Title:
The Function of Money and its Future

Word Count:
674

Summary:
A look at money and its evolution from barter to E-currency.

Keywords:
barter, trade, exchange, currency, ecurrency, money fund, invest, grow, global, economy, worldwide, ecommerce, trading, best, business, digital, innovative, internet, instant

Article Body:
Originally exchange took place without the use of money, by barter. Long before money had come into the commercial world people exchanged goods for goods. This system of barter made it possible to satisfy many wants that would otherwise have gone unsatisfied. Barter raised the standard of living, but under such a system the exchange of goods was greatly hampered. To barter requires that both buyer and seller need each other's goods. Again, indivisible quantities hindered the exchange, since half a canoe or half a cow could not enter into barter. Nor was there under the barter system any standard of value. A ratio was expressed between canoes and arrows if they were traded for each other, but such an exchange gave no hint as to the ratio of bread to meet, or even of canoes to meet. Because of these disadvantages money was introduced into the commercial system as an intermediary, for which all goods could be sold and with which all goods could be bought. Thus money serves its first function, as a medium of exchange.

Money is a medium of exchange universally acceptable for goods and services. Originally the medium was the commodity most common in the trade of the time and place. Cattle served in Greece in the days of Homer. Grain, furs (in the Hudson Bay region), oil, salt, ivory, tea, wampum (among the American Indians), tobacco (in the colony of Virginia), and many other commodities served in various parts of the world as media of exchange. For them all things were sold; with them all things can be purchased. They were the money of the time. But gradually a tendency developed to use the metals, iron, copper, silver, and gold.

When first used the metal was not in the form of coins, but consisted of a certain weight. To guarantee the weight (and later the fineness) it became customary to stamp the metal with a government seal. We still have as the British standard coin, the pound, originally a pound of silver. But this stamp piece did not prevent "sweaters" from clipping off bits, and making the money short in weight. To prevent this, the seal or stamp was then affixed to both top and bottom of the piece. Sweaters then clipped the sides. Now coins are milled; that is, the sides are marked with corrugations to prevent clipping. Today money has come to consist of coins and cash that perform a function as a medium of exchange.

Under barter there is no standard of value, no least common denominator of values. With money we have a medium in which all values may be expressed, and money enters into its second function, to serve as a standard of value. Under a money regime we express all values in the commercial world in terms of a standard coin, in the United States in terms of dollars. With all goods related to one common standard, we know it wants the relation to one another of all commodities whose value is stated in money. If one product has its value stated as one dollar and the second as five dollars, we know that the ratio value of one to the other is one to five.

Money performs a further service. Borrowing and paying of debts has always constituted an important phase of commerce. The difficulty that we experience in using money as the standard of deferred payment is due to its instability and the change in its purchasing power. People are not interested in money, but in what it will buy. The purchasing power of money depends upon price level, which depending on government stability, changes drastically over periods of time.

The future for money in the global economy will enable quicker and more seamless transactions. Those with goods and services in countries worldwide will efficiently be able to process exchanges. As money continues to evolve so will its availability. The Internet is rapidly changing the face of money and with this change will come new opportunity to profit from it.