

How Money Became Money

The Origins of Money
and the Logic of Discreteness

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Before We Begin

This book tells the story of how a token granting passage or access to a place can become a medium of exchange. Gorvin, Tiron, Gell, and their descendants live in a fictional world. Through their story, we trace one possible path: from communal memory to a rule that is understood by strangers.

Historical examples in side notes illustrate individual devices along this path: seals, passes, trade tolls, coins, receipts, courts, and settlement between towns. They do not constitute evidence that one real civilisation went through the entire sequence described. To establish such a sequence, sources linking each step to the next would be required.

The book poses three questions. How is the sign structured and why is it accepted? Under what circumstances might such signs have emerged in history? On what grounds can the issuer demand payment and apply force? Answering the first question does not replace answers to the other two. A sign may be used even when the legitimacy of its issuer is in doubt. The benefit of a road does not prove the right to collect tolls.

The proposed mechanism supplements explanations of commodity selection, debt, and state demand. Money took various forms; here we focus on the one in which the exchangeable sign maintains a connection to recognised access to a place, service, or order. We examine the conditions that allow this connection to extend beyond the first transaction.

Chapter 1. The Myth of Barter

1. The town at the walnut tree

The old walnut tree still stood beside the spring. Now a paved square surrounded it, and the spring ran into a stone basin. Where traders had once driven pegs into the ground to mark their pitches, rows of stalls stood beneath awnings. The air smelled of bread, leather, pepper, and smoke from the forges on the lower street.

Gell walked slowly, leaning on his staff. His granddaughter Tessa held his free hand, pulling him first towards a stall selling sweets, then towards a man showing off a trained goat on a rope.

At the stall selling honey flatbreads, she came to a dead stop.

Gell opened his purse and fished out a copper disc bearing a walnut on one side. The vendor took it, glanced at the mark, dropped it into a drawer, and handed Tessa a flatbread, still warm.

Tessa bit into it, but did not leave. She stared at the drawer where the coin had disappeared.

“Grandpa, why did she give me a flatbread for that bit of iron?”

“Copper,” Gell corrected her. “Not iron.”

“All right, copper. You can’t eat copper.”

Gell grunted. It was a good question—better than many adults asked.

“What do you think?”

Tessa frowned, chewing thoughtfully.

“People probably used to swap things,” she said confidently, repeating something she had heard from older children. “One person gave a flatbread, and the other gave boots. Then they got tired of carrying boots around and invented copper. To make it easier.”

Gell stopped and looked at his granddaughter as if seeing her for the first time.

“Who told you that?”

“Everyone says so.”

Interlude. The cobbler seeks the baker

Tessa had told her grandfather a story almost all of us have heard. In a school textbook it goes roughly like this.

A cobbler, a baker, and a butcher lived in the same village. The cobbler needed bread, but the baker didn't need shoes—he needed meat. The butcher needed shoes, but had no bread. Each time one needed something, they had to find someone who had what they needed and who needed what they had. This was inconvenient. So people gradually began to accept in exchange a good that everyone could use: livestock, salt, shells, and eventually metal. Metal does not deteriorate, is divisible, and is easy to carry. And so money emerged—to facilitate exchange.

This story has a distinguished lineage. In *The Wealth of Nations*, published in 1776, Adam Smith described a butcher, a brewer, and a baker whose exchanges fail because one party has nothing the other wants. A century later, William Stanley Jevons called the difficulty the “double coincidence of wants”. In 1892, Carl Menger developed a theory of how people, without a common plan, select more saleable goods as intermediaries in exchange until one becomes money.

This logic contains much truth. Some goods are indeed easier to sell than others, and silver is more convenient than grain. Menger and his followers—especially Ludwig von Mises—demonstrated this convincingly, and we will return to them repeatedly.

But the cobbler's story has one flaw, and it lies at the very beginning. The picture of a village where the entire economy functions through one-off barter transactions lacks the ethnographic confirmation one might expect from such a familiar story. This does not mean that barter within communities did not exist. The doubt concerns pure barter as the universal starting point.

2. “Nobody bartered in our village”

They sat on a stone bench under the walnut tree. Gell carefully settled his bad leg, then said:

“Everyone says this because none of them lived in the mountains. I did. Your great-grandfather Tiron lived there. So did his grandfather, Gorvin the miller.”

“And what was it like?”

“Nobody bartered in our village.”

Tessa looked at him sceptically.

“Really? Nobody?”

