



Financial Literacy with Mr. 401(k)  
Spring Term 2026  
March 12, 2026

# Foundations of Money

## Class 2: What Is Money? A Historical and Functional Perspective



# What is Money?

Seriously – stop and think about it. What is money?



# Brief Perspective on Monetary History

- 300 **thousand** years ago – First Homo Sapiens develop
- 7,000 years ago – Earliest known human civilization; monetary accounting records discovered in Mesopotamia.
- 2,700 years ago – First coins were minted
- 2,026 years ago – Modern calendar era starts
- 113 years ago – U.S. Federal Reserve Act becomes law; establishes modern banking
- 55 years ago – Gold stops backing the U.S. Dollar; modern fiat currency emerges
- 17 years ago – Bitcoin digital money begins

# Visualizing How Long Modern Humans and Money have Existed



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**300,000 Years**

Money did not exist for **97.7%** of modern human history!

**2.3%**

of Modern Human History

7,000 Years Ago, Civilizations Develop and Humans Begin Using Money

**Modern Humans Developed**

**Present Day**



## *Class Discussion*

*Why did it take  
so long for  
modern humans  
to develop  
money?*

# Development of Human Civilization:

## Nomadic Hunters / Gatherers to Nations & Global Commerce



### Hunters / Gatherers

Early humans were nomadic, hunting and gathering for survival in families and tribes. Resources were shared within the tribe. “Favors” may have been money.



### Communities and Barter

Humans developed farming techniques, settling into villages that grew into larger communities. **Specialization led to barter. Early commodity money developed.**



### City States and Trade

City states emerged. Barter was too inefficient for trade to scale. **Governments minted coins** from precious metals like silver and gold, which were scarce.



### Nations and Commerce

Global commerce requires fast settlement. Gold was too inefficient. Telecommunications enabled ledgers to be updated same-day across the globe. **Fiat currencies emerge.**



## *Class Discussion*

*What do people  
do with money?*

# Money is a Choice:

Spend money now or save money for use later



**Spend it now**  
Current Consumption



**Save it for later**  
Deferred Consumption



## *Class Discussion*

*Why do people  
need to spend  
some of their  
money?*



## *Class Discussion*

*Why do people  
need to save  
some of their  
money?*

# Why People Need to Spend and Save



## Spend Money

Humans have specialized their work. We get our **needs** (ex. food or shelter) and **wants** (ex. entertainment) from others.



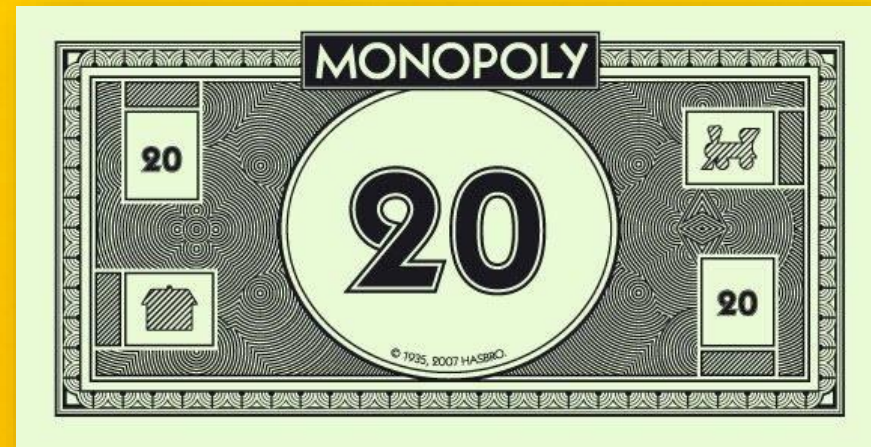
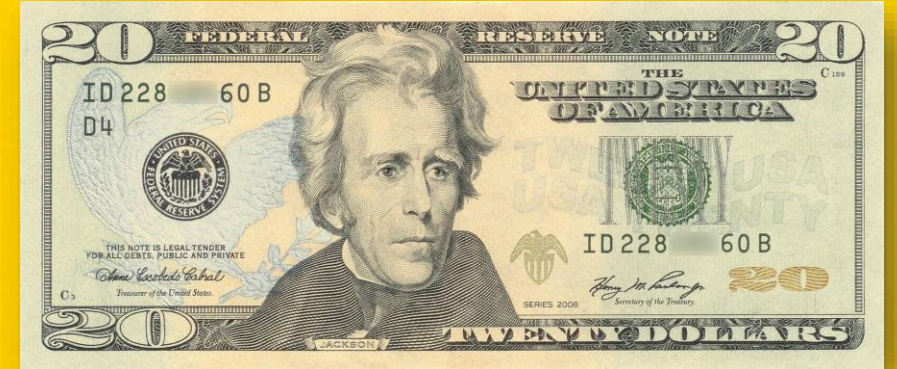
## Save Money

