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**History of Money:
The Origin and The Meaning**

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Introduction

Throughout the history, a man's search for meaning has taken many forms. Core beliefs were shaped up and passed around from a generation to a generation, making up the cultures of the societies and their way of life. The invention of money and the various innovations of the economic and financial systems played a decisive role in the history of nations and the overall evolution of the mankind.

Aztecs and proto-market society

A remarkable culture of the Aztec Empire, which ended in the 15th century with the Spanish conquest, had revolved around human sacrifice. Each god in the complex Aztec calendar required its own kind of sacrifice. The supply for these daily sacrifices had been possible due to a large number of war captives, however once all of the neighboring tribes were defeated, the sacrificial victims were the Aztec citizens themselves bought by merchants for a price of about 40 woven cloaks¹. Woven cloaks, cacao beans, copper belts and shells acted as standardized exchange commodities used for trades and purchases.

Cacao seeds (usually called beans) were easily grindable into a chocolate paste, which then could be turned into a delicious drink. Having a high inherent value in Aztec culture, cacao beans became Aztecs's commodity money and were tradable for fruits and vegetables such as corn, tomatoes, chilies, squash, chayotes, and peanuts; jewelry made of gold, silver, jade, and turquoise; manufactured goods such as sandals, clothing, feathered capes, cotton padded armor, weapons, pottery, and baskets; meats such as fish, venison, duck; and specialty goods such as alcohol and slaves.²

The city market in the capital Tenochtitlan hosted some 25,000 people who traded openly.³ The commodity money like cacao seeds operated more on a system based on barter than on purchase, i.e. cacao did not serve as the exclusive means of exchange. If one would trade a basket of corn for a basket of tomatoes, for example, and the goods did not have the same value, the trade would be evened out by a few cacao beans. The cotton or woven cloaks, with the exchange rate of 60 to 300 cacao beans per cloak, were used for larger transactions, such as the purchase of sacrificial victims.

Torturing and killing of men, women and children to appease the gods (for example, priests tortured children to death so that their tears might induce the gods to send more rain) required elaborately orchestrated ceremonies and often a long-lasting preparation with a significant economic impact. A merchant sponsoring the victim had not only to pay the initial price, but also to care for him with the most luxurious handling for a period of many months. The merchant had to sponsor four lavish celebrations with extravagant banquets for other merchants and leaders of the regime, investing in costumes, jewelry and expensive gifts for all the guests.⁴

¹ Inga Clendinnen, *Aztecs: An Interpretation* (Cambridge, England: Cambridge University Press, 1991), p.137.

² Some theoretical considerations about the role of the market in ancient Mexico. In *Economic Anthropology*, S. Lanham, MD: (University Press of America, 1983)

³ Somervill, Barbara A. *Empire of the Aztecs* (New York: Chelsea House, 2010), p. 29.

⁴ Weatherford, J. McIver. *The History of Money: From Sandstone to Cyberspace*. New York: Crown, 1997. Print.

Farming was at the heart of Aztec economy, and most people earned their living by growing food with no advanced tooling or large animals such as horses, mules or oxes to support them. While appealing to gods to improve their chances of success they also found it useful to irrigate their farms by bringing the water from its source to the less fertile farms or building terraces to grow food on hillside by setting up raised platforms of soil. The extra food that was not used by the family of farmers was traded on the market.

Aztecs' tributary state with their proto-market system allowed a limited use of money, however they have never moved forward to using precious metals or coins as money. Government officials regulated the market and the prices, and stood ready to punish anyone who violated the laws (or those buying or selling outside of the officially prescribed trading zone). Citizens traded with each other based on interactive style tied on relationships and kinship and the personal knowledge of one another.

The limitations of the commodity money imposed the limits to the development on Aztecs culture and overall development of Aztecs civilization. The transformation which has already happened in Greece or Rome with the use of coins has never taken place in Aztecs Empire.

Commodity Money

Commodity money has an advantage of being an item of consumption as well as the means for exchange. One, however, had to have an inherit understanding of the value in such commodity money (a value which is shared culturally), and be able to (know how to) use it. A story goes that once European pirates captured several ships carrying cacao beans and threw them all overboard into the see, mistaking cacao beans for rabbit dung. The Aztecs and overall meso-american tribes loved and valued the chocolate, thus allowing cacao beans to stay in demand as commodity money.

Another famous example of commodity money being an item of consumption was salt. It is believed that Roman soldiers were paid in salt, linking the modern English word "salary" with it's derivative from Latin word "sal", meaning "salt".

