

*The History of Money*  
By: The Granger Collection, New York

What makes money valuable? If you think about it, a dollar bill is only a piece of paper. You cannot eat, wear, or live in a dollar bill. So why do people want it? Money is considered valuable because money doesn't grow on trees.

### **Bartering**

Imagine you're a goat herder visiting a marketplace in China in 1200 B.C. The merchandise being sold around you ranges from cattle to tools. Suppose you need to purchase a piece of rope. How will you pay for it? The goats you own are your sole source of income so you would not want to trade a goat for the rope. The goat is too valuable! Instead, you might trade goat milk for the rope. This system of economics is called bartering. But what if the rope merchant does not want goat milk?

### **Early Currency**

No need to cry over spilt milk. Luckily, you sold some goat milk earlier in the day in exchange for ten cowrie shells, the first system of currency in China. You hand two cowrie shells to the rope merchant and put the rest in your pocket. This is a much easier way to buy and sell things. Cowrie shells are lightweight, durable, and easier to take with you than a goat. The idea of currency is catching on around the world in Thailand, India, and Africa.

You decide to save your extra shells until you have enough to invest in another goat. You will be spending cowries with the expectation that another goat will pay later since you can drink or sell the milk it produces. Taking this type of business risk makes you an entrepreneur.

### **New Kinds of Currency**

If you were at a marketplace in Rome around 900 B.C., you might have used salt as a form of currency. The idiom "to be worth one's salt" is still used today.

Another form of currency, metal coins, first emerged in China around 1000 B.C. Coins varied in shape, size, and worth. By the 7<sup>th</sup> century B.C., coins made of precious metals such as silver and gold became popular in Europe and the Middle East. These coins were usually round. After being weighed on a scale to determine their value, coins were stamped with designs that stated their worth.

### **Paper Money**

Carrying a bag of coins can be heavy. The weight of coins and a metal shortage are two reasons the use of paper money developed in China in the 10<sup>th</sup> century. The earliest European paper money appeared in Sweden at the beginning of the 17<sup>th</sup> century. Italy started to use paper money about 90 years later. Paper money originally represented the gold or silver a person had in the bank. Today, we can tell the value of paper money by reading the numbers printed on it.

### **Modern Money**

In today's global economy, exchanging money electronically is common. Many people use a credit or debit card to make a digital transaction. Numbers on a computer screen represent dollars and cents, but no actual paper money is exchanged.

As easy as it is to spend money today, saving money is important. You know what they say, "A penny saved is a penny earned."