

The Barter System

Chapter 11: From Barter to Money · Topic 1

Key Concept

In a barter system, if a farmer had extra grain and needed cloth, they would trade grain directly with someone who had cloth and needed grain.

A major problem with barter was the 'double coincidence of wants' - both people needed to want what the other had, making trade difficult and inefficient.

Barter also made it hard to trade unequal-value items, like exchanging a cow for a small amount of grain, since dividing a cow wasn't practical.

These difficulties eventually led to the development of money, which solved barter's problems by providing a common medium of exchange accepted by everyone.

Quick Revision Notes

- Barter is trading goods and services directly, without money.
- A farmer might trade grain for cloth.
- The double coincidence of wants was a major barter problem.
- Both parties needed to want what the other offered.
- Barter made trading unequal-value items difficult.
- A cow couldn't easily be divided for a small trade.
- These problems led to the development of money.
- Money solved barter's inefficiencies.

Practice Questions

- 1 Give an example of a barter trade you could imagine.
- 2 Discuss why barter is inefficient compared to money.
- 3 Explain the double coincidence of wants in your own words.
- 4 Research a community that still uses barter today.
- 5 Compare barter and modern money-based trade.
- 6 Discuss why dividing a cow for trade wouldn't work.