

Give and Take: A Discussion on Money, Exchange, and Humanity

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Most economics textbooks give roughly the same story of how money came about: before money, we had to trade goods and services for other goods and services. This was terribly cumbersome. Imagine you are a mushroom forager and you have collected a basketful of mushrooms. After a long day of foraging, your shoes have broken entirely, and now you need a new pair. Before money, you would have to walk around your village, looking for someone who can offer you shoes. If you find a shoemaker, don't celebrate yet, because they may have no interest in your mushrooms. Or perhaps they are interested, but they believe that their masterfully crafted shoes are worth *two* baskets of mushrooms. In response, you may have to defend the value of your mushrooms, or you may traverse over to the next village, barefoot, until the rare and beautiful occasion occurs in which you encounter a shoemaker looking for one basket of mushrooms. Thankfully, the invention of money solved this dilemma, referred to as "the double coincidence of wants". Money is tiny, lightweight, and can store any amount of value. With money, buyers and sellers do not need to bicker over

the equivalence of one pair of shoes to one basket of mushrooms, because the remarkable price mechanism takes care of this. With money, it no longer matters if you want shoes and the shoemaker wants mushrooms, because everyone wants money.

This is the classical explanation, and it's a concise and logical one. Money is so fundamental to everyday life that we rarely spend a moment thinking about the development and history of money. The alternative to money - barter and trade - seems prehistoric and irrelevant. But I would argue that the standard economic discussion of money could be refreshed, that perhaps one ought to be more critical of the assumptions that underpin this explanation of money. A deeper look into humanity's relationship with money may produce new-found insights, ideas about the future of money, and hopefully, meaningful conclusions about what humans truly *value*.

Exchange in the Absence of Money

In *The Wealth of Nations*, Adam Smith supports the notion that before money, we had no choice but to trade. In fact, he writes that "the propensity to truck, barter, and exchange one thing for another is common to all men, and to be found in no other race of animals." Smith believes that bartering is in human's nature. It is not until centuries later that the late anthropologist David Graeber challenges this idea and essentially rewrites this longstanding history of money altogether. In his book, *Debt: The First 5000 Years*, Graeber argues that bartering was actually a malicious practice reserved for strangers or enemies that one had no problem scamming. In fact, "truck and barter" actually translates to "rip off" in some

languages. Throughout history, when two tribes would conduct trades with one another, the whole transaction was entwined with power, passion, and sometimes even violence and warfare. For example, Graeber details how the Nambikwara, a group indigenous to Brazil, would hide their women and children in the forest before a trade was conducted, as violence often broke out if some party felt taken advantage of. So while Smith believed that trading is as natural as breathing and sleeping, Graeber posits that trade actually brought out *inhumanity*.

If trade was reserved for strangers and enemies, as Graeber argues, then there must have been an alternative system for everyday transactions. In smaller civilizations, each person would buy and sell things from people they personally knew, so this was no occasion to take advantage of the other party. Not only will it be awkward when you see them at the next village gathering, but you might intrinsically care about the other party and want them to profit from the exchange too; it makes humans happy to see others happy. This is why, when looking at the history of exchange, it may not be a bunch of greedy savages bartering with each other, but perhaps a more personal and collaborative circulation of goods and services.

Graeber argues that the big problem, "the double coincidence of wants", was never actually a big problem. Returning to the textbook example, if you needed shoes, the town shoemaker would simply give them to you, even if they don't want your mushrooms. Surely they'll want some in the future. If the shoemaker is your dear friend, maybe you'll offer them some special mushrooms that have mind-altering qualities. Maybe you'll even consume them together and share a transcendental experience that strengthens your social

bond. If the shoemaker is your enemy, however, you might offer them mushrooms of the fatal variety and then steal all of the shoes from their shop. This example is a bit dramatic, but there are two takeaways from Graeber's alternative history of exchange. First, social relationships played an incredibly important role. Second, in many cases, humans did not only conduct one-off trades, but also circulated gifts and obligations throughout lifetimes and generations.

The contrasting approaches to explaining exchange before money differ primarily in terms of the incentive system. On one hand, humans may have been incentivized to trade fairly and establish equivalencies, like one basket of mushrooms to one pair of shoes. Alternatively, humans may have been incentivized to take into account the ways they were irrevocably connected to others and conduct exchanges accordingly. Both Smith and Graeber's explanations likely contain some of the truth. And just as bartering had its impracticalities, the exchange of obligations and social bonds could only work in small, tight-knit communities where there is a certain degree of trust among members. So it seems that money was not invented simply to extinguish the double coincidence of wants, but primarily to create a more neutral, scalable method for exchange. While previous methods of exchange were time-consuming, inefficient, and sometimes violent, money allowed for fair, neutral transactions to take place between anonymous parties.

