THE PHENOMENON OF MONEY

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Preface

It is almost unavoidable that any study of money written by an anthropologist will, following modern academic usage, be labelled 'interdisciplinary'. Economists will be particularly inclined to apply this label, seeing that theories about money are at the centre of their own discipline. It is not, however, my intention to teach economists anything new about monetary theory, save perhaps to point out to how great an extent any such theory is no more than one instance of the systems of ideas that people develop in thinking about their own institutions.

As an anthropologist I could, following the example of Claude Lévi-Strauss – the most eminent practitioner in my own discipline – have written about 'la pensée économique', in much the same way as he has written about 'la pensée sauvage'. Now economic thinking is a part of my subject matter – and I deal with it in the first chapter – but it is marginal to the main subject matter of the book. The point which is really important to me is not only that money, and monetary institutions, emerge in the history of mankind at a stage long before man ever started to think scientifically – as Aristotle did about money as early as the fifth century BC – but also that I started to think about at least some of the problems I deal with long before I found a home in any academic department.

The originality of my approach explains why this book pays little attention to a number of themes current in specific academic circles. In spite of its title, it is only incidentally concerned with the phenomenological movement in philosophy and sociology, which is generally associated with the name of Edmund Husserl.

If, also, relatively little attention is paid to Marxist thinking about money, it is because the ideas of Marx and his followers about money are so clearly derivative. Indeed one would hardly expect Marxists to think creatively about an institution which they so deeply mistrust. And if I have taken little notice of the controversy between 'formalists' and 'substantivists' concerning the character of primitive economies, it is because the structural approach I adopt largely bypasses it. I would not, however, wish to deny the importance of the most original contributions to thinking about primitive money of Karl Polanyi, the founder of the substantivist school, a number of which are referred to in the text. In the end I am arguing for a non-Aristotelian approach to money, analogous to that which, in the field of pure mathematics, has led over the last 150 years to the development of non-Euclidean geometries. What I have learnt as an academic is a scientific approach, which has enabled me to explain and order the phenomena which I have observed. Here the anthropological approach of 'participant observation' has been extremely useful, the more particularly because I have been able to participate, to an unusual degree, in the institutions which I have observed. My confrontation, as a soldier in Austria in the late 1940s, with an extremely restricted sphere of payment, defined by the circulation of British Armed Forces Vouchers, in the same denominations as ordinary British money; the years – now far in the past – in which I played bridge regularly and poker occasionally; a month's travel among the tribesmen of southern Ethiopia, paying for everything out of a large sack full of ten-cent coins, the only money they would accept; two years in the City of London in the boom-time of the mid-1950s; eighteen months working in Johannesburg, in the late 1950s, for the world's largest gold mining complex, at a time when the price of gold seemed to be fixed, by divine command, at $35 per ounce; bank accounts maintained, at different times, in Britain, France, Holland, Italy, Mexico, South Africa and the United States; seven years in practice as a tax lawyer; and, finally, anthropological research into the indigenous credit systems developed by the Maya tribes of southern Mexico – these are no more than instances of my own experience of money and monetary institutions.

However great the range of such experience, it is not enough to provide the basis for a comprehensive and systematic study of money. Although the different perspectives from which I have been able to observe the phenomenon of money largely determine the character of this book, the substance of it depends almost entirely on my own academic researches in the course of the 1970s. As is clear from the bibliography, these have been very far-reaching. If in one or two restricted areas, such as the relationship between money and language, or money and religion, I can claim that my own researches have broken new ground, I have had to rely on others' scholarship for much the greater part of the material which I have used. I have had here the advantage of help and advice, interest and encouragement, from scholars not only in my own discipline of anthropology, but also in others as diverse as archaeology, economics, epigraphy, history, linguistics, numismatics and theology.

I am particularly indebted to a number of those of who have helped me. Professor Mary Douglas, who, as director of research at University College, London, first suggested money as a field of research, has herself made a number of extremely original contributions, which I am pleased to have been able to use in the present study. In 1976 and 1977, when I was able to pursue my researches in Paris, I was helped by endless discussions with Jacques Melitz, an economist, Gilles Hennequin, a historian and numismatist, and Daniel de Coppet, whose studies of the 'Are'are are a model of what an anthropologist can achieve in the study of a monetary system. In London, Charles Goodhart, of the Economic Intelligence Department of the Bank of England, and Victoria Chick, of the Department of Political Economy at University College, have both taken endless trouble in reading the manuscript at different stages: their criticisms have contributed enormously to my own education as an economist. I need hardly add that the views expressed remain my own, and I accept full responsibility for such errors as – after several revisions – are to be found in the text.

