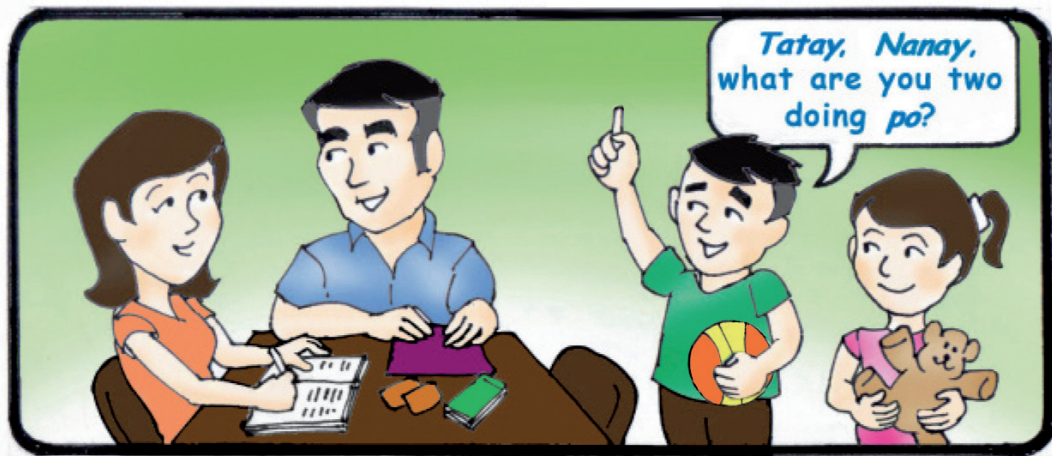


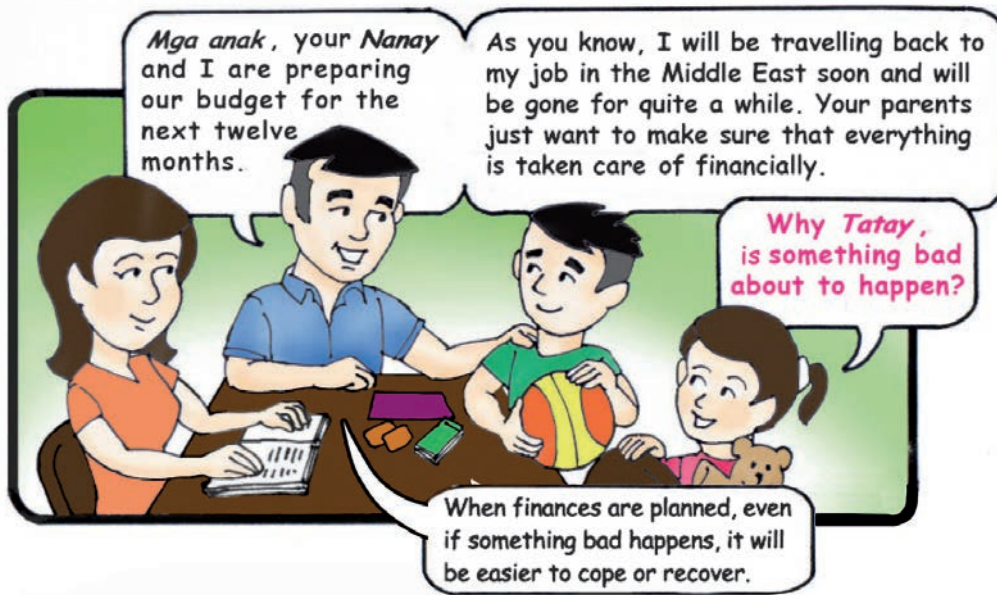
# CHAPTER 1

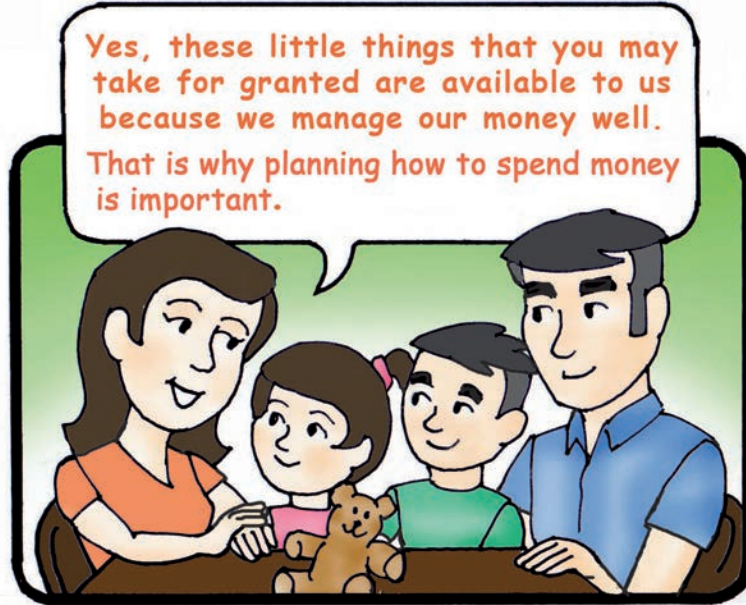


**I**t is a Saturday and there are just seven weeks left before our OFW hero, *Mang Domeng*, returns to his deployment abroad. *Mang Domeng* is talking to his wife, *Aling Lorna*, regarding their family budget. The couple has always made it a point to plan for the months when *Mang Domeng* would be away.

While *Mang Domeng* and *Aling Lorna* are writing on notebooks and tapping away at their pocket calculators, their two children, *Sonny*, the eldest, and *Tessie*, enter their humble home after playing outside. The children notice their parents were quite serious in their discussion and hear them uttering big words like budget, money, and utilities.







### Financial Expert's Corner

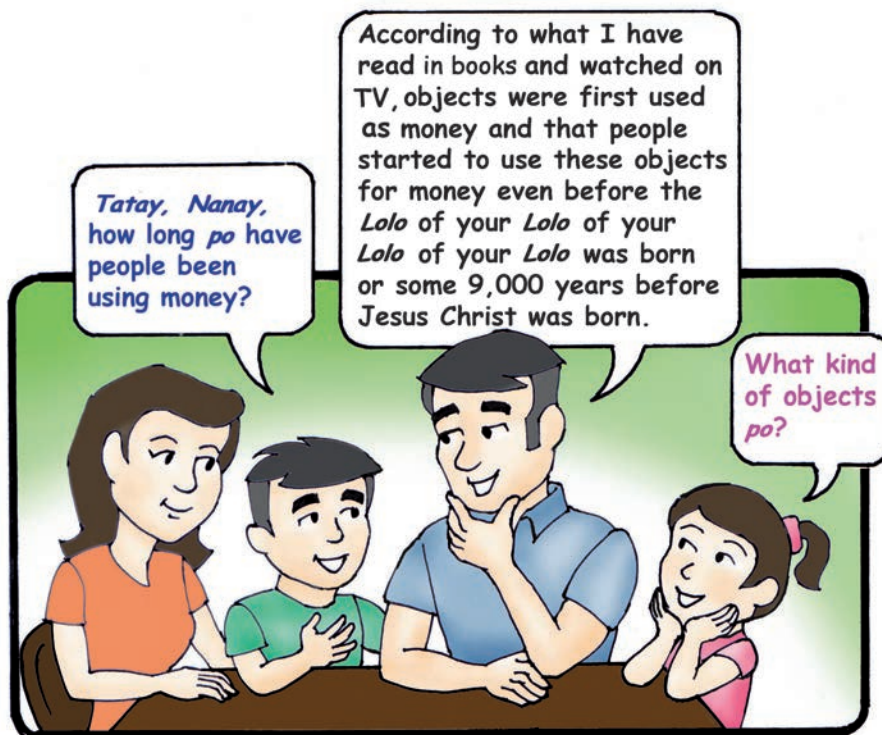
*Let's leave our OFW family for a moment. How in the world could a piece of paper, usually with somebody's picture on it be valuable? Or why would a small circular object that does not contain any of the precious metals be worth anything?*

*Money has been called and described in many ways. On the positive side, some say money makes the world go round. It makes a person's dreams come true. That is why a lot of people work hard to earn, save and invest money.*

*Over on the slightly negative side, while many also consider money as the root of all evil, it is really the love of money that is the root of all evil. Money is the symbol of materialism and as such does not necessarily make a person truly happy.*

## A Brief History of Money

At the house of our OFW family, the question-and-answer portion continues...



### Did You Know?



One of the best preserved ancient law codes that formalized the role of money in society is the code of Hammurabi (1760 BC) enacted by the sixth Babylonian King, Hammurabi. The code contained earlier laws under the codes of Ur-Nammu (2050 BC), Eshnunna (1930 BC) and Lipit-Ishtar of Isin (1870 BC). The code of Hammurabi instituted interest on debts, fines and compensation for infractions of law.

