**Why is it Money?**

Answer the following questions about the nation’s money.

1. Is a $5 bill commodity money? Why?
2. If I take a $5 bill to the local bank, will they give me the equivalent amount of gold for this money? Why?
3. Is a $5 bill money at all? Says who?
4. If you mow my lawn, and I give you some money for your labor, why should you accept it?
5. Wouldn’t you rather have something useful like a block of cheese?
6. So what is so useful about this money?
7. What if stores did not accept money?

# Why is it Money?

**Answer Key**

## Answer the following questions about the nation’s money.

1. Is a $5 bill commodity money? Why?

*No, commodity money has intrinsic value and a $5 bill does not. It is fiat money.*

1. If I take a $5 bill to the local bank, will they give me the equivalent amount of gold for this money? Why?

*No, because our currency is not backed by gold or anything.*

1. Is a $5 bill money at all? Says who?

*Yes, it would be fiat money back by the government’s designation that it is “legal tender”.*

1. If you mow my lawn, and I give you some money for your labor, why should you accept it?

*I should accept the money you give me because money is legal tender accepted by all businesses in the United States and backed by the government’s word. I am confident that I could exchange the money for other goods and service.*

1. Wouldn’t you rather have something useful like a block of cheese?

*No. I cannot exchange cheese for any good or service because I would have to find someone who wants the cheese so I could make a trade.*

1. So what is so useful about this money?

*It is acceptable for purchasing all goods and services in the United States.*

1. What if stores did not accept money?

*We would need to go to a barter system and would have to find someone who wanted a good or service we had to trade. That would decrease the sales in the United States dramatically.*