On a number of special points I have been greatly helped by Dr P. H. W. Bartle, Professor R. Bogaert, Professor C. Cahen, Professor G. Condominas, Mr M. P. Conolly, Professor L. Dumont, Professor S. D. Goitein, Mr. G. M. J. Hogeweg, Professor J. Lafaurie, Dr R. M. Laughlin, Dr P. van Leynseele, Dr M. Perlman, Mr. R. Soeting, Professor E. Z. Vogt and Professor T. Yoneyama; and from within my own department in the University

of Amsterdam by Dr G. Benton, Mr J. G. van Bremen and Dr L. Sluimers. I would also like to thank the numerous students who have chosen to attend my seminars on different monetary themes. I am also most grateful to Miss Jennifer Every, who at very short notice was able to type out the manuscript.

The Department of Anthropology at Harvard University, the Anthropological seminar of the Ecole des Hautes Etudes en Sciences Sociales, the Faculty of Anthropology at the University of Paris (Nanterre), The Department of Monetary Economics of the London School of Economics and Political Sciences and the Money Study Group of the Social Sciences Research Council have all invited me, at one time or another, to present my ideas about money, and the ensuing discussions have not only greatly helped in clarifying them, but also have led me to pursue new lines of research.

I have written almost the whole book in Amsterdam. The staff of the University Library (which is the largest in Holland) have been able to find for me the greater part of the material needed for my research. In the cases in which they were unable to help me, the Koninklijke Bibliotheek in the Hague hardly ever failed to find what I was looking for. In the year in Paris the staff of the Bibliothèque Nationale were equally helpful in meeting my needs.

Although I have had to write this book in such free time as I could find in the course of my work at the University of Amsterdam, I have been fortunate enough, in 1971–2 and 1976–7, to be able to devote almost two years exclusively to research. In meeting the costs which this involved I am most grateful to the Nuffield Foundation, the Centre National de la Recherche Scientifique, the Netherlands Organization for Pure Scientific Research and the Sub-Faculty of Sociology and Anthropology of the University of Amsterdam.

Finally, it has been a pleasure writing this book. In spite of the vast amount written about money, largely by economists, the scope for new discovery has continually surprised me. The many different people to whom I have already given thanks, and the books and articles which I have read, have all encouraged me to continue searching. If, occasionally, I have been hesitant, it is because of a confrontation with some theory propounded by specialists – with an expertise much greater than my own – which my own knowledge and experience compel me to reject. An example is to be found in theories about the origins of money maintained by reputable economists. My purpose in dealing with such theories has been, however, not to confound the experts, but to provide an alternative for their consideration. While agreeing with Keynes (1936, p. 383) that 'the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas', I would hope not to be seen as one of those 'practical men, who, believing themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist'. Rather I would prefer to be counted among 'the brave army of heretics . . . who, following their intuitions, have preferred to see the truth obscurely and imperfectly rather than to maintain error' (ibid., p. 371).

Contents

1 *The phenomenology of money*

Underlying a rich diversity of form, money is a single phenomenon. But its nature is not easy to understand, for money gives no information about itself, except that it *is* money. In revealing itself as money, it is nothing more than a cultural tautology.

Money fails to reveal its true nature for two reasons. The first is that, at the deepest level, it is independent of any transactions in which it is used. The second reason, which is complementary to the first, is that money, as soon as it is used for any purpose, generates its own distinctive institutions.

Both reasons need to be further elucidated. The first is best illustrated by an example. The information that X has £1000 standing to his credit at the Y bank tells nothing about how he acquired that sum, nor about how he will spend it, unless certain extraneous assumptions are made about the organization of the socioeconomic system which comprises both X and the Y bank and uses the pound sterling. Even then, the information is insufficient: it needs to be supplemented by X's own record of past, and his plans for future, transactions. His full bank statement would give some information about the size (if not the nature) of past transactions, but it would still tell nothing about the future.

As for the second reason, the possible uses of money, and the different functions which money must have to support them, are never random. However wide the range of different uses, the form must always be institutionalized. At the present stage it is sufficient to note that money – because of its extreme generality and consistency as a phenomenon – can be functional only if its use in any case is highly specific. To use an analogy, because the potential of the letters of the alphabet to transmit and record language is so utterly general, their usefulness for this purpose – in the case of any one language – depends on maintaining extremely precise specifications in regard to spelling (such as are made manifest in any dictionary).