The future is uncertain (ex. sickness or wars). Saving value for the future reduces risks of these uncertainties, giving us the option to spend the savings later.

# Class Discussion

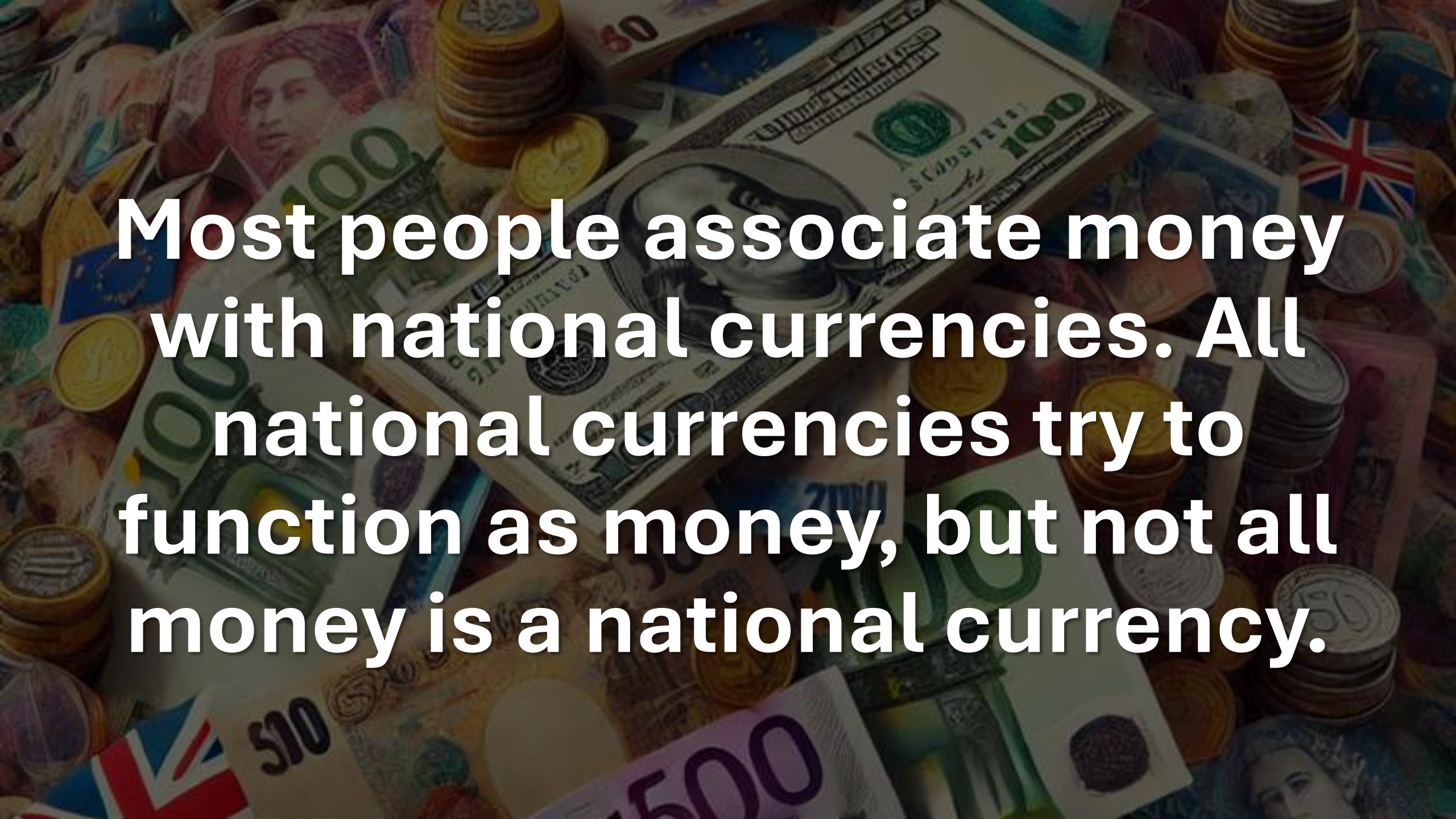


Why do we value this? →



But not this?



A collage of various national currencies including US dollars, British pounds, and Euro banknotes and coins. The image is a dense collection of different banknotes and stacks of coins from various countries, including the United States, the United Kingdom, and the Eurozone. The currencies are scattered across the frame, with some banknotes and coins clearly visible, such as a 100 US dollar bill, a 50 British pound note, and a 500 Euro note. The overall composition is a rich, textured background of money.

**Most people associate money with national currencies. All national currencies try to function as money, but not all money is a national currency.