What is Money?

- Official Measures of Money

1) M1 consists of currency and traveler's checks plus checking deposits.

   - Includes accounts held by individuals and businesses, but does not include currency held by banks, or currency and checking deposits owned by the U.S. government.

2) M2 consists of M1 plus saving deposits and time deposits.
Characteristics of Money

- acceptability
- durability
- divisibility
- uniformity
- portability [high value to weight]
- stable supply (constant purchasing power)
- hard to counterfeit
- legal tender/convertibility
THIS NOTE IS LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE
1. there is no unique definition of the money supply

2. there are substantial shifts in the form in which money is held

3. all but the most comprehensive measure are unstable

4. $M_1, M_2, M_3$ are of limited value to indicate what happens to $M^s$

5. the Federal Reserve System has abandoned monetary target setting
What is Money?

1. **Store of Value**
   - A store of value is any commodity or token that can be held and exchanged later for goods and services.

2. Unit of account (numéraire)
   - Community, $\$\$

3. Medium of exchange

\[
\text{the purchasing power of one } \$ = \frac{1}{P} \text{ at } \frac{1}{P}
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