

A Brief History of Money: Part I

Once upon a time, thousands of years ago, people used no money at all. These people were living in extended family groups and survived by hunting and gathering. The men hunted and the women gathered and took care of the children and built the shelter and made the clothing and tended the sick and so on. The men would bring meat home from time to time but, as is the case with all hunters, sometimes they had no luck or bad luck. In those times the people survived on what the women and children gathered. In short, the women could get along just fine without the men and usually did because the men were off hunting anyway most of the time. But the men depended upon the women to stay alive.

Therefore when women in various places invented agriculture by domesticating some animals and actually fostering the growth of edible plants, the women no longer were willing to go off to new hunting grounds just because the men couldn't find many animals to hunt (having killed off most of them) or because the animals were migrating elsewhere. The women said something like, "I'm staying here with the kids because I have a big investment in this land and in this house I have built and in the fences I made to restrain the goats. If you leave, you're on your own." No doubt the men got huffy and left, swearing that the women couldn't live without them but came back later when they got hungry enough and blustered something about the game coming back soon anyway.

Now when they were nomadic, the people could get things like flint for tool making and salt and other things which they needed that weren't available all over by traveling from time to time to where the things were found. But when they settled down in just one place, they still needed those things so they either had to make long pilgrimages or trade with those groups and families who were still nomadic. Trade was found to be the easiest way to get things done because some were better at traveling and other groups were better at farming. Over time, trade routes and trading circles arose in which the needed items flowed in both directions among various sets of trading partners. Traded items might go hundreds or even thousands of miles. People became quite dependent on these trade relations. Families would even arrange marriages for their children which supported such trades. The age of specialization was just getting started.

Time passed and the farming groups became more skilled in their agricultural practices and they accumulated considerable tools and other capital (like houses and storerooms) that made their farming more successful and dependable. In some regions, they even developed irrigation. But these "capital goods" were not mobile in most cases. It is difficult to move 500 yards of fencing, for example, or a mud brick house.

The farmers began to store large quantities (large for the day and time) of food since their harvest was seasonal and the farms could produce food only part of the year. (Yes, it was the *women* who invented various means of preserving food.)

That stored food looked awfully good to the hungry hunters of the nomadic groups when they were unsuccessful. With their families on the brink of starvation (for whatever reason) the hunters would actually take food from the farmers by force. After all, the hunters were killing animals and the same tools which will kill an antelope will also kill a person. So in some cases raids on the farmers became more frequent.

The farmers, to defend their property and their lives, would build defenses such as fences (walls) around their villages. As the villages grew larger and the populations of those villages became greater, some of the men became specialists in defending the village. Of course if they are fighters, they aren't growing food so they have to be given food and clothing and so forth.

While these changes were taking place, money was being invented independently and unintentionally in each of these agricultural centers. Goods that could be transported long distances had to be relatively small, light, and valuable. Otherwise they would not be worth the effort to transport them. These goods, therefore, would be acceptable in a trade even if the person accepting them already had more than enough of that item to meet their own needs. In this way, traders could work out trades to get what they wanted, even though it meant making more trades than if they could directly trade their own product for someone else's wares. In other words, if you had corn to trade and wanted a sheep dog, you no longer had to find someone with a sheep dog who wanted corn. You could trade your corn to anyone who had extra salt and trade that salt with anyone who had a sheep dog to trade.

This made salt one of the more common commodities that was used as a medium of exchange. But there were any number of things which were used in this fashion. Those which worked the best, held value over time, did not deteriorate, and which were attractive to the most people, tended to become well-known and thought of as being particularly acceptable in trade.

By this time government (those fighting men again) was coming to be important. Those who defended the village discovered that they could use force to get themselves paid even if there was no immediate threat from hunting groups. It was the old "protection racket" in its early days. Thus were taxes invented. Since the fighters were setting the terms, they would demand the items most useful for trade as their pay. As government

expanded, villages became what we would now call small cities, and the number of people became larger, the fighters discovered that they could "protect" more than one village at a time. All they had to do was replace the protectors of that other village. Whole regions came to be governed by single groups of warriors (now they were warriors because they had developed the art of war). Trade was getting more important because the warriors had to buy more elaborate defenses and weapons. The government needed better forms of the media of exchange that made trade easier.