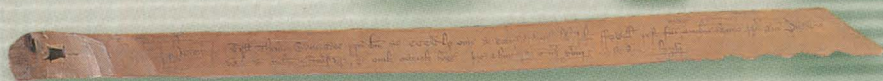




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HISTORY of MONEY



FROM ANCIENT TIMES TO THE PRESENT DAY



Glyn Davies



A History of Money

From Ancient Times to the Present Day

GLYN DAVIES

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Preface to the Third Edition

In our technological age too many agree with Henry Ford's blunt dictum that history is bunk, though he was far from thinking that money was bunk. This ambivalent attitude remains prevalent today in the general approach to economic and financial studies, so that whereas there is a superabundance of books on present-day monetary and financial problems, politics and theories, it is my contention first that monetary histories are far too scarce and secondly that those which do exist tend in the main to be far too narrow in scope or period.

Because of the difficulties of conducting 'experiments' in the ordinary business of economic life, at the centre of which is money, it is most fortunate that history not only generously provides us with a potentially plentiful proxy laboratory, a guidebook of more or less relevant alternatives, but also enables us to satisfy a natural curiosity about the key role played by money, one of the oldest and most widespread of human institutions. Around the next corner there may be lying in wait apparently quite novel monetary problems which in all probability bear a basic similarity to those that have already been tackled with varying degrees of success or failure in other times and places. Yet despite the antiquity and ubiquity of money its proper management and control have eluded the rulers of most modern states partly because they have ignored the wide-ranging lessons of the past or have taken too blinkered and narrow a view of money.

Economists, and especially monetarists, tend to overestimate the purely economic, narrow and technical functions of money and have placed insufficient emphasis on its wider social, institutional and psychological aspects. However, as is shown in this study, money

originated very largely from non-economic causes: from tribute as well as from trade, from blood-money and bride-money as well as from barter, from ceremonial and religious rites as well as from commerce, from ostentatious ornamentation as well as from acting as the common drudge between economic men. Even in modern circumstances money still yields powerfully important psychic returns (such as an individual's social rank and standing or a nation's position in the GNP league table), while the eagerness to save or to spend is a fickle, moody, contagious, psychological characteristic, not fully captured in the economist's statistics on velocity of circulation. Thus money, more than ever in our monetarist era, needs to be widely interpreted to include discussion not only of currency and banking, but also savings banks, building societies, hire purchase finance companies and the fiscal framework on those not infrequent occasions when fiscal policy conflicts with or complements the operation of monetary policy. In this regard it is demonstrated that even in medieval and earlier periods these wider aspects were of considerably greater importance than is conventionally believed. There are therefore many advantages which can only be obtained by tracing monetary and financial history with a broad brush over the whole period of its long and convoluted development, where primitive and modern moneys have overlapped for centuries and where the logical and chronological progressions have rarely followed strictly parallel paths.

Anyone who attempts to cover such a wide range inevitably lays himself or herself open to criticisms similar to those inescapably faced by map-makers in attempting to portray the whole or a major part of the globe on a flat surface. If the directions are right the sizes of the various countries become grossly disproportional; attempts at equal areas beget other distortions in shape or direction; while the currently politically correct Peters projection looks like nothing on earth. Similar criticisms relate to the selection of historical material from the vast mass currently available. What some experts would regard as vitally important features may have been glossed over or omitted, while other aspects which they might consider trivial have been given undue attention. Selection from such a vast menu is bound to be arbitrary, depending on the personal taste of the author. Furthermore any claim to complete neutrality and unbiased objectivity is similarly bound to be untenable. Every list of sins of commission or omission would vary, especially among economists . . . six economists, at least half a dozen opinions.

A further point: where one is dealing with a narrower, more manageable period or area it is all the more possible (and highly fashionable) to construct a sophisticated model or theory closely fitting

the subject under scrutiny. Conversely, only the most loose-fitting (but none the less useful) garment could possibly cover the variety of models comprising such a wide range as is examined in this book. One such simple theory does, however, emerge: the quality–quantity pendulum; although it must be borne in mind that its repetitional swings become discernible only where a long period of time is taken into consideration.

The first three chapters look at primitive and ancient money and at the origins of coined money and its development up to the fall of Rome. The next two chapters look at the unique disappearance and re-emergence of coined money in medieval Britain, followed by the great expansion of trade and finance in Britain and Europe from around 1485 to 1650. We then trace the development of British money and banking to its dominant position in the gold standard system that eventually broke down in the period from 1914 to 1931, thereafter analysing the monetary controversies during the rest of the twentieth century including the implications of entry into the European Monetary System. The monetary development of the USA (in chapter 9) provides a considerable contrast, moving from wampum to world power in less than two centuries. Only a few of the salient features of money and banking in parts of continental Europe and Japan are sketched in chapter 10 but with some emphasis being given to the closer relationships seen in those countries between financial and industrial companies and the consequences that this might have for a faster rate of economic growth than has occurred elsewhere. Chapter 11 deals with pre- and post-colonial monetary systems, the rise of indigenous banking in the Third World and the vast problems of international indebtedness. Chapters 12 and 13 summarize progress towards a possible universal free market in money, including dollarization, the revolutionary advance of the euro and the controversial Tobin Tax.

Henry Ford, the father of mass production, unconsciously gave the world a powerful push towards the goal of global finance where eventually the colour of everyone's money will be the same. Fortunately, that blissful day has not quite yet dawned.

1 June 2002