The fact that in any culture the phenomenon of money is only and always manifest in transactions and institutions has meant that in practice thinking about money is determined by the character of these manifestations, although this is seldom made explicit. This is the basis of what is commonly called 'monetary theory', which forms the dominant view of the phenomenon of money.

This approach, which is first to be found in Aristotle's views about money, presented in the fifth century BC, has allowed for only an extremely impoverished axiomatic basis for the development of monetary theory.[1] Because of this, the scientific potential of monetary theory is extremely restricted. The reasons for its success are political, just like that of pre-Copernican astronomy (whose cultural assumptions were equally narrow). It is significant, here, that Marxist monetary theory takes the Aristotelian basis in its most rigid form. By taking the institutions for granted, the monetary theorist is seduced into accepting, as axiomatic, a number of statements about money, which are at most true only in a limited range of monetary systems.

The approach, then, of the present study is that money is essentially a uniform phenomenon, which can become manifest only when it occurs within the confines of an established institution. Although it is the institutions which give money meaning or purpose, its true nature – though not necessarily the forms in which it becomes manifest – is independent of any of them. This being so, the institutions have to be presented in all their diversity, so as to establish, convincingly, that not one institutional configuration can be definitive. A good deal of attention must be paid, therefore, to what is never more than implicit in conventional thinking about money. To use a metaphor from physics, one must look inside the atom, recognizing at the same time that the nature of the investigation, and the results which it may lead to, will depend – at least in part – on the elements chosen for research.

If, therefore, monetary theory normally takes for granted not only money as an observable phenomenon, but also certain functions of money (together with the institutions which support them) and a good deal of what people think about money (which can best be called 'the culture on money'), it is precisely these aspects of money which provide the starting point for the present book. Money, as an observable phenomenon, apt to be described in objective terms, is essentially the subject matter of a ritual, which is described in this chapter under the sub-heading, 'The ritual of money'. The ritual, as soon as a purpose or function is ascribed to it, becomes an incident in a continuing institutionalized pattern of monetary activity, described under the heading 'Money as an institution'. Then, because the circulation of money represents a system of social, political or economic interaction, the phenomenon of money must be considered under a third sub-heading, 'Money as a symbolic system'. Finally, to ensure that the present study is not totally divorced from what others (largely professional economists) say about money, there is a final section, entitled 'Different types of monetary theory'.

The four parts of this first chapter provide the basis for the whole of the rest of the book, but the emphasis will almost always be on the interaction between the matters dealt with in the first three of them. The scheme for the book is therefore presented at the end of this chapter, to give the reader a synoptic view of the different themes which then call for separate, and more detailed consideration.

The ritual of money

The phenomenon of money is manifest in a particular kind of event, called 'payment'. Payment is the transfer, from one person (the 'payer') to another person ('the payee') of an interest which is always expressed as a multiple of a recognized unit with its own name, or 'denomination'. Money is the means which represents this interest, and enables payments to be made. The ostensible result of a payment, so far as the money used to make it is concerned, is to put the payee in what, before the payment, was the position of the payer. Whatever functions money may have, the payee, in place of the payer, is, by virtue of the payment, put in a position to perform them, and – this is the key point – he can do so only by making a further payment. It is of the nature of money, therefore, to be used for an indefinite succession of payments, that is, to circulate, without being subject to any sort of loss of function.

At the same time, the reason for any particular payment is always extrinsic to it. It is this which establishes money as no more than 'an extreme and specialized type of ritual' (Douglas, 1969, p. 69). This follows directly from the fact that payment, as an observable phenomenon, discloses next to nothing about the use, functions or purpose of money. The questions which now arise are: What form does the ritual take? and What sort of structures are generated and maintained by performing it?

The elementary answer is that money is constituted out of some recognizable substance, which must then, ideally, have certain attributes, such as divisibility, portability, uniformity, durability and relative inelasticity of supply (Chick, 1978, p. 41; Parsons, 1967, p. 368; Polanyi, 1966, p. 177 and Simiand, 1934, p. 22). In this way there come into existence a number of objects which are recognizably money, in the sense that they are to be used to the exclusion of all other assets[2] for the purpose of making payments, which are then effected by handing over one or more of these objects.

Although the attributes of the money-stuff, introduced in the previous paragraph, would appear greatly to restrict the choice of what may be used as money, the range of things attributed with some of the functions of money, in both primitive and modern societies, is extremely wide. A great deal of confused thinking, particularly about elementary monetary systems, follows from uncritically acknowledging as money a wide variety of objects used for purposes such as exchange.

