



Bartering

Barter is a type of **trade** where goods or services are exchanged for a certain amount of other goods or services; no money is involved in the transaction. It can be bilateral or multilateral as trade. It is a word frequently used as a synonym for 'negotiate/negotiation', but this usage is incorrect. A common form of barter during colonial times was tobacco. Also bushels of grain and wampum were popular forms.

Barter trade is common among people with no access to a cash economy, in societies where no monetary system exists, or in economies suffering from a very unstable currency (as when hyperinflation hits) or a lack of currency.

A disadvantage of using bilateral barter is that it can depend upon a mutual coincidence of wants. Before any transaction can be undertaken, each party must be able to supply something the other party demands. To overcome this mutual coincidence problem, some communities have developed a system of intermediaries who can store, trade, and warehouse commodities. However, the intermediaries often suffer from financial risk.

To organize production and to distribute goods and services among their populations, many pre-capitalist or pre-market economies relied on tradition, top-down command, or community democracy instead of market exchange organized using barter. Relations of reciprocity and/or redistribution substituted for market exchange. Trade and barter were primarily reserved for trade between communities or countries.

Barter becomes more and more difficult as people become dispossessed of the means of production of widely-needed goods. For example, if money were to be severely devalued in the United States, most people would have little of value to trade for food (since the farmer can only use so many cars, etc.)

In finance, the word "barter" is used when two corporations trade with each other using non-money financial assets (such as U.S. Treasury bills). Alternatively, the standard definitions of money could be seen as being too narrow and needing to be expanded to increase near-money assets.

From Wikipedia, the free encyclopedia

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Historical Development (of Money)

Before the invention of money, trade and commerce were accomplished through the barter system, the trading of one type of goods for another. Three major problems are associated with the barter system. First, trade can occur only if each of the trading parties has something the other wants. Second, the purchase and sale transactions cannot be separated, but must be simultaneous. The sale or purchase of goods cannot be deferred. The third major problem relates to perishable goods. If the owner of perishable goods cannot trade those goods immediately, they soon lose their value.



Mediums of Exchange

Something that would be considered valuable at any time was needed to solve these problems; that is, a universal medium of exchange or a commodity to make it possible to express the value of all other items.

Over the centuries many items have served as mediums of exchange. The American Indians used beads made from shells, called wampum. Early colonists of North America at one time used tobacco. Cigarettes and liquor were used in Germany immediately after World War II because of the extremely low value of the official currency. Fur pelts, whale teeth, grain, salt and livestock are but a few of the other commodities that, at one time or other, have been used as mediums of exchange.

Metals eventually became the prevailing medium of exchange because of their intrinsic and relatively stable value. When a purchase was made, an appropriate amount of metal, was shaved off an ingot as payment. It was from this use of metal as a medium of exchange that coins evolved.

Coins

Paper Money

Money, The Volume Library, A Modern, Authoritative Reference for Home and School Use, 1994, p.311-312, The Southwestern Company, Nashville, Tenn.

African Sculpture Unit

7th Grade Creative Arts

Reading Assignment

Name _____

Date _____ Class _____

Pre-reading for BARTERing Article

Notice the underlined sections of the reading. These terms will need to be defined for better understanding while reading. Look up the 6 words and write down the definition, and be ready to discuss the two underlined paragraphs. List any other words you don't know the definition of.

1 _____

2 _____

3 _____

4 _____

5 _____

6 _____

During Reading

Read whole paragraph for better understanding. Re-read if needed.

After reading

Answer the following prompts in complete sentences.

When bartering a transaction is made with no money exchanged, how is this fair/possible?

In paragraph 3, a ‘disadvantage is mentioned. Why is this important? How can this be solved? What is the risk?

In paragraph 5, the sentence ends with “since the farmer can only use so many cars, etc”, what does this mean? What does that have to do with bartering?

Historical Development of Money

Reading Assignment

Name _____

Date _____ Class _____

What is the Barter system?

List the 3 major problems with the barter system.

What does medium mean in this reading?

List examples of medium that have been used in history.

Why was metal used as a medium of exchange?
