

## BARTER SYSTEM AND THE USE OF MONEY

*People have always exchanged things with each other. There are many ways of doing this. Can you give an example of how exchange can be carried on without the use of money?*



Fig. 1 Jowar for mangoes

### Trading Without Money: Some Examples From Our Society

*In our society most things are traded for money. But there are also some things which are exchanged without the use of money. In the picture above, Mohan has come with some jowar to Dheeraj Kaka to buy some mangoes. Kaka made two equal heaps of the jowar. He gave Mohan a few mangoes that together weighed as much as one of the jowar heaps. Mohan took the mangoes home and Kaka kept both the heaps of jowar. Thus jowar acted as the medium of exchange. In rural areas the use of grain as a medium of exchange for other goods is a common practice. The rate at which the mangoes were exchanged was - 'half as much as the grain'. There can be other rates too, such as 'equal to the grain'. This system of exchanging goods directly against each other without the use of money is called the barter system.*

*The village blacksmith mends the blades of farmers' ploughs and fixes metal rims on the wheels of their carts. The blacksmith is not paid in cash for this. A fixed amount of grain from every harvest is given to him. There is a traditional rate of how much should be given for each plough or cart owned by the farmer. People know that the tradition will be continued and the blacksmith does whatever is expected of him without asking directly for money.*

- *Have you heard of any such ways of exchange without money? Have you ever bought anything like this with grain or old clothes or waste plastic, etc? Or been paid with grain or other things for some work you may have done? Discuss.*
- *How was the rate of exchange decided? Make a list of such exchanges.*



Fig. 2 A potter getting cloth and grain in exchange for his clay elephant.



Here is another example of traditional ways of calculating the terms of an exchange. Among the adivasis of Bilaspur there is a custom of an elephant puja during weddings. The 'elephants' that are worshipped are actually made of clay. A picture of one such elephant is given above. The elephants can be of different sizes, big and small.

The potter has to do a lot of work to make these elephants. What does he get in return? Grain and cloth. But the question is how much should he get for each elephant?

The body of the elephant is hollow and there is a hole in its back. The family in which the wedding is taking place is supposed to fill up the inside of the elephant with grain. And also cover up the entire elephant with new cloth. This grain and cloth is what the potter gets in exchange for his work in making the elephant. The bigger the elephant the more is the grain and cloth. This is one traditional way of deciding what the payment for the elephant would be.

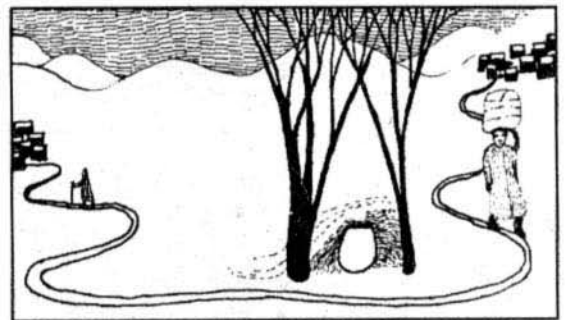
### Exchange Without Money: Examples from Other Societies

Exchange without money is not unique to our society. Examples of it can be given from many other societies. An interesting form of exchange used to take place between the people living in Siberia in the north-east of Russia and the people of Alaska. Look at the pictures given below and on the next page.

These people were sworn enemies of each other. So they avoided going in front of each other lest a fight break out. But both still needed to get essential goods from each other. Let us see how



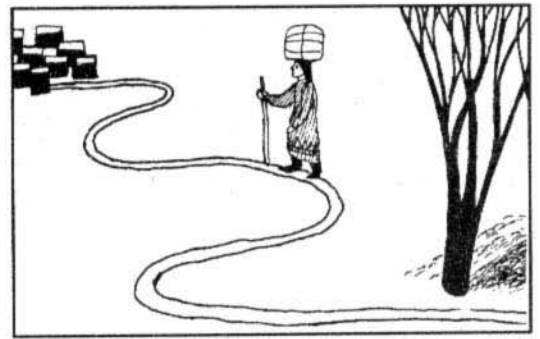
1. A woman carried a pot from her village along a snowy path. The pot was filled with goods.



