ECON 317 - Money, Banking, and Financial Institutions

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Money, Monetary Aggregates, and Payment Methods

Exercise 1: Definition and Functions of Money

(a) Define money and explain its four main functions.

(b) Provide examples of items that can serve as money and explain why they fulfill the functions of money.

Exercise 2: Monetary Aggregates

(a) Describe the different monetary aggregates (M_0, M_1, M_2, M_3) and explain what each includes.

(b) Explain how changes in the components of M_1 can affect the overall money supply.

(c) Given the following data, calculate M_1 and M_2:

- Physical currency and coins: $500 million
- Demand deposits: $1,200 million
- Savings deposits: $800 million
- Small-denomination time deposits: $400 million
- Retail money market mutual fund shares: $300 million

Exercise 3: Payment Methods

(a) List and describe at least five different payment methods.

(b) Discuss the advantages and disadvantages of using credit cards versus mobile payments.