

The Functions of Money



We can never have enough money, right? We dream of having a comfortable life with no hardships because we have money. But what exactly is money?

Merriam-Webster's simple definition states that money is:-

Something generally accepted as a medium of exchange, a measure of value, or a means of payment. It can be either paper or officially coined or stamped metal currency.

O.K. that's acceptable but is there more to something being called money? As a matter of fact there is. For something to be classed as money, it has to have six (6) major characteristics.

1. Durability

A key component for something to be used as money is that it has to be used many times over a long period of time. It must be strong; it cannot rip or tear easily. It cannot fade or shrink when we accidentally leave it in our pockets when we do laundry. Coins cannot break or lose their shape when we drop them or lose their image when they rub together in our pockets or purses.

2. Portability

Money must be easy to carry and transport. Large sums of money, especially coins, are heavy but so is a pile of rocks. Money, whether paper or coins, cannot be too large as it has to fit into our wallets, purses, and pockets.

3. Divisibility

The money we use today has to be easy to divide into both large and small units in order to buy the different products we need. Not everything is the same price so our money has to be in different denominations or amounts.

4. Uniformity

The money we use on a daily basis must all look the same and it must be made so that it is easily recognizable as money. We just cannot draw the words "money" on a piece of paper and then take it to the store to buy something. That would defeat the entire purpose, but it's a nice idea!

5. Limited Supply

Money is only seen as valuable if it is in limited supply. It does not grow on trees. In addition, we just cannot print our own money. If we did, you would need a wheelbarrow of money just to buy a candy bar. Governments control the availability and flow of money in order to keep its value. If there is too much money, its value goes down and if not enough, its value goes too high for the average person.

6. Generally Acceptable

It must be accepted by all stores, merchants, banks and other institutions for the same value or worth. Everyone has to agree that the 6 x 2 ½ inch piece of paper with the picture of Alexander Hamilton is worth ten dollars, not one dollar, not twenty dollars. We all have to agree that it is worth what it says on the face of the bill.

Different types of money

Not every country uses our type of money. These people use different objects for money and have been doing so for a long time.

Read and look at the different types of money used at one time or another and answer the questions that follow.

Bird Feathers



In several Central American countries, before the arrival of the Spanish in 1492, they used the feathers from the Quetzal bird to trade for gold. In the Santa Cruz archipelago in the Solomon Islands, their money was a local fiber woven with red feathers from the scarlet honey eater bird.

Identify two (2) characteristics of money that do NOT work for using bird feathers as shown above

_____ and _____

Dogs Teeth

In Papua and Papua New Guinea the people use dog's teeth (from the singing dog) in the form of a necklace as money. In order to buy something, you simply pull off a tooth or two to buy your soda.



Why would be not use teeth from the New Guinea Singing Dog in America?

The Stones of Yap

In Micronesia, on the island of Yap (yes it really exists), your wealth is determined by how many specially shaped, large stones you have. The people keep them outside of their huts to show-off their status. Needless to say, making a simple bank deposit is very hard work!



In your opinion, why are the Stones of Yap not a good alternative to our paper money?

Sheep and Goats

In Nairobi, Kenya, in the 1930's, one cow was valued at ten sheep or goats; one bull was worth five sheep or goats. In Zimbabwe, Africa, it is now fully acceptable to pay for your school tuition with goats. Just imagine showing up to the first day of school with a herd of goats to pay for the semester!



Which of the six characteristics of money are not met by using sheep and goats as currency?

Mats

This is a common item in Polynesia, especially Samoa. They even serve as a dowry for young girls.



Why would mats not be a good form of money for you on a daily basis?

Modern Money

Plastic Polymer Money

As new, scientific advances are made, we take some of these to “improve” our money. There is nothing worse than going to the mall with a \$100 bill just to find out it’s a fake! Forgery and counterfeiting are major problems today. Some countries have gone to great lengths to stop these crimes. In addition, to make sure your money lasts longer and does not fall apart, countries like Australia, Canada, New Zealand, Scotland and Romania are now using plastic instead of paper money. It is a specially made polymer. In Canada, some people say that the government has added maple syrup to the mix to make them smell good!



Bitcoins

How would you like to have money that you cannot see, touch, or feel? Well people do; it’s called Bitcoins. They are virtual (they do not physically exist). Bitcoins are a type of digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank. They are used for online transactions between people.



We all love money but now, did you realize that it was so complicated an item? What some people see as valuable is strange to others. We would look funny walking down the street with our goats on a leash. Our wallets or purses could smell like maple-syrup? Maybe you want money that you cannot hold, but just use online? At the end of the day, it’s just money, or is it?