Chapter 11: From Barter to Money

Questions — Questions and Activities

Q1 How does the barter system take place and what kinds of commodities were used for exchange under the system?

SOLUTION

The barter system is a way of exchanging goods and services without using money.

How it works:
Two people who each have something the other wants directly exchange their goods or services. For example, if one person has an extra eraser and another has an extra pencil, they can swap. This requires a 'double coincidence of wants' — both parties must want exactly what the other has to offer.

Commodities used for exchange:
People used a wide variety of commodities as a medium of exchange, including cowrie shells, salt, tea, tobacco, cloth, cattle (cows, goats, horses, sheep), and seeds.

Unusual forms used in different parts of the world included giant stone discs called Rai stones on Yap Island in Micronesia, Aztec copper chopping knives (Tajadero) in Central Mexico, and red feather coils (Tevau) on the Solomon Islands.

Answer: In the barter system, goods and services are exchanged directly without money, requiring both parties to want what the other has (double coincidence of wants). Commodities used included cowrie shells, salt, tea, tobacco, cloth, cattle, and seeds, with unusual forms like stone discs, copper knives, and feather coils used in different parts of the world.

Q2 What were the limitations of the barter system?

SOLUTION

The barter system had several major limitations:

1. Double coincidence of wants: Both parties had to want exactly what the other was offering. Finding such a match was difficult.

2. Lack of a common standard measure of value: It was difficult to compare the

value of one good against another. If either party felt the exchange was disadvantageous, the deal would not happen.

3. Divisibility: Some goods could not be divided. For example, you cannot exchange only a part of an ox for a sweater.

4. Portability: Heavy or bulky goods like an ox or bags of wheat were difficult to carry from place to place.

5. Durability: Many goods used in barter, like wheat or other food items, could not be stored for long — they would rot or get eaten by rats. This created a problem of durability.

Answer: The barter system's main limitations were: (1) double coincidence of wants — both parties had to want each other's goods; (2) no common standard measure of value to compare goods fairly; (3) divisibility — goods like an ox cannot be split; (4) portability — bulky goods are hard to carry; and (5) durability — perishable goods like wheat cannot be stored for long.

Q3 What were the salient features of ancient Indian coins?

SOLUTION

Ancient Indian coins had several distinctive features:

1. Materials: They were made from precious metals such as gold, silver, and copper, or their alloys. These alloys made the coins strong.

2. Names: The coins were called karshapaṇas or paṇas.

3. Symbols (rupas): Symbols were punched onto the coins, called rupas. These symbols included nature motifs like animals, trees, and hills, as well as images of kings or queens and deities.

4. Obverse and reverse: The two sides of the coin — the head (obverse) and the tail (reverse) — carried different symbols and motifs. For example, the coins of the Chalukyas had a Varaha image (an avatar of Vishnu) on one side and a decorated three-tiered parasol on the other.

5. Issued by rulers: Coins were issued by rulers for their kingdoms. Over time, the coins of powerful rulers came to be accepted across many kingdoms, facilitating wider trade.

Answer: Ancient Indian coins were made of gold, silver, copper, or their alloys; called karshapaṇas or paṇas; and bore symbols (rupas) on both sides — nature motifs, animals, rulers, and deities. For example, Chalukya coins showed the Varaha image and a royal parasol. They were issued by rulers and accepted across kingdoms.

Q4 How has money as a medium of exchange transformed over time?

SOLUTION

Money has evolved through several distinct stages:

1. Barter system (earliest): Goods and services were exchanged directly without any medium of money. Commodities like cowrie shells, salt, cloth, and cattle served as exchange items.

2. Metal coinage (around 6000 BCE onwards): Coins made of metals such as iron, silver, gold, and copper came into use. In India, these were called karshapaṇas or paṇas. Rulers controlled the minting of coins.

3. Paper money (from 1861 in India): As trade grew, carrying large numbers of coins became difficult. Paper currency was invented in China and introduced in India in the late 18th century, with official paper money issued from 1861. Paper notes are used for higher denominations while coins cover smaller ones.