Taking advantage of his children's interest, *Mang Domeng* gladly continues with his story.

In the old days, people would trade what they have for what they didn't have. A fisherman who had extra fish would trade it for vegetables with a farmer. This practice is called barter. Life was much simpler then. There were not that many goods and services to trade. It was easy to remember how many pieces of fish would be equivalent to, say, a basket of tomatoes.



### Financial Expert's Corner

*As more and more products and services were developed, people in the olden days found that it was more efficient to use an intermediate object of value to transact. The fisherman would now receive the equivalent value of this object in trading his fish for the vegetables of the farmer. He can even choose to first buy just what he needs in vegetables, say, for the first three days of the week to avoid spoilage and store the balance in value in equivalent units of the intermediate object. He can then spend the balance in value of this intermediate object for the rest of his vegetable needs by the middle of the week.*

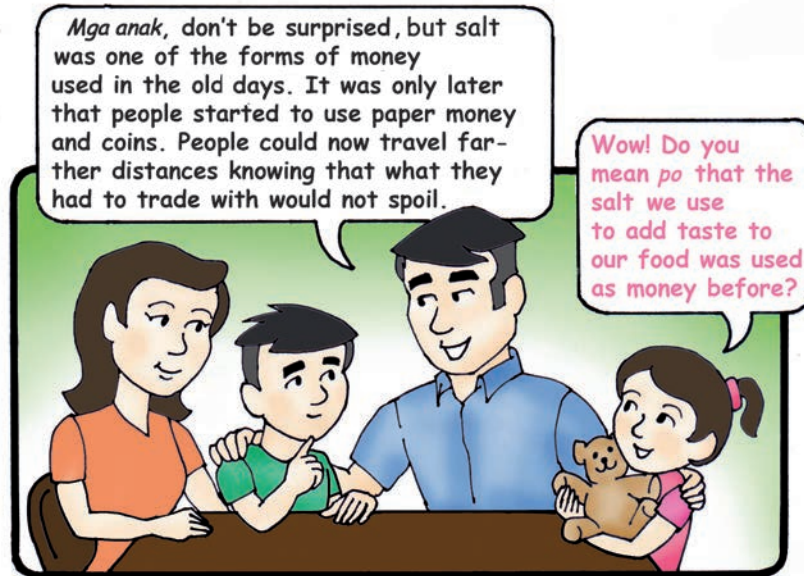


### Did You Know?

According to the *Banknotes and Coins* publication of the Bangko Sentral ng Pilipinas, the Philippines had 19.13 billion pieces of coins valued at P21.30 billion and 2.18 billion pieces of notes valued at P575.38 billion that had been issued as of 30 November 2012.

## Different Forms of Money

Seeing his children's interest, *Mang Domeng* continued to explain other forms of money.



### Financial Expert's Corner

Under a country's<sup>1</sup> jurisdiction, money that comes in the form of notes and coins is legal tender. This means that money can be offered to meet a financial obligation, which is generally the payment for goods and services bought. When you buy a car, pay for groceries, pay rent and repay debt, you are paying for goods and services you bought. In effect, legal tender is something that, when offered for payment, fully settles the debt or financial obligation.

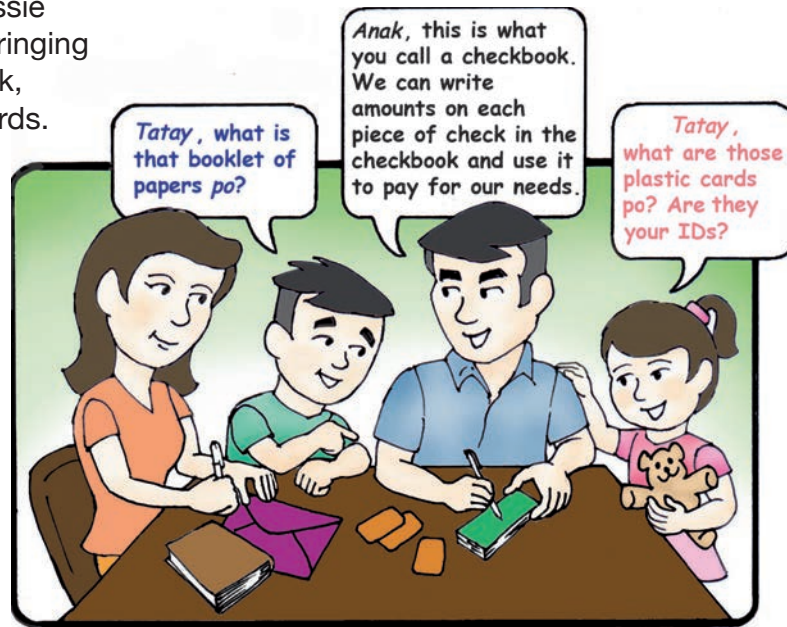
#### Did You Know?



