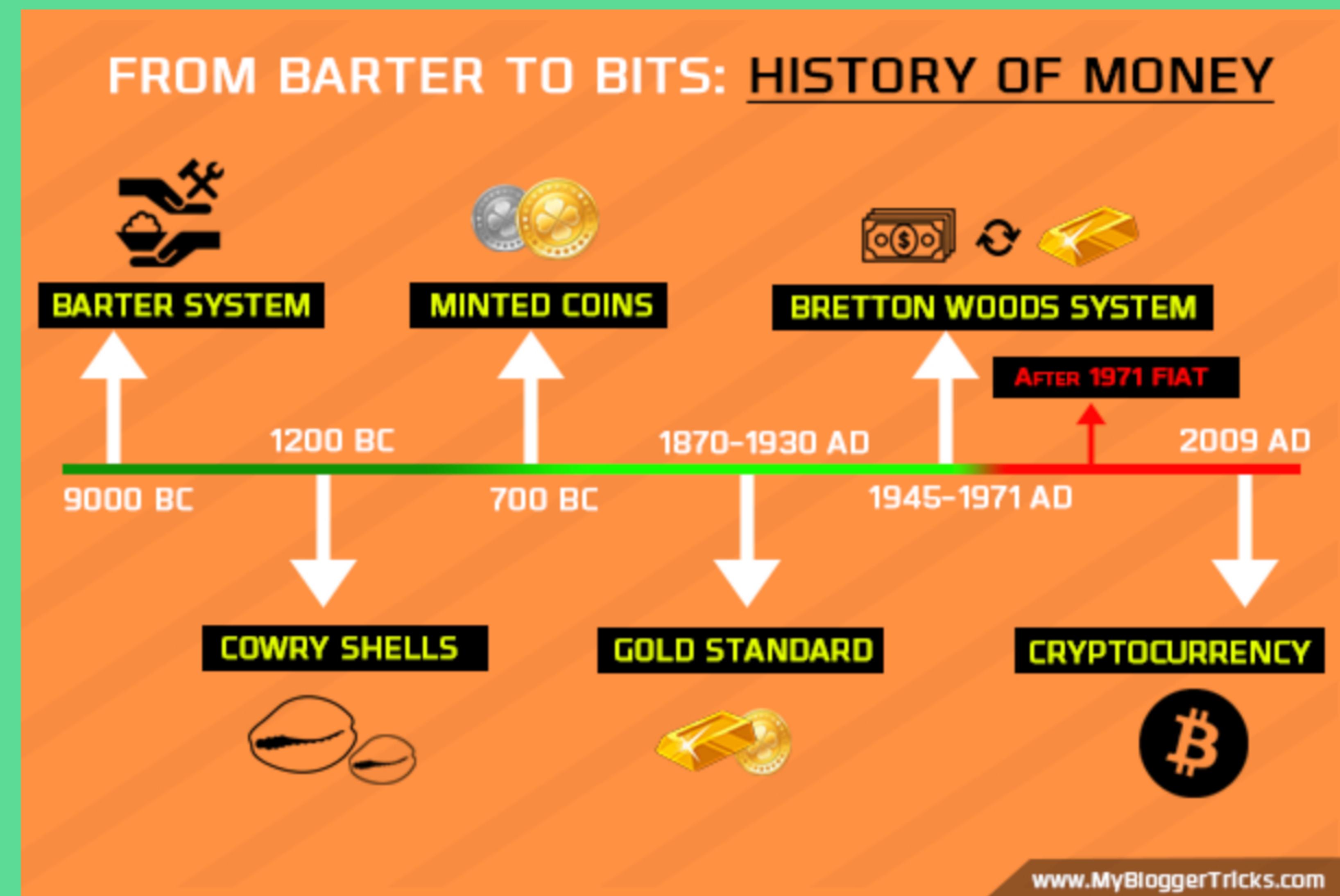


The Journey of Money: Past, Present and Future!



From Barter to Banknotes

"Money is any item or verifiable record that is generally accepted as payment for goods and services and repayment of debts, such as taxes, in a particular country or socio-economic context."

Introduction:

Money—in some way, shape or form—has been part of human history for at least the last 3,000 years. Before that time, historians generally agree that a system of bartering was likely used. Bartering is a direct trade of goods and services; for example, a farmer may exchange a bushel of wheat for a pair of shoes from a shoemaker. However, these arrangements take time. If you are exchanging an axe as part of an agreement in which the other party is supposed to kill a woolly mammoth, you have to find someone who thinks an axe is a fair trade for having to face down the 12-foot tusks of a mammoth. If this doesn't work, you would have to alter the deal until someone agreed to the terms. Slowly, a type of currency—Involving easily traded items like animal skins, salt, and weapons—developed over the centuries. These traded goods served as the medium of exchange (even though the value of each of these items was still negotiable in many cases). This system of trading spread across the world, and it still survives today in some parts of the globe. One of the greatest achievements of the introduction of money was increasing the speed at which business, whether mammoth-slaying or monument-building, could be done.

