

Fiat currency is characterized by the following key points

- **Government-issued:** It is issued by a government.
- **Not backed by commodities:** Unlike historical currencies, it's not backed by physical commodities like gold or silver.
- **Value based on trust:** Its value comes from the trust and confidence in the issuing government, not from intrinsic value of the material it's made of.
- **Legal tender:** By law, it must be accepted as a form of payment within the country.
- **Controlled supply:** The government or a central authority, like a central bank, controls its supply.
- **Subject to inflation:** Its value can be affected by economic factors, including inflation and monetary policy.
- **Modern standard:** Most modern paper currencies (e.g., US Dollar, Euro) are fiat currencies.