



Money versus Barter Systems

What would happen if all of the world's coins and notes suddenly disappeared?

Before the invention of coins and notes, people used to swap or 'barter' the goods they owned for things they wanted. For example, you might own chickens, while a nearby farmer grows tomatoes. You decide to swap two of your chickens for a sack of tomato seeds. Ancient forms of money included cattle, jewellery, pottery, grain, barley, clothing, perfume, oil, furniture, tools, beautiful shells, weapons, precious stones, metals and other items that people needed or wanted.

Even after 'money', as we know it, went into common use, there are still situations in which people have gone back to bartering. For example:

Hyperinflation

Before the start of World War I in 1914, Germany was a wealthy nation. The German currency, the Mark, was roughly equal in value to other major European currencies at the time, such as the British Shilling and French Franc.

After Germany's defeat during the war, the value of the Mark fell drastically so that millions of Marks were needed to equal the value of the British Shilling. Thousands of Marks were needed to buy even a loaf of bread. German currency soon became worthless, as it couldn't 'buy' very much. People moved away from using it and started to barter with goods. They got hold of any items they could in order to have something with which to swap or barter.

Culture or tradition

In some cultures people have used a barter system for thousands of years. This is particularly common in poor, rural areas where coins and notes are scarce. In some villages in Africa, for example, villagers exchange their own goods with other villages in order to get other things that they need.



DISCUSSION

What would be the advantages and disadvantages of using a bartering system rather than money?

- In what ways might a barter system work well?
- What might make it difficult to use?
- What else could be bartered other than goods (e.g. skills or services)?

Activity 1

Research more details about the hyperinflation in 1920s Germany.

- What happened?
- Why did it happen?
- How did it affect people's lives?

Write a 1920s-style newspaper report showing these effects and capturing the mood of the population.

Activity 2

Complete a similar research exercise using modern day examples of hyper-inflation. Find current news articles that are covering the issue and discuss the various causes and consequences.