A History of Money

So as civilizations grew and exchange became more large-scale, the invention of money seems natural and inevitable. But this presumption may be much more

apparent in hindsight. Carl Menger, the founder of the Austrian school of economics, claims that money is not the obvious solution. He writes that "it is obvious even to the most ordinary intelligence, that a commodity should be given up by its owner in exchange for another more useful to him. But that every economic unit in a nation should be ready to exchange his goods for little metal disks apparently useless as such, or for documents representing the latter, is a procedure so opposed to the ordinary course of things, that we cannot well wonder if even a distinguished thinker like Savigny finds it downright 'mysterious.' " So how did members of society come to trust in such a mysterious institution? Of course, the introduction of money did not happen in one instant when everyone simply decided to start using it. Instead, it happened gradually and in stages. Members of society needed to warm up to the idea of money *representing value*, rather than physically holding value. Therefore, it is relevant to explore the history of money, as this will reveal how members of society came to trust so wholly in these useless little metal disks.

It's difficult to pinpoint the true onset of money, but many historians believe it started in the 13th century BC when cowrie shells were used to store value in China. This early form of currency took off quickly; cowrie shells were accepted as currency all the way from East Asia to Eastern Europe. Later, in the kingdom of Lydia, the first official currency was minted in the 7th century BC, marking a pivotal change: money went from being issued decentrally, i.e. people collecting shells or metals, to centrally, i.e. the government issuing currency. The role of the state expedited things: after coins came paper money, first produced in China around 1000 CE. Different bills were promised to be

backed by different quantities of gold and/or silver. Bimetallism, or the use of gold and silver to back currencies was widely practiced until the 1870s, when the gold standard began to play a significant role in the global economy.

Under the gold standard, a nation's paper currency could be exchanged for a fixed amount of gold, which should provide stability and confidence in the monetary system and constrain governments to fiscal discipline. However, this rigidity proved to be a constraint during times of economic turmoil and wars, causing the gold standard to be loosened and numerous critiques to be published, including Keynes' 1931 essay *The End of the Gold Standard*, which objected to the government's limited ability to respond to crises with expansionary monetary policy. Many countries began to abandon the gold standard and peg their currencies to the US dollar, leading to a situation where the United States was essentially carrying the burden of an inflexible system. Finally, in 1971, President Nixon declared the Bretton Woods system obsolete, and unbacked fiat currency overtook the global financial system.

While fiat money still reigns today, the rise of cryptocurrencies and blockchain technologies marks an interesting revitalization of decentral finance, likely the first since prehistoric people were collecting cowrie shells on the beach. Of primary interest in this particular discussion is the ideology that underpins this development. Impassioned proponents of decentralized finance argue that people should place their trust in technology and not in governments, which are inherently corrupt. This could signal lower trust in institutions and lower trust in the people who are employed by the state - those who are susceptible to corruption. Of course, a future where we collectively

shift towards decentralized money still seems largely improbable. But even so, these developments signal a remarkable shift, albeit a small one, in the societal perceptions of who should issue money and how.

Contemporary Exchange

Reflecting on the previously unfurled history of exchange, it is psychologically comfortable to draw a thick line between the periods before and after money. But exchange is continuously evolving - not only the medium of exchange, but also the contexts in which we conduct transactions. For instance, if someone is baking and runs out of eggs, they might stroll down to their neighbor's house and receive not only an egg, but also a hello, a quick chat, or a laugh. Such instances may have declined in frequency now that it is easy to place an online order and receive eggs within the hour. Or, alternatively, instead of asking a friend for a ride to the airport, some people may opt to call an Uber and refrain from bothering anyone. Particularly in developed countries with wealthy agents, it seems that every possible exchange has become monetized, reducing the need for personal favors and hospitality. While these developments indicate positive economic and technological growth, I would suggest the possibility of an unintended consequence - when people have more and more, they give less and less.

This claim may sound paradoxical, but it was introduced long ago by French philosopher Montesquieu, who wrote that poor people are more hospitable than rich people. And his theory is supported in a number of contexts today. In the United States, for example, there is a substantial racial wealth gap between black and white households, but black families still al-

locate a significantly higher proportion of their income to philanthropy, according to financial writer Michelle Singletary. Or, take the example of hitchhiking, a practice which reflects interpersonal trust and exchange. Experienced hitchhiker, Juan Pablo Villarino, reports that he has the hardest time getting a ride in Sweden, Norway, Finland, and Denmark. He posits that, in these wealthy Scandinavian countries, almost everyone has a car and citizens find it strange and unsettling to see someone in need of a ride. Sharing becomes futile when everyone has everything. Of course, most people have vastly different attitudes towards financial exchange and nonfinancial ones. But still, economic developments rarely happen in a vacuum. Instead, they tend to creep into other contexts unexpectedly, almost imperceptibly.

While this discussion has expanded to touch on wealth, growth, and individualism, at its core is still exchange. Understanding how humanity has exchanged goods and services, both historically and today, can ignite meaningful conversations. When Smith claimed that trade was in human's nature, he was making a statement that transcends the field of economics. The very notion of the invisible hand asserts that there is some natural force of interdependence pushing humanity along. Graeber, too, looks at exchange as something that is profoundly reflective of human nature. In his words, "solitary pleasures will always exist, but for most human beings, the most pleasurable activities almost always involve sharing something: music, food, liquor, drugs, gossip, drama, beds."

This brings up an insightful, perhaps even urgent, discussion regarding the future of exchange. We might witness society become increasingly exclusionary, or we might witness a revitalization of boundless exchange

between humans. As developed countries experience extraordinary abundance and growth, take caution. The present moment is one of fragility: we must not hinder exchange with others, but augment it.

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