

**READING TEXT XII -  
ECONOMICS FOR  
EXECUTIVES. ECONOMICS  
FOR EXECUTIVES, PP. 1-61**

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**GEORGE E. ROBERTS**


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# ECONOMICS FOR EXECUTIVES

A SERIES OF TWENTY-FOUR  
READING TEXTS WHICH CONSTITUTE  
AN INTERPRETATION OF  
THE UNDERLYING PRINCIPLES  
OF ECONOMICS AND BUSINESS  
FOR MEN AND WOMEN IN  
PRACTICAL LIFE

EDITED BY  
GEORGE E. ROBERTS



AMERICAN CHAMBER OF ECONOMICS  
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READING TEXT XII—ECONOMICS FOR EXECUTIVES

# MONEY AND THE MONETARY SYSTEM

EDITED BY  
GEORGE E. ROBERTS

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# MONEY AND THE MONETARY SYSTEM

## I

### The Economic Functions of Money

**A**N economic study of the money question does not deal with the art of earning money or with ways of spending it, but with the nature and functions of money, with the organization and operation of the monetary system, and with the effects of changes in that system upon the relations of buyers and sellers, employers and employees, borrowers and lenders. We have seen in the studies of prices that these relations are fundamentally dependent upon the price system, and nothing does so much to prevent that system from doing its proper work as some defect or disorder in the monetary system.

#### *Recent Developments*

Recent financial developments on the continent of Europe have given fresh emphasis to the money question. With the printing presses of Germany and other states running

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overtime to provide funds for paying government expenses, prices have risen because of the increased amount of money in circulation and many relationships have been violently disturbed. Wage-earners complain that wages have not kept pace with prices. People with incomes fixed in terms of money have been seriously affected. Our own trade with all these countries has been handicapped by the uncertain value of their money, and the consequent uncertainty of all business relations with them.

Even our own monetary system, sound as it is, is not so perfect as to be wholly free from criticism or so well understood as to be safe against ignorant attack. A country's monetary system is a factor of fundamental importance in its economic and social life, many controversies arise in regard to it, and in order to understand them, it is necessary to have knowledge of the principles of monetary science which have been accepted and made the basis of the monetary systems of the principal countries of the world.

### *Money a Medium of Exchange*

People are accustomed to use the term "money" in a loose way, as if it included credit, or as if it were merely one sort of commodity, like wheat, but for scientific purposes the term requires more precise defini-