

UNIT 1 : MONEY-WHAT IT IS?

In this unit we will learn about;

- Evolution of money
- History of money

A brief history of Money

Money is the fuel that runs our homes and our economies. It has been in circulation in some form or the other since time immemorial. It will be around perhaps for all times to come.

Money is useful in our day to day lives. We know that our parents use money for meeting household needs. Money is required for sending you to school, for buying books, your clothes. Some of us who get pocket money from our parents also use money. Yet most of us give very little thought to what it really is and what it represents. Therefore, it is necessary for us to take a closer look at money and develop a solid understanding of it.

Evolution of Money

What is the meaning of money? Some experts say "money is what money does". A man on the street would probably cite coins and notes as a definition of money. But is money just coins or paper notes? What about the balance in a bank? Isn't that also money? Haven't we heard people saying I have money in the bank? Before we get into a detailed understanding of the concepts of money let us look at its history briefly.

Money is a medium of exchange. It allows us to satisfy our needs and wants.

The history of money is a story spanning thousands of years. Earliest examples of money are the shekel, which refers to one of many ancient units of weight, used in the ancient kingdom of Babylon. Salt was used as money during early societies in Europe, ox-shaped bars of copper seem to have functioned as money in the bronze age in Eastern Mediterranean. Crops such as tobacco, rice, wheat, indigo and maize were also used in the barter system as money. **So money has seen different forms over its history.**

Money is an invention of the human mind. Money is a symbol that represents the value of goods and services. The creation of money is made possible because human beings have the capacity to accord value to symbols. The acceptance of any object as money – be a gold coin, salt or a paper note – involves the consent of both the persons, one exchanging the money with the other person for goods and services. Over thousands of years human beings have agreed to use different mediums as money. Thus, money has a human dimension, besides an economic function. As human consciousness has evolved, the nature and function of money evolved too.

Short History of Money

Initially, money was not a physical entity. There was no monetary system which existed at that time. To get a particular commodity, people had to exchange it with another commodity. This is called as **Limitation of Barter**. But this kind of transaction was possible only when commodities are available according to our needs and wants. So the discovery of precious metals gave a solution to the problems in barter system. The metals were exchanged instead of commodities. Later, carrying heavy bags of

metal coins was found to be difficult which paved way for paper money. Due to increase in the volume of business, paper money also became too heavy to carry. Thus, Paper money gave way to **intangible money**. When coins and currency notes are deposited with banks they become intangible money. Today we have plastic currency i.e debit cards which can help us withdraw money whenever we need from ATM.

(Early Money)

Before there was money, as we know it, there was barter i.e. people exchanging goods and services for other types of goods and services we shall see this in more details in later chapters. People in early societies developed forms of money, like the use of commodities that everyone agreed to accept in trade. Various items have been used by different societies at different times. Aztecs used beans. Norwegians once used butter. The early U.S. colonists used tobacco leaves and animal hides. The people of Paraguay used snails. Roman soldiers were paid a "salarium" of salt. Language experts claim that from salarium only the modern term "salary" originated. On the island of Nauru, an island in the Pacific just south of the equator, the islanders used rats. Pictured here: a flint arrowhead.



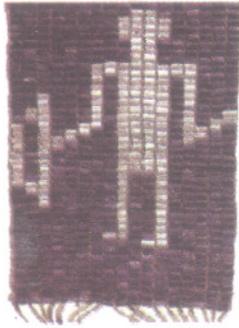
Flint arrowhead

(Symbolic Money)

Early in pre-history, people made a shift in what they choose to use for money. Some items, such as arrowheads, salt and animal hides, were used as money. Gradually, however, people began **exchanging items that had no real value**, but which had only agreed-upon or symbolic value. An example is the cowrie shell. Cowrie shells are found in an island off the coast of India. They have been widely used as currency in China, India, Thailand and in West Africa (even as late as into the 1930s).



Cowrie Shell



Wampum

(Egyptian Currency)

The ancient Egyptians developed a system for making payments with weighed amounts of precious metal, such as the silver shown to the right, which were **weighed on a balance with stone weights**.



Stone Weights



Earliest Coins

More **Symbolic Currency**

Another **symbolic currency** -- **used widely in the Americas** -- was **wampum**. Wampum are oblong shells sawed into beads, polished, and then strung together. Wampum was used as money in several early American states. A wampum factory in New Jersey remained in business until 1859. From the widespread use of wampum as symbolic currency we get the current phrase "shelling out" money.