It is essential to decide, therefore, at this early stage on the sort of restrictions to be imposed on the definition of money. Two such restrictions prove to be essential for a consistent treatment of the phenomenology of money. The first is that a true money must of its nature be capable of circulating indefinitely among those who use it, and the second is that a true money has a distinctive identity as such, so that it has no significant use for non-monetary purposes.[3] These restrictions avoid, in particular, the confusion between primary commodities which are a recognized trade good in a given area (and may therefore readily be exchanged for other interests) and money. In much of the Third World, a primary commodity such as coffee is often a surrogate for money in local transactions (Ortiz, 1973, pp. 162f.), in the first place because almost every household is engaged in its production, and in the second because it can always be sold, that is converted into money, in an open market. In the areas where coffee is produced no one thinks of it as money, and this is chiefly because it is a cash-crop which is always converted into money in the end.

The position remains essentially the same even where no such conversion is possible. The Baruya of New Guinea are subsistence cultivators with an external exchange economy entirely dependent upon the export of salt to neighbouring tribes (Godelier, 1973, pp. 275f.). The Baruya have an effective monopoly of salt production: their export trade in salt is essential for providing them with goods which they cannot produce themselves. Since salt is their *only* export, it follows that every import must have an exchange value expressed in terms of it. That is, as far as the Baruya are concerned, every form of merchandise (seeing that they have no significant internal exchange economy) must have a 'price' in terms of salt. This line of reasoning, which would 'monetize' any exclusive export commodity, does not establish, however, where it would then circulate as money.[4] Paradoxically, in the case of the Baruya, there does appear to be some *internal* circulation of salt, on the basis of gift (Godelier, 1973, p. 293), and this factor is far more important in establishing it as money. This is not, however, the argument adopted by those theorists who look for the origins of money in cases of this kind.[5] The most that can be said is that some moneys may have originated as trade-goods. In particular, early systems of deposit certainly seem to have been organized on the basis of a *unit of account* related to the staple crop.[6] More generally, the origin of money may well be related to a change in the function of objects already used for other purposes.

The important point, in any case, is how few objects in general use have the attributes of a satisfactory money-stuff. It is, moreover, an advantage for the user – at least in the long run – for there to be no possibility of confusion as to whether or not a given object is money. These factors explain the pre-eminence of *specie*, that is objects used as money and for no other purpose. In practice, the establishment of money in the form of specie has required either the adoption of some object found in nature with all the necessary attributes, and with no obvious alternative use, or the mass production of a similar object by means of a manufacturing process. Historically, the only suitable natural object has been the *cowrie* (Quiggin, 1949, ch. 4, pt i), and the only suitable manufactured object, the coin. The diffusion of the cowrie (Jeffreys, 1948, p. 52 and Simmel, 1978, p. 150) and of coinage (Hopkins, 1978, p. 39) over very wide areas of the world, and the decline of alternative currencies, give a practical demonstration of the advantages of these forms of specie.

The character of different forms of specie depends on the balance of the attributes proper to them: that specie is durable not only allows it to link 'the present to the future' (p. 11 below), so that money can circulate indefinitely, but also distinguishes it from the consumer goods which comprise a substantial part of the basic needs of any population. The uniformity of specie (which is essential to making it recognizable as such) is in no sense problematic in the case of the cowrie (where the natural process of production ensures it) but does raise certain difficulties when it comes to the manufacture of coins, or of other more modern forms of specie, such as banknotes.[7] A coin is more than a piece of metal of recognized weight, size and form: its identity is established by a design impressed upon it in the process of manufacture.[8] But then the control of the manufacturing process becomes critical – an extremely important historical factor (which is discussed in chapter 5) in relation to the supply of money. The problem can be solved in part by choosing as the raw material for coins precious metals in such short supply that the existing money-stock (that is, the total money held by all transactors) is maintained at a more or less constant level, with only a marginal supply of new coinage. This is what is meant by 'relative inelasticity of supply'. At the same time, the coins can be made small and light in weight, which contributes to the ease of using them in transactions.

If, at an elementary level, money tends to be conceived of in the form of specie, there is an alternative form which is no less important. Suppose that, at any given time, the amount of money held by any transactor was as recorded, numerically, in a recognized form of document. The ritual of payment could then be performed by an appropriate alteration in the records. All that would be necessary would be to increase, by the amount of the