

In the modern grocery store, there are a variety of different items with unique features. These items can be difficult to keep track of, especially if you're visiting a foreign country and trying to figure out prices. The high cost of processing information in the market economy makes it difficult for people to know if they're getting a good deal or a bad deal. Summer found a single item and decided to express its value in terms of grains of silver. Accountants in those days used grains of silver as their unit of currency.

Money is a medium of exchange and payment for goods and services. Almost all of that money supply is currency coins and the paper currency and checking deposit balances and the other thing I mentioned is traveler's checks. We're always using these units of measurement to simplify life and we face the same problem throughout our lives. Economic life is simplified by using the dollar and that just so happens that we use the dollar for our unit of account. What we're doing is lowering transactions cost. Let me draw a graph before I go on to number three which I'll do in a moment. Money reduces the amount of information that we need to process. Money makes it easier for us to do business with other people because we know the value of what we're buying and selling. If we did not have money, then there would be barter and everything would be expressed in terms of everything else. Then we would have an overwhelming amount of information to try and process. High transactions costs would result.

Tom argues that prosperity is not really what we mean by prosperity, it's more of a service economy that people want. We have a choice if you want to put our resources into just buying more clothes and saying okay, I've got a cause a this you know I got six feet of clothes here, and now if my income triples I'm got have 18 feet of clothes in the closet. Tom says that once you get those things then at that point the good life doesn't involve so much just tangible stuff you can touch.

Our production of services as a percent of our economy is shrinking over time, but that's by choice. What we do instead is produce more goods, which would create more factories and increase the standard of living for the people who live there. A prosperous economy is one that raises the standard of living of the people who live there. For us, a prosperous economy means having more services and fewer goods. Inflation just refers to increases in prices, but what economists do is use the term inflation is a tax on money balances. Suppose someone has a \$10,000 balance in their bank account and their bank increases the price of a \$10 bill by 50%. Their balance would now be \$9,500. That's an inflation tax on their money balance.

Money is not a very good store of value, gold tends to do well during inflationary periods, real estate tends to appreciate in value during inflationary periods, something else is a better asset to hold on to as a value rather than money, the soviet economy and was at 89 i think they had basically it went from soviet union to russia but anyway and this was going on for several years generally this these inflation problems are the worst in countries that have a political problem. You do not have a monetary policy and this creates this inflation. Estimates were made of how many U.S. dollars would go into Russia everyday, Russia's labor force was bigger than the United States in the area that they had of land was huge.