

Classification of Money on the basis of Money commodity

(i) Metallic Money.

(ii) Paper Money.

(i) Metallic Money :- Currency which is

made up of metal is called metallic money. The process of manufacturing and framing of coins is called coinage and the manufacturing unit is called Mint.

Coinage is basically of two types

(a) Free or unlimited Coinage.

(b) Limited Coinage.

(a) Free or unlimited coinage :-

In this system people are free to go to mint and exchange metals with coins. This type of coinage is further divided into the following.

- (i) Gratuitous Coinage
- (ii) Non-gratuitous Coinage or Brassage
- (iii) Seigniorage

(i) Gratuitous Coinage :- If the govt does not charge any expense or commission from the people. It is called gratuitous coinage.

(ii) Non gratuitous Coinage or Brassage :- The govt charges expense or Commission for the coinage.

(iii) Seigniorage :- Govt Charges the Brassage and extra profit.

(b) Limited coinage :- Public is not allowed to brassaging the metal in the mint. The govt reserves the right for the brassage and even the quantity to be produce is also determined by the govt.

Types of Metallic Money

- (1) Standard or full bodied coins.
- (2) Token coins.

(i) Standard or full-bodied coins :-

Standard or full-bodied coins are paradigm or prominent coins. Their face value, marked value and internal value are almost equal. The coin may be made up of same metal or different metal. When coins made up of one metal is in circulation it is called mono metallic while coins made of two metals are called bimetallic coins.

Merits of Standard coins :-

- (a) Since the face value and marked value of standard coin is equal, so people have trust on it.
- (b) Since these are full bodied coins so can easily be preserved for usage in future.
- (c) It can be used for making foreign payment.
- (d) Since the amount of coins in any country is not limited so, there is no change or fear of inflation.

Demerits of Standard coins:

- (a) Metals depreciates after circulation so it is nations loss.
- (b) Flexibility is not found i.e. with increase in demand of coins the supply doesn't increase in the same ratio.
- (c) Standard coins are made up of valuable metal so there are change of fiduciarism.

(ii) Token Coins: - The coins whose marked value is more than their intrinsic value. These type of coins are made up of cheap metals like nickel, copper, brass etc. Their marked value is fixed by the govt. Token coins are also called "Flat money."

Merits of token coins:

- (a) Due to use of token coins, costly metals are saved.
- (b) Token coins have the quality of flexibility.
- (c) Small payment can be done by token coins.

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The merits of token coins: —

- (a) These lack public faith.
- (b) Since cheap metals are used so it is produced on large scale.
- (c) It is not suitable for storage.