

EARLY FORMS OF MONEY

GIGI WOLF, FEDERAL RESERVE BANK of KANSAS CITY

LESSON DESCRIPTION:

This lesson introduces students to various forms of money used by various cultures throughout history. Students will learn about the six characteristics of money and why they are important. In collaborative groups, students will use a decision grid to evaluate different goods compared to the characteristics of money and analyze why money has evolved, why it is limited, and how the money supply impacts sellers and buyers. A class discussion will allow students to compare their results and as an assessment, students will examine and evaluate other historic forms of money to hypothesize where and how they were used.

GRADE LEVEL: 4-7

CONCEPTS:

Money, barter, characteristics of money

OBJECTIVES:

Students will be able to:

1. Identify earlier forms of money.
 2. Define barter, money, and the characteristics of money.
 3. Evaluate a variety of goods based on the characteristics of money.
 4. Hypothesize the evolution of money and why it is scarce.
 5. Formulate a graph based on their decision-making
 6. Compare historic money relative to the value of various goods.
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TIME REQUIRED: 60 minutes

MATERIALS:

- Visual 1 – Money in History
 - Visual 2 – Characteristics of Money
 - Handout 1 – Forms of Money Decision Grid
 - Handout 2 – More Money in History
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PREPARATION:

- Make copies of Handout 1 for each student, two pages or front and back.
 - Make copies of Handout 2 for each student, two pages or front and back.
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ESSENTIAL QUESTION:

What makes money a medium of exchange?

PROCEDURE:

1. Ask students to name forms of money that are used today and record them on the board. (*Answers will vary, but may include cash, coins, credit cards, debit cards, phone apps, watch apps, cryptocurrency, etc.*)
2. Ask students to share why those items are effective forms of money. (*Answers will vary, but may include because stores accept them, because they are easy to use, because they are available, etc.*)

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3. Explain that **money** is anything widely accepted in exchange for goods and services and that there have been many forms of money throughout history.
4. Tell students that before universal forms of money existed, individuals used **barter**, which is trading goods and services without using money.
5. Ask students to imagine they lived in earlier times before common forms of money existed. Ask them the following questions:
 - What items of value do you think were used for barter in those days? (*Answers will vary and may include a variety of items the students feel have value, such as food products, tools, or decorative items.*)
 - Did items used for barter differ by country or amongst different cultures around the world? (*Answers will vary and may include yes, different cultures used items that were available to them, different countries had different goods and services they could offer for trade, etc.*)
6. Display Visual 1 – Money in History and explain that the items pictured are examples of goods that were used as money throughout history.
7. Explain that Native Americans and nomadic tribes used arrowheads for money, Arab traders used cowrie shells, and tea was used throughout many parts of Asia as a form of currency.
8. Invite students to share if they are aware of any other goods that were used for bartering or as a form of money in history.
9. Display Visual 2 – Characteristics of Money and tell students that universal forms of money have certain characteristics, or features, that make it suitable for use as money.
10. Review the six money characteristics and their definitions, asking students to share why they think each is important.
 - Portable - easy to carry around; important to not weigh too much or be awkward to transport
 - Divisible – able to be separated or divided; important for creating change or money back
 - Durable - long lasting and useful over time; important not to fall apart or break easily
 - Acceptable - others are willing to exchange for items of value; important that others can use it or find value in it
 - Uniform – similar in size or shape; important that it is easy to identify and standardized
 - Limited in supply – scarce or not available in large quantity; important that everyone doesn't have as much as they want because it would lose its value
11. Tell students that they will work together in small groups to evaluate historic forms of money based on the six characteristics and answer questions about their decisions.
12. Distribute a copy of Handout 1: Forms of Money Decision Grid to each student and read the directions aloud.
13. Divide students into collaborative groups and ask that they work together to complete the decision grid and the questions that follow.
14. Let students know they will have approximately 15 minutes to complete the handout and they should be prepared to share their responses with the class.
15. Refer to Handout 1 Answer Key and ask students the following questions as a wrap up to the activity.
 - What other goods did your group add to the decision grid as possible forms of money?
 - Which goods received the highest total on your group's decision grid? Why?
 - Did your group find it difficult to agree on decisions? Why or why not?
 - Why have forms of money evolved over time?
 - Based on the graph your group created, which forms of money are poor choices?
 - If the supply of money was unlimited, how might this affect the goods and services you buy? (*Grades 6-8 only*)
 - How might your decisions impact the sellers of those goods and services? (*Grades 6-8 only*)
16. Tell students that although the goods in the activity were once used as a form of exchange, they didn't meet all the characteristics that make money easy to use in the buying and selling of goods and services.
17. Explain that money used today, referencing examples shared in the beginning of the lesson, has been agreed upon as a medium of exchange between buyers and sellers because it meets the six characteristics.
18. Discuss the following questions as review:
 - How do we define money? (*Answer: It is anything widely accepted in exchange for goods and services and should meet six characteristics of portability, divisibility, durability, acceptability, uniformity, and be limited in supply*)
 - What are some examples of earlier forms of money? (*Answers may vary, but could include food products, animals or animal products, tools, or decorative items*)

