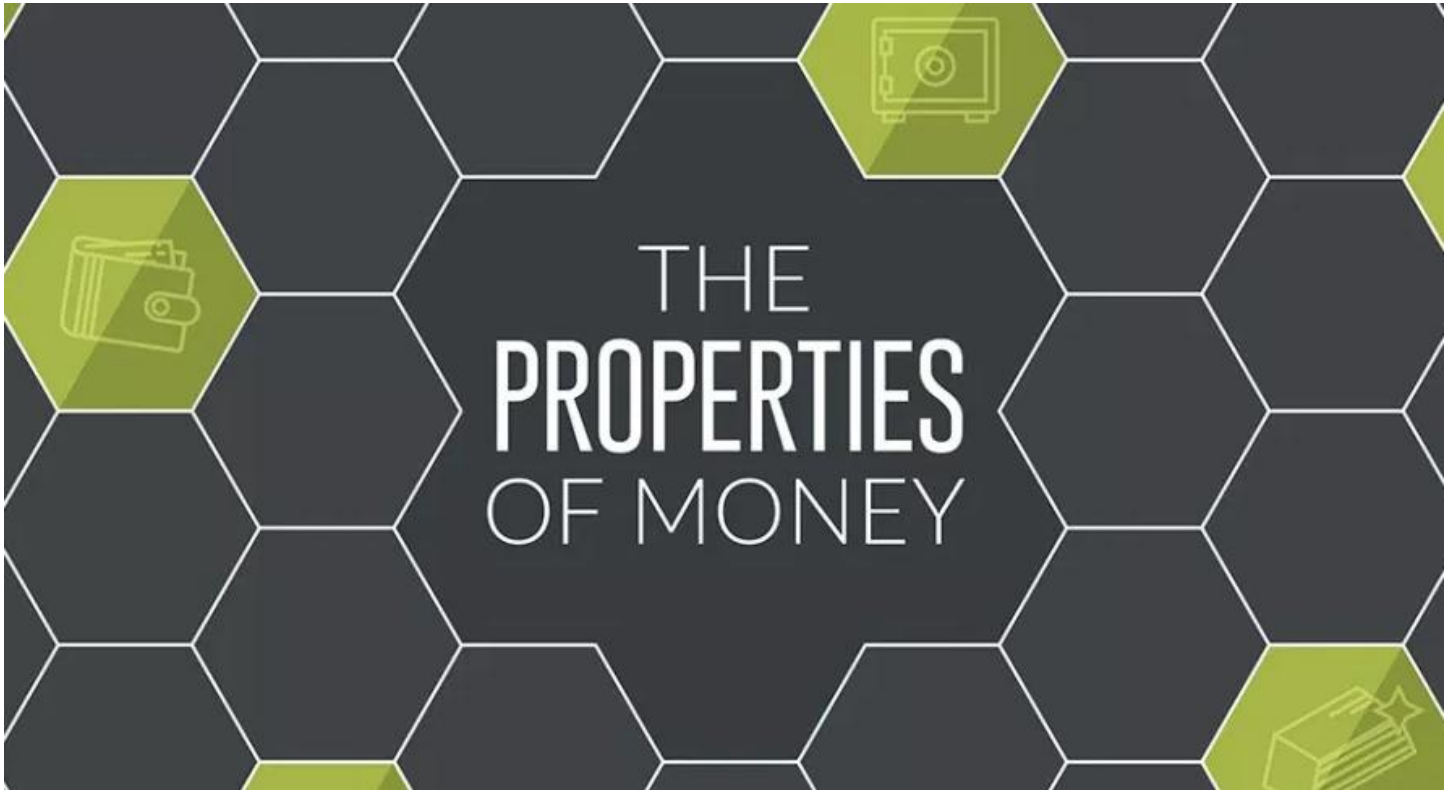


The Properties of Money

From Visual Capitalist Money Project, BY JEFF DESJARDINS, DECEMBER 15, 2015



THERE ARE SOME TRUTHS THAT CAN BE DISCERNED ABOUT MONEY.

For example, many economists and experts in the field agree that money is a:



MEDIUM OF EXCHANGE

▶ Can be used to intermediate the exchange of goods and services.



A common ground for determining value

For Example:

A community uses beaver pelts as a medium to trade for other goods.

UNIT OF ACCOUNT



- ▶ A standard numerical unit of measurement of market value for goods, services, and other transactions.

