**TCHE 303 – MONEY AND BANKING**

**TUTORIAL 1**

1. What does money do for an economy? Do we really need a monetary payment system? What would be so bad about simply having a barter payment system (goods for goods)?
2. Find some commodities that were used as money in history.
3. Describe at least three ways you could pay for your morning cup of coffee. What are the advantages and disadvantages of each?
4. You are the owner of a small sandwich shop. A buyer may offer one of several payment methods: cash, a check drawn on a bank, a credit card, or a debit card. Which of these is the least costly for you? Explain why the others are more expensive.
5. Explain how money encourages specialization, and how specialization improves everyone’s standard of living.
6. Could the dollar still function as the unit of account in a totally cashless society?
7. Is the VND backed by gold? If not, why do you accept them as payment?
8. What are traveller’s cheques? Are they different from normal cheques?
9. Under what circumstances might you expect barter to re-emerge in an economy that has fiat money as a means of payment? Can you think of an example of a country where this has happened recently?
10. Rank the following assets from most liquid to least liquid:
11. Checking account deposit
12. House
13. Currency
14. Common stock
15. Car
16. Why have some economists described money during a hyperinflation as a “hot potato” that is quickly passed from one person to another?
17. In Brazil, a country that was undergoing a rapid inflation before 1994, many transactions were conducted in dollars rather than in reals, the domestic currency. Why?
18. As of September 2015, 19 of the 28 countries of the European Union have adopted the euro. The remaining 9 countries, including Great Britain, Denmark, and Sweden, have retained their own currencies. What are the advantages of a common currency for someone who is traveling through Europe?
19. “Market liquidity and funding liquidity are both needed to market financial markets function smoothly”. Comment on this. Illustrate using examples from the Global Financial Crisis since 2007.