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- How did people exchange goods and services before money? (*Barter*)
 - What can historical forms of money tell us about different cultures or countries? (*Answers will vary, but may include that different items were valued amongst various cultures, that availability of certain goods differs by geographic location, that individuals throughout history have always exchanged goods/services for goods and services they need or want, etc.*)
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ASSESSMENT:

Distribute a copy of Handout 2: More Money in History. Ask students to review the images of additional forms of historical money and to complete the questions that follow to demonstrate understanding of the concepts in the lesson.

CONTENT STANDARDS:

Voluntary National Economic Standards

Content Standard 1: Scarcity - Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.

Content Standard 2: Decision-Making - Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something; few choices are “all or nothing” decisions.

Content Standard 5: Trade - Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations.

Content Standard 11: Money and Inflation - Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services. The amount of money in the economy affects the overall price level. Inflation is an increase in the overall price level that reduces the value of money.

Common Core Standards

ELA-Speaking and Listening

Comprehension and Collaboration

- Grade 5 - Engage effectively in a range of collaborative discussions (one-on-one, in groups, and teacher led) with diverse partners on grade 5 topics and texts, building on others' ideas and expressing their own clearly.
- Grade 6 - Engage effectively in a range of collaborative discussions (one-on-one, in groups, and teacher led) with diverse partners on grade 6 topics, texts, and issues, building on others' ideas and expressing their own clearly.
- Grade 7 - Engage effectively in a range of collaborative discussions (one-on-one, in groups, and teacher led) with diverse partners on grade 7 topics, texts, and issues, building on others' ideas and expressing their own clearly.

ELA-Language

Vocabulary Acquisition and Use

- Grade 6 - Determine or clarify the meaning of unknown and multiple-meaning words and phrases based on grade 6 reading and content, choosing flexibly from a range of strategies.
- Grade 7 - Determine or clarify the meaning of unknown and multiple-meaning words and phrases based on grade 7 reading and content, choosing flexibly from a range of strategies.

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VISUAL 1: MONEY IN HISTORY



Fish Hook



Gemstones



Tea



Cowrie Shells



Cattle



Arrowheads



Farm Tools



Wampum

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VISUAL 2: CHARACTERISTICS OF MONEY

- Portable - Easy to carry around
- Divisible - Able to be separated or divided
- Durable - Long lasting and useful over time
- Acceptable - Others are willing to exchange for items of value
- Uniform – Similar in size or shape
- Limited in supply – scarce or not available in large quantity

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HANDOUT 1: FORMS OF MONEY DECISION GRID (PAGE 1 OF 2)

Directions: Using the table below, evaluate each form of money in the first column by comparing it to each characteristic of money in the top row. Use a plus sign (+) if the money form meets the characteristic or a minus sign (-) if it does not. Add the pluses and minuses across each row to calculate the total sum in the column labeled 'Total'. Then answer the questions that follow.

Forms of Money	Characteristics of Money Decision Grid						TOTAL
	Portable	Divisible	Durable	Acceptable	Uniform	Limited in Supply	
Arrowheads							
Baskets							
Cattle							
Cowrie Shells							
Farm Tools							
Fish							
Gemstone							
Grain							
Raw Metal							
Tea							
Wampum							