600 B.C. (The First Coins)

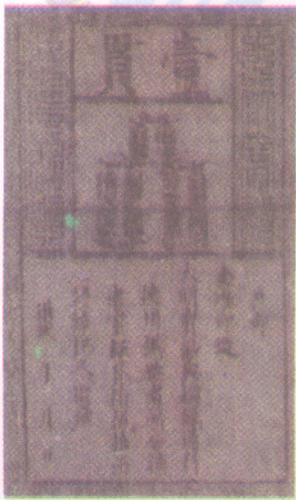
Coins are pieces of metal marked with designs that indicates they are **money**. The earliest coins were made in the Kingdom of Lydia now in Turkey in the 7th Century B.C. The Lydians used weighed lumps of metal the shape was unimportant, stamped with pictures to confirm their weight. **The process of stamping is called "minting"**. The stamp on the coin was a seal that identified the person who had guaranteed the coin's weight.



Coins made in Greece

500 B.C. Chinese Coins

The earliest Chinese coins were made from Bronze in the shape of tools and shells. Shells had been used as money earlier in China.



Chinese Paper Money

The Spread of Coins

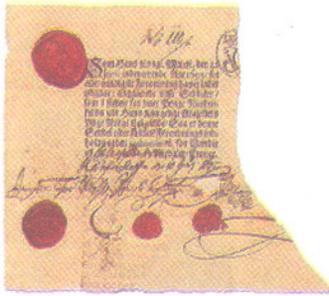
The use of coins spread rapidly around the world, spreading quickly from Lydia across Africa and Europe. These coins (left) were made in Greece in the 6th Century B.C. The Greeks were avid traders throughout the Mediterranean region, and the spread of coinage around the region can in large measure be traced to the influence of the early Greek trading peoples.



Chinese Coin (Bronze)

Chinese Paper Money

The earliest paper money was invented in China during the 10th century. They used one-foot square pieces of deer skin as money initially and later started using paper money. But in 1455 AD, China discontinued paper money due to increase in prices. Unfortunately, no examples of this paper money exist today.



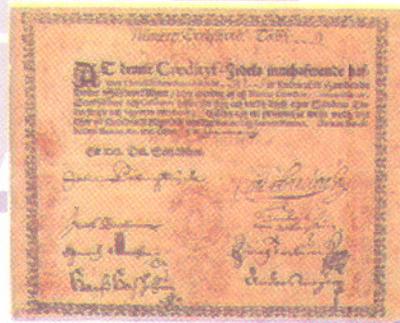
Note issued by a Norwegian merchant in exchange for coins in 1695.

Paper Money in Europe

Paper money was adopted in Europe much later than in Asia and the Arab world -- primarily because Europe didn't have paper. The first paper mill in Europe was established in 1151 A.D. in what is now Spain. Once paper was available, people began leaving their heavy coins with merchants in exchange for handwritten receipts. The note illustrated on the left was issued by a Norwegian merchant in exchange for coins in 1695.

Bank Notes

Beginning in the 11th century, European governments took over from local merchants and began printing paper money that served as official money. To make the system simpler, the paper receipts were given fixed values. The paper note shown on the right was issued by the Swedish Stockholm Bank in 1661 -- the first bank in Europe to issue printed money.



Printed Paper Money (Swedish Script)

India has been one of the earliest issuers of coins in the world (around 6th Century BC). The Moguls in India introduced paper money in the year 1236 AD. Later, it was discontinued after a short time. The origin of the word "rupee" is found in the word rūp or rūpā, which means "silver" in many languages such as Hindi. The Sanskrit word rupyakam means coin of silver. The derivative word Rûpaya was used to denote the coin introduced by Emperor Sher Shah Suri during his reign from 1540 AD to 1545 AD. The original Rûpaya was a silver coin.

We shall read more details in the following chapters about the various kinds of money used in India.

Summary :

- > Money is the fuel that runs our economies and is also the medium of exchange
- > The Emergence of Money :
Early Money was barter. Symbolic Money was exchanged for items. Symbolic currency was used in America. Egyptian Currency payment was made by weighing precious metals.
- > The First coins were designed metal pieces and the stamping of which is called "Minting".
- > Paper money was invented in China and the first paper mill was established in Europe
- > Swedish Stockholm Bank in 1661 was the first bank to issue printed money.
- > The Moguls in India introduced paper money and a silver coin was the original Rupaya.