“Really. The miller ground grain for everyone—people gave him a share of flour. The blacksmith forged for everyone—people brought him bread. A widow got her share because she was a widow. The elder got his because he was the elder. No one said, ‘I’ll give you flour if you give me an axe.’ If anyone had said that, they’d have been looked at as a fool—or as a stranger.”

“What if the blacksmith needed a honey flatbread, but had no flour?”

“He’d go to a neighbour and take it. And she, in return, would go to him for a horseshoe. No one kept track of how many flatbreads a horseshoe was worth. Everyone already knew who had helped whom.”

Tessa paused.

“Then what is the point of copper at all?”

“Ah,” Gell said, raising a finger. “That’s the right question. You don’t need copper among your own people. You need it where your own circle ends.”

Interlude. What anthropologists found

Gell’s story recalls anthropologists’ observations, but does not replace them. In his village, custom and memory matter more than a single transaction. This is an arrangement in a fictional community, not a claim about all pre-monetary societies.

Bronisław Malinowski described the kula, a circuit of necklace and bracelet exchanges in the Trobriand Islands. These gifts created bonds, obligations, and prestige; ordinary trade took place alongside them. Marcel Mauss showed that a gift could create an obligation to accept it and respond. Caroline Humphrey noted the absence of ethnographically described economies based exclusively on barter, from which money later emerged.¹ This is a challenge to the universal teaching sequence, not proof that barter did not exist. David Graeber, in his book “Debt: The First 5000 Years”, developed an explanation placing debt relationships before the emergence of money.

In the community described here, things are distributed in large part **by custom**: to the elder, the widow, the master, the guest—each gets their due. Mutual aid is maintained in **memory**: people know who helped whom. These are independent forms of cooperation. They can coexist with exchange; they cannot be reduced in advance to barter, anticipating the development of money.

Barter also occurs among **strangers**: at community borders, between tribes, or among chance travellers. At such borders, shared memory is weaker, and customary obligations may cease to hold. This brings a question into focus: what enables people to agree when they do not know one another?

For our story, this suggests a starting point: the boundary of a community, where customary memory is no longer enough. This does not exclude monetary practices originating within temples, households, or systems of debt. Our question is narrower: how does a mark understood in one circle become a sign accepted beyond it?

3. “First came the wheel”

Gell reached into his purse again and pulled out another copper disc. It was older than the one that had been traded for a flatbread, and thicker: its edges were worn down, the sign barely visible.

“Do you see the sign?”

“Hooks,” Tessa said in surprise. “You hardly see those any more.”

“This is the sign of the Horven clan. The clan that owned this meadow back when there was no square, no stalls, no houses. Only a walnut tree, a spring, and fires. When I was young, such a disc granted the right to trade here for one day. Once, I sold one for pepper.”

“Sold copper? For pepper?” Tessa laughed.

“I sold it. And that pepper was the first thing I bought with foreign copper. Since then, that copper has passed from hand to hand.”

He placed the old disc in her palm and squeezed her fingers.

“Do you want to know where it really came from? Then we have to start somewhere else. Before the market, before copper.”

“Where, then?”

Gell looked at the mountains, blue above the rooftops of the lower street. Somewhere beyond, past three passes, by the swift icy river, stood his native village.

“With the wheel,” he said. “It began with the wheel. Water turned it, and it turned the millstone. And my great-grandfather Gorvin used to listen to it creak...”

Interlude. Where to look for the beginning

Gell is right: we should not begin with the market or with metal. This book will follow his lineage through a long chain of steps. None of these steps were conceived in anticipation of the next, yet together they lead from the mountain village to money and the town.

1. **Mill.** The mountain village remains in the same place for generations, and a wheel is installed in the river. Specialist craftspeople emerge, but within the village everything continues to be distributed according to custom.

2. **Elevation.** Villages at different elevations produce different goods: grain at the bottom, wool at the top. Trade develops between them, along with debts recorded on tallies. The token works because everyone knows the debtor.

3. **Boundary.** Beyond the village alliance, the local tally loses its force. In our story, gifts open the conversation with strangers.

4. **Pass.** A messenger carrying gifts receives from the owner of the foreign land a sign of passage. This sign functions without the owner, points to one issuer, and can be sold to anyone who lacks it.

5. **Fair.** Caravan routes converge at one point. The owner of that point charges a fee for the place and issues a token bearing his own mark.

6. **Money.** The token becomes copper and begins to pass from hand to hand beyond the owner. When it is accepted by others who have no need of the place, it becomes money. The owner’s chest becomes a bank.

7. **Town.** The fair stops moving on, and a town grows in its place.

No one in this chain sets out to invent money. People solve their own problems: grinding grain, surviving winter, crossing foreign land, keeping