

Homework Assignment 1. Due: Thursday, January 19.

1. (2 points) Explain the functions of money and the problems of barter that each overcomes.
2. (3 points) The payment system has evolved from commodity money to fiat money to checks to electronic money. Discuss one advantage and one disadvantage of each form of money.
3. (2 points) Order the following commodities by their usefulness as money. Explain why each is or is not used as a means of payment.
 - a. Shells
 - b. Furniture
 - c. Oranges
 - d. Wine
 - e. Treasury Bills.
4. (3 points) Go to the Fed's webpage (you can use the link on the class webpage) to download the historical monthly data on money aggregates M1, M2, and M3. Using seasonally adjusted data, plot the January measures of M1, M2, M3 of every year starting 1959 and comment on whether all measures always move in the same direction.