Keywords :

ATM - Automated Teller Machine; U.S - United States; B.C - Before Christ;
A.D - Anno Domini

Self-Test questions:

I. Choose the correct answer.

1. Exchange of commodity for another is called _____
a) Exchange system b) Barter system
c) Symbolic value system
2. Paper money was invented in China
 a) China b) India c) America
3. Metal coins were invented by _____
a) Indians b) Chinese c) Lydians
4. In ancient times metal coins were made of _____
 a) Precious metals b) Inexpensive metals c) Leather
5. Which of the following term describes money?
a) Real value b) Goods and services
 c) Medium of exchange

II. Fill in the blanks.

1. Money is a symbol that represents the value of goods and services.
2. Salt was used as money in early societies in Europe.
3. Ox - Shaped bars of copper was used as money in the bronze age eastern Mediterranean.
4. People began exchanging items that had no real value, but had only agreed upon or symbolic value.
5. The process of stamping of pictures on metals is known as MINTING.
6. The first bank in Europe to issue printed money is Swedish Stockholm Bank.

III. Match the following.

- | | | |
|--------------------------------------|---|--|
| 1. Norwegians | - | Bronze in the shape of tools and shells. 5 |
| 2. People of Paraguay | - | Precious metal 4 |
| 3. Symbolic currency used in America | - | Butter 1 |
| 4. Ancient Egyptian currency | - | Wampum 3 |
| 5. Ancient Chinese coins | - | Snails 2 |

IV. Re - order the following terms according to their order of existence.

1. Bank notes 4
2. Barter system 1
3. Coins 2
4. Paper money 3

V. Crossword puzzle

				B ¹			
				R			
			M ⁵	O	N	E	Y
				N			
	W ²			Z			
B ⁴	A	R	T	E	R		
	M						
	P		R ⁸	I	C ³	E	
	U				H		
	M ⁷	I	N	T	I	N	G
					N		
	I ⁶	N	D	I	A		

Down:

1. Chinese used this metal to make coins in earlier times
2. Symbolic currency used earlier in America
3. Paper currency was first used in this country.

Across (right to left):

4. Exchange of commodities for another is known as.
5. Symbol that represents goods and services
6. Cowrie shells are found on an island off the coast of this country.
7. Stamping pictures on metals.
8. Crops used as money.

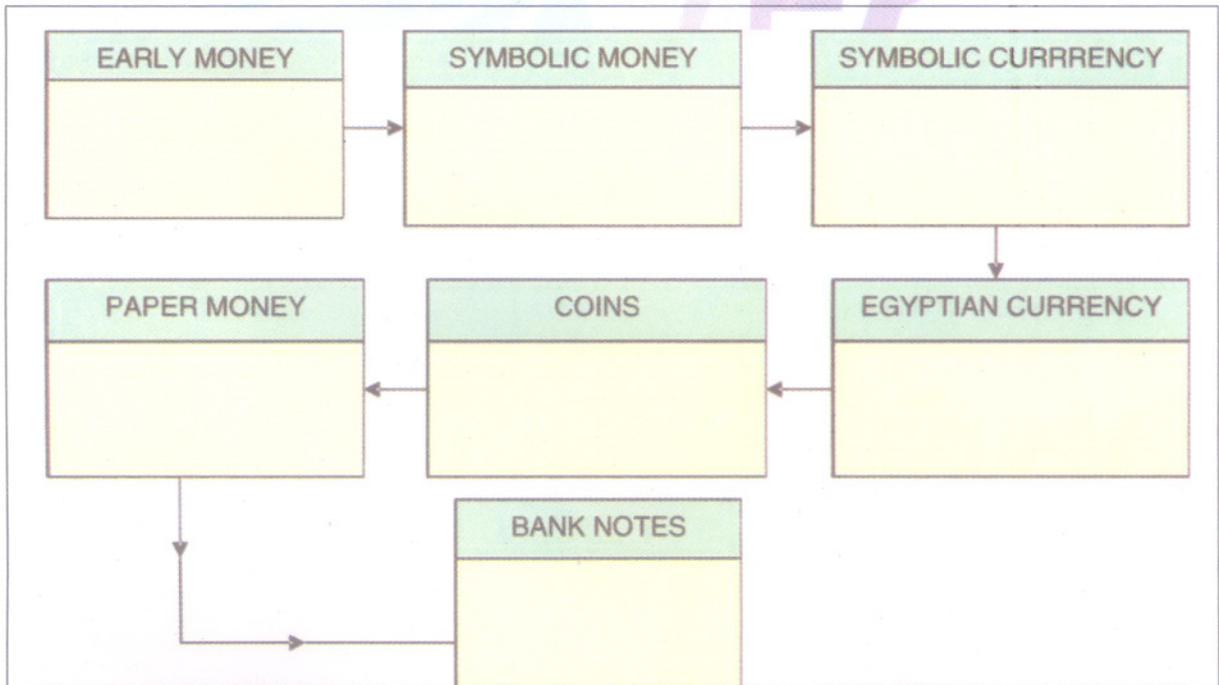
VI. Answer in detail.

