

Standard 11 : Role of Money

Students will understand that:

Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.

Students will be able to use this knowledge to:

Explain how their lives would be more difficult in a world with no money, or in a world where money sharply lost its value.

Most people would like to have more money. Students, however, often fail to understand that the real value of money is determined by the goods and services money can buy. Doubling the amount of money in an economy overnight would not, by itself, make people better off, because there would still be the same amount of goods and services produced and consumed, only at higher prices. Money is important to an economy, however, because as it replaces barter, it makes exchange less costly. As a result, people are more likely to specialize in what they produce, and then use money to buy whatever they want to consume, this increases the overall levels of production and consumption in a nation.

Understanding what determines the real buying power of money and earnings will help students make better decisions about their jobs and spending. Understanding the importance of money to society will also help them make more informed decisions about national policies related to banking, controlling the supply of money, and inflation.

Benchmarks

Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
Money is anything widely accepted as final payment for goods and services.	Identify things that have been used as money at different times and in different societies. Explain why some things can be used effectively for money and some things cannot.
Money makes trading easier by replacing barter with transactions involving currency, coins, or checks.	List five goods and services they want, and describe ways of obtaining these goods and services, without using money. Then explain why using money makes it easier to get the same five items.
People consume goods and services, not money; money is useful primarily because it can be used to buy goods and services.	Decide whether they would rather have a suitcase full of money or one full of food when stranded on a deserted island, and

	explain their answer.
Producers use natural resources, human resources, and capital goods, (not money) to make goods and services.	Explain why, when given money, they are unable to produce paper weights to sell at the forthcoming school craft fair unless they exchange the money for productive resources.
Most countries create their own currency for use as money.	Identify the currencies they would want to buy if they were going on a trip to Brazil, France, Romania, Vietnam, Australia, Japan and Kenya.

Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also that:	At the completion of Grade 8, students will use this knowledge to:
As a store of value, money makes it easier for people to save and defer consumption until the future.	Demonstrate their understanding of money as a "store of value" in responding to the following: A tomato farmer wants to save money for his five-year old daughter's college education. Why is he better off selling his tomatoes for money and saving the money than he would be if he saved tomatoes to exchange for his daughter's tuition when she reached age 18?
As a unit of account, money is used to compare the market value of different goods and services.	Explain how they can use relative prices to compare the value of three different fruits.
Money encourages specialization by decreasing the costs for exchange.	Explain how life might change for Dr. Hart, who specializes as a cardiologist, and for others in the community, if our society became a barter economy.

Grade 12

At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard, and also that:	At the completion of Grade 12, students will use this knowledge to:
The basic money supply in the United States consists of currency, coins, and	Select examples of money from a collection of pictures that show coins, currency,

checking account deposits.	checking accounts, savings account passbooks, ATM cards, and various types of credit cards and explain whether each is considered money.
In many economies, when banks make loans, the money supply increases; when loans are paid off, the money supply decreases.	Demonstrate how successive deposits and loans by commercial banks, resulting from one new deposit in the banking system, cause the money supply to expand and how repayment of loans causes the money supply to contract.
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