

# Early Forms of Money, besides Currency, which may include Coins

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## Abstract

Sometimes, when currency which *may* include coin is not ubiquitous in a society, that society turns to other items to serve as money. This article examines several objects in history that may have fulfilled the requirements of being money. This article examines some of the forms of money, employed other than what most people think of as conventional money. This article summarizes different forms of early money, used in different time periods and in different geographic areas. The different types of possible earlier money examined in this article are wampum, warehouse receipts for tobacco, art during the German Third Reich and its aftermath, beaver fur pelts, rice, and stone money at Yap or Rai, cocoa, tea bricks, cigarettes, whale's teeth, musket balls and cattle. Interestingly cattle was the first item that played the role of money and that started in 9,000 B.C. The other livestock such as goats were valued in terms of cattle, which served as the unit of account. There are three requirements of something to serve as money. They must be a store of value. They have to be used as a medium of exchange. As described in this article, the art that was stolen during the German Third Reich and immediate aftermath was traded among a small group of people. For that reason, it was not considered a medium of exchange, since so few people used it for that purpose. In addition, money must have a unit of account. artworks described by being part of the thefts during the German Third Reich Era had no unit of account. For example, a painting by artist X was not easily valued in terms of a painting by artist Y, without using dollar or other monetary measurements for each painting. The examples in this article can help any economist who is teaching and researching about money and banking.

**Keywords:** Money, wampum, warehouse receipts for tobacco, art, beaver fur belts, rice, Rai or Yap stone money, cocoa, tea bricks, cigarettes, whales' teeth, musket balls, cattle.

**JEL Classification:** E 40, N00.

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## Introduction

Money can be used to pay debts, both public and private. There are three requirements that must be met for something to pay all public and private debts. The item must hold value, have a unit of account and be a medium of exchange (Mishkin, 2006). Money can be used to pay all public and private debts. This article will examine the traits of several items that served as money in different specific places and times. Also, there will be examples of a few items that may partially fulfill the requirements for something being money but not all of the three requirements. On the necessary value trait, Baron (2018) states that value can come from the intrinsic value of whatever item serves as money and value can also come from "state enforced consent" (Baron, 2018). Gentle (2021c) points out that the two sources of value are not mutually exclusive. Table 1 contains information on different items that served one time as money. The purpose of this article is to provide some examples of early money that were not based on what is familiar to contemporary humans, that is currency *may* include coins (Gentle, 2020, 2021a, 2021b, 2021c). The examples include some of the common ones in the literature. By examining these examples, economists can use these to further aid in teaching students some basics of money and banking.

Table 1. Examples of Early Forms of Money

Type	Details	Literature Sources
Wampum	Wampum was originally used for ceremonies and recording treaties. When European settlers came to North America, it was also used as an early form of money.	Gentle (2016)
Warehouse receipts for tobacco	In part of colonial America, warehouse receipts indicated stored tobacco.	Gentle (2018)
Beaver Fur Pelts	Beaver fur pelts were one of the major types of heavily traded fur pelts in parts of Northeastern North America.	Gentle (2020)
Rice	Rice has been a staple food crop for centuries, in many parts of the World. Sometimes rice was used as money.	Gentle (2021a)
Stone Money or Rai	Rai were the name of special stones that were carved for the island of Yap. The Rai has a dual purpose. They were used for ceremonies. Rai that had previously been owned by a high status person had greater value due to the previous ownership.	Gentle (2021b)
Cocoa	In Mesoamerica prior to and during the Spanish colonial period, cocoa was used as food and beverage. It was also used in ceremonies and as an early form of money.	(Gentle, 2021c)
Tea Bricks	Tea has been an important beverage in many parts of the World. One way to store tea was in the form of brick-shaped forms. One use for these bricks was as a form of money.	(Bressett (2001) ; Bertech, 2009)
Whales' Teeth	In past times, in the Fiji Islands, both White Whales' teeth and Red Whales' teeth were used as money. Also, these teeth have also been used in ceremonies.	Einzig (1966); Davies (1994); Solomon (2017)
Cigarettes	Cigarettes were used as money, within POW camps in Germany during World War 2	Radford, (1945)
Cattle	As far back as 9,000 B.C. cattle were used as form of money, with other livestock and other items being valued in terms of how much of a cow or other gender type of cattle.	PBS Television, (1996)
Musket Balls	In Massachusetts in Colonial Times, musket balls were used as money.	Massachusetts Laws (1660); Whitmore (1890); Priest (2001)

Source: compiled by the author.