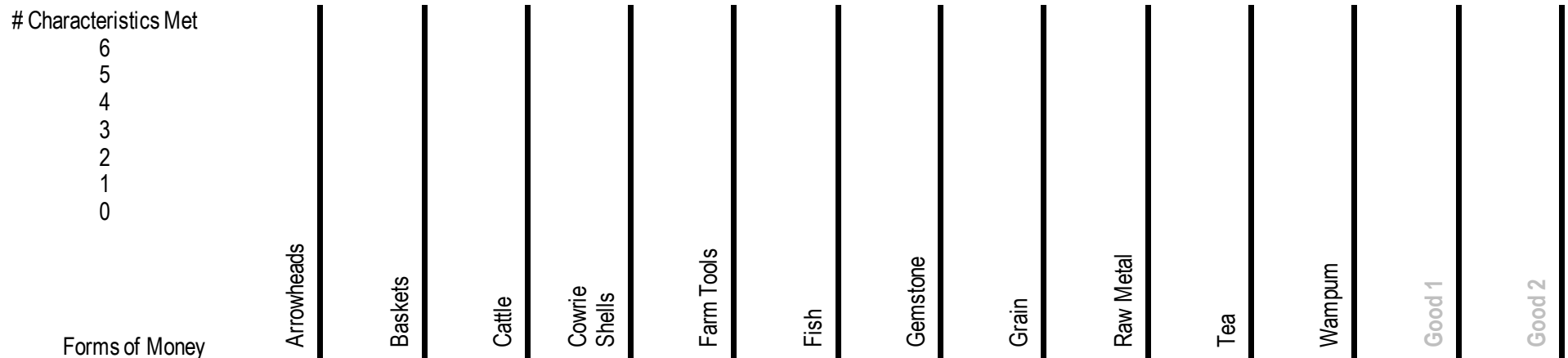
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- Aside from the forms of money in the decision grid, identify two other goods that could be used as money and that meet two or more of the six characteristics of money. Add each good in the spaces provided below and evaluate which characteristics they meet.

Forms of Money	Characteristics of Money Decision Grid						TOTAL
	Portable	Divisible	Durable	Acceptable	Uniform	Limited in Supply	
Good 1							
Good 2							

- Why do you think types of money have changed over time?
- If the supply of money was unlimited, how might this affect the goods and services you buy? How would your decisions impact the sellers of those goods and services?
- Use the template below to create a graph of the totals from the Characteristics of Money Decision Grid. Include the two additional goods you identified.



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HANDOUT 1 ANSWER KEY

Money Decision Grid – *Responses will vary*

1. Aside from the forms of money listed in the table above, identify two other goods that could be used as money and that meet two or more of the money characteristics. Add each in the space provided in the decision grid and then calculate the totals. *Responses will vary*
2. Why do you think types of money have changed over time? *Answers may vary, but may include technology has evolved, we have found goods that meet more of the characteristics, people have moved and adopted new practices, etc.*
3. If the supply of money was unlimited, how might this affect the goods and services you buy? How would your decisions impact the sellers of those goods and services? *Answers will vary, but may include I would buy as much as I want of everything I want, the items I might want to buy might be unavailable due to demand, sellers might have to increase prices to manage their supply, etc.*
4. Use the template below to create a graph of the totals from the Characteristics of Money Decision Grid. Include the two goods added to the grid. *Answers will vary*

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HANDOUT 2: ASSESSMENT - MORE MONEY IN HISTORY (PAGE 1 OF 2)



1. Pick three goods pictured above and compare each to the six money characteristics below. Calculate the total sum for each.

Forms of Money	Characteristics of Money Decision Grid						TOTAL
	Portable	Divisible	Durable	Acceptable	Uniform	Limited in Supply	
Good 1							
Good 2							
Good 3							

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HANDOUT 2: ASSESSMENT - MORE MONEY IN HISTORY (PAGE 2 OF 2)

2. Choose a different good than the three selected in the table and write it here.

3. In what area of the world do you imagine this good was used as a form of money? Why?

4. What group of people might have used this item as a form of money? Why?

5. Pretend you are living in the place and time that historic forms of money were used. Your family needs certain goods, and you only have these previous forms of money to exchange. For each item below, indicate the quantity you think you would need for each exchange and explain your response.
 - 1 pound of salt = _____ gold nuggets Explanation:

 - 24 raw eggs = _____ yap stones Explanation:

 - 5 medicinal herb plants = _____ nails Explanation:

 - 2 stacks of firewood = _____ velvet marks Explanation:

 - 3 bushels of wool = _____ whale teeth Explanation:

Images source: <https://www.atlantafed.org/about/tours/story-of-money.aspx>