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Started on Thursday, 23 March 2023, 7:16 PM

State Finished

Completed on Thursday, 23 March 2023, 7:46 PM

Time taken 30 mins 46 secs

Marks 5.00/7.00

Grade **7.14** out of 10.00 (**71.43%**)

Question 1

Partially correct

Mark 0.50 out of 1.00

Arrange each of the following steps in the order that money evolved in.

✓ Collectible

✓ Store of value

✗ Unit of account

✗ Medium of exchange

Your answer is partially correct.

Grading type: Absolute position

Grade details: 2 / 4 = 50%

Here are the scores for each item in this response:

1. 1 / 1 = 100%

2. 1 / 1 = 100%

3. 0 / 1 = 0%

4. 0 / 1 = 0%

This order is noted for how gold evolved by economist William Stanley Jevons. First, it served as a commodity valued for ornamental reasons (collectible), then stored wealth, then medium of exchange, and lastly, as a measure of value. To review, see [The Bullish Case for Bitcoin](#).

The correct order for these items is as follows:

1. Collectible


- 2. Store of value
- 3. Medium of exchange
- 4. Unit of account

Question **2**

Correct

Mark 1.00 out of 1.00

How is the value of money originally determined?

- ☐ a. By a discount cash flow analysis of the commodity in question
- ☐ b. By whichever asset is decreed by a government as the money of the land
- ☒ c. By using game theory, where market participants  appraise how other participants value it Correct. This is also known as "saleableness", as described by Carl Menger, founder of the Austrian school of economics.
- ☐ d. By its use in the production of other goods, such as when it is used in the production of high-value goods

Your answer is correct.

Consider that the value is perceived subjectively, and in this case, money is selected game-theoretically based on being the most saleable commodity. To review, see [The Bullish Case for Bitcoin](#).

The correct answer is:

By using game theory, where market participants appraise how other participants value it

Question **3**

Complete

Not graded

What is a major disadvantage of using barter instead of money? Write a few sentences to explain.

A major disadvantage of using barter instead of money is the inefficiency of the barter system. In a barter system, each party needs to have something the other party wants, which can be difficult to coordinate and time-consuming. Bartering also makes it difficult to accurately value goods and services, which can lead to disagreements or a breakdown in the exchange. Additionally, bartering is limited by the double coincidence of wants problem, which means that the exchange can only occur if both parties want what the other has to offer. These challenges can make it difficult for individuals to engage in trade, leading to a less efficient allocation of resources and hindering economic growth.

The double coincidence of wants problem is a major disadvantage of using barter instead of money. Each party has to want what the other party has and in the right quantities, which is more difficult to achieve in practice. Consider the practical difficulties of trying to coordinate trade without having a common unit to negotiate or price things in. Consider also that some goods cannot be easily subdivided, or they cannot be easily subdivided without losing their value. To review, see [The Bullish Case for Bitcoin](#).

Question **4**

Complete

Not graded

How do stores of value compete against each other? Write a few sentences to explain.

Stores of value compete against each other based on their ability to retain their value over time and their relative scarcity. When choosing a store of value, individuals consider factors such as inflation, security, and liquidity. For example, gold has been used as a store of value for centuries due to its scarcity, durability, and ease of transport. Cryptocurrencies, on the other hand, offer advantages such as decentralization and lower transaction costs, but their value can be more volatile and less widely accepted. Other stores of value, such as real estate, art, or collectibles, may be valuable due to their rarity or aesthetic appeal. Ultimately, the competition between stores of value is influenced by a variety of factors, including economic conditions, technological advancements, and social trends.

They compete on "saleableness", which is made up of monetary attributes or qualities such as scarcity, durability, portability, verifiability, and history. These characteristics can make it easier or harder for that good to be used as money. Certain attributes emerged over time that were particularly demanded in a monetary good. To review, see [The Bullish Case for Bitcoin](#).

Question 5

Correct

Mark 1.00 out of 1.00

Which of the following are some ways that governments intervene in the market for money?

