Name: \_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_\_\_\_

**Chapter 10 Questions**

**Section 1**

1. How does money serve as a store of value?
2. Why does the United State currency have value? What type of currency is this?
3. Give examples of (a) commodity money, (b) representative money, (c) fiat money. Explain the pros and cons of each.
4. Suppose you were shopping for a new winter coat. You ultimately want to get the best value for you dollar. Explain how the fact that money functions as a unit of account helps you make your choice.
5. Currently it costs ¢1.26 to mint a penny and yet its value is only ¢1. Some economists find little value in the American penny and have irrevocably argued for its removal from circulation. Do you think this is a good idea, why or why not? Explain your answer in terms of a cost/ benefit analysis.

**Section 2**

1. What is the purpose and function of the Federal Reserve System?
2. Explain the purpose of the Federal Deposit Insurance Corporation (FDIC).

**Section 3**

1. What is the difference between M1 and M2? Give examples of each.
2. How does a debit card differ from a credit card? What are the benefits and disadvantages of each?
3. Describe three services that a bank provides and the purpose for each of them.
4. Explain why Banks must balance profit and security when making loans.
5. In today’s increasingly technologically dependant world, there is discussion among economists that we are moving towards a “cashless” society in which all banking will be done electronically. Do you think this will be true of the United States economy? Explain your reasoning for or against this assertion.