

TYPES OF MONEY UNDER THE **MONETARY BASE**

I. Commodity Money (1776-1914)

Nominal Value = REAL Value of the Currency Unit
(Unmanaged Systems)

- The currency of the state is pegged to a specific weight and fineness of gold.
- Freedom to mint and coin gold.
- Freedom to convert to and from gold.
- Freedom to import and export gold.

Gold Standard



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graph TD; A[Gold Standard] --> B[Gold BULLION]; B --> C[Gold COINS]; C --> D[GOLD TRANSFERS]; D --> E[Exchange in Francs]; D --> F[Exchange in Pound Sterling]; D --> G[Exchange in Dollars];
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The diagram illustrates the Gold Standard process. It begins with a black box labeled 'Gold Standard'. A downward arrow leads to a red box labeled 'Gold BULLION'. Another downward arrow leads to a red box labeled 'Gold COINS'. A third downward arrow leads to a large red box labeled 'GOLD TRANSFERS'. From this box, three arrows point to the text 'Exchange in Francs', 'Exchange in Pound Sterling', and 'Exchange in Dollars'. The background features a faint watermark of a building and the text 'FACULTY OF COMMERCE' and 'U.S.C.'. The bottom of the image shows a wooden floor.

Gold BULLION

Gold COINS

GOLD TRANSFERS

Exchange in Francs

Exchange in Pound Sterling

Exchange in Dollars



Silver Standard

Bimetallic System

- During the era of Muhammad Ali Pasha, 1 gold riyal = 16 silver riyals, known as Gresham's Law: bad money drives out good money from circulation.

FIAT MONEY

THESE ARE SYSTEMS WHERE THE NOMINAL VALUE DOES NOT EQUAL THE REAL VALUE OF THE CURRENCY UNIT.

IT HAS BEEN USED IN ALL COUNTRIES WORLDWIDE SINCE 1945, EXCEPT IN THE UNITED STATES OF AMERICA SINCE 1974.

Demand Deposits (Commercial Deposits)

- ⑩ Commercial banks under the regulations set by the Central Bank.
- ⑩ Internal or Scriptural Money

Subsidiary Money

- ⑩ The Ministry of Finance in consultation with the Central Bank.

German banknote

- ⑩ Central Bank

Legal Tender