e-notes of Economics

By,
TANYA
Assistant Professor (Guest Faculty)
Dept. of Economics
D.K. College, Dumraon.

Date - 09/04/2021

B.A I Hons Paper - 02

Topic - Introduction to Money.

The term "money" has been defined in various ways. The term money is derived from the latin word or term "Moneta", on the other hand some scholars consider the term 'Pecunia' as the root of the term 'money'.

However whatsoever have been the ways of origin of money, it is an ultimate truth that 'money' is one of the greatest inventions of the world as it had provided a better measure of exchang as compared with the barter system in which goods or some services were exchanged in lieu of the services or goods consumed.

In the earliest days of civilization, goods were exchanged for goods. Money in the beginning was in form of commodities. In a later period, precious metals were used as money. Because of the inherent difficulties of metallic money, paper money was evolved.

Furthermore, with the

introduction of banking system, chequable bank accounts also served as a medium of exchange.

Definition of Money :-

There is ~~some~~ so much difference in opinions of scholars regarding the definition of money. Someone has based the definition of money on the universal acceptance, whereas someone else has taken its function as the central issue in the definition.

In the words of 'Crowther' money is "as anything that is generally acceptable as a means of exchange (i.e as a means of settling debts) and that at the same time acts as a measure and as a store of value."

Definitions of Money can be classified as follows on basis of their nature :→

Definitions of Money

- Definitions on basis of nature
  - Descriptive Definitions
    - Definitions based on common acceptance
- Definitions on basis of expansion
  - Definitions with narrow point of view
    - Definitions with broad point of views

Definitions based on the Nature of Money :-

(I) **Descriptive or Functional Definitions :-** this category includes definitions of those scholars who stated functions of money in their definitions.

(1) According to Crowther " Money is anything that is commonly used and generally accepted as means of exchange and at the same time acts as measure and store of value."

(2) According to Prof. Thomas, "It is a means to an end not for its own sake but as a means of obtaining other's article or commanding the service of others.

(3) According to Coulborn," Money may be defined as the means of valuation.

(II) **Definitions based on Common Acceptance :-**

It is an essential characteristics of money that is commonly accepted by the common people in return for the goods & services.
Some important definitions of this category are as →.

(1) According to Marshall, Money includes all those things which are at given time or place

generally current without doubt or special enquiry as a means of purchasing commodities or services and of defraying expenses."

(2) According to Robertson; "Money is anything which is widely acceptable in discharge of obligation".

(3) According to Seligman, "Money is one thing that possesses general acceptability."

(4) According to Prof. Keynes "Money itself is that by delivery of which debt contracts and price contracts are discharged and in the shape of which a store of general purchasing power is held."

(5) According to G.D.H. Cole "Money is simply purchasing power — something which buys things, it is anything which is habitually and widely used as a means of payment and is generally acceptable in the settlement of debts."

(6) According to Ely "Anything that passes freely from hand to hand as a medium of exchange and is generally received in final discharge of debts.