Minting Coins

Initially, chunks of gold and silver metal were used directly as forms of money. Eventually coinage began around 600 BC in modern day Turkey. These first coins were minted out of a gold and silver alloy. Why mint coins though? It's an awful lot of work. What's so bad about just using gold and silver pieces directly? The obvious answer is that coinage standardizes quantities of payment. But this isn't the full answer—after all, most small societies operated on credit relationships, and settling via gold was rarely necessary in local trade networks. Anthropologists like David Graeber speculate that coinage arose to serve the needs of organized armies and mercenaries. Soldiers travel far distances, and they do not have long-lasting credit relationships. So the only way for them to receive compensation is through forms of money that will be recognized in far away places. Even if a counterparty didn't recognize the sovereign backing the coin, they'd still be willing to value the precious metal in the coin itself. Paper money, on the other hand, would not arrive until 1000 AD, a full 1600 years later. Paper money was first invented in China during the Song Dynasty and would much later be exported to Europe by Marco Polo. This paper money makes for an interesting case study. The Song Dynasty's paper bills were supposed to be redeemable for fixed exchange rates in gold, silver, or silk. But in practice, conversion was never allowed. So the bills essentially traded entirely without any commodity backing. Thus, the first paper money was also arguably the first fiat currency.



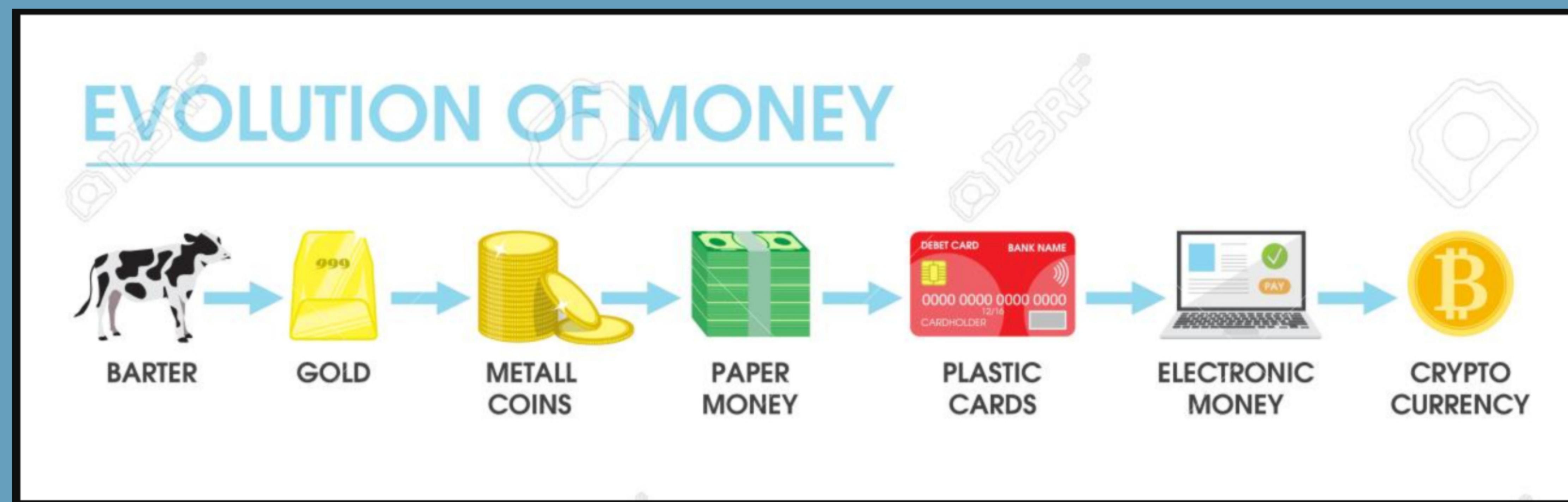
Table

Timeline

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COE - SECTION 2

Timeline of Monetary System



BARTERING

- 9000 BC: Humans began to grow crops and cattle. This, gave birth to “bartering”, where livestock and grain were exchanged for other items which were deemed essential or useful at the time.
- 2279 BC: The Ancient Babylonians defined the first guidelines for “money” and established a form of measurement called the “shekel”. It was based on a specified amount of weight for different items and was applied across a variety of goods ranging from barley to gold
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COWRY SHELLS TO METAL COINS

- 1300 BC: Cowry sea shells were used as money in areas as diverse as Africa, South Asia, Australia and Oceania. They were made up of either whole shells or were artificially shaped in pieces that were then worn as ornaments.
- 1100 BC: Early Chinese civilizations are credited for the first use of standardized currency in the shape of miniature, bronze casts of replica knives and spades. These casts eventually evolved into round shaped coins, with holes in the middle that allowed them to be strung together.
- 687 BC: Other civilizations started developing their own unique coins. The first official currency ever, was minted out of gold and featured a roaring lion's head. It was issued by King Alyattes of Lydia, now part of modern day Turkey.
- 300 BC: The Roman Empire established its own currency, known as Denarius. These coins were mostly minted out of silver and depicted important symbolic images about the Roman Republic.