Table 1 includes examples of items that qualified as early forms of money. It is important to remember, that these examples are certainly not an exhaustive list. In the history of human civilizations, if items met the three requirements of money – being a medium of exchange (M), having a store of value (V) and having a unit of account (A) – that item could qualify as money for specific geographic areas during specific time periods. Anything that qualifies as money, could be used to pay for all types of debts (Miskin, 2006; Baron, 2018). We could express this in a simple equation:

*Item Qualifies as Money iff (M), (V), and (A).*

### I. Unique items from the World War II European Theater

In German Prisoner of War camps, during World War II, cigarette served as a type of money. Even non-smokers knew cigarettes had value and were used as a medium of exchange between allied prisoners in the camps. They easily had units of account that, that is the number of cigarettes (Radford, 1945). Cigarettes were the medium of exchange in those camps among prisoners of war and they held value for a few months. On the other hand, stolen art works during the period of the German Third Reich and its aftermath did not qualify as money for two reasons. Although the art works were certainly valuable, there was no unit of account and art works did not serve as a medium of exchange, as comparatively few people dealt in those items (Gentle et al, 2017).

## Subjective Value and the Quantity Theory of Money

The subjective value would be determined by the degree of an individual's pleasure or displeasure in looking at and owning an item (Menger, 1871; Stigler, 1950; Mankiw, 2015). In Gentle (2018) it was shown that warehouse receipts for tobacco in colonial Virginia can be an example of money, fitting the Quantity Theory of Money, where  $MV = PQ$ . The Quantity Theory of Money's four factors can be as shown this way: Using cocoa as an example, M denotes the money supply; V denotes the Velocity of money; P denotes the cocoa price level in terms of cocoa beans and Q stands for Quantity of goods and services. Also, in this paper, M could be cocoa beans. More of M would result in P increasing if V and Q were constant. Different cocoa-based monetary systems perhaps may have had some similar relationships. The exact unit measurements could vary for the different economies, built on a cocoa based monetary system. Some other items can be examined with this equation. For example, tobacco warehouse receipts during a period of time in colonial Virginia, could serve as M; P denotes the price level based on those receipts; V would be the velocity of those receipts circulating through the economy and Q stands for the goods and services.

As Mishkin (2006) has stated, one of the required traits for something to be considered money, is being a store of value. This paper has revealed several items that served as money. One general trait for these type monies is being a store of value. Yet some types of money will hold their value longer than other types. Curiously, a cigarette may decompose in as little time as a few months. A cigarette meets the store of value requirement for money. However, it may not last as long as tobacco in a warehouse or in a large barrel. So stored tobacco is a different product compared to cigarettes. Moreover, stored tobacco holds its value longer than cigarettes do (Nettles, 1964; Gentle, 2018). On the other hand, Wampum was made of shell beads and was thus sturdier, than cigarettes or stored tobacco. Tobacco warehouse receipts held their value, served as a medium of exchange and met the unit of account attribute necessary to be money (Gentle, 2018). Therefore, one would probably wonder about gold and silver retaining their value. Assess gold and silver to cocoa and the other items considered in Gentle (2016), Gentle, et al (2017) and Gentle (2018, 2020, 2021a, 2021b, 2021c). Gold and silver have held their value quite well (Abdullah, 2013; Hart, 2013). Although very select paintings hold their value, as a rule, artwork is not a comparatively good investment, in monetary terms. It may have some intangible values, such as the utility, "psychic income" in owning a work of art (Ekelund et al, 2017). Over time, the type of money that may best hold its value, in many situations could be based upon gold and silver (Greenspan, 1966; Abdullah, 2013). Indeed, both gold and silver have been used for a time, as an important basis for money (Gold, 2018). A detailed explanation of this goes beyond the scope of this article. In order for cocoa or any other item to have functioned as an early form of money, anytime, anywhere, it would have to have some perceived value. Also, the unit of account and medium of exchange requirements would have to also be preset for something to be considered money. How the Quantity Theory of Money complies with the different forms of money is easier to see with some items compared to others. For example, the tobacco warehouse receipts were back by 100 percent reserves and the receipts were relatively easy to exchange between people.

## Summary and Conclusion

In different societies of the world in certain times, the materials necessary for gold or silver backed currency have not been available in large enough amounts. In those instances, societies have turned to somewhat unusual items to signify money. This article has examined some of those items. Yet as Baron (2018) points out that sometimes, money may not have any appreciable amount of intrinsic value. It can be money just because a society deems it as money. Thinking of the U.S. dollar after the United States went off the gold standard in 1971 (Cooper, 1982). This a great example of seeing that the U.S. dollar may lose some of its value upon going off the gold standard but by the authority of the net opinion of society, the U.S. dollar still has some measure of value.

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