that can be exchanged for goods and services and is used as a measure of their values on the market.
- The official currency, coins, and flexible paper notes issued by a government.
- Barter: When people traded one thing for another to get what they wanted or needed.

15-2. Essential characteristics of money: Money is generally considered to have the following three characteristics:

- It is a medium of exchange.
- It is a unit of account.
- It is a store of value

15-3. Kinds of money

Many types of money have been used at different times in history. These are:

- Commodity money: can be used for other purposes besides serving as a medium of exchange. Some examples of commodity money are cattle, silk, gold and silver.
- Convertible paper money: It is money that is changeable into gold and silver. Gold and Silver certificates are changeable paper money as they can be fully convertible into gold and silver.
- Inconvertible money: It is money that cannot be changeable into gold and silver. Notes and coins are inconvertible money. They are inconvertible and are declared by the government as money. They are also a country's legal tender. Today, notes and coins are the currencies used in daily transactions.
- Bank deposits: In a modern society, most of the money used is bank deposits.

Types of bank deposits:

- Demand deposits
- Savings deposits
- Time deposits
- Negotiable certificates of deposit

- Electronic money: It is all types of money which people deal with it electronically, far from traditional ways of payment like banks, cheques, paper money and coins, e-money allow users through internet or wireless devices to pay the charges of their purchases directly from their bank accounts by electronic ways such as Smart cards, Digital wallets and micropayments

15-4. Money including:

1. M1

a. the most liquid definition of the money supply: they are directly and immediately usable as a medium of exchange

b. M1 includes:

- currency (coins and paper money)
- checkable deposit

2.: M2

a. M2 is a little less liquid than M1

b. M2 includes:

- M1
- Savings deposits and money market deposit accounts.
- Certificates of deposit (time accounts) less than \$100,000.
- Money market mutual fund balances, which can be redeemed by phone calls, checks, or through the Internet.

3. M3

a. includes

- M2, and
- large certificates of deposit (time accounts) of \$100,000 or more