

Money, Coinage & Society



Volume One

Colin J. Holcombe

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Volume One: Early and Medieval
Societies

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Preface

Money, Coinage and Society originated in the need for a general background on coins. How they were produced. Where the metals came from. What we know of their issuing authority: ruler, state, trading communities concerned. How the states prospered or didn't, their trading models and policies. And beyond that, the complex of historical, practical and aesthetic matters that made the coinage acceptable to its users and interesting to collectors in later centuries.

A more academic description would be the political economy of coinage — what coins tell us of the countries and rulers that issued the coins, their political and economic makeup, how and where their constituent metals were extracted, smelted, refined and made into the examples of numismatic art we have now, and what their designs suggest of customs and beliefs that were commonly very different from ours.

In time I came to realize that it was the social context that constituted the more pressing aspect now that looming national debts, bank bail-outs, digital transfer and quantitative easing make us wonder what money really is. David Graeber has covered some of these matters in his 2004 book on debt, but his findings remain somewhat unclear, perhaps because consumed at key points by a strong sense of moral indignation. What was needed, I thought, was a colder, more technical and sustained look at the institutions that human beings acknowledge in their everyday lives, but which tend to become reified into abstract concepts negating our common humanity. We rightly deplore religious fanaticism without realising that we too can make market forces and other self-evident matters into overriding persuasions, indeed into gods demanding unthinking obedience.

Coinage is particularly useful here because it turns abstract concepts like legitimacy and authority into tangible objects. A

wealth of understandings and tacit beliefs underlies our use of a coin, not least the ease through which we can purchase goods and services from individuals who have no particular interest in our welfare. Because money is useful, it can also become over-powerful, and we find ourselves talking about the 'iron laws of the market', or the 'findings of economics', when these are not laws or findings at all, but contrivances of particular circumstances. No doubt we live in a scientific culture that expects all aspects of life to be governed by laws continuously and comprehensively applying, and this allows us to forget that mechanical science is only one way of looking at life, the limitations of which a little reading in philosophy soon demonstrates.

Nonetheless, that social context should be amenable to little essays on individual coins, I thought — until I realized that mainstream treatment of these matters was often far from acceptable. Many books and articles were surprisingly partisan, incomplete and out of date. Before writing anything, I should have to make my own summaries and assessments, which I include here in the hope that they may be useful to students wanting more than breezy generalities.

I have used secondary sources in the main, often the alternative press and contrarian historians for later events: this is not academic research so much as an attempt to make something coherent of very scattered and contested material. I have tried to draw on Internet sources wherever possible, or on books that provide a 'look inside' facility on Amazon. On occasion, where simple facts and mainstream interpretations were needed, I have also drawn on Wikipedia material, and would ask those who still compare this online resource unfavourably to the Encyclopaedia Britannica and the university presses to remember that academic research, for all its claims to be 'pushing back the boundaries of knowledge', in fact works within fairly narrow and closely refereed terms of reference, and that the Encyclopaedia is associated with the University of Chicago and Rockefeller

funds not too scrupulously obtained. Most information in fact has some hidden agenda — the desire to sway opinion, earn status or put bread on the table — and the theme here is power, and the way aesthetic, commercial and practical issues have served that end down the centuries, which we can see in coinage if equipped with the right perspectives.

So arises a rather unflattering view of modern society. The reader will find none of the pious tales that were taught at school to foster a sense of pride and confidence in our institutions, lessons which continue unacknowledged in mainstream media articles that preach to the converted, as indeed they must to maintain circulation figures and advertising revenues. Looked at plainly, our history is not an edifying spectacle, and money often brings out the worst in us: our greed, ambition and selfishness. It is easy to forget when dealing with beautiful objects like coins how much sweat, blood and sheer misery went into their production. Behind the economic trends they illustrate there commonly lie many horrors of warfare, coercive trade, injustice and exploitation. And much propaganda too: the emblems of authority and deceit are also woven into their glittering surfaces. As Glyn Davies himself remarks in his excellent *A History of Money*: 'Economists, and especially monetarists, tend to overestimate the purely economic, narrow and technical functions of money and have placed insufficient emphasis on the wider social, institutional and psychological aspects.'

