History of Money

Money is helpful in many ways, but did you know that money has not always existed? It's hard to imagine getting what we want without using money, but it's true. Before money, people bartered to get the goods and services they wanted. This means they traded the things they had for the things they wanted. Have you ever traded a friend or classmate at lunch?

Trading had some problems which led to the invention of money. No one knows for sure who was first to invent money, but it was created to serve three main purposes.

First, money makes it easier for people to get the things we want. Money is accepted by people or businesses everywhere in exchange for goods and services so we don't have to find other people to barter. When we exchange money for goods and services, we call this function *medium of exchange*.

A second function of money is that it acts as a *unit of account*. This means businesses can set a price for their goods and services and everyone understands how much they have to pay to get that good or service. It also means that everyone pays the same price for the good or service. This allows people to compare prices.

The third function of money is that it acts as a *store of value*. This means that we don't have to use all our money immediately upon receiving it. We can spend some and save some to spend later and the money will hold its value. If we used apples for money, the apples would go bad after time and would not be as valuable.

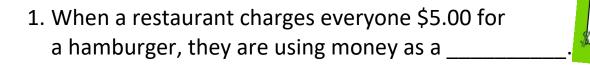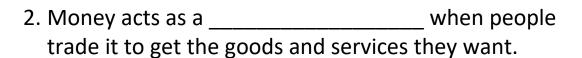Money is important because it helps us to get the things we want.

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vocabulary

Complete the following sentences with the vocabulary
phrase that makes the most sense.

store of value
unit of account
medium of exchange

1. When a restaurant charges everyone $5.00 for
   a hamburger, they are using money as a _____.

2. Money acts as a _____ when people
   trade it to get the goods and services they want.

3. When people save some of their money now so they can spend it later, the
   money is acting as a _____.

Write a sentence using one of the above vocabulary phrases.

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History of Money

How does money make it easier to get the goods and services we want? Give an example.

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How does money act as a store of value? Give an example.

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What does it mean when money acts as a unit of account? Give an example.

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