1. Explain the evolution of Money.
2. Explain the invention and usage of coins.

VII. Activities

It is believed that money since its first appearance as early money had a long journey in various forms till it took its final shape as the bank notes

Give a pictorial account of evolution of money giving one example at each stage.



Unit Code:	UNIT- 2 TITLE: MONEY - EXCHANGE SYSTEM			
	Duration:			
	Session 1: Basic of Money			
Location: Class Room, FMM Lab, Coin Collection centre & Banks	Learning Outcome	Knowledge Evaluation	Performance Evaluation	Teaching and Training Method
	Identify the uses on money Types of Money Evaluate the medium of Exchange	Bartering & Commodity Money Material	The wheels of Economic Progress	Interactive lecture: Discuss the Progressive Economic Cycle Activity: Show different Currency as medium of Exchange
	Session 2: Division of Labour			
Identify types of producers	Basis of Speculation Barter System	Distinguish the types of Labour	Interactive lecture: How Labour leading to specialization. Activity: Role Play work on the specialization	
Session 3: Money as Currency				
Identify coin and paper money	Describe Modern Currency	Distinguish between traditional and modern currency	Interactive lecture: Discuss Country Currency - sign Activity: Collect sign of different currency	

UNIT 2 : MONEY-EXCHANGE SYSTEMS

In this chapter we will learn about ;

- Money as a medium of exchange
- Bartering
- Use of currencies as money

Money is used as a medium of exchange for goods and services. Money is anything that is commonly accepted by a group of people for the exchange of goods, services, or resources. Every country has its own system of coins and paper money. When you go to a shop you exchange money with the shopkeeper for books, pencil, games, clothes etc. Money is used as the medium of exchange between the buyer (you) and the seller (shopkeeper) for the goods purchased. But was it always like this. Did people always use money as a medium of exchange. Not always. There were times during the early periods of civilisation societies engaged in what was called as a **barter** system.

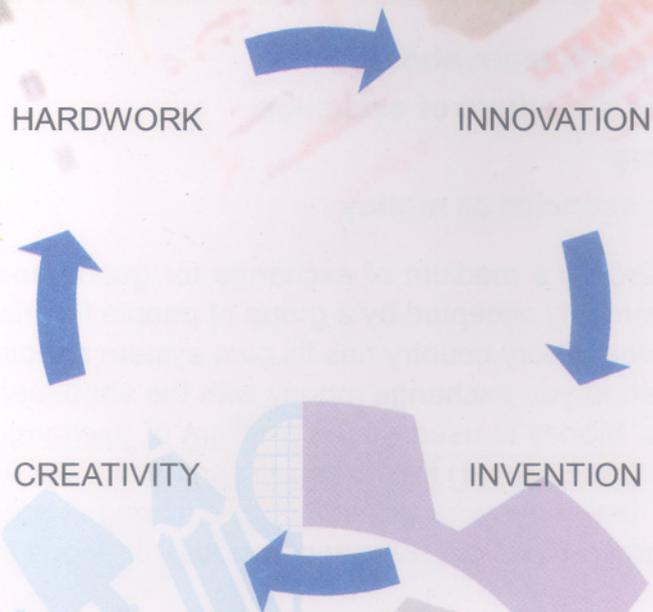
Bartering and Commodity Money

People in early civilization were not preoccupied with the thought of money. They were too busy worrying about survival—food, clothing, shelter. But, over time, people and societies sought ways to improve their economic lot in life. They sought ways to produce more and better goods and services and to produce them efficiently so that better use was made of resources. As a result of this search for better ways, a major evolution occurred—**specialization**. Rather than trying to do everything independently, people began to specialize, perhaps in house building, or clothing or food production. Through specialization, people's skills improved, enabling each person, and hence the society, to produce more things of better quality.

