

REFUGE IN KENTUCKY CHURCH, HIGHER LEVEL SUNDAY SCHOOL CLASS

The Presidential Series

The Introduction

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The history of money.

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The History of Money

Introduction

Exodus 34:10-7

Currency is something that is in circulation as a medium of exchange.

Money is a token or an abstraction.

The most ancient recorded code of law regarding money was found in The **Code of Hammurabi**, named after the ruler who established the greatness of Babylon from 1795 to 1750 BC. The code was regarded as a prayer, cursing anyone who neglected or destroyed the law.¹

Money is derived from the word *mint*. The word *mint* is an expression of Juno; from the fact that the Romans coined money in the temple of Juno Moneta. *Moneta* means, "she who warns," in Latin.²

Societies who did not have a medium of exchange used gift economics and usually only bartered with strangers. Bartering introduced the coincidence of wants problem.

Commodity Money

From the beginning to approximately 330 BC.

Commodity monies are objects with inherent value and usefulness. If you wanted to be rich you had to work, discover or invent something.

Examples of commodity money are: naturally scarce precious metals, conch shells, barley, beads, and red ochre.

Properties of proto-money:

1. Scarcity in inland areas
2. Not easily counterfeited
3. Could be worked into something valuable.

In Mesopotamia a Shekel referred to both a unit of weight and currency. More directly, a Shekel is a specific mass of barley. For examples see Exodus 30:13-24, 38:24-6; Leviticus 5:15, 27:3; Numbers 3:47-50, 7, and 18:16. The specific mass of barley related other values in a metric.

At this point money was a medium of exchange.

Commodity Money is a store-of-value and makes the market in all other values more liquid.

The discovery of the touchstone made way for metal-based commodity money. First, one had to estimate the amount of metal in an alloy. Then one had to multiply that number by the weight of the

¹ <http://avalon.law.yale.edu/ancient/hammint.asp>

² <http://www.merriam-webster.com/dictionary/>

alloy. This is way coinage was invented. Coins were pre-weighted, pre-alloyed, stamped, and the governments minting process was protected.

The problem with minting was debasement by reducing the precious metal content in response to the claim that the values was in the stamp.

Representative Money

Representative monies are objects that are purely symbolic in value because they are based on useful commodities.

Examples of commodity money are: warehouse receipts issued by ancient Egyptian grain banks, goldsmith receipts issued by English goldsmith bankers, bills of exchange based on tradable goods, and currency on a gold or silver standard, promissory notes, bills of exchange.

Properties:

1. People had to agree implicitly or explicitly on the common usage of the same symbol.
2. The issuing institution had to be trustworthy

Representative money led to the creation of banks in ancient Egypt under the Ptolemy's, specifically, national grain banking or giro-banking systems. Giro-banking is credit transfer banking.

Banking made the creation of money possible. The bank could provide someone with a loan or a receipt for the value of the loan with the promise of future deposits or payments.

Banks introduced standardized accounting methods and bank accounts for their depositors. Commodities could be transferred by changing account balances instead of notes.

Banks evolved from safe storage and savings institutions, into trading institutions, into depository and loan institutions.

Fiat Money