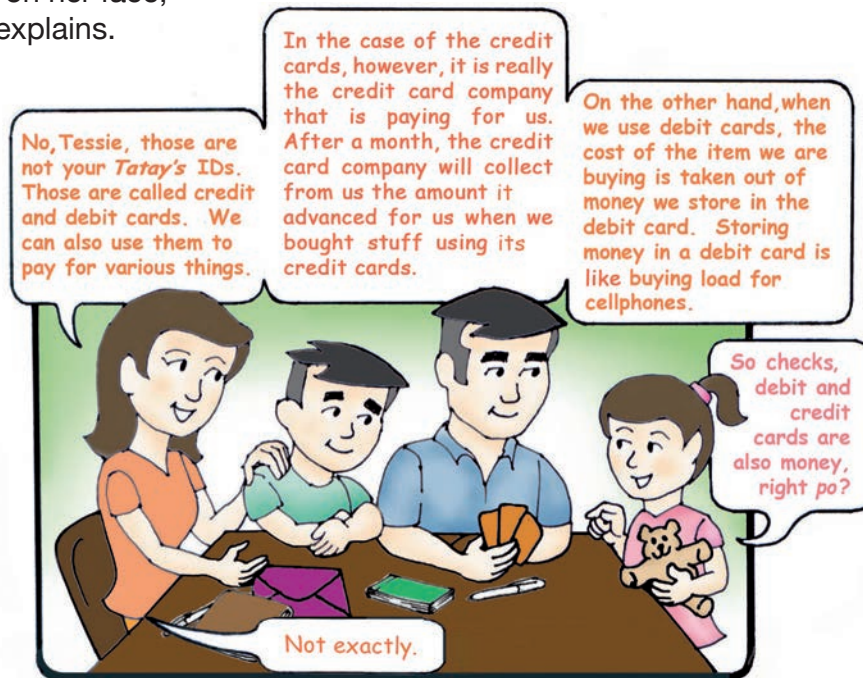
The word "talent", which today means "skill" or "special ability", originated from the parable of the talents. In the parable, people traded in talents, which originally referred to a unit of measure equivalent to the mass of a precious metal.

<sup>1</sup> The presumption is that this country is operating in a modern-day economy and has, by and large, given up barter trade.

Sonny and Tessie see their parents bringing out their checkbook, debit and credit cards.



With a smile on her face, Aling Lorna explains.





## Financial Expert's Corner

*They say that in modern times, money has taken on new forms like checks, debit cards and credit cards. However, Aling Lorna is correct - checks, debit and credit cards do not have legal tender power.*

*The acceptance of checks is only at the option of the creditor. In short, checks do not immediately pay in full the debt or financial obligation. This is also why even manager's checks of banks are still not considered as having fully settled the financial obligation. This is because the payor of the check, who was supposed to have paid the bank the same amount reflected in the manager's check, could always request for a stop payment, thereby halting the settlement of the financial obligation.*

*Only when the payee of the check receives credit to his/her account is the obligation fully paid. It is only upon special accommodation by banks that manager's checks are sometimes immediately honored as cash.*

*By the same token, debit and credit cards do not immediately settle the financial obligation. Only when the seller of goods or services is credited with the payment is the financial obligation fully settled.*

## Money is Important

1. Studies vary as to when the concept of money, an object with an intermediate value used for the exchange of goods and services, first appeared. Some studies date back to 9000 BC while others say that the concept of money emerged around 2000 BC. People initially traded goods and services with each other. This was called *bartering*.
2. Gradually, people found that it was more efficient to use an intermediate object of value to transact.
3. One of the earlier forms of money was salt. Eventually people started to use coins and paper money because, unlike salt, these did not spoil.
4. Notes and coins have legal tender power because, given the right amounts, they can immediately extinguish a financial obligation.
5. Checks, debit and credit cards do not have legal tender power because their acceptance is still at the option of the creditor.



