

APS1012 Management of Innovation – Final Team Projects, Summer 2012**History of Innovation in Money**

It may be banal to say, but money has played a most crucial role in society. It has taken different forms starting with promises and obligations, to bartering, followed by representative money, banknotes and finally electronic money which appears to be gaining momentum. This investigation addresses the following questions about money: Why was each specific form adopted? What were the socio-economic implications? And what is the current state?

The origins of money are tied to the evolution of exchange and a value-based conception of economy and trade. The general structure of the commodity economy is considered with reference to industry and production.

Representative money is a commodity-backed form of tender whose adoption was motivated by the inconvenient quality and bulkiness of commodity money. However, as trade and technology became more complex, representative money lacked the flexibility that would allow for the country's economic growth. Henceforth, people moved to a more abstract form of money which would give them the ability to expand the economy nationwide.

Fiat money came about when states abandoned the concept of commodity-backed money; this has been done several times throughout history and it has both stimulated the economy and brought about inflation. Debit cards, ATMs and online banking all came about during the time of fiat money.