PAPER MONEY

- 118 BC: The Chinese issued the first ever leather banknote. It was made out of a rare white deerskin and its edges were painted with bright colours. These leather banknotes were exchanged for goods and were key in the establishment of a nascent commercial system.
- 700- 1100 AD: Paper notes initially appeared in the 7th Century, during the Tang Dynasty but their widespread use only became prevalent much later. Their emergence is attributed to a copper shortage as well as the drawbacks presented by the heavy weights of coins in large commercial transactions.
- 1290 AD: European explorer, Marco Polo, was amazed by Chinese paper currency and discussed it extensively in his book, “The Travels of Marco Polo”. Some historians credit him for introducing the idea of paper money to Europeans.
- 1661 AD: The first European banknotes were printed in Sweden by Stockholms Banco. They were redeemable against their stated amount of silver coins, held by the bank. Initially, all went well, but the bank soon started issuing more notes than it could afford to honour and in 1668, the bank collapsed.

THE GOLD STANDARD

- 1800 AD: The gold standard was an innovative concept that combined the best aspects of paper money with those of coins. It allowed central banks to create money whilst at the same time having that money backed by precious metals.
- 1844 AD: In England, the “Bank Charter Act” decreed that the Bank of England notes were fully backed by gold. According to the strict interpretation of the gold standard, this act marked the establishment of a full gold standard for British currency.
- 1879 AD: Gold becomes the United States’ official standard of value. Americans were able to trade in \$20.67 for an ounce of gold while one dollar was defined to be equal to the value of 23.22 grains of pure gold.
- 1933 AD: The USA, crippled by the effects of the Great Depression, abandoned the gold standard to allow the government to pump money into the economy and stimulate recovery. Other countries also followed suit and the gold standard was gradually phased out from numerous other economies.

CREDIT CARDS

- 1946 AD: The first bank card, named was introduced in 1946 by John Biggins, a banker in Brooklyn. When a customer used it for a purchase, the bill was forwarded to Biggins’ bank. The bank reimbursed the merchant and then obtained payment from the customer.
- 1950 AD: The Diners Club released its first card and was used in more than 20 restaurants in New-York to pay for bills without the need for cash.
- 1958 AD: A credit card with revolving credit was issued by Bank of America. However, federal regulations limited its use to the state of California. At the same time, American Express was launched and was the first card to be accepted worldwide.
- 1970 AD: The magnetic strip was perfected and allowed for personal and financial information to be reliably decoded by a machine. This breakthrough brought credit cards into the information age.

ELECTRONIC MONEY

- 1990 AD: Chip technology was introduced. This allowed for large amounts of information to be stored and for verification processes to occur at the points of sales. Mastercard also developed a system to allow for chip cards to be operated globally.
- 1994 AD: The advent of the World Wide Web server and browser gave birth to the online shopping ecosystem. One of the first instances of an online purchase was a pepperoni pizza from Pizzahut.
- 1997 AD: European banks began to offer mobile banking with primitive versions of smart phones. Mobile commerce services were introduced when Coca-Cola set up several vending machines that could accept payments via text message.
- 1998 AD: PayPal was founded in California and it allowed its members to leverage the medium of the internet to make payments and transfer money. It is credited with helping the proliferation of web-based businesses and its success led it to be acquired by Ebay for \$1.5 billion in 2002.

CRYPTOCURRENCIES

- 2008 AD: An entity known as Satoshi Nakamoto posted a paper titled “Bitcoin: A Peer to Peer Electronic Cash System”. The first bitcoins were mined by computers performing complex mathematical equations and were recorded in a public distributed ledger called the blockchain. The appeal of this virtual currency resided in the promise of lower transaction fees compared to traditional online payment mechanisms and due to the fact that it operated in a decentralized manner.
- 2012 AD: Another cryptocurrency known as Ripple was created. It aims to enable secure, instant and nearly free global financial transactions of any size with no chargebacks. It supports tokens representing fiat currency, cryptocurrency, commodities, or any other unit of value such as frequent flier miles or mobile minutes.
- 2015 AD: Ethereum, an open source public blockchain-based distributed computing platform, was launched by Vitalik Buterin. Ethereum is used as a platform for decentralized applications, decentralized autonomous organizations, and smart contracts.
- 2016 AD: Bitcoin and blockchain-related technologies start permeating in the mainstream media. More and more people are becoming aware of cryptocurrencies and combined with the demonetisation of numerous government issued currencies, Bitcoin rallies to a 3 year high in terms of its value.

Evolution of Currency

Table of evolution of various Monetary Systems

Medium of Exchange	Year of Introduction	Country of Origin
Bartering	9000 BC	World Wide
Cowry Shells	1300 B.C.	India, Australia & Africa
Metal Coins	600 B.C.	Ancient Greece & Turkey
Paper Money	118 B.C.	China
Gold Standard	1800	U.S.A.
Credit Cards	1946	U.S.A.
Electronic Money	1990	U.S.A.
Cryptocurrencies	2008	Japan