This paper is an attempt to sketch a historical view of money as a social phenomenon. I show that the way to understand the substance of money is to analyze its meaning as a medium of exchange in connection with its meaning as a purpose of exchange, thereby providing an investigation of its social value. This approach has been used by many of the great philosophers and economists of the past, but not today. Modern economics is a policy oriented theoretical discipline and concentrates its efforts on solving practical tasks. I hope to contribute a historical approach to economic research.

Today, money is a reality, a permanent feature of our everyday lives. It gives our lives a particular rhythm, a particular “charm,” a particular perception of the world and our place in it. Money creates problems when we do not have it, and yet more problems when we do have it. But it is only an illusion that we are in control of our money: in actual fact we do not notice how subtly and intensively it exercises control over us. Money makes us both master and slave but because we do not have a historical understanding of money we do not understand this and we think that we can be the master if we just have more money. But the average person in the United States spends two million dollars a year on food.

Money as a medium of exchange in barter and trade has always in all times found expression in some form or other from necessity thereof. In the remotest periods, before gold or silver were generally in use, it took the form of animals, oxen, sheep, lambs, shells, etc. Thus we find used cattle in Germany, leather in Rome, sugar in the
West Indies, shells in Siam, lead in Burmah, platinum in Russia, tin in Great Britain, iron and nails in Scotland, brass in China, and finally copper, silver and gold the world over.

If we look up the sacred writings in quest of the earliest use of money quoted therein, we will find that the Bible mentions gold as a medium of value in the very first book of Moses which according to modern synchronology, would be about 4,000 years before the time of Christ, or almost 6,000 years ago. Namely, Genesis, Chapter II, 10, 11, 12. “And a river went out of Eden, and the land of Haviliah, where there is gold and the gold of that land is good.” Hence Adam and Eve could have found gold in Haviliah just the same as we do in the Yukon or South Africa today.

There were many reasons for the invention of standardized money. First, nobody wanted to carry 30 pounds of barley to the trade city that could have been 100 miles away. Second, it was difficult to determine the true cost of different goods. For example, if somebody wanted to buy milk for his family, it would almost be impossible to figure out a fair exchange for grain. Finally, the barter system limited the people who would trade with each other. Not everybody would want to purchase milk or grain. In sum, there were too many complications and inefficiencies in a barter economy.

People in ancient times developed the concept of money around the year 2500 B.C. Some historians argue that it may have been even earlier. The first form of “money” was silver in Mesopotamia. Silver functioned just like the monetary functions we use today. It had a standard, it was weighed in shekels so that one could determine the value of the silver in relation to its weight. Today, the way we determine the value of
our money is by looking at the number in the corners of a bill. Like our money today, silver was easily portable compared to goods like milk and grain.

The flaws with the early silver money system were evident. Somebody could easily take another alloy metal and tell the merchant that it was silver. In other words, counterfeiting was relatively easy. As a result, a merchant would want know person that was offering their silver in order to prevent fraud.

There were other standards of money in different places. There were different clay tokens. People who were not as wealthy as those who paid in silver paid in less valuable metals like copper, tin, and lead, but mostly barley. Eventually, merchants thought of an idea. If most of their customers paid in a certain currency, then they would therefore take only that specific currency. This idea started to slowly kill off other currencies. By killing off currencies they were making silver the dominate currency. After all of the less valued currencies became obsolete, they had created a standardized currency. This made it easier to know the value of items that a merchant was selling.

A barter economy makes things harder for people. It is difficult to compare the value of goods traded. On the other hand, a money economy uses a currency worth a certain amount to determine the cost of an item. Therefore, a money economy is a superior economy. It is important to note that this philosophical realization is only made possible by knowing about money’s history.