Dollars at Work

Read how government currency supports a money economy.

CE.13.e "explaining the role of government currency and analyzing the purpose of a money economy;"

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline each sentence that explains a purpose of money, and circle words or phrases that describe the government's role in currency.

From Apples to Batteries

1 On Saturday, Lena helps at her uncle's fruit stand. A customer wants apples, but the stand needs batteries for its scale, and the battery shop does not want apples. If people had to trade goods directly, each trade would require both sides to want what the other offers. This problem can slow exchange. A money economy uses an item that people generally accept in payment, so Lena's uncle can sell apples for money and use that money to buy batteries.

2 Government currency is money authorized by a government and recognized as legal tender. Legal tender means it must be accepted for debts when it is offered under the rules of the law. In the United States, the U.S. Mint produces coins, and Federal Reserve Banks issue Federal Reserve notes under federal law. The Federal Reserve also helps manage the nation's money supply. Government backing builds trust because people know the same dollars can be used across the country to pay for goods, services, taxes, and debts.

3 Money also serves as a unit of account and a store of value. A unit of account gives prices a common measure, allowing shoppers to compare a $4 bag of oranges with a $6 bag of pears. A store of value lets a worker save earnings and spend them later, although inflation can reduce what the money buys. By making exchange, pricing, saving, and record keeping easier, a money economy supports specialization. The fruit seller can focus on selling fruit instead of searching for every item needed in trade.

2 ANSWER WITH EVIDENCE

Use the passage

1. What problem would Lena's uncle face if he had to trade apples directly for batteries? How does money solve that problem?

2. What does legal tender mean? Explain one way government currency builds trust.

3. Name two purposes of money besides making exchange easier. Explain how each purpose helps people.

4. Why does a money economy support specialization? Use the fruit seller as an example.

3 YOUR TURN

Your own words

Invent a small business that needs to buy a supply. In four sentences, explain how government-issued currency helps the business make the purchase and describe two purposes of money in the situation.

PART 1 · READ AND MARK

Underline each sentence that explains a purpose of money, and circle words or phrases that describe the government's role in currency. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	What problem would Lena's uncle face if he had to trade apples directly for batteries? How does money solve that problem?	**The battery shop might not want apples, so a direct trade could fail. Money lets the uncle sell apples to someone else and use the money to buy batteries.**
2	What does legal tender mean? Explain one way government currency builds trust.	**Legal tender must be accepted for debts when offered under the law. Government backing builds trust because people know the same dollars can be used across the country for payments.**
3	Name two purposes of money besides making exchange easier. Explain how each purpose helps people.	**Money is a unit of account, which gives prices a common measure for comparison. It is also a store of value, which lets people save earnings to spend later.**
4	Why does a money economy support specialization? Use the fruit seller as an example.	**Money lets the fruit seller focus on selling fruit instead of searching for people who have exactly the items needed for trade.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Ravi repairs bicycles and needs a new wrench, but the tool seller does not need a repair. Ravi can charge customers in government-issued dollars, which the tool seller trusts and accepts. The dollars make exchange easier because Ravi can use payment from any customer to buy the wrench. They also give Ravi a common way to price repairs and save part of his earnings for a future tire pump.

Accept equivalent explanations that connect government authorization or backing to trust and acceptance of currency. For the open task, check for a realistic purchase, government currency's role, and two accurately explained purposes of money.