The topics assigned to my Wiki case covers a broad spectrum of the subject of economics. I believe the best place to start is to begin with discussing money. In order to fully understand the idea of money there needs to be a look at the history of the idea of money and how it has evolved in order to fully understand this idea. A look at the history of money reveals how the basic ideas of obtaining necessary goods for survival evolved into a complicated system of a global economy. “Money is anything that is commonly accepted by a group of people for the exchange of goods, services, or resources.” (About.com, 2011)

Money has not always been a part of the world, and in fact, the first form of buying, selling, or trading was accomplished through bartering. Bartering is “the exchange of personal possessions of value for other goods that you want.” (ThinkQuest, 2011) This website <http://library.thinkquest.org/28718/history.html>, offers a good, quick overview of the evolution of this idea of money we have come to know beginning around 1200 BC in China with the first known medium of exchange being cowry shells. The first paper currency was being used from the 9th century through the 15th century also in China, where it eventually saw large rates of inflation, and European nations would not have paper currency for many years after. Eventually, England made gold a benchmark of value, thus creating the gold standard around 1816 and the U.S. adopting the gold standard in 1900. He U.S. subsequently got away from the gold standard during the Great Depression, and very few nations still tie the value of their currency to gold.

Coins and paper money make up the primary medium of exchange now that is more commonly referred to as money. Focusing on the U.S. dollar and coins, after getting away from the gold standard, all coins were required to have a minimum level of certain metals which created the actual value of the coin. There is a long and interesting history with the idea of minting coins, but would be too lengthy for this assignment. The Coinage Act of 1965 eliminated silver from most coins making them worth less than their printed denomination, thus entering the age of what is considered “fiat” money. This is where, ”money is now given value by a government fiat or decree, in other words enforceable legal tender laws were made.” (About.com, 2011)

The supply and demand principles associated with all aspects of economics holds true for money, as well, and this supply and demand help determine prices consumers are willing and able to pay for products. In addition to the standard supply and demand factors involved with pricing, there is also the issue of the type of market a company operates under. There are three primary types of markets companies can operate in, including a Monopoly, Oligopoly, and Perfectly Competitive markets.

A monopoly is described by "a market structure in which a single firm serves an entire market for a good that has no close substitutes." (Baye, 2010) "In other words, the single business *is* the industry", according to Investopedia.com. This type of market clearly gives the firm greater market power since it is the only producer in the market. An oligopoly can be described by a market where "a few large firms tend to dominate the market." (Baye, 2010) These are firms in highly concentrated industries such as automobiles, airlines, and cellular phones. Profits are affected by price changes in other companies, so when one firm in the industry alters its business other companies have an incentive to change in order to keep pace. Similar to monopolies, there are high barriers of entry. "Perfect competition is characterized by many buyers and sellers, many products that are similar in nature and, as a result, many substitutes." (Investopedia, 2011) The majority of firms operate under perfect competition where there are many options where buyers have many options with similar products and sellers produce homogeneous products. There are few barriers to entry and firms can easily enter and exit the market. Some good examples of products in perfectly competitive markets are consumer electronics, sodas and juice companies, and clothing producers and retailers.

The type of market can also be indicative of the degree to which perfect information is available to buyers and/or sellers and how readily knowledge is available to both parties. These aspects are discussed pretty well in our textbook written by Michael Baye, but I will also offer some real world examples to better expain this topic. As stated by Baye, "The presence of uncertainty can have a profound impact on the ability of markets to efficiently allocate resources." (Baye, 2010) This uncertainty stems from a lack of information by one or both parties in a transaction, or a lack of knowledge about what the future will hold for different aspects of the transaction. There are three important concepts when referring to knowledge in the market between buyers and sellers. *Asymmetric information* is described as a "situation that exists when some people have better information than others." (Baye, 2010) Asymmetric information encompasses the other two concepts, *adverse selection* and *moral hazard*,where adverse selection pertains to an individual that has hidden characteristics unknown by the other party and moral hazard pertains to a party which takes hidden actions another party cannot observe.

