

Discussing the
benefits and costs of
such a metallic
monetary system for
an aspir...

[Literature](#), [Russian Literature](#)



College: Pros and Cons of Metallic Monetary System for a New Country Every economy needs a medium of exchange and a measure of value in order to facilitate transactions within that economy. Ever since the extinction of barter trade, different exchange systems like bank notes and metallic coins have been in use for years now (Poor, 119). The use of metallic monetary system in a new country has its advantages and disadvantages. Among the advantages include its being durable, more portable and promote trade. For example, the disadvantages include valuable metals limited supply, metallic coins are heavy to carry, and their initial production is expensive.

In as much as metallic money has its advantages, it also has its dark sides. For metallic money to be effective in any country, it requires a large amount of gold and silver (Poor, 121). Since gold and silver are highly valued metals, they are used in place of monetary value. This can, however, be an expensive the metallic monetary system, for a young nation. The initial cost of producing metallic money is also expensive because of the machinery and equipment used, and the high labor cost required. This can be a burden to the country's resources. Due to the expensive nature of gold and silver used in production of metallic money, their circulation in the economy can be limited. A new nation cannot afford to purchase a large number of these metals. It is hard to make metallic money distinctive enough so that large denomination of money can be produced (Poor, 127). There are few metals used to make money and so a limited color choice. Metallic money is, therefore, not desirable to make large denomination of money. .

Metallic money is a durable type of money system. To a new country, this is advantageous because the nation will spend once on their manufacture. The

metals are highly resistant to wear and tear as compared to paper money (Poor, 120). This is because most of the metals used to make money are combined with other metals to make alloys which make them last longer. In the long run, the metallic monetary system can be cheaper to produce and are cheaper to count as compared to paper money. Metal money is valuable. The main metals used for making metal money are gold and silver, which are expensive metals. The value of the currency of a nation will still be controlled by gold and silver, which hardly lose value in the world. Therefore, if a new nation decides to use metallic monetary system, its currency will be stable for a long time. Metallic money is made from gold and silver, which are very expensive. This will make the government control their supply in the economy. This will ensure stability of prices of good and thus a stable economy. The fluctuation of prices of goods having been reduced will lead to the growth of the nation since many investors want to in a place they are sure of. Trade will thus have been promoted.

In conclusion, the recommended monetary system to be used by this nation is fixed exchange rate, and it should be pegged on the monetary union. This will enable easy trade with other nations from different parts of the world.

Works cited

Poor, Henry V. Money and Its Laws: Embracing a History of Monetary Theories, and a History of the Currencies of the United States. Clark, N. J: Lawbook Exchange, 2009. Print.