But nor is the love of money the root of all evil. Money has profound capacities to do good, and there is scarcely an aspect of our contemporary world that would be possible without sophisticated trade and banking facilities. My outlook here is not far from that of numismatic historians, though I have a more critical view of economics and finance than they profess, perhaps because of working on a daily basis for several years with professionals in those fields. That is not a criticism of their honesty or competence, as both were

present in a marked degree, but of perspective. Money makes the world go round, but in more ways that they perhaps saw or acknowledged.

The limitations of these chapters should be clear. They are snapshots, summaries, and simple introductions. No one person can re-evaluate three millennia of social and economic history, even in a lifetime of reading, and many sections can only be summaries of current views, doubtless rather dry in later pages, though I hope accurate and helpful. The essays on individual coins are simply examples of what could be done, a supplement to the many handsome surveys of world coinage published by the museum and auction house presses.

References are placed after the relevant sentence when references do not exceed some fifty odd per chapter, but aggregated at paragraph ends otherwise: the renumbering necessitated by updating becomes too time consuming when chapters draw on hundreds of references. To make the material manageable I have split the book into two. The first volume covers the ancient and medieval world, but includes chapters on metal sources, mining and minting practices to the present. The second volume covers the period from the rise of modern states to the world we know today, including chapters on statehood, economics, money banking and civil rights, to end where we started, an enquiry into the real nature of money. Just as coins serve as a token of wealth, so money serves as a token for complex social interactions. That is the finding of these volumes: money is not an inert accounting device, not something arising from the play of market forces, and not an abstract, fully quantifiable and unambiguous matter. Money supplies are difficult to measure, as monetarists found. Simple measures like cost of living indices and unemployment figures rest on disputed bases, which can be shifted to make them more meaningful or politically acceptable. Even the GDP contains

socially positive and negative elements: hospital building and warfare, manufacturing and financial speculation, etc.

I shall have nothing to say on coins as an investment medium, beyond noting that collectors naturally expect what they have poured considerable time and money into will eventually be retrievable in cash terms. As a professional dealer, I have helped people in this field, but then with some misgivings. Nowadays I even more doubt the wisdom of this approach, and would only repeat what others emphasize. Be clear about objectives. A coin collection made for investment purposes is quite different from one assembled out of historical interest in some period or country. The first needs help from a recognized investment specialist but also the connoisseur's eye for quality, plus detailed studies of price trends and commissions applying. A small collection of choice pieces wisely grouped about a popular theme will be worth greatly more than the same money spent on a haphazard collection of indifferent pieces. Inevitably this must be so, since the unrecoverable dealer's commission of 10% on an expensive piece will swell to 50% or more on a cheap one.

The uncomfortable view of our contemporary world is something arrived at reluctantly, after many years of thought and reading, and one I unfortunately don't have the time to defend or explain. The references should do that. On other matters please drop me a line if something needs correction or qualification. I was a professional UK coin dealer in the eighties, reasonably well known, and exhibiting at international fairs and the like. My specialties were ancients, the Islamic world and far eastern issues, but even here I often had to take advice from experts who knew far more than I did then, and certainly more than I will now.

It should go without saying that coin collectors should invest in coin and sales catalogues for valuation purposes, plus a wide range of history books and articles if their acquisitions are to come alive. I would also urge them to join numismatic

groups, either their local club or the prestigious societies without whose work our pastime would be much the poorer. As in any walk of life, they will benefit from the communities in proportion to what they contribute.

Most collectors promise themselves that they will some day write up their collection, when the children are off their hands or retirement arrives, and though these articles are far from meeting that promise — and my own collection is now only a shadow of previous stocks — I shall be delighted if these pages encourage others to think beyond the usual confines of a popular and absorbing hobby.

1. Ideologies



Money and government are intertwined, and indeed have much in common. Both organize individuals for public ends, and both use ideologies, if by that term we mean the intellectual foundations of the customs, beliefs, obligations and understandings that integrate and give a common purpose to society. Examined closely, many ideologies are problematic, little more than myths, irrational frameworks that rest on nothing more fundamental than the ways men have traditionally thought and acted together. But, however fanciful or contrary to the facts, such ideologies are still essential. Few now believe in the divine right of kings, for example, but European counties in the sixteenth century most certainly did, and would have been hard pressed to find alternatives. Most nations now separate church and state, but that was not the case in medieval Christendom, and is not the case in Iran or Saudi Arabia today.