2. She kept the pot at a certain place and returned.



3. From the enemy village a man arrived with a bundle of goods. He put down the bundle and returned home with the pot.

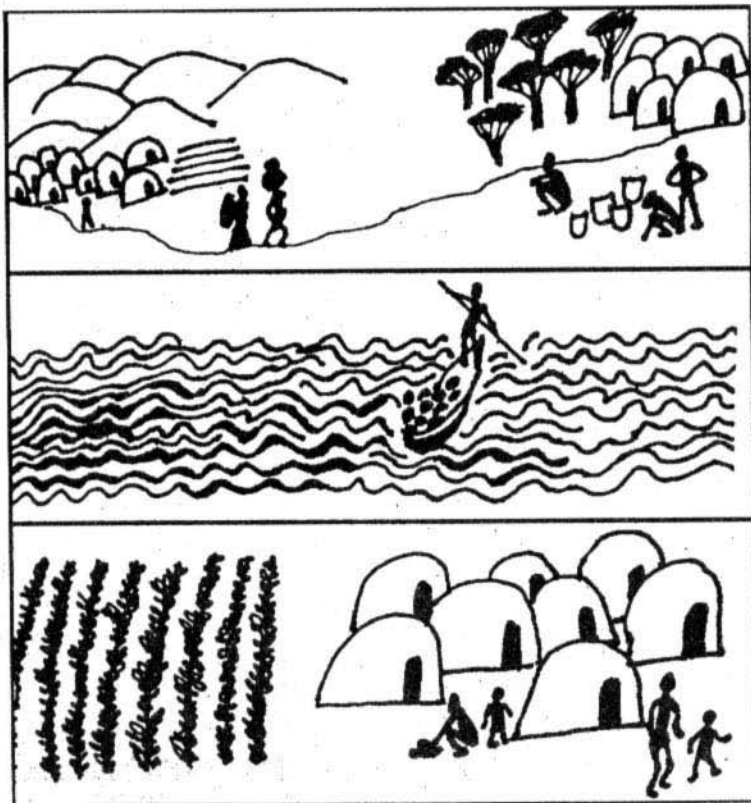


4. The next day the woman came and carried the bundle to her own village.

they managed to exchange goods without ever coming face to face with each other.

This way an exchange took place between two quarreling villages. Our second example is about exchanges that involve several villages.

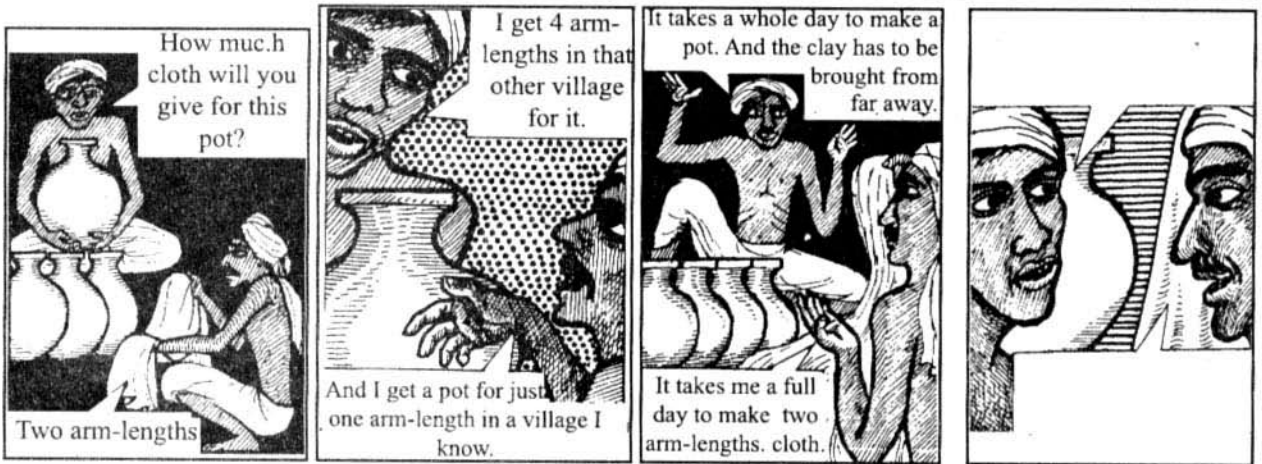
*There is a village that is located high in the lap of hills. The people of this village hunt for game in the hill forest. They preserve meat by smoking it. The extra smoked meat that they have is taken to another village which lies on the banks of a river in the plains. There it is exchanged for sweet potatoes. However, the people of this second village do not actually grow those sweet potatoes themselves. They are grown by the people of a third village which is located across the river. They are obtained from the third village in exchange for fruits like watermelon, bananas, papayas, etc. Such an exchange can circulate things between several villages. This way the exchange can go from one village to a second, to a third and so on.*



## PROBLEMS IN EXCHANGING THINGS WITHOUT MONEY

The three villages above have developed a convention of how much meat is to be exchanged with how many sweet potatoes and how many bananas a certain amount of sweet potatoes will fetch. But before such a tradition comes into place there can be a lot of bargaining to decide the rate of an exchange. In the picture strip here a potter is arguing with a weaver.

What do you think should be the final terms of exchange that they should settle for? Write what they would be saying in the last picture.



### "The Coming of Money": A skit

Come let us read about another kind of problem and how this could be solved, through the skit presented below.

