



Experiment

By impersonating hunters and farmers, the students participate in barter.

Barter had existed prior to the invention of money. A direct exchange, that is barter, is an exchange of goods for other goods, which is made without money as a medium. The parties agree on the value of their goods and endeavor to keep the balance at zero. This was the first economic system employed by the societies that did not know money yet or did not use it. Humans did not yet feel the need to have a tool that would enable them to measure value and serve as commodity money – the exchange was made using goods at the time.

Later in history, barter was often used at times when money was losing its value. Today, this type of exchange is used in trade with countries suffering from a lack of convertible currency resources, as well as in order to circumvent currency restrictions.



Experiment

The students are divided into groups – gatherers, farmers, blacksmiths, miners and hunters – and continue the exchange of goods.

Before coins were invented, there had already existed a type of trade involving money – in the form of commodity money. Commodity money is the name of objects that served as a measure of value of the goods being exchanged. Those objects became constant equivalents of the goods being exchanged. Many goods/objects were raised to the status of legal tenders, but none of them were found to have all the desirable features. Over many centuries, no legal tender was found that would have been rare enough for people to want to have it, but also available enough to prevent any shortage of it. The perfect money could not be perishable (like grain or salt, for example). Nor could it be too heavy or too light. It should not cause any nuisance, unlike cattle, for instance. Apart from that, it should have one more important feature – it should be divisible without loss of value.

Coins.

It was in the second half of the 7th century B.C. that money in the form of coins appeared for the first time in Lydia or Ionia – ancient lands in the western part of Asia Minor, that is on the territory of today's Turkey. Coins minted from electrum (an alloy of gold and silver), as well as from gold, silver, and bronze in a later period, were durable, convenient, small, divisible and desired by all people, and the issuer guaranteed their value. This invention quickly spread all over the Mediterranean basin, being adopted by subsequent states over the centuries, and it is still in use today.



Video/ Slide show

The students learn about the history of money.

Money is the name of tangible or intangible legal tenders that can be exchanged for goods or services.

Money is a common means of exchange as well as a measure of value, which means it serves as an accounting tool. Owing to money, we can pay for goods or services a long time after the transaction had been made – on a date agreed on beforehand.

Money is also used when paying taxes and remuneration for employees, or when repaying loans, etc.

Legal tenders include not only coins and bills, but actually everything we can use to make purchase and sale transactions without prejudice to the law. Modern legal tenders also include checks, payment cards and credit cards, and securities.

Along with the socioeconomic development, the function of money as a legal tender has been constantly increasing, whereas its function as a means of exchange has kept decreasing. Cash transactions are becoming rarer because they are being replaced by non-cash turnover.

In contrast to coins and bills, payment cards and mobile banking are information carriers. Therefore, what is being actually transferred during a non-cash transaction is just information, not money in its physical form.