However, as specialization occurred and each person focused his or her economic activity on producing only one or a few things, another challenge arose. If individuals specialized in one or a few areas of production, how were they to acquire the other things that were needed and wanted? How would a farmer acquire things not related to farming? The answer—**trade**. A consequence of specialization is the need for trade. Specialization results in a person being able to provide more than he or she needs or wants of a particular good or service. There is a surplus beyond the personal or household need. The surplus is then available to trade in order to acquire the goods and services produced by others. The farmer's surplus food can be traded to acquire clothing, farming tools, and so on. The more productive the farmer, the greater the surplus. The greater the surplus, the more the farmer can acquire from others.

Specialization means people become more skilled and can produce more. The greater the surplus produced, the greater the potential to acquire more goods and services.

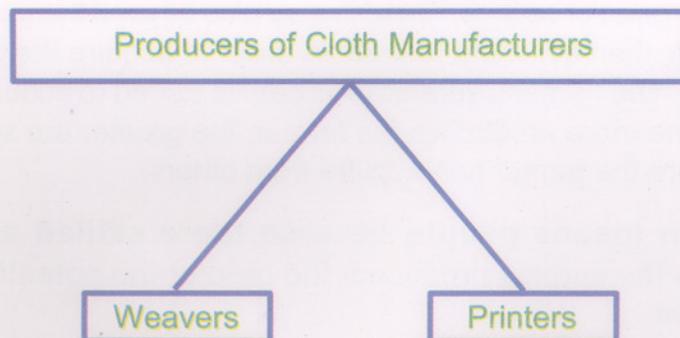
The wheel of economic progress



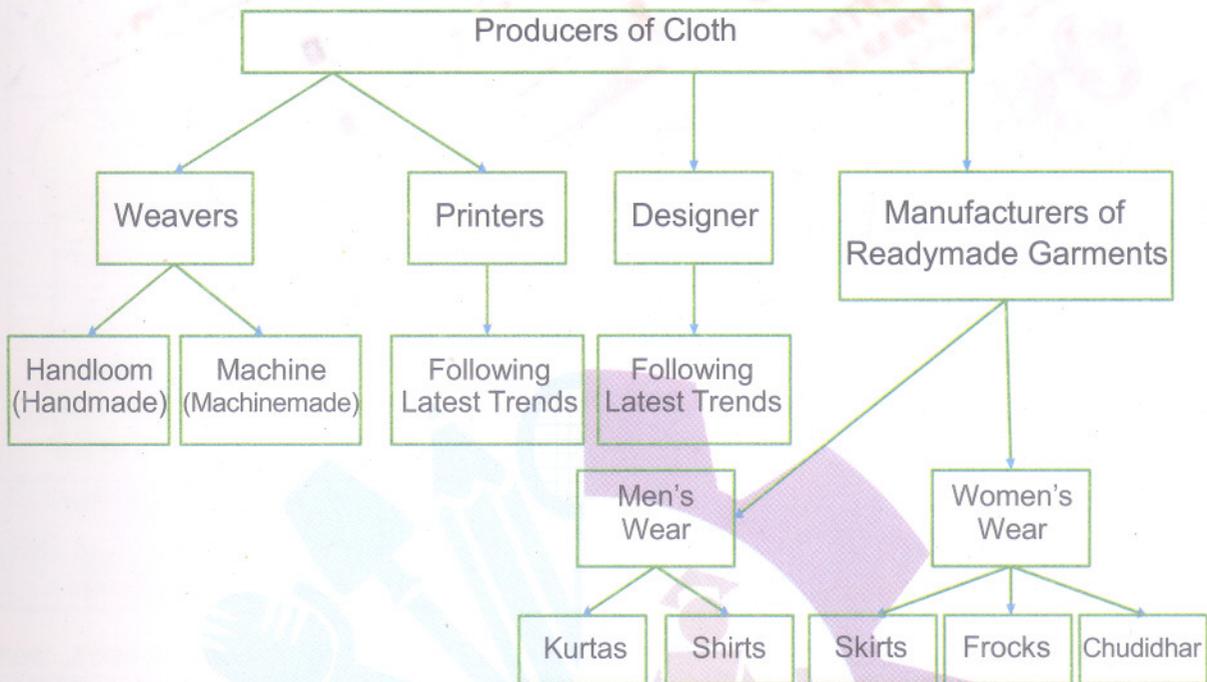
The wheels of economic progress began to turn. Innovation, Invention, Creativity and Hard work. Through specialization and trade, more is produced, better goods and services are produced, and the standard of living in a society rises. Specialization is associated with the concept of the **division of labour**, that is, labour becomes specialized and concentrated on certain activities. Rather than trying to do everything, or many things, a person concentrates his or her labour skills on one activity or on just a few activities in which he or she is good at.