**Ravindra** (*Enters pulling behind a child acting as a goat*): "Jaggery! Jaggery! I want jaggery for my goat!" (*Sits down*).

**Gajanan** (*Enters*): "Friend, please sell that goat to me."

**Ravindra** (*Goes to him*): "Do you have jaggery? I want jaggery in exchange for my goat."

**Gajanan**: "Here, I have this nice big brass pot. Take it, it will come in handy for weddings or funerals."

**Ravindra**: "No, thanks. My children are already married and settled. I have no use for vessels this big."

*Gajanan sits down.*

*Ravindra begins walking in circles, pulling his 'goat' behind him.*

**Ravindra**: "Stupid goat. I can't even get jaggery for you."

*Goat tries to hit Ravindra with its head.*

*They keep walking.*

**Shabnam** enters: "A pot! I want a huge, big brass pot! Take my jaggery for a pot."

**Ravindra** (*going to her*): "Give me your jaggery and take my goat in exchange."

**Shabnam**: "What will I do with your smelly old goat? What I want is a big brass pot."



Goat now tries to hit Shabnam with its head. Ravindra pulls the goat away.

Ravindra looks very unhappy and goes and sits in a corner.

Shabnam wanders about and stumbles across Gajanan.

**Shabnam:** "Aha, just the kind of pot I wanted! Please sell me your pot and take my jaggery for it."

**Gajanan:** "No, no, what I want is a goat and not jaggery."

	Ravindra	Gajanan	Shabnam
Wants to buy	Jaggery	Goat	Brass Pot
Wants to sell	Goat	Brass Pot	Jaggery

As a result none of them - Ravindra, Gajanan, Shabnam - is able to get what they want. There is confusion all around and everybody is unhappy.

- Look at the table above and say why no two people are able to strike a deal with each other.

Then a person enters and says: Stop! Everybody sit down!

Everybody sits down.

**New person:** I have the solution to your woes. I have something you have never seen before. It is called 'money'. Anybody can make a deal with me. Here are my coins. You must first trust me and my money.

**All three:** What will we do with these coins? What we want are the goods that we need.

**New person:** Please calm down, you will get what you desire.

Now Ravindra goes to the bearer of money. He sells the goat and is given some money in exchange for it. Then Gajanan goes and sells his pot for money. Finally Shabnam goes and gets coins in exchange for her jaggery. Now the bearer of money has everything - the pot, the goat and the jaggery. Ravindra is called and given the jaggery in exchange for his money. In a similar way Gajanan gets the goat for his money and Shabnam returns her money to get the pot she wanted. In the end everybody has what he or she wanted and the money is back with the person who brought it here.

A deal which had gotten stuck was thus made possible with the use of money. When people who were exchanging things saw that they could do this exchange more easily with the help of money then a lot of problems got smoothened over. This is the reason why you need a medium for exchanges to take place. Nowadays money is that medium. But long ago that medium used to be sea-shells (cowries) or grain.

- Why was the exchange getting blocked in this skit?
- How did the use of money make exchange easy?
- You read about some examples of exchange without money in this chapter. Discuss instances of such exchange that you see happening around you. If all exchanges were to take place without money then several problems would rise. Explain this with two examples.

From the skit we understood how the use of money makes things easier. If a lot of people are participating in exchanges with each other then they need to have a common medium for the exchanges. Money acts as that medium.

- *You read the lesson "Interdependence" in class 6. Try to recall what was written in that lesson.*
- *How does being dependent on one another lead to the need for exchanges?*
- *Can people from distant areas be dependent on one another without the use of money? Discuss in your class.*

Exchange without money continues to be seen even today, but it is less common than it used to be. Money is used everywhere now. It takes several forms - currency notes, coins and bank accounts. To make exchanges take place even more easily new forms of money are being created. Next year you will read about the work of a bank and how banks can help in exchange.

### EXERCISE

1. How is the 'price' of something fixed when no money is being used?
2. Compare the figure 2 on page 137 with the picture story on pages 137-8 and describe the differences <sup>in</sup> them.
3. How does the use of money make it easier to exchange things? Explain.
4. Suppose that there is no medium of exchange in a place. The people of that place want to start using something as the medium of exchange. Somebody suggests that the seeds of the tamarind tree can be used for exchange. Somebody else suggests that coins of silver be used as the medium of exchange. What do you think should be chosen out of these two? Explain with reasons.
5. In an exchange of pots with animals, how could the use of money be helpful?
6. If the use of money were to be stopped today then what problems would your family face? Write this in five sentences.
7. Act out the skit discussed in the chapter "The coming of money".
8. What is essential for barter deals? If this method were to be used in a widespread manner among many people and with many goods what kind of problems do you envisage?