**What is money?**

 In economics, money is simply something generally accepted as a medium of exchange for goods and services ([Merriam-Webster](https://www.merriam-webster.com/dictionary/money%29.)). That means that anything can technically be considered money, but the most accepted kind today comes in the form of paper, coins (metallic money), and credits (backed by banks).



**Types of money**

### Commodity Money:

### Commodity money is where an item itself is used for money such as Precious metals (gold, silver…), salt, grains, tea, tobacco, beef, oil, and natural gas…

### Fiat Money

### Fiat money is what we think of as cash. Actually, notes and metal coins are almost worthless. What gives our money its value is the Government’s backing. If the Government says a note or a coin is legal tender, the entire country knows we can use it for exchange. Unlike commodity money, fiat money is easy to measure, transport and store.

* **Fiduciary Money**

Imagine having to buy something large with real money. We’d need huge pockets!This is where fiduciary money comes in. Fiduciary money refers to money backed up by trust between the payer and payee. Example: credit cards and Checks are seen as fiduciary money they are accepted as a means of payment on the basis of trust.

**Characteristics of money**

* **Durability**

Durability of money means that it can be used over and over again; hence it must survive and withstand the wear and tear from going hand to hand.

* **Portability**

 Money needs to be small enough so it can be easily carried and transported around in clothes, pockets, or purses.

* **Divisibility**.

It means that money can be broken down into smaller values (divided).

So that we are be able to make change by having various units of money, Ex: A dollar bill can be divided into 4 quarters of equal worth.

* **Acceptability**

Money needs to be easily recognizable. Everyone knows what a dollar bill, a ten dollar bill, or a quarter looks like. We should also be able to identify genuine money from counterfeit.

* **Limited Supply**:

Money must be relatively scarce and not easy to come by. The amount of money is regulated by the government so it can maintain its value. Ex: In apocalyptic TV shows, water becomes a form of money due to its scarcity