**

# Examples of Money Used in Human History



**Beads**



**Bitcoin**



**Buttons**



**Credit / IOU**



**Currencies**



**Gemstones**



**Gold**



**Oil**



**Seashells**

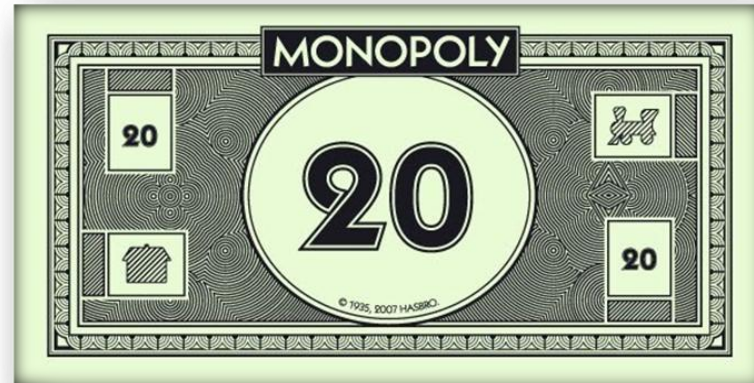


**Tobacco**

# The Form of Money is Arbitrary



If we agree this is money, then it is money.



If we agree this is money, then it is money.



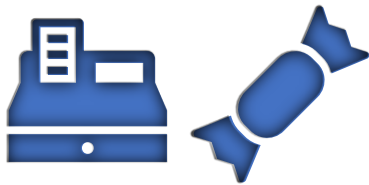
**However, Not All  
Forms of Money  
are Sound Money.**



## *Class Discussion*

*What makes  
some forms of  
money sounder  
than other  
forms of  
money?*

# The Three Functions of Money

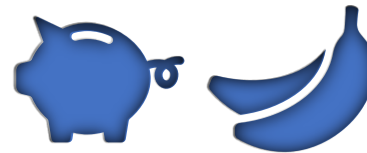


## Medium of Exchange

People can trade it in exchange for goods, services, and information

**Example:** Without money to buy candy you'd have to barter for it.

**Characteristics:** acceptability and portability



## Store of Value

Value is reasonably stable and purchasing power is not quickly lost over the passage of time

