

Teacher - Ravi Shankar Roy sub - Economics
Date - 19-08-2020 Class - B.A-I

Measurement which was absent -

in case of barter. The amount of money that needs to be paid.

for the purchase of a good is the price of the product. And the price is nothing but the value of the product in monetary terms. Therefore,

The value of the good depends on the price we pay for it. Thus money makes calculations easier.

3) A store of value:

A big disadvantage that comes with barter is the store of value. If we use commodities and stores of them they lose their value after a certain time. Thus commodities can

not be used to store wealth. Money is a better alternative and can be used as store of value. You can store money and secure your future as it can be used at a future date as well. Money also does not lose value unlike commodity if stored over a period. Thus you can hold money for an extended tenure and use it to finance future purchases.

3) The basis of credit:-

Since money can be stored, it can be used to give credit. Thus borrowers can obtain money from the lender and repay it as per the terms of loan. He can use the money to obtain goods and services and thus one can fulfill their requirements by

borrowing money. Money also facilitates trade and business to a large extent is dependent on credit.

□ Qualities of a Good Money Materials:

1) General Acceptability \Rightarrow Good money material must be acceptable in general. people must freely and chappily exchange goods for money.

2) portability:- A satisfactory money material must have a high value as it is carried from one place to another. Thus, money material must be such that carrying it should be easy and hassle free. For example carrying precious metals can be

difficult due to their weight. But a money material should be light and should take minimum space for it to become a portable item.

3) Durability :- The material must be such that they should not deteriorate due to environmental conditions or due to usage. Earlier forms of money like gold lasted for years and thus metal or alloys are popular ways to make currencies.

4) Cognizability: —

The material used as money should be identifiable by all. Thus government-need to print or produce money by maintaining homogeneity.

the end

Ravi Shankar Ray