As commodity money, cattle had a very common use among many nations, and not surprisingly many believes and cultural attributes of these nations of many European continues, India as well as Africa revolved around the cattle. The tribes in East Africa were obsessed over their cattle in such a way that boys were named after a favorite bull and women called themselves cows; marriages became official only through the transfer of cows to the wife's family, and the crimes such as homicides had to be addressed by providing cows to the family of the victim. In Rome, the later developed coin „as“ had a value of exactly 100th of a cow. The modern word „capital“ is derived from the same Latin roots as the „cattle“ or „chattle“ – an item of movable personal property.

The most valued items of consumption that were used as the commodity money turned out to be the items made from precious metal. Unlike the food commodities, metal could be consumed by turning it into a useful object, such as spear tip or into jewelry, and still retain it's value as

money, and then consumed again. On top of this permanent value, metal objects had several additional qualities setting them apart of other item categories such cacao beans, sea-shells, whale teeth, boar tusks, feathers, or fur. (There are many other examples of unusual commodity money used by certain nations, such as „dog teeth“, used exclusively in Admiralty Islands).

The modern commonly accepted definition of money is an object that is generally accepted as payments for goods and services, and having all three functions as: a medium of exchange, a unit of account, a store of value.⁵ While local communities gladly accepted cacao beans, shells or whale teeth of a medium of exchange, none of these items turned out to be fully adequate as the unit of account or the store of value.

Note that even the quality of being the medium of exchange lacked the universality, and the value of items was often tied to specific culture and geographical location, for example animal skins and furs were useful and thus valued in Siberia and cold regions of North America (a „buck“ which is today’s slang for the dollar was name for piece of skin of North American deer), however these items had little practical use and value in warmer geographies Africa, South Africa, Caribbean, and South Asia.

Using cacao beans, shells or whale teeth as unit of account was even more challenging. All these examples of commodity money were of organic nature, and thus their supply was limited. While cacao beans were generally abundant in the meso-american region, no large transaction was possible without cumbersome handling of large bags of cacao beans, where one bag had approximately 24,000 beans. Additional difficulties were present with the room for miscalculation and counterfeiting (counterfeiters have learned to create fake cacao beans from mud and mixed them with real cacao beans). Sea-shells, as an example, were in value in the mountain region but overly abundant in the coastal area, and thus were either too rare or too accessible to serve as money. Whale teeth (an item of value and trade in Fuji) were never exactly similar, and have proven to be an inadequate unit of account and thus could not be used effectively for commercial exchange.

Finally, all these items deteriorated or lost their physical qualities over the period of time and thus were a poor store of value. Even with the most careful handling and storage, they would rot or be eaten by insects or rodents, and eventually fall apart.

It was a natural evolution for the metals to take the prevalence as the commodity money and later to give birth to the first coins. In Scandinavia and Africa people use iron, which they made into hoes. Chinese also used hoes as well as miniature knives as a form of standardized objects that are to be used of money, however preferred bronze. Egyptians used copper, southern Europeans bronze, people are Burna used lead and people from Malayan Peninsula used tin. Throughout Liberia and parts of West Africa, people used long strips of iron flattened on both ends and known as Kissi pennies, after the Kissi tribe that manufactured them. Each tribe was shaping their iron money in a way identifiable within their cultures, and so these first man-made money were becoming a form of expression and a part of the culture.

⁵ Mankiw, N. Gregory (2007). "2". Macroeconomics (6th ed.). New York: Worth Publishers. pp. 22–32.

Note the key evolutionary process where money first were integrating into the culture and adapting the qualities of the culture, but the later stages influencing and changing the culture.

The precious metals which became universally valued were gold and silver. Even though gold has lacked an empirical value and there are only a few items (mostly jewelry) that could be made out of gold, it preserved all 3 functions of money perfectly. Unlike most of the other metals, pure gold remained pure throughout the period of time. Along with the silver, gold was considered to be a divine substance, with a deeper meaning ascribed to it by people due to its resembles to the sun (and the moon for the silver). Egyptians, Maya, Tibetans, Incas, Spaniards, people of India, and Christians all valued gold and silver objects and used in their sacred rituals and ceremonies.

Coins and their invention in Lydia

Uniform weights of silver and gold became the first recorded proto-money used in Mesopotamia circa 2500 B.C. They were called „minas“, „shekels“ and „talents“. This proto-money could be used for purchases without the need for good-for-good bargaining, however some limitations still existed. First, the gold was too scarce and too valuable for every day transactions and an average person could not be a part of this silver and gold system while doing the daily transactions such as buying milk or bread. The system of gold and silver, however, did aid merchants who were buying at bulk and wholesale. And the second disadvantage had also prevented the system to be used widely, since making transactions with precious metals required their knowledge and assessment, as well as the tools for weighting and detecting a counterfeit.

