

## **THE ROLE OF MONEY IN A MARKET ECONOMY**

**Abstract:** this article discusses the importance of money in a market economy.

**Key words:** money, market economy, market, business, stability, economic growth

Money is a specific commodity that is the universal equivalent of the value of other goods or services.

The main property of money is absolute liquidity. Liquidity is a measure of how quickly an asset can be exchanged for cash.

Money is a means of expressing the values of commodity resources currently participating in the economic life of society, a universal embodiment of value in forms corresponding to a given level of commodity relations. Such a definition is based on the concept of value, which is more in line with the approach to money accepted in world science.

Money manifests itself through its functions. Typically, there are such functions of money as: The measure of value. Dissimilar goods are equated and exchanged among themselves on the basis of price (the exchange rate, the value of these goods, expressed in the amount of money). The price of a commodity performs the same measuring role as in geometry the length of segments, in physics the weight of bodies. Measurements do not require a thorough knowledge of what space or mass is, it is enough to be able to compare the desired value with the standard. The monetary unit is the standard for goods.

Money is used as an intermediary in the circulation of goods. For this function, the ease and speed with which money can be exchanged for any other commodity (an indicator of liquidity) is extremely important. When using money, the commodity producer gets the opportunity, for example, to sell his

product today, and buy raw materials only in a day, week, month, etc. At the same time, he can sell his product in one place, and buy the product he needs in a completely different one. Thus, money as a medium of circulation overcomes temporal and spatial restrictions in exchange.

The money is used to register debts and pay them. This function gets its own value for situations of unstable commodity prices. For example, a product was bought on credit. The amount of the debt is expressed in money, and not in the quantity of goods purchased. Subsequent changes in the price of goods no longer affect the amount of debt that must be paid in cash. This function is also performed by money in monetary relations with financial authorities. A similar role is played by money when it expresses any economic indicators.

A means of accumulation. Money accumulated but not used allows purchasing power to be transferred from the present to the future. The function of a store of value is performed by money that is temporarily not involved in circulation. However, it should be borne in mind that the purchasing power of money depends on inflation.

The function of world money. It manifests itself in the relationship between economic entities: states, legal entities and individuals located in different countries. Until the 20th century, the role of world money was played by noble metals (primarily gold in the form of coins or ingots), sometimes precious stones. Nowadays, this role is usually played by some national currencies - the US dollar, the pound sterling, the euro and the yen, although economic entities may use other currencies in international transactions. In some countries, laws prohibit the use of foreign currency for transactions within the country, in others it is not prohibited. The euro is an example of the unification of the currency systems of a number of countries, which made it possible to solve the problem of interstate payments between these countries by switching to a single currency.

In a modern developed economy, there are three functions of money - a measure of value, a means of accumulation and a means of payment, and the medium of circulation remains very small. Types of money in the modern world. Types of money in the modern system of monetary circulation

Money plays a key role in a market economy. First, the social role of money, their place in the economic system is that money acts as a social link between producers.

Secondly, money acquires a qualitatively new role: it becomes capital, which is carried out through five functions. Thus, the value of goods produced by enterprises is expressed in money; while money serves as a measure of value and money-capital.

Further, if money is accumulated as a treasure for the purpose of buying the means of production and expanding the volume of production in the future, then in this case the money acts both as a treasure and as capital. And finally, in the world market, money acts as a function of both world money and capital.

However, money acquires the character of money capital not due to its functions, but due to the fact that the functioning of money is included in the circuit of industrial capital. The important thing is that money buys a special commodity - labor power and means of production, which serve as elements of productive capital. Thus, money, turning into money capital, participates in the reproduction of individual capital.

But money also participates in the reproduction of social capital, serving the realization of the total social product. At the same time, money circulation acts as a series of cash flows: some of them move within the first division (production of means of production), others - within the second division (production of consumer goods), and still others - between the first and second divisions.

With the help of money, the formation and redistribution of national income takes place through the state budget, taxes, loans and inflation.

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