

History of Money

L. 2.1 # 1

SOLUTION 1:

- valuable: otherwise nobody would accept it in exchange for goods/services
- scarce: if something isn't scarce it isn't valuable
- portable: you have to be able to transport the money to the seller of the goods
- durable: if something goes off, it loses all its value
- generally accepted: if something is not generally accepted you don't solve the main problem of barter, i. e. finding a suitable exchange partner

SOLUTION 2: The commodities have several disadvantages, because they

- can perish (meat goes off quickly)
- cannot easily be divided to "give change" (a broken Cowrie has not value; you would have to kill the cow first to divide it)
- can be very heavy and hard to transport (e. g. sacks of corn, a cow)
- might not be accepted in a shop
- have to be fed themselves (e. g. cow, chicken)

L. 2.2 # 2

SOLUTION 1:

- didn't go off like e. g. meat
- could be divided easily
- were easy to transport
- were generally accepted, because they were precious

SOLUTION 2:

- a) manipulate the scales or the weights
- b) use alloys (Legierungen) instead of pure metals

L. 2.3 #3 à Münzgeld

SOLUTION 1:

- reeded edge à edge cannot be filed off
- upset rim à surface could not be filed off

SOLUTION 2:

advantages: no more weighing à fraud is more difficult; established value; generally accepted in the area of a ruler; certain material value (Kurantmünzen); small

disadvantages: big amounts are very heavy; fraud by filing off material or by counterfeiting; only regional acceptance; token coins have only little material value à if a government is not credible, the money is no longer accepted

L. 2.4 # 4 à Papiergeld

SOLUTION 1:

advantages: lightweight à easy to carry; cheap to produce; any value is possible

disadvantages: material has no value in itself (fiat money); if a government is not credible, the money is no longer accepted; can be forged, can easily be destroyed

L. 2.5 # 5

SOLUTION 1:

advantages: difficult to manipulate / to steal; can be used internationally; cannot be lost or destroyed;

disadvantages: you need banks and a personal bank account to keep / use book money; the money cannot be seen à is easily spent; computer crimes are possible

SOLUTION 2:

E-money / plastic money is the book / deposit money

advantages: plastic cards can be used for payments in shops; payments with e-money can be made online

disadvantages: computer crime (e.g. phishing); plastic cards can be stolen and used for payments; credit card data can be spied and used even without the card for unauthorized payments

M 2.6

THE DEVELOPMENT OF MODERN MONEY			
Type of money	description	advantages	disadvantages
barter			
commodity money I: goods			
commodity money II: precious metals			
coin / mint money			
paper money			
bank money			
plastic money / e-money			

L 2.6

THE DEVELOPMENT OF MODERN MONEY			
Type of money	description	advantages	disadvantages
barter	exchange of goods/services for goods/services	<ul style="list-style-type: none"> • you can use what you have or what you can do for "paying" 	<ul style="list-style-type: none"> • finding a suitable exchange partner is difficult • different value of exchange goods • indivisibility of exchange goods • missing durability / acceptance • difficult transport
commodity money I: goods	exchange of goods/services for special goods accepted as exchange items	<ul style="list-style-type: none"> • you don't have to find a suitable exchange partner • the chosen commodity was more durable, divisible and widely accepted 	<ul style="list-style-type: none"> • most often the commodity was only regionally accepted • if too much of the commodity came into circulation, it lost its value
commodity money II: precious metals	exchange of goods/services for pieces of metal which were hacked off bars or rings and weighed	<ul style="list-style-type: none"> • precious metals are widely accepted • divisibility • durability 	<ul style="list-style-type: none"> • fraud with scales/weights • fraud with alloys • heavy
coin / mint money	exchange of goods/services for minted coins	<ul style="list-style-type: none"> • established value • counterfeiting difficult 	<ul style="list-style-type: none"> • restricted acceptance • heavy • often fiat money → no real value
paper money	exchange of goods/services for bank notes	<ul style="list-style-type: none"> • established value • counterfeiting difficult • light/easy to transport 	<ul style="list-style-type: none"> • destructible? • fiat money → no real value
bank money	exchange of goods/services for "virtual money"	<ul style="list-style-type: none"> • no risk of loss/theft • no counterfeiting 	<ul style="list-style-type: none"> • easily spent • no direct control
money / e-money	exchange of goods/services for "virtual money"	<ul style="list-style-type: none"> • easy money transfer via Internet 	<ul style="list-style-type: none"> • computer crime (fraud)