- ☐ a. Passing income tax laws
- ☒ b. Passing legal tender laws ✔ Correct. Legal tender laws forced individuals to treat paper claims on money ("money substitutes") as equivalent to "money proper".
- ☐ c. Passing property tax laws
- ☐ d. Allowing stock markets to exist
- ☒ e. Define prices for gold and silver ✔ Correct. When the government mandates prices, it is in effect interfering in the market operation and exchange ratios for money.

Your answer is correct.

Government control over money took various forms, such as monopolizing of the mint, legal tender laws, creation of paper money, development of inflationary banking. Other aspects of control include implicit or explicit bailout guarantees for banks and financial institutions, as well as permission for financial institutions to suspend payment in specie of money to customers. To review, see [The History of Government Money Intervention](#).

The correct answers are:

Passing legal tender laws,

Define prices for gold and silver

Question **6**

Correct

Mark 1.00 out of 1.00

In the free market, why do people select one money over another?

- ☐ a. They want the money with the greatest direct use value
- ☐ b. They want whichever money has the strongest "narrative"
- ☐ c. They are looking for the money that is most visually impressive

- ☒ d. They are looking for saleableness and game-theoretic convergence



Correct. Money is the most saleable commodity, and market participants are attempting to anticipate the demand of other participants and the future monetary premium.

Your answer is correct.

Money is selected for saleableness, which is composed of characteristics like scarcity, durability, divisibility, and ease of transfer through time and space. To review, see [The Bullish Case for Bitcoin](#).

The correct answer is:


They are looking for saleableness and game-theoretic convergence

Question 7

Partially correct

Mark 0.50 out of 1.00

Which forms of deflation are usually seen as positive or benign?

- ☐ a. Cash-building deflation
- ☐ b. Credit deflation
- ☐ c. Fiat deflation
- ☐ d. GDP deflator
- ☒ e. Growth deflation  Correct. This relates to productivity growth which brings prices of goods and services down for consumers, and is generally seen as a positive.

Your answer is partially correct.

You have correctly selected 1.

While credit deflation can be superficially seen as "bad", it does have a corrective element to it in the sense that it helps the market proceed forward from the prior errors induced by central banking and government intervention into the market for money. To review, see [Why Deflation is Not So Bad](#).

The correct answers are:

Cash-building deflation,

Growth deflation

Question 8

Complete

Not graded

When the media commonly refers to the negative consequences of deflation, which type are they usually referring to?

Answer: When the media commonly refers to the negative consequences of deflation, '

Credit deflation is the type that is commonly referred to in media with bankruptcies or credit collapses. However, we know that this is simply a corrective step that is necessary following an unsustainable boom, and this is part of the process to employ society's resources in more productive ways going forward. To review, see [Why Deflation is Not So Bad](#).

The correct answer is: credit deflation

Question 9

Incorrect

Mark 0.00 out of 1.00

Which of the following should Bitcoin's energy use be compared to?

- ☐ a. The banking system
- ☒ b. An entire country's energy use ✖ Incorrect. This comparison is not the most relevant, since it overstates the case.
- ☐ c. The cost of a fiat money standard
- ☐ d. The cost of "doing something useful" like finding prime numbers

Your answer is incorrect.

Bitcoin's Proof of Work helps tie real-world difficulty into the security of Bitcoin by making it harder to attack. "Ultimately, the cost of any action, commodity, or institution is the alternative action, commodity, or institution forgone. The opportunity cost is the only cost that counts. To review, see [Why Bitcoin Must Use Energy and Proof of Work](#).

The correct answer is:

The cost of a fiat money standard

Question **10**

Correct

Mark 1.00 out of 1.00

True or False? Objectively speaking, Bitcoin uses too much energy.

Select one:

- ☐ True
- ☒ False ✓

All participants have paid market rates for the electricity they use. Any such assessment of Bitcoin's energy is necessarily a subjective one. To review, see [Why Bitcoin Must Use Energy and Proof of Work](#).

The correct answer is 'False'.

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