

1.5. MONEY

When the English colonists first settled in the New World, they brought few of the pounds, shillings and pence they had used in England. It didn't really matter, though, because the native Americans they traded with didn't want British money. They **were unwilling** to exchange food for small pieces of paper and metal. However, native Americans would trade fish, furs and other essentials through barter. Barter is the exchange of one good or service for another. For example, a hungry Puritan family with some English cloth might have been able to trade with a native American for fish.

The earliest form of trade was by barter. But barter has many **drawbacks** because people's **precise** needs seldom **coincided**. People needed more practical system of exchange. This problem led to use wampum, a form of money native Americans used in Massachusetts in the 1640s, consisted of **certain** black or white shells. Both colonists and native Americans accepted wampum in payment for anything they had to sell. Wampum became the **medium of exchange** during the early colonial period. Wampum was a vast **improvement** over barter.

From the earliest times **precious** metals-such as gold, silver, or copper have been the most popular forms of money. But throughout history societies have used such things for their money as tobacco, salt, fish hooks, shells, stones, and, of course, various forms of paper. Money should provide:

- ***a medium of exchange***. In a money economy people can sell what they have to anyone, then use the money to buy what they want. Money, therefore, is the medium that **enables** exchanges to be made easily.
- ***a measure of value***. Money enables us to state the price of something in terms that everyone can understand. One can say that a dozen eggs is worth 85 cents. This is far simpler than figuring out how much milk, meat or clothing one could expect for a dozen eggs.
- ***a store of value***. Money enables us to use the value of something that we sell today to make a purchase some time in the future. For example, an egg seller could **save the money** from the day's sale to pay next year's college **tuition**. But imagine the difficulties in saving eggs to pay tuition.

Money should have the following qualities:

- ***stability***. The value of money should be more or less the same today as tomorrow.