4. Digital money (from 1980s onwards, UPI from 2016): With advances in technology, money has taken intangible, electronic forms. Debit cards, credit cards, net banking, and UPI (Unified Payments Interface) allow direct transfer of money between bank accounts without physical cash.

Today, the Reserve Bank of India (RBI) is the only legal authority to issue currency in India.

Answer: Money evolved from the barter system (direct exchange of goods) → commodity money (cowrie shells, cattle) → metal coinage (gold, silver, copper coins issued by rulers) → paper currency (introduced in China, used in India from the late 18th century) → digital money (debit/credit cards, UPI). The RBI now controls currency issuance in India.

Q5 What steps might have been taken in ancient times so that Indian coins could become the medium of exchange across countries?

SOLUTION

Based on the chapter, the following factors enabled Indian coins to be used across countries:

1. Acceptance of powerful rulers' coins: Over time, the coins of powerful rulers came to be accepted not just within their own kingdoms but across various other kingdoms as well. This extended acceptance facilitated trade across wider geographies.

2. Maritime trade: India's use of coinage helped boost its maritime (sea-based) trade with the world. The chapter notes that Roman gold coins were excavated in Pudukkottai in Tamil Nadu, and coins were also found in parts of Kerala. This shows that foreign traders were conducting business with India and accepting Indian coins (or exchanging foreign coins) in trade.

3. Trade in India's favour: Scholars conclude that the trade was in India's favour, suggesting that Indian goods were in high demand abroad. This would have increased the circulation and acceptance of Indian coins in foreign markets.

4. Value of the coin material: Coins made from precious metals like gold and silver carried intrinsic value that was recognized across regions, making them acceptable as a medium of exchange even outside their kingdom of origin.

Answer: Indian coins spread as a medium of exchange across countries because powerful rulers' coins gained wide acceptance, India's maritime trade with the world was active (proven by Roman coins found in Tamil Nadu and Kerala), trade was in India's favour, and coins made of precious metals like gold and silver had intrinsic value recognized across regions.

Q6 Read the following lines from the Arthashastra: "An annual salary of 60 paṇas could be substituted by an āḍhaka of grain per day, enough for four meals…" (One āḍhaka is equal to about 3 kg). What does this indicate about the value of one paṇa? The fine for failing to help a neighbour was 100 paṇas. Compare this with the annual salary. What conclusion can you draw about the human values being encouraged through this?

SOLUTION

Value of one paṇa:
An annual salary of 60 paṇas could be substituted by 1 āḍhaka (about 3 kg) of grain per day, enough for four meals.
This means 60 paṇas ≈ 365 āḍhakas of grain (one per day for a year).
So 1 paṇa ≈ about 6 āḍhakas, or roughly 18 kg of grain.
This shows that a single paṇa had substantial purchasing power — it could buy a significant quantity of grain.

Comparison with the fine for failing to help a neighbour:
The fine for failing to help a neighbour was 100 paṇas — more than one and a half times an entire year's salary (60 paṇas).

Conclusion about human values:
The very high fine — exceeding a full year's wages — for failing to help a neighbour shows that the Arthashastra placed enormous importance on community solidarity, mutual aid, and social responsibility.
It encouraged people to prioritise helping others over their own convenience. Neglecting a neighbour in need was considered a serious offence, punishable by a fine that would be a heavy burden even for a salaried person.
This reflects the value that ancient Indian society placed on neighbourly duty, compassion, and looking out for the community.

Answer: One paṇa had significant value — 60 paṇas was a full year's salary. The fine of 100 paṇas (more than a year's earnings) for failing to help a neighbour shows that the Arthashastra placed the highest importance on community solidarity and mutual aid, treating neglect of a neighbour as a grave social offence.

Q7 Write and enact a skit to show how people may have persuaded each other to use cowrie shells (or other such items) as the medium of exchange.