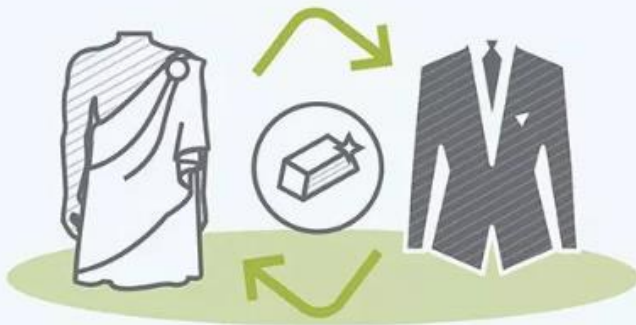
Can be used to compare goods using a common system

For Example:
Housing prices in Japan can be compared using the yen as a unit of account.



STORE OF VALUE

- ▶ Maintains its value over time.



Can be spent or exchanged at a later date without penalty

For Example:
An ounce of gold could buy a toga in Roman times, yet it can still buy a nice suit today.

In other words, money must be:

FUNGIBLE

One unit is viewed as interchangeable with another.



DURABLE

An item must be able to withstand being used repeatedly.



DIVISIBLE

Can be divided into smaller units of value.



PORTABLE

Individuals can carry money with them and transfer it to others.

MONEY



ACCEPTABLE

Everyone must be able to use the money for transactions.



LIMITED IN SUPPLY

The supply of money in circulation ensures values remain relatively constant.



UNIFORM

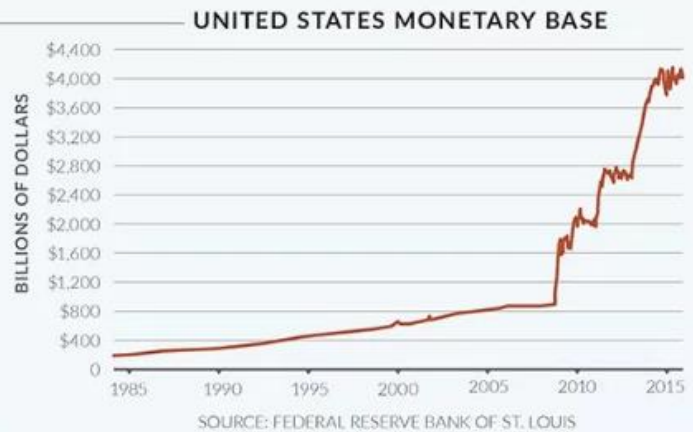
All versions of the same denomination must have the same purchasing power.

This will help us discover some truths about money,
but there are still problems.

WHAT HAPPENS IF
**MONEY NO LONGER
HOLDS ITS VALUE?**



WHAT HAPPENS IF
**MONEY SUPPLY IS NO
LONGER LIMITED?**




WHERE DOES MONEY'S
VALUE COME FROM?

WHAT IS THE DIFFERENCE BETWEEN MONEY AND DEBT, AND HOW MUCH IS THERE?

\$5 TRILLION
All coins and banknotes



\$80.9 TRILLION
World's "Broad" Money



\$199 TRILLION
Total Global Debt

While a [deeper look at money](#) did raise many questions, there are at least *some* foundational truths that can be discerned about money.

For example, many economists and experts in the field agree that money must be a medium of exchange, a unit of account, and a store of value:

Medium of Exchange

- **Definition:** Can be used to intermedate the exchange of goods and services.
- **Use:** A common ground for determining value.
- **Example:** A community uses beaver pelts as a medium to trade for other goods.

Unit of Account

- **Definition:** A standard numerical unit of measurement of market value for goods, services, and other transactions.
- **Use:** Can be used to compare goods using a common system.
- **Example:** Housing prices in Japan can be compared using the yen as a unit of account.

Store of Value

- **Definition:** Maintains its value over time.
- **Use:** Can be spent or exchanged at a later date without penalty.
- **Example:** An ounce of gold could buy a toga in Roman times, yet it can still buy a nice suit today.

In other words, money must meet be:

1. **Divisible:** Can be divided into smaller units of value.
2. **Fungible:** One unit is viewed as interchangeable with another.
3. **Portable:** Individuals can carry money with them and transfer it to others.
4. **Durable:** An item must be able to withstand being used repeatedly.
5. **Acceptable:** Everyone must be able to use the money for transactions.
6. **Uniform:** All versions of the same denomination must have the same purchasing power.
7. **Limited in Supply:** The supply of money in circulation ensures values remain relatively constant.

The above properties of money will certainly help us uncover more truths, but there are still problems:

What happens if money no longer holds its value?

What happens if money supply is no longer limited?

Where does money's value come from?

What is difference between money and debt, and how much is there?