Ideologies must serve a practical end, which is to create and maintain societies that are broadly acceptable to their members. The power of kings was gradually usurped by the merchant classes in Europe, but persisted into the twentieth

century as the divine status of the emperor in Japan and China. From that status descended the panoply of power: how government functioned, and the obligations each citizen felt towards government and fellow citizens. However irrational they now appear to westerners, those divinities were part of common belief, and so acquired an extensive justification in the thought, literature and art of the times.

Today most of us live in democracies under some form of capitalism. But our democracies are far more apparent than real, and would have seemed most unsatisfactory to citizens of the Greek city states where democracy was born. Still less is capitalism a system where the market simply rules. Two centuries of European thought have shown the matter to be far more complex and hedged about by uncertainties than the maxims repeated by the business press. Economists provide essential measures of our economic well-being, but Neoliberal economics and large parts of traditional economics are intellectual frauds. The models employed are over-simple and bear little relation to the real world. Their mathematics is hypothetical, and flawed at critical points. Nonetheless, for most people, there are few alternatives. Economics pervades our lives, and GDP growth seems more important than a host of other social measures: health, sense of community, rationality, freedom or simple happiness.

Introduction to Money

Because part of the capitalist system, money enters into our everyday conceptions, and has acquired extended justifications, many of them dubious or imperfectly grasped. Indeed the concept is so habitual to us that we rarely think beyond the obvious, that money is something we earn through working at a job and what we partly pay back as taxes to support public services. Naturally, if we pursue the matter further, we have to think of banks that create the money in the first place, and of all those innumerable laws

and trade agreements and accepted practices that keep money moving in everyday transactions around the globe. But what actually *is* money?

In previous centuries we could have said that money simply meant coins. Even the precious metal wealth of the New World was preferentially shipped as coinage, doubtless very crudely made at times, but not as raw ingots of gold or silver. Each coin had a stated or face value, moreover, which made shipments easier to value. Yet coins rarely held their full face value in contained metal. The authorities had to cover the cost of minting, which was an appreciable percentage in the case of very small denominations. Authorities also tried to make some money out of the minting process, so that on both counts coins would be to some extent a fiat currency. But it was rarely preponderantly so. Unless the coinage had been badly debased, the larger denominations were not too far off a respectable percentage of the bullion value, and indeed at times, when the ratio to one to the other shifted as cheaper supplies became available, the coin would be melted down for its contained silver or gold in excess of the face value, savage penalties notwithstanding. Additionally, there were the age-old practices of clipping, sweating, gouging, etc. so that a few percent of the metal could be extracted by the user — again unwelcome to the authorities but difficult to wholly prevent, and which in time remorselessly defaced the coinage, requiring it to be called in and re-minted.

So to that age-old question: are coins a commodity or fiat currency? Though the answer is both, in part, the question is something of a red herring. A coin exchanged hands when its user felt confident that its value would be respected, that what they had sold to gain the coin would buy in an equivalent amount of what they desired to purchase. The gold or silver gave that confidence, as did the solid workmanship and the authority of the issuer, usually the sovereign or state, but sometimes the moneyer or even a

local merchant. All three were generally important: contained metal, workmanship and issuing authority, but it was the last that proved the most vital. Ultimately, it was simply custom that gave value to silver and gold. Both were prized for jewellery, and have been used for such purposes since antiquity, though with local differences. Gold was the preferred medium in the west, but China needed silver for its larger payments, resulting in a price differential that Venice extensively exploited in its trading activities. Again this was custom: the precious metals had obvious advantages for coinage, but other commodities could have been used, and indeed were — cowry shells, for example, or copper in the small denominations in east Asia: the cash coins of China, Japan, Annam and Korea.