**Example:** Imagine bananas are money. Can they hold value long?

**Characteristics:** durability and scarcity



## Unit of Account

Financial accounts and valuation amounts are denominated in monetary units

**Example:** Money lets us compare the price of different headphones.

**Characteristics:** divisibility and fungibility

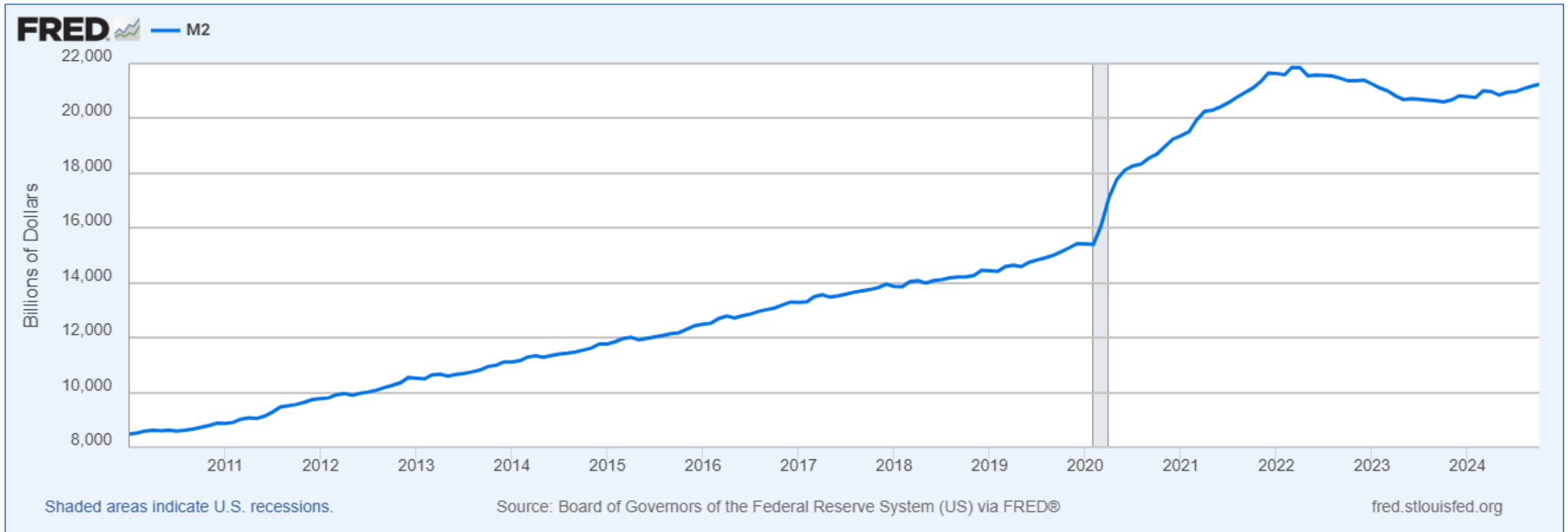


## Class Discussion

If the supply of money in a society rapidly increases, what might happen to the value of money?

# The U.S. Money Supply

Since 2010, the U.S. Money Supply has increased by **~170%**



M2 is a measure of how much “ready-to-use” money is available in the economy. M2 is a category of money that includes all the cash people have on hand, the money in their checking and savings accounts, and other types of accounts that are easy to turn into cash.

# This is How Your Instructor Thinks of Money



## **A Ledger**

to keep track of how much money exists and who owes how much money to whom.



## **A Tool**

to facilitate commerce and support people's needs to spend and to save.

# Money Mavericks

**Objective:** Discuss different forms of money. Consider each form of money's function as a **medium of exchange**, a **store of value**, and a **unit of account**. Which form of money do you consider the best? Why?





# Three Key Takeaways

1. Money has only been around for 7,000 years of the 300,000 years that modern humans have existed.
2. Money emerged to satisfy human needs to spend and to save.
3. Money functions as Medium of Exchange, Store of Value, and Unit of Account.



## Where to Learn More

- Article: [What is Money, Anyway?](#) by Lyn Alden
- Article: [What is Money: Examining Its Role in Society](#) by Petros Koumantaros
- Book: [Broken Money](#) by Lyn Alden

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Teaching young people how  
money really works

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