From Trades to Transfers

How money changed the way people exchange goods

E.C.5.1 "Explain the emergence of money as a solution to the limitations of barter and describe its evolution from commodity money to modern monetary systems."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline two limits of barter, circle salt, coins, paper notes, and fiat money, and number three ways these forms of money made trading easier in the order you read them.

What Would You Take in Trade?

1. At a busy river market, a potter wants grain, but the farmer with grain needs a fishing net, not a pot. The potter must find someone who wants a pot and has grain, or arrange several trades. This problem, called the double coincidence of wants, can delay exchange. Barter also makes some prices awkward: how many pots equal a goat? A goat cannot easily be split when someone wants only a small bag of grain. People may trade successfully without money, but money makes exchange easier when many strangers offer different goods and services.

2. Some communities used widely desired goods, such as salt, as commodity money. Salt had value because people could use it, even if they did not spend it. Accepting salt let the potter sell a pot to one person and later buy grain from another. Yet salt could get wet, and measuring equal amounts took work. Metal pieces were more durable and easier to carry. When rulers stamped coins with a stated weight, traders could recognize an agreed unit more quickly. Coin users still had to trust that the metal and the stamp were genuine.

3. Carrying large amounts of metal was risky and heavy. In some monetary systems, paper notes first served as claims that holders could exchange for a stated amount of metal. Banks also recorded deposits and transferred balances between customers. Today, many national currencies are fiat money: their notes are not promises to pay a fixed amount of gold or silver. Governments designate them for paying debts, while public confidence and stable institutions help people accept them. A debit card or payment app moves bank money electronically; it is a way to pay, not a separate commodity. Each change reduced some trading friction but introduced new questions about trust.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why does the potter's attempt to get grain stall under barter, and how would accepting salt change the trade?

2. How did stamped coins improve on salt as money, and what problem remained?

3. How did paper notes and bank deposits address a problem with metal? How does fiat money differ from the early paper notes described in the passage?

4. Why is a payment app not a new kind of commodity money, and what helps people accept the money it moves?

3 YOUR TURN

Your own words

Invent a trading problem in a mountain town using goods or services other than those in the passage. In one paragraph of 5 to 6 sentences, explain how traders could move from barter to a useful commodity, then to coins and modern bank-based payments; include one trust problem.

ANSWER KEY

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HIGH SCHOOL · E.C.5.1

PART 1 · READ AND MARK

Underline two limits of barter, circle salt, coins, paper notes, and fiat money, and number three ways these forms of money made trading easier in the order you read them. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why does the potter's attempt to get grain stall under barter, and how would accepting salt change the trade?	**The farmer does not want a pot, so the potter cannot trade directly for grain. The potter could accept salt from someone else and later use it to buy grain.**
2	How did stamped coins improve on salt as money, and what problem remained?	**Metal was more durable and easier to carry, and a stamped weight helped traders recognize an agreed unit. They still had to trust that the metal and stamp were genuine.**
3	How did paper notes and bank deposits address a problem with metal? How does fiat money differ from the early paper notes described in the passage?	**Notes and bank deposits reduced the need to carry heavy, risky amounts of metal. The early notes described could be exchanged for a stated amount of metal, but fiat notes are not promises to pay a fixed amount of gold or silver.**
4	Why is a payment app not a new kind of commodity money, and what helps people accept the money it moves?	**The app transfers bank money rather than a useful good with its own value. Government designation, public confidence, and stable institutions help people accept fiat money.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

In a mountain town, a bicycle mechanic wants cheese, but the cheesemaker wants firewood instead of repairs. Traders begin accepting dried beans because many households can eat them, so the mechanic can sell repairs now and buy cheese later. Coins with agreed values make small purchases simpler than measuring beans each time. Paper notes and bank accounts reduce the need to carry many coins. Today, a payment app can transfer fiat money between bank accounts without moving beans or metal. Traders still need to trust the bank's records and the currency's value.

Accept different plausible commodities and trading problems if the response explains how each change eases exchange. The trust problem may involve a coin's authenticity, a bank's records, or confidence in fiat currency.