Coins were taken on trust, and had to be so accepted, as assay facilities were few and far between. Debasement of the coinage did occur in long-established and self-contained economies, however, and the Roman denarius, for example, continually declined in silver content without occasioning widespread disaffection. It was even replaced by the antoninus, ostensibly worth two dinarii, but often consisting of base metal given the thinnest of silver washes. Sometimes, of course, matters did go too far. Augustus felt compelled to introduce a splendid new coinage to mark the end of Republican Rome and its murderous wars of succession. Elizabeth I of England also replaced the woefully debased coinage of Henry VIII with standards that lasted three hundred years. But again it was the power and legitimacy of the issuing authority that finally counted, and while this was maintained all was generally well. With these intangibles comes custom, moreover, and real novelty in coinage may not be acceptable. The usurping Chinese emperor Wang Mang (7-23 AD) issued a bewildering variety of coins, which added to his unpopularity, but was not the only reason for his overthrow. Mohammad Tughluq, from 1324 to 1351 the gifted but capricious Sultan of Delhi, tried

to press a leather coinage on his long-suffering subjects, but was ultimately unsuccessful and had to redeem the novelty with hard silver.

With these points in mind, we come to see that money does not equate to coinage, but to the customs, laws and accepted practices that make for trade and commerce in civilised nations. It is these that make such needful activities operate to the satisfaction of all parties, not the properties or innate value of coins per se. Money is ultimately only a token of how human beings conduct their affairs. For most of money's history, stretching back four millennia in the Middle East, there were no coins at all. Today, coins and banknotes make up only 3% of money: the rest is digital entries, a few key-strokes that debit one account and credit another.

Agreements to the satisfaction of all parties are extraordinary accomplishments, and their implications ramify into all aspects of our modern life. In buying a smart-phone, for example, we're no doubt aware it has been assembled abroad by workers at wages we couldn't live on, and that a lot of research, development and marketing are included in the price. But we don't need to know what parts were manufactured where, under what contracts applying, at what exchange rates, how those rates have been hedged, what factors influenced the financial exchanges, or how those factors have been calculated, assessed and communicated. Even less on our radar screen is how the factories were built, their funding requirements achieved, the training of technicians, or the education systems applying. But all these and a dozen other transactions have to be navigated to provide anything we purchase. And all the transactions involved — manufacturing, shipping, insuring, marketing, retailing — require mutual trust, proper understandings and accurate representation of the facts. Moreover, since no individual can master everything, that also means lawyers and business consultants, financial experts, actuaries to quantify risk for insurance purposes, and reporters in the

financial and mainstream press. Money is not an exterior or abstract matter, therefore, but intimately linked with activities large and small governed by a host of different rules, belief systems and tacit understandings.

Coinage first appeared in Lydia around 600 BC, and then spread rapidly, eastwards through the Persian Empire and westwards through the Greek city states. Coinage appeared a little later in India, possibly an independent development, and very differently in China, certainly independently. But just as money now serves many purposes, so coinage itself may have originated differently in the varied social structures of the day. Historians and economists disagree, though abundant coinage probably coincides with mercenary armies and the taxation needed to pay for them, only subsequently serving for trade purposes.

Coins indeed were a comparatively late development of money. Money's origins go much further back, to around 2000 BC in the temple complexes of Mesopotamia, where records had to be kept of work done for the community, and any debts still outstanding. Those records had to be permanent and not depend on fading memories, or disappear on the death of the recording official. So arose writing, concomitantly: money and writing were closely connected, as they are today. Both have an obligation to be truthful, to fairly state matters agreed or understood at the time. But a further purpose was inherent in the transaction, moreover. By involving the whole social fabric, both codified and tacit, money allowed individual efforts to be efficiently harnessed to larger social undertakings. After language, money is probably the most useful of human inventions, and little can be achieved in modern societies without its use. Or perhaps we should say its well-regulated, enlightened and life-enhancing use.

Unearned wealth can generate resentment in societies with pretensions to democratic equality, and wealthy families often give conspicuously to charity. When money becomes

useless, as it does in periods of hyperinflation, society also suffers. Wide swathes of society become impoverished, power structures collapse, and desperate measures have to be introduced to maintain social order. When money usurps its power and denies any social connection — as Neoliberal market policies insist it should — the complex mosaic of affections and responsibilities that make a functioning state are also short-circuited or set aside. As will be seen when we look at the philosophy of capitalism, money so employed acts more bluntly and coercively. The wealthy and powerful become more so, leading to social divisions at home and injustices abroad.

