



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



Visualizing How Long Modern Humans and Money have Existed



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.



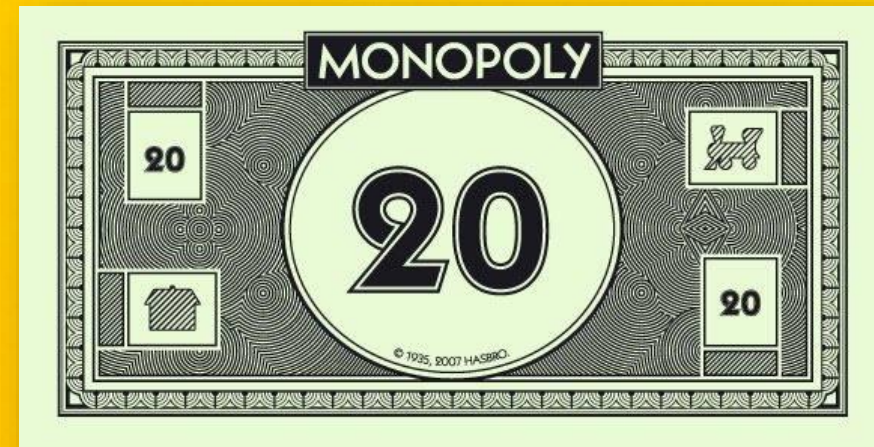
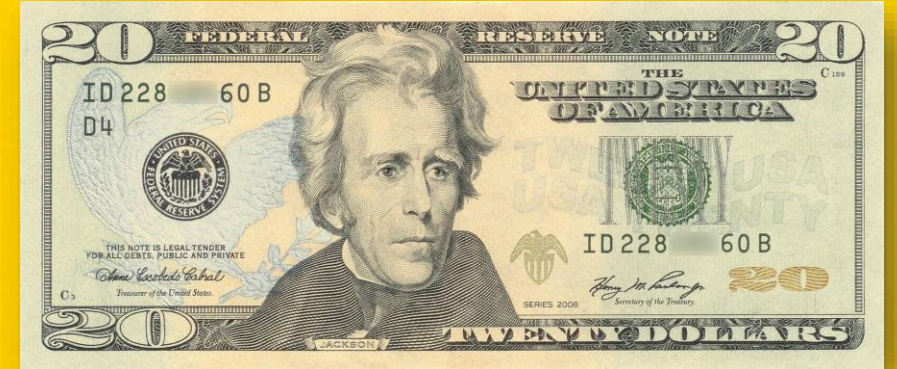
Save Money