SOLUTION

Guidance: This is a creative activity. Your skit should show two characters — a merchant and a farmer, for example — who first try to barter (and face the problem of double coincidence of wants) and then agree to use cowrie shells as a common medium.

Model skit outline:
Scene: A market in ancient India.
Merchant (A): 'I have cloth to sell, but I need grain. Do you have grain?'
Farmer (B): 'I have grain, but I need iron tools, not cloth.'
A: 'This is difficult! We both want things but cannot exchange directly.'
B: 'What if we agree that everyone will accept cowrie shells? I give you shells for your cloth, and then use shells to buy iron tools from the blacksmith.'
A: 'That is clever! Shells are light to carry, they do not spoil, and we can count them easily.'
B: 'Yes — and if everyone agrees to accept them, we no longer need to find someone who wants exactly what we have.'
A: 'Agreed! Let us use cowrie shells.'

Key ideas your skit must include: the problem of double coincidence of wants, the advantages of a common medium (portability, durability, divisibility), and the moment of agreement to adopt shells.

Answer: This is a creative activity. Write a short skit in which two characters fail to barter (no double coincidence of wants) and then persuade each other to adopt cowrie shells as a common medium, highlighting the shells' advantages — easy to carry, durable, countable, and accepted by all.

Q8 The RBI is the only legal source that prints and distributes paper currency in India. To prevent illegal printing of notes and their misuse, the RBI has introduced many security features. Find out what some of these measures are and discuss them in class.

SOLUTION

Guidance: This is a research and discussion activity. Look at any Indian currency note and observe it carefully.

Common RBI security features on Indian currency notes:

1. Watermark: Hold the note up to light — you will see the Mahatma Gandhi watermark and the numeral of the denomination.
2. Security thread: A dark band embedded in the note that reads 'RBI' and the denomination when held to light.
3. See-through register: The numeral on the obverse (front) aligns perfectly with the same numeral on the reverse when held to light.
4. Colour-shifting ink: The numeral on higher denomination notes (e.g., 500) shifts colour when tilted.
5. Micro-lettering: Tiny text (readable only with a magnifying glass) between the watermark and portrait area.
6. Fluorescent ink: Certain features glow under ultraviolet (UV) light.
7. Raised print: The portrait of Mahatma Gandhi, the Reserve Bank seal, and some numerals are printed in intaglio (raised) ink that you can feel with your fingertip.

Discuss with your class which features are easiest to check and why the RBI uses multiple layers of security.

Answer: RBI security features include: watermark (Mahatma Gandhi portrait visible in light), embedded security thread, see-through register numerals, colour-shifting ink, micro-lettering, fluorescent ink (glows under UV), and raised intaglio print. Multiple overlapping features make counterfeiting very difficult. (Research activity — observe a real note and discuss in class.)

Q9 Interview a few of your family members and local shopkeepers, and ask them their preferences in making and receiving payments — do they prefer cash or UPI? Why?

SOLUTION

Guidance: This is a field-activity. Speak to at least 2–3 people (family members and a shopkeeper) and note their answers.

Model interview findings and discussion:
Many people today use a mix of cash and UPI. Their preferences often depend on the situation:

Those who prefer UPI say:
- It is fast and convenient — no need to carry cash or give change.
- Transactions are recorded, making it easy to track spending.
- It works at any time, even late at night.

Those who prefer cash say:
- It works even without a smartphone or internet connection.
- Some small vendors and elderly people find it easier to handle physical money.
- Cash transactions are immediate and require no battery or network.

What you could write in your report:
Summarise the views of each person you interviewed. Note whether age, type of business, or location (city vs. village) seemed to influence their preference. Connect your findings to what the chapter says about digital money being the latest stage of money's evolution.

Answer: Field activity — interview family members and shopkeepers. A model finding: UPI users value speed, convenience, and digital records; cash users value reliability without internet or smartphone. Summarise the responses, noting how factors like age and location affect preferences, and link to the chapter's point that digital money is the newest form of currency.