Money therefore works in and with the state and its institutions, and indeed has to. Debts have to be repaid according to the contracts involved — matters that continually involve a complex interconnection of trust, mutual understandings, accepted business practices and fair treatment under the law that characterize successful states. Even banks have to rely on the courts, and sometimes SWAT teams, in repossessing homes of mortgage defaulters. Developing countries like the ex-Soviet Union states, where a strong tradition of such institutions is largely missing, generally also fail in their economic policies: they become corrupt plutocracies where wealth is very unequally distributed. Western countries that increasingly rely on surveillance, foreign wars, tax avoidance and intimidation to maintain their power, also decay internally, exhibiting violence, injustice and political corruption. {1-4} Inequality in Europe and America is widening. Electorates no longer trust their politicians and mainstream media outlets. State 'security' has superseded a need for transparent and accountable government. Malpractices that would send individuals to prison receive only token fines where banks and big corporations are concerned, sums often seen as simply the 'cost of doing business'.

Matters were much worse in the past, of course, even in the not-too-distant past. NATO actions in the Middle East may have killed a million and displaced many millions more, but don't approach the horrifying totals in Stalin's Russia or Mao's China. Latin American countries have seen coups instigated by the CIA in support of American business interests, but their economies are no longer based on native slave labour in the mines and plantations. Poverty became commonplace under Neoliberal shock policies, but even that social levelling was less than in the class system enforced by the medieval Church. Societies do evolve, albeit slowly and with many false steps.

Man is a contradictory animal, as much given to competition as cooperation, to acting emotionally as rationally. Most societies are hierarchical, where the resulting structure is justified by appeal to feelings and to rational arguments. *Some* control is needed to keep societies together, but that control may be relaxed or coercive, and be effected by reason or propaganda. These four axes — rational and emotional, voluntary and coercive — are indeed one way of viewing societies, and often more illuminating than the usual labels of democracies that western governments aspire to. {5}

Democracies are only one form of government, and no doubt an imperfect one. Plutocracies, monarchies, trade-based states, plunder-based empires, self-supporting agricultural communities — history has many examples of alternatives. Few governments are wholly of one form only, of course, or indeed of single interpretations by historians. But each style of government had its own way of ordering its money affairs, because money and coinage reflect social realities. Life changed markedly throughout the course of the Roman Empire, for example, and so did its money policies and coinage, whatever the coinage propaganda might assert. Today there is a widening disconnect between mainstream media stories and everyday reality, ignoring the obvious truth

that societies undemocratic in their monetary policies cannot be democratic in their social ordering. By studying past monetary policies in coinage, we can sometimes see our own positions more clearly.

Economist Views

Money is naturally viewed quite differently by mainstream economists. Here money is objectified, given a status or existence independent of the societies that use it. Money, say economic textbooks, is a *medium* of exchange, a *store* of value, a *means* of settlement (unilateral payment) and a *measure* of value (unit of account). But money is not only an instrument, argues Geoffrey Ingham: {6} it is a power that gets things done, discriminates between social hierarchies (through interest rates adjusted to reflect credit risk and so collateral) and helps perpetuate the status quo. Even in a comparatively rich country like Britain, many without assets or steady employment cannot get a bank account, and some ten percent indeed rely in emergency on loan sharks, paying ruinous rates of interest.

There are many views on the importance of money. Karl Marx, for example, deplored what the sole purpose of money had apparently become: the coercive use of human labour to create yet more money. Karl Polanyi {9} stressed the close role of politics, social classes and justice in economics, and argued that economics was always embedded in the larger social fabric. Today the dominant school of market economics sees money as a passive intermediary, an accounting or mathematical symbol annotating underlying realities, though these realities are largely over-simple models, hypothetical and unreal. {6} Indeed, much of the financial mischief in the world today arises from misconceptions that can only be called preposterous, promoted by a mainstream press to justify the status and practices of the already rich. Austerity, quantitative easing, predatory capital, widening inequality, wasteful spending on

armaments — all these and others come about because we mistake simple-minded and specious concepts for social reality.