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

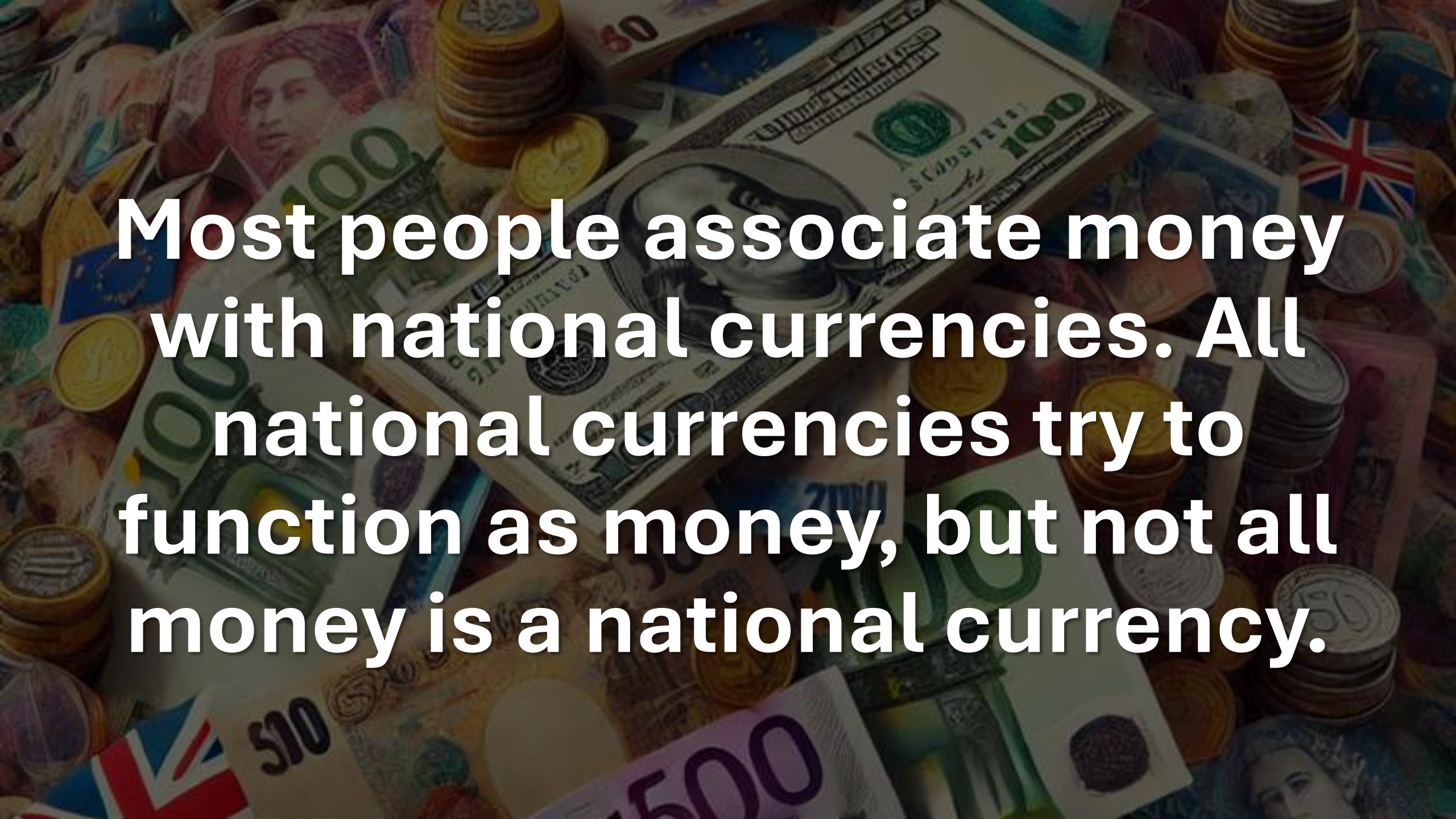


Why do we value this? →



But not this?





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

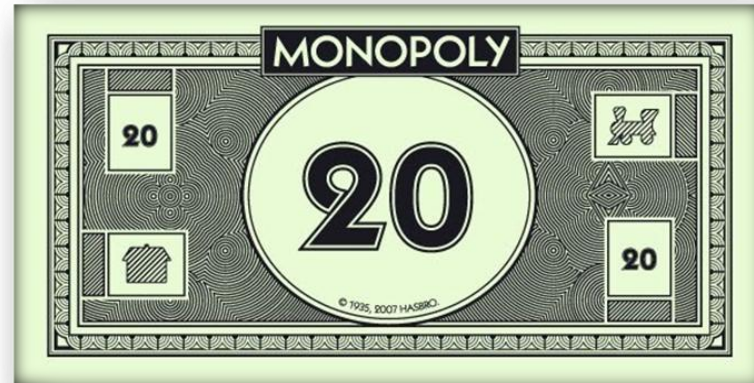


Tobacco

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.



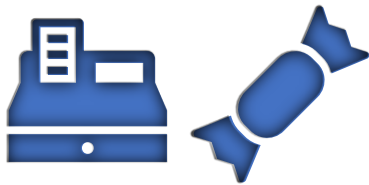
**However, Not All
Forms of Money
are Sound Money.**



Class Discussion

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

The Three Functions of Money

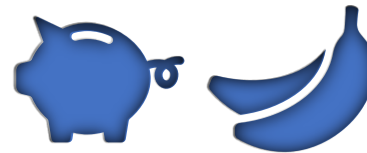


Medium of Exchange

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

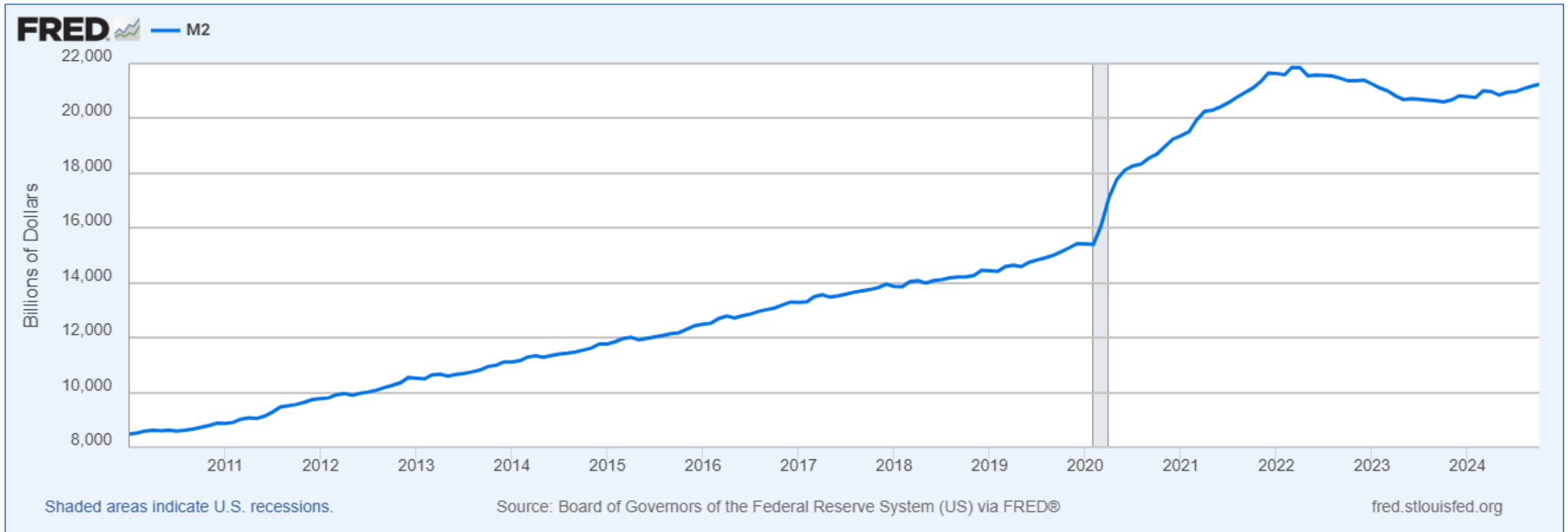


Class Discussion

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 250%**



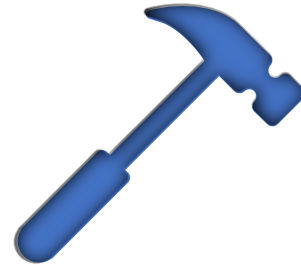
M2 is a measure of how much “ready-to-use” money is available in the economy. M2 is a category of money that includes all the cash people have on hand, the money in their checking and savings accounts, and other types of accounts that are easy to turn into cash.

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