All of these concepts were encapsulated into an article written by R.A. Radford in 1945 based upon a true story of life in a POW camp during the end of World War II. The author describes various groups and the way their economic livelihoods got started and how they operated over time during his stay at the various camps. Since there were no jobs and/or wages to determine how resources would be distributed and justified, the prisoners relied on parcels distributed equally between all prisoners. The parcels came from the Red Cross or the Germans and consisted of various items necessary to sustain the prisoners such as food, toiletries, and cigarettes. This would be somewhat similar to a monopoly, in that there is one company/organization providing the goods/services. Since each individual values different levels of the available items in various quantities, they began bartering and trading for items they valued at any given time, similar to the first signs of exchange discussed previously from all the way back to 1200 BC and it seems the POW camps took on a similar evolution.

Various camps operated differently, but each evolved into its’ own market of trade. The author describes how cigarettes quickly became the currency of choice in most camps and prices would fluctuate based on the supply of cigarettes and other items. When a shipment of cigarettes were received it would drive up the prices of other goods since there would be an increase in the money supply so to speak, but as time went on between shipments there would be less of that monetary supply to spend on goods and this subsequently depleted prices until a new shipment made its way into the camp. The author discusses how even cigarettes as a currency was subject to Gresham's Law as the quality of cigarette began to muddy the system. Gresham’s Law states that "When a government compulsorily overvalues one type of money and undervalues another, the undervalued money will leave the country or disappear from circulation into hoards, while the overvalued money will flood into circulation." (Wikipedia, 2011) This is also described in the terms “bad money drives out good.” They began to get shipments of pipe tobacco which some entrepreneurs would take and roll into cigarettes which were of decidedly less quality, which is an example of asymmetric information in the form of a moral hazard. The disparity of quality created the need for each prisoner to evaluate their monetary exchange before accepting payment. The author describes how the entrepreneurial nature of the prisoners allowed them to set up different markets and a restaurant which created its' own monetary currency, the RMKs, which was backed by food and could equally trade for cigarettes. For a short time this currency competed equally with cigarettes until Officers began to step in and try to control prices and set rates on different items which created less of a free market for the restaurants and markets established.

This evolved into its own economy and savvy prisoners eventually began holding reserves of cigarettes and goods in order to profit during these deflationary periods. Middlemen who brought together buyers and sellers would also engage in buying futures of certain products such as bread at a lower rate in exchange for receiving the item at a later date. The ability to buy these items at a lower rate and then possibly hold them until there was more of a shortage and sell them for the highest possible price increased their wealth in the community but also carried risks that a product would spoil or an influx of that product would come in creating lower prices. During a period where shipments were cut in half and their camp was bombed, prisoners were no longer as willing to trade their food items or cigarettes for paper currency. When prices were too high for the supply of cigarettes or currency available, these items would be traded outside of the open market in a form of a black market.

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“Quiz Questions for my Wiki”:

1. Which of the following is not an oligopoly model:
2. Stackelberg
3. Cournot
4. Bertrand
5. Finkelberg

Answer: D

1. True or False: Adverse selection generally occurs when one party takes hidden actions, or actions that it knows another party cannot observe.

Answer: False (That would be Moral Hazard)

1. Which economic principal states that "When a government compulsorily overvalues one type of money and undervalues another, the undervalued money will leave the country or disappear from circulation into hoards, while the overvalued money will flood into circulation."?
2. Gresham’s Law
3. Sherman Anti-trust Act
4. Nash equilibrium
5. Supply and Demand

Answer: D

1. Which was the earliest form of exchange?
2. Auction
3. Bartering
4. Black market
5. Chinese Currency

Answer: B

1. Which legislation made all U.S. coins and currency a legal tender, and also eliminated silver from many coins?
2. National Banking Act
3. The Hatch Act
4. Coinage Act of 1965
5. Banking Act of 1933

Answer: C