It was not only the Mesopotamia, but other parts of the world in China and Egypt where similar objects (inform weights of precious metals) were used as money, yet none of them used actual coins as we know them today.

A breakthrough happened in a small kingdom of Lydia (what is today's Turkey) around 640-630 B.C.⁶ Lydian kings produced their first coin from electrum, which was a natural mix of silver and gold, a mix occurring in nature. Electrum was made into small oval slug of a size of an adult's thumb, and to ensure authenticity, the king stamped each nugget with the emblem of a lion's head. The stamping process has flattened the lumps and thus transformed the original oval into a flat circular coin.

What made these coins so popular is their relatively small worth allowing for common place transactions, as well as the standardized size and weight. With the king's emblem on top of the coin even the illiterate could have the confidence in their authenticity, and that in turn made transactions faster with far less cheating. The commerce was opened up for a new level of society and resulted in the first system of open and free market.

King Croesus who has ascended on Lydian throne in 560 B.C. enhanced his predecessors's invention of electrum coins by melting pure gold and pure silver coins, which then became a new stable medium of exchange. The capital of Lydia, city of Sardis, became a host to the commercial revolution. Besides the actual goods market, where merchants and buyers conducted transactions

⁶ Glyn Davies, A History of Money: From Ancient Times to the Present Day (Cardiff: University of Wales, 1994), p.63.

on anything from grain to jewelry, there appeared to exist a service market. There were houses built offering sexual services, marking in history the city of Sardis as the first for the first known brothels. Then followed gambling saloons, artifacts of which were found by today's archaeologists.

Unprecedented social changes have taken place. Through accumulation of wealth (and perhaps by working in brothels) some women became free to make their own marriage dowries and thus choose their own husbands. House-chore services became up for hire, and the work and human labor itself became a commodity with a value that could be fixed depending on the amount of skills, strength, or time it took to accomplish the work. Money became the standard value for work and the value for the time itself.

This moneytorization of value had given mankind a new system of shared values. Merely everything could be expressed in terms of the common denominator – money – an hour of sexual work, a poem, a piece of pork meat and a month's rent, all had a quantifiable value forcing humans to think more rationally rather than emotionally, appealing to the intellect.

The Classic Greece

It was an absurdly excessive consumerism and untamed vanity that had finally destroyed the kingdom of Lydia in 546 B.C. with the fatal attack from Persians, and thus preventing Lydians to realize the full benefit of their invention. Lucky Lydia's commercial practices had spread and were adapted by the neighboring Greece. Greece was the first civilization that was transformed by money, and the other civilizations had followed.

The exchange of goods was facilitated via new commercial routes via the land or the sea. Anywhere where the money went a new marketplaces arose. It was Philip II of Macedon and later his son Alexander the Great who created and expended the interconnecting points into one kingdom, reaching as far as Egypt and Israel.

The new wealth of Greece gave Greeks the opportunity to create a rich civic life, allowing them pursue new disciplines such as history, science, philosophy, mathematics. The timeless works of Plato, Aristotle, Archimedes are just a few of many that are still mined today for wisdom.

The common commercial culture across the vast geographies and the basic knowledge of Greek had facilitated the spread of Christianity. The disciplines of Jesus were speaking to his followers at the marketplaces of Ephesus, Jerusalem, Damascu, Alexandria and Roman in the language that they could understand. Christianity was uniquely a new religion without multiple gods for sun and rain that was commonly inherent to farmers, but a universal religion without the class or cultural division.

Creation and dissemination of the coins in the accompanying market created a whole new cultural system in Greece. Greece arose from marketplace and commerce. The scale and complexity of the organization reached far above of what was possible in a society ruled by force or kinship relationship. Money was connecting humans in a more extensive and efficient way than was possible before. While the traditional ties were weakened, the new social ties were

created. With the commercial revolution the regime that was based on aristocracy, inherent rights, relationships was slowly changing into democracy.

Conclusion

From the days of Classical Greece continuing to this day, money had been changing the world's system of knowledge and values. Money was a human invention, not present anywhere in nature besides human's imagination. It is an idea, a belief which allowed humans to structure their life in a number of complex ways which were not available to them before. Money represent an infinite set of opportunities, commercial, economic and social relationships with a continuously expandable structure.

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