

Understanding money

Learning objectives

By the end of the session you will...

Understand the concept / meaning of money.

Activity

Read the text and answer the questions.

Money or token systems have been in use for thousands of years in human societies, gradually superceding barter as a means of exchange and trade of goods and services. It is a much more flexible system and has the advantage of permitting saving non-perishable value for future use.

Gradually standards were applied and enforced by societies – for example the weight, purity and marks of authenticity on metal coinage. In the last few centuries money systems have developed so that now intrinsically worthless tokens – bank notes, cheques, money orders, promisory notes and cards – are confidently accepted as media of value exchange, solely because societies centrally establish, administer and police adequately against fraud.

More recently, the advent of computer systems may mean that money as cash in the pocket will fall out of circulation. However, the common basis it has provided for us of comparative valuation of all goods and services will remain. The record of income, expenditure and transactions existing only as account entries in centralised financial organisations.

How much money is a person worth?

The cash in their pocket?

The cash in their pocket, plus the money in their bank account?

The value of everything they own?

Make a note of a couple of valuable items you own.

What makes them have money value?

Why are they valuable to you?

Do you expect their value to remain fixed in the future?