

Vivekanand College, Kolhapur (Autonomous)

Department of Economics

Subject- Business Economics (Macro)

Topic- Money: Meaning, Evolution and Functions

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Money






Money: Meaning, Evolution and Functions

Barter System-

- In the most elementary state, exchange was conducted through barter.
- Means, goods were directly exchanged for goods.
- But as society became more civilized people started experiencing the difficulties and inconveniences of the barter system.

Difficulties of the Barter System-

- Lack of double coincidence of wants.
- Lack of a common measure of value.

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- Difficulty of sub-division
 - Lack of store of value
 - Lack of standard of deferred payment

Evolution of Money-

- To overcome above difficulties and inconveniences, men thought of replacing the barter system by some other convenient method of exchange.
- This resulted in the invention of money.
- Money in its present form has passed through several stages and evolved over a period of time.
- Those are animal money, commodity money, metallic money, paper money, credit money/ plastic money.



Definitions of money

Walker – “Money is what money does”.

Hartley Withers- “The stuff with which we buy and sell things”.

Seligman- “Money is a thing that possesses general acceptability”.

Functions of Money-

A. Primary Functions

B. Secondary Functions

C. Contingent Functions



Functions of Money-

A) Primary Functions-

- 1) Medium of Exchange
- 2) Measure of value

B) Secondary Functions-

- 1) Standard of Deferred payment
- 2) Store of Value

C) Contingent Functions-

- 1) Distribution of National Income
- 2) Basis of credit system
- 3) Transfer of value