

MONEY

Money is really anything that people use to pay for goods and services and to pay people for their work. Historically, money has been taken different forms in different culture- every thing from salt, stones, beads of gold, silver, copper coins and recently in the form of currency is being used in our society. Actually the money needs to be widely accepted by both buyer and seller in order to be useful.

BARTER AND THE DOUBLE COINCIDENCE OF WANTS.

To understand the influence of money, we must consider what the world would be like without money. How would people exchange goods and services? Economies without money typically engage in barter system.

Barter-literally means one goods and service for another. It is highly inefficient to coordinate the trades in a modern Advanced Economy . In an economy without money, an exchange between two people would involve in a double coincidence of wants, a situation in which two people, Each want some goods or services that the other person can provide. For example Mr. A wants a pair of shoes, he must find a shoemaker, who has a pair of shoes in the required size and not only this but the shoemaker is willing to exchange the shoes of Mr. A's choice with the thing what Mr. A has with him at that time. Such a trade is likely to be very difficult to arrange. Think about the complexity of such trade .