What Makes Money Work?

Read how dollars help people trade and why people accept them.

GE.5.3 "Define money and explain why it has value."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline the sentence that defines money. Circle two reasons people accept dollars, then number three different jobs money does in the passage.

A Saturday at the Market

1 At a Saturday market, Maya sells tomatoes for ten dollars. One customer hands her a bill; another pays by moving dollars from a bank account with a phone. Maya accepts both because she can use those dollars to pay for bread later. Money is anything generally accepted as payment for goods and services. It may take the form of cash or balances in bank accounts, not just paper bills. Without a common form of payment, Maya might have to find a baker who wants tomatoes at the exact moment she wants bread. Money makes that exchange easier.

2 A sign lists tomatoes at two dollars per pound and bread at four dollars per loaf. Dollars provide a unit of account, a shared measure for stating and comparing prices. Maya can also keep some dollars from today's sales to buy bread next week, so money serves as a store of value. But this function is imperfect: if prices rise, the same ten dollars may buy less bread later. A market coupon that can buy only tomatoes at one stall may be useful, but it is not generally accepted the way dollars are.

3 Why does a baker take a bill that costs far less to print than the bread it buys? The baker expects other people to accept it in return. In the United States, public confidence in the dollar also depends on trust in the institutions that issue and manage it, including the Federal Reserve, and on an economy where people can buy goods with it. If far more dollars chase the same amount of goods, prices may rise and each dollar may buy less. A bill's value therefore rests chiefly on what it can purchase, not on its paper.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why do both the bill and the bank-account payment count as money in Maya's market?

2. Why is the one-stall tomato coupon less like money than dollars?

3. How do posted prices and Maya's plan to buy bread next week show two different jobs money does?

4. Why does the baker accept a bill worth little as paper, and what could make that bill buy less later?

3 YOUR TURN

Your own words

Imagine your neighborhood creates phone-based block credits, but only two stores accept them. In four to six sentences, explain whether the credits work as money across the whole neighborhood, what would help them keep their value, and how they could do at least two jobs of money.

What Makes Money Work?

PART 1 · READ AND MARK

Underline the sentence that defines money. Circle two reasons people accept dollars, then number three different jobs money does in the passage. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why do both the bill and the bank-account payment count as money in Maya's market?	**Both transfer dollars that people generally accept as payment. Maya can use those dollars to buy bread.**
2	Why is the one-stall tomato coupon less like money than dollars?	**The coupon works only for tomatoes at one stall, while dollars are generally accepted as payment.**
3	How do posted prices and Maya's plan to buy bread next week show two different jobs money does?	**Posted dollar prices show money acting as a unit of account. Saving dollars to buy bread later shows it acting as a store of value.**
4	Why does the baker accept a bill worth little as paper, and what could make that bill buy less later?	**The baker expects others to accept the bill in payment. If prices rise, the bill may buy less later.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Block credits are not generally accepted across the whole neighborhood because only two stores take them. If more stores accepted them, shoppers could use them to pay for a wider range of goods. Stores could list prices in credits, making them a unit of account. People could save credits for later purchases, making them a store of value. To help the credits keep their buying power, the group running them would need to maintain trust and avoid issuing so many that prices in credits rise sharply.

Accept answers that distinguish broad acceptance from limited use and explain value through expected acceptance or purchasing power. For the open task, students may argue that credits serve as money within the two-store network, provided they explain why that does not make them generally accepted across the neighborhood.