In our early history, the degree of division of labour was limited because there were relatively few producers and a limited number of goods and services. Over time, though, more and more producers, and more and more goods and services, have enabled increased division of labour and more opportunities for specialization. In today's economy, we have a vast array of jobs and occupations from which to choose; in earlier times, there was much less variety. The advantages of specialization and trade have been recognized for a long period of time.

Early History of Division of labour



Today's Division of Labour Leading to Specialisation



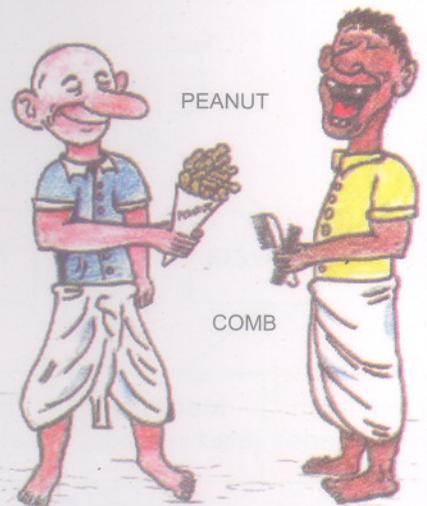
So the Specialisation and the Division of Labour Continuous.....

When the Europeans first came to North America many hundred years ago, they discovered that the Red Indians (original inhabitants) were already very adept and skilfull at trading. They were particularly good at hunting and were able to kill animals and obtain furs beyond their needs. This could be called as their specialised skill. They could, therefore, provide furs for trade with the Europeans. The Europeans received furs that were valuable back in Europe. In return, the Europeans gave different goods to the Red Indians. The exchange therefore took place by trading one or more items for other items, that is, through **barter**. Barter is the exchange of a good or service for another good or service like a bag of rice for a bag of wheat. An economy based on this method of exchange is referred to as a barter system. Barter is a type of trade that does not use any medium of exchange. For example a person who wishes to buy a kilo of rice may give in exchange a kilo of some other goods, say wheat in exchange for the rice. There is no money exchanged between the buyer and the seller.

As long as the output of the economy is made up of relatively few goods and services, this type of system can function successfully. However, as a society advances, and a much greater volume and diversity of output is produced, bartering becomes very complicated and cumbersome. What if you couldn't agree what something was worth in exchange or you didn't want what the other person had. To solve that problem humans developed what is called commodity money, like salt, tea, tobacco etc.

Barter System - Ineffectiveness

A commodity is a basic item used by almost everyone. In the past, salt, tea, tobacco, cattle and seeds were commodities and therefore were once used as money. However, using commodities as money had other problems. Carrying bags of salt and other commodities was hard, and commodities were difficult to store or were perishable. People therefore started using metal objects as coins and later paper as money. These were more convenient than salt, tea and seeds.



Will the barter system work now?

How funny! You always don't need what others offer you and vice versa.

Coins and Paper Money

Studies have shown that metal objects, in different forms and shapes, were introduced as money many thousand years ago, probably around 5000 B.C. By 700 BC, metal coins were introduced as money. Countries were soon minting their own series of coins with specific values. Metal was used because it was readily available, easy to work with and could be recycled. Since coins were given a certain value, it became easier to compare the cost of items people wanted.