In fact, as anthropologists have long pointed out, {8} money did not originate in barter, but in markets and taxes, both introduced by centralizing states. As far as we can tell, societies were originally communal and self-supporting, as they are today in 'primitive' communities. Everyone contributes, and the products of hunting and food gathering are shared according to need and the social structures of the community. Sometimes the transactions operate as 'gifts' where any sign of obligation or social inferiority is carefully avoided. Sometimes the products are given to the elders or chiefs, who redistribute accordingly. Money, where it is employed at all, is not used to facilitate barter, or to purchase things, but to reinforce social structures, most clearly seen in bride 'purchase' or blood money. Money is used to signify things that in fact *can't* be purchased. Money may be used to purchase' a wife, but that wife can't be sold again. No amount of blood money will bring a dead person back. Communities often have very complicated customs, where individuals removed by death or marriage are balanced by kinsfolk given in compensation, but everyone realizes that each individual is unique, and such compensation is a token only, a memento of social obligations. Markets using barter or money are unimportant in communal societies, because such commercial exchanges are impersonal, conducted with precisely those with whom no relationship exists.

Many of these aspects linger on in modern societies. Popular brand-names can be worth fortunes, and companies spend large sums in maintaining and defending their status. Money signifies power and status, which throws an aura of glamour around wealthy individuals. {8-9}

Money also buys a superior education, opening doors in later life through knowledge, personal skills and contacts

with those who count in public and corporate life. Money buys the best legal representation, needed in good times and bad. Money buys access to experts skilled in locating lucrative investments, and minimizing the tax obligations. Money is the political life-blood of America. Big Oil bankrolls the Republicans. Wall Street bankrolls the Democrats. Other parties, often with policies more appealing to the average voter, lack the funds to get a look in. Nor are non-capitalist governments less complicit. Wen Jiabao is a billionaire, {15} and perhaps Vladimir Putin too. Money buys marketing and lobbying campaigns, and even the mainstream news media that overtly sway public opinion.

Market economies are always part of a larger picture. The first markets were simple devices designed to bring buyers and sellers together at a specific place and time to exchange goods. The traditional village fair gradually coalesced into centralized urban market centres linking different regions of the countryside with one another, and then through sea and land routes to more distant places. The rise of the annual cycle of Champagne Fairs during the Middle Ages marked an early stage in the emergence of wider markets — between Asia and Europe, then world-wide in mercantile and trading empires, and now globalisation — all based on essentially the same principle: informed self-interest. {10-14}

Markets transformed subsistence agriculture into commercial agriculture by providing farmers with an incentive to maximize production and exchange it for an increasing diversity of essential and exotic goods. Eugen Weber documented how grape farmers in an isolated corner of rural France without access to regional markets used to feed their excess grape production to the pigs, since there was only so much fruit and wine they could consume locally. Within a year of building roads and bridges to connect the village with wider markets, however, they were exporting wine to the Middle East. {16} Adam Smith explained how feudal barons controlling large extents of land had little incentive to

increase production beyond the level needed to feed their families and large contingents of armed retainers. But once linked to urban markets, they drastically reduced the number of their dependents, converting surpluses into a wide range of luxury goods. {18}

All social accomplishment comes about by generating, releasing, and channelling human energies into interactions between individuals, companies and institutions. Libertarians argue that the immense capacity of market economies for production and innovation arises out of the freedom of choice and action they accord for individual initiative, both for innovation and for organized and finely coordinated collective action. Freedom liberates productive human energies. Market opportunities direct those energies for productive purposes. The evolution of intricate networks of markets at the local, regional, national and international levels channels those energies effectively to maximize the production and exchange of goods and services. The spatial expansion of markets enhances the range and variety of goods available, and enables buyers to source products from producers with the greatest comparative advantage.