Some of the earliest known paper money dates back to China, where the issue of paper money became common from about AD 806 onwards. Paper money are notes with standardized characteristics issued as money. China experienced over 500 years of early paper money, spanning from the ninth through the fifteenth century. Then beginning in 1455, the use of paper money in China disappeared for several hundred years. This was still many years before paper currency would reappear in Europe, and three centuries before it was considered common.

Modern Currencies

In modern societies today, coins and paper money are the most commonly used forms of money. Money is also called as currency or a unit of exchange. In India the currency we use is called the Indian Rupees. We pay money in the form of Rupees to buy things. We also pay in Paise, which are called fractional Rupees. Rupees and Paise are modern currencies used today unlike in the olden days when people used barter.

Just as in India we use Indian Rupees, different countries have different currencies. In each country the currency of the country is used by the people for purchasing goods and services.

Country	Currency name	Sign
 Argentina	Argentine Peso	\$
 Australia	Australian Dollar	\$
 Brazil	Brazilian Real	R\$
 Canada	Canadian Dollar	\$
 China	Chinese Yuan	¥
 France	Euro	€
 Germany	Euro	€
 India	Indian Rupee	₹
 United Kingdom	British Pound	£
 United States	United States Dollar	\$

Summary:

- > Money is used as a medium of exchange for goods and services between the buyer and the seller.
- > Specialization led to trade and brought about the concept of division of labour, introducing variety.
- > Metal coins were introduced as money and Paper currency reappeared.
- > Different countries have different currencies.
- > Indian currency is called the Rupee.

Keywords :

B.C - Before Christ; **A.D** - Anno Domini

Self-Test questions:

I. Choose the correct answer.

1. People in early civilization were too busy worrying about _____.
a) survival b) savings c) education
2. Specialization means people become _____.
a) hard working b) more skilled c) more intelligent
3. In our early history, the degree of division of labour was _____.
a) plenty b) limited c) not found
4. _____ is one of the difficulties in using commodities as money.
a) Hard to carry b) Measuring c) Conversion
5. Metal objects in different forms and shapes were introduced as money many years ago probably around _____.
a) 2000 BC b) 4000 BC c) 5000 BC

II. Fill in the blanks.

1. Money is anything that is commonly accepted by a group of people for the exchange of goods, services, or resources.
2. Money is used as the medium of exchange between the buyer and the seller for the goods purchased.
3. Red Indians were able to provide furs for trade with the Europeans.
4. Money is also called as currency.
5. The currency used in Germany is called Euro.

III. Match the following.

- | | | | |
|----------------------|---|---|---|
| 1. Specialisation | - | paise | 4 |
| 2. Red Indians | - | surplus beyond the personal need | 5 |
| 3. Commodity money | - | good at hunting | 2 |
| 4. Fractional Rupees | - | division of labour | 1 |
| 5. Trade | - | a basic item used by everyone in the past | 3 |

IV. True or false.

1. As long as the output of the economy is made up of relatively few goods and services, barter system can function successfully. T
2. In the past, salt, tea, tobacco, cattle and seeds were once used as money. T
3. Since coins were given certain value, it became difficult to compare the cost of items people wanted. F

4. In modern societies today, coins and paper money are the most commonly used forms of money.
5. Metal coins cannot be recycled.

V. Answer the following briefly.

1. Write short notes on Trade.
2. Describe briefly about division of labour.
3. What is commodity money?
4. Describe briefly about money used in India.

VI. Answer in detail.

1. Explain bartering and commodity money.



Unit Code:	UNIT- 3 TITLE: KEY CHARACTERISTICS OF MONEY			
	Duration:			
	Session 1: Medium of Exchange			
Location: Class Room, FMM Lab, Market	Learning Outcome	Knowledge Evaluation	Performance Evaluation	Teaching and Training Method
	Identify the currency which is acceptable	Functions of money Needs and uses of money	Standard Value or Unit of account	Interactive lecture: Discuss the readily acceptable sources of money. Activity: Buy/Sell few things to your known Retail Store.
	Session 2: Standard and Store Value of Money			
Identify the value of Money of different Countries	Distinguish between Standard and Store Value of money	Identify the metrics to collect the value of money as per the Requirements.	Interactive lecture: Discuss the characteristics of money. Activity: Discuss the availability of money.	