Historians would probably argue that matters are not so simple. The successful Mauryan empire of India, and that of Shah Abbas I in Iran were police states. The Nazi regime in Germany, which in four years turned a chaotic and failing state into the first economic power of Europe, markedly restricted individual freedoms. The 'robber baron' era built the foundations of American prosperity. Strikes were ruthlessly suppressed, and companies acquired by doubtful practices, but the consolidation of railways, steel foundries, factories and financial institutions into vast economic concerns were a part of the American model of business that has been successfully exported across the world.

From earliest times, economy and politics have therefore been inextricably intertwined. Freedom of production and exchange meant little without ensuring ownership and

security of property, enforcing contracts, arbitrating disputes, and protection against arbitrary seizure. Democracies and market economies therefore evolved hand-in-hand, and were mutually reinforcing. So too thrived markets in communities with the best infrastructure for transportation and communication, as well as the most skilled, literate and well-educated people. {9}

Misuse of Money

Every social organization is a mixed blessing, coming with some gains and some losses to the community concerned. At a time when the power of monarchs and emperors far exceeded the capacities of any commercial enterprise, Adam Smith opposed the mercantile policies of European governments that would promote the interests of the crown and a small community of prominent traders over the needs of the general public. He certainly didn't foresee the huge multinational corporations of today, whose economic and political power exceed the wealth and influence of all but the largest nations, and indeed possess the capacity to destroy the ecosystem of the whole planet. It was the rise of large trading corporations during the 18th century, the private transcontinental railways, and the massive industrial enterprises during the 19th century, that shifted the balance of power — from governments to producers, traders and transporters. The multiplication of social power generated by the Industrial Revolution generated unprecedented economic capacity, but also contained its own threats to human freedom and creativity.

Being hierarchical, human societies are governed by power. Even the Greeks, that most individual and democratic of peoples, elected officials to manage their affairs in times of peace and war. The feudal societies that developed from the decaying Roman Empire were much more rigidly structured, with power devolving from king to vassal and thence to peasant. Mercantile societies did not overthrow those

structures so much as occupy and transform them, allowing merchant families to gradually usurp the God-given power of the king. The latter kept the throne while he performed his duties in accordance with his civic and religious duties, and — eventually — the wishes of parliaments. But that divine right of kings, still reflected in the laws of succession, gradually metamorphosed into the laws of the market and then of financial governance as merchants turned financiers and landowners represented in both houses of Parliament. Government by wealth is no more natural than was the divine right of kings, but is part of the current fabric of society, supporting the order and continuity that mankind needs to govern its affairs. Mainstream economics necessarily treats money as an independent entity, championing the market as fair and efficient, but knows very well that its predictions are rarely correct, and that markets do not model reality. The suppositions that characterize mainstream economics also characterize our mainstream concepts of money, and necessarily include tradition.

Twentieth Century

The growth of market economies during the 20th century is inseparable from the development of political systems. That growth enabled enterprises, institutions and educational systems to provide the skills, industrial innovations and the improving transportation and communication technologies needed, all within a dense fabric of laws and judicial mechanisms that defined and protected rights and responsibilities, preserved competition, ensured fair treatment of workers and consumers, supported communities, and safeguarded the environmental rights of the present and future generations.

The central importance of this underlying social fabric is dramatically illustrated by recent attempts to rapidly introduce market economies in countries that lack the capacity for democratic governance, rule of law, and social

justice. The histories of Ukraine and other countries of the former Soviet Union over the past 25 years demonstrate how hard it can be to develop an equitable market economy in the absence of prior and proportionate development of other aspects of modern social organization.

As we have noted in passing, today's globalisation, and its associated Neoliberal economic theory, are based on fundamental errors, over-simplifications and misconceptions. {18} That we can objectively speak of and quantify money, does not necessarily mean that money as visualised actually exists as an independent entity across all possible worlds (as philosophers would put it). Or that the familiar blackboard diagrams like the clearing price set by the intersection of supply and demand curves properly represent matters correctly. Almost certainly they do not. {19} The mathematics involved can be disproved in its own terms, and though enshrined as 'the iron laws of the market', these shibboleths are not laws at all but powerful ideologies that favour vested interests. Even economists will accept that their models do not reflect reality, but largely provide fascinating mathematical possibilities to be explored in prestigious economic journals. {20-21}

Though the market economy may be the best system we have, and is everywhere expounded in economics and business texts, it is not a phenomenon of nature but a creation of our societies and chosen ways of behaviour. Far from being founded on immutable universal laws, therefore, its mechanisms are actually built around models conjured out of need. Markets as they function today are not rational, fair, equitable or efficient, and they certainly do not maximize human welfare. {9} Even the notion of fairness and equity is undermined by current patent and copyright laws, which according to *The Economist*, accord rights far beyond what has been proven to be socially beneficial. {22} The market is distorted by uncompetitive monopolistic practices, excessive consolidation of industries by mergers and acquisitions, and

by taxation policies that favour capital investments, certain professions and the wealthy over other income groups. It is subject to powerful influence by the lobbying of vested interests, the temptations and allurements of corrupt politicians, and biased procurement practices. The market is biased by the rent-seeking of privileged communities, including licensed professionals, a feature that permeates the entire policy environment governing the operations of the market. Note, for instance, the artificial constraint on the number of medical school seats in the U.S., which has remained unchanged from 1980 to 2006 despite a 37% increase in the population, allowing doctors to extract higher fees from middle-class Americans. {23}

The efficiency of markets is very much a question of definition and book-keeping. Markets do indeed encourage efficient means of production when narrowly defined at the level of the firm. But at the same time they foster socially wasteful competitive activity, generating huge social costs, which are then treated as externalities. The bias for capital and energy-intensive technologies over labour is not a law of nature, but simply a consequence of policies that favour capital investment, that tax workers unfairly, that price energy far below its true replacement cost, and that ignore the full social costs of pollution. While the firm may maximize efficiency by replacing labour with machinery, society as a whole incurs enormous financial and social costs from rising levels of unemployment and underemployment, poverty, crime, physical and mental illness, social alienation and violence. A study by Randall Wray in the USA estimated that the social costs of rising levels of unemployment equalled or exceeded the direct cost of employing people. {24}

An Elusive Concept

Being a social construct, something created by humans for human purposes and dependent on trust between all parties, money is therefore far from being an independent or abstract

entity. Under its contemporary conception, money has increasingly turned a life-giving economic force into a repressive means of widening social divisions. {10} Monetary policy cannot indeed be dissociated from social policy, any more than can tax avoid moral issues. Tax in Greek or Roman times, for example, was not levied on countrymen, but denoted subjugation in foreigners. It coincides with the rise of armies, argues Graeber, {7} with coercion, slavery and the concept of 'honour'. Violence done to a king, or indeed anyone with higher status — to their person, kinsfolk, slaves or property — had to be avenged, and first millennium societies had complicated tables of 'honour prices'. Mediterranean peoples often measured honour prices in cattle, which were also the items sacrificed to gods. The petty kingdoms of Ireland, and probably elsewhere in Europe, measured honour prices in female slaves. Slaves were people no longer fully human, and so could be treated as commodities. With women came fertility, and complicated rules about status. From the female deity inhabiting the Middle East temple complexes, through temple prostitute, to the inhabitants of the surrounding red light districts, to wives and common prostitutes, a carefully graded scale of dress and behaviour applied. Only respectable wives could go veiled in public, and transgressors were severely punished — from which perhaps originated the seclusion and subjugation of women.{7}

Modern governments that raise enormous loans must retain the confidence of the financial institutions, which in turn impose conditions that may or may not benefit the ordinary citizen. Some critics go further, alleging that money supports a 'deep state' in America, controlling the Fed, the large corporations and armaments industry, and so largely government policy itself, at home and abroad. {1-4}

Money is therefore a concept both important and elusive, apparently straightforward but in fact hard to grasp, often obscured rather than illuminated by textbooks and business

articles. 'Politics is the art of keeping from people what properly concerns them', remarked the poet Paul Valéry, and perhaps the same applies to modern finance. Certainly Maynard Keynes and Kenneth Galbraith thought so. As we shall see, money is more diverse and fascinating than is commonly realized. Coins are only part of money, of course, today a very small part, but their history at critical periods demonstrates matters still essential to our well-being.

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