A brief history of money

In Roman times, the market had not yet been swamped by detergents. People used ammonia extracted from fermented urine to wash their clothes bright and clean. No, this is not a domestic science lesson or an introduction to the art of laundering, but it does have a link with money. Wishing to generate some extra revenue, the Emperor Vespasian (69-79) imposed a tax on urinals, and when his son Titus reproached him, he came out with this remark which became a well-known saying: money does not smell (“pecunia non olet”).

1. Traditional money

Money has not always existed in its present western forms: coins, notes and most recently “electronic money”. The ancient Greeks and Romans, in particular, settled their transactions by taking the ox as the standard unit (pecus in Latin means cattle, hence the English word “pecuniary”), while other people used salt, shells, pearls and many other objects. However, not all goods were suitable under all circumstances. Although the ox served as a unit of account in the time of Homer, and although cattle were highly prized in African cultures, this type of means of exchange proved much less convenient for travelling traders. They were the ones who needed means of exchange which were universally acceptable, not too bulky and above all not perishable. Salt was highly prized.

It was not only in ancient Rome that soldiers and officers were paid in salt; all over the world there is evidence that salt was a highly valued product, a wealth factor, a standard of value and a means of payment. In the 14th century, Marco Polo mentions in his account of his journey in China that salt was pressed and officially stamped, forty bars of salt having the same value as a bar of gold. Nowadays, salt and cattle have disappeared from the monetary circulation, but they have left traces in our language. Salary refers to the word “sal” (Latin for salt) and the English “fee” (remuneration) has the same root as the Dutch “vee”, which means cattle.
These are so-called primitive currencies, but that term does not apply only to very ancient means of exchange. Primitive currency has in fact survived until recent times in some regions of the world, for instance in the form of shells in Melanesia (South-West Pacific), copper wire in Central Africa, and cigarettes in Western Europe during World War II.

Economists and ethnologists are not always of the same opinion on the development of money. Most of them consider that the simple exchange of goods (barter) gave way to a more organised method of exchange based on a specific object used as a measure of value. This means of payment varies from one community to another; gradually it is divided into various units, begins to bear certain marks, certain signs of authenticity, and thus becomes more like money as we know it today. More often than not, this specific object is connected with a single culture, as in the case of the aragonite stone of the island of Yap (Micronesia, South-West Pacific) and the mokko (copper gong) of Alor island (Sunda islands, East of Bali).

Alongside its commercial role, primitive money generally has a social or religious meaning which, historically, often predominated. Even nowadays, money is not only an economic instrument: coins can be collectable items and the credit card can be a sign of social status.

Primitive currencies, which are both varied and numerous, can be classified in two major groups:

**Natural products**, such as tobacco in the case of the Virginian planters in the 18th century or animals’ teeth in the case of the Melanesians (South-West Pacific), not forgetting the innumerable shells, either local or imported. *Cypraea moneta* and *annulus*, better known as cowrie shells, spread all over the world. The Chinese very soon realised the potential advantages of using this shell from the Indian Ocean as a means of payment.

Arab traders spread its use along the African coasts, both in the east and in the west. In the course of the 19th century, it also appeared in Oceania and in Central and North America.

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1. Cave painting: the ox as means of payment (2nd millennium B.C.)
2. Bronze necklaces (Bavaria, 2nd millennium B.C.)
3. Copper bars (Bavaria, 1800 B.C.)
4. Phoenician weights (15th-12th century B.C.)

L: 2.2 cm diameter: 1.4 cm
An unusual fee

Following a concert given in the Society Islands (French Polynesia, near Tahiti) during her world tour, the French prima donna Mademoiselle Zélie received a most unusual fee. Her contract stipulated that she would receive one third of the takings. She was greatly surprised to be given, in payment, 3 pigs, 23 turkeys, around forty hens, 5,000 coconuts and kilos of oranges, lemons and bananas. Being unfamiliar with local customs, she did not organise a public festival which would have enabled everyone to benefit from her “fortune”; she gave the fruit to her pigs and hens.

Manufactured objects constitute the second group. It includes Chinese silk fabrics, Central African raffia mats, various metal objects in their normal form, or in a degenerate or reduced form (such as Celtic wheels and hatchets, gold rings from the Egypt of the pharaohs, African copper wire and iron bells and also ingots of gold, silver or iron), as well as beads of stone, glass or ceramic material. Like the cowries, these spread throughout the world. European traders exported them to every continent, and many native communities attributed magic powers to them. Metal played a key role in the history of money; its intrinsic qualities – especially its divisibility and durability – soon made it an ideal means of exchange which, from primitive and sometimes variable forms, has evolved into the money we know today.

A bit heavy to carry!

The stone currency of Yap, an island in Micronesia (South-West Pacific), undoubtedly constitutes one of the world’s most astonishing forms of payment. The wide range of sizes is striking, from a few centimetres to colossal stones 4.10 m in diameter and weighing about 15 tonnes. Not exactly pocket money! Round or oval stones with a hole in the middle owe their value partly to the rarity of aragonite – found only on the neighbouring island of Palau and not on Yap itself – and partly to the effort and risks entailed in extracting it and transporting it by sea. The islanders initially used these stones for all kinds of payments, but their size made them unsuitable for large-scale circulation. During the 20th century, the inhabitants devised a system in which the US dollar was used for day-to-day settlements, while aragonite was used to pay damages and to purchase land and houses.

5. Chinese cash coin
6. Chinese knife money (8th century B.C.-1st century)
L : 7 cm

7. Map showing Chinese currencies
From pieces of metal to coins

If it is to be convenient to use, a currency must be transportable, divisible, identifiable and durable. It is hardly surprising, therefore, that metal assumed this role in most regions. It was traded in the form of gongs, swords, knives, hatchets, spades, marbles, jewels, etc. Once these barter objects had become universally accepted, their value became more or less standardised and their utility value gave way to a symbolic value.

2. Coins

Around the time when China was creating its currency, the same phenomenon appeared in the West, more particularly in Lydia (West of Anatolia, in present-day Turkey), where the rivers Pactolos and Hermos carry precious sediments: a natural alloy of gold and silver called electrum.

Between 650 and 600 B.C., stamped pieces of metal were produced there, the first staters, for use as means of payment. The stamp guaranteed a certain weight and hence a certain intrinsic value.

Bimetallism

The presence of two precious metals and small amounts of base metal, such as lead, in the first Lydian electrum coins made it difficult to determine their value, especially as the ratio of gold to silver fluctuated by around 40 to 60%. Attempts were made to separate the metals; the first gold and silver coins made their appearance during the reign of Croesus, the last king of Lydia (around 560-547 B.C.). The relative value of the two metals was fixed on the basis of the symbolic link prevailing in those days between the two metals on the one hand, and the sun and moon on the other. The astrological calculation of the celestial cycle ensured that the ratio remained constant for centuries at 1:13.3.

ANTIQUITY (VIIth century B.C. → Vth century)

1-1'. Money tree and Chinese cash coin (7th century B.C.-20th century)
  size: 61 x 9 cm diameter: 2.6 cm

2. Half stater, Lydia (560-547 B.C.)
  L: 2.05 cm

3. Aegean turtle or stater (475 B.C.) diameter: 2 cm

4. Athenian tetradrachm showing an owl (5th-6th century B.C.)
  diameter: 2.5 cm

5. Stater showing Apollo (359-336 B.C.)
  diameter: 1.7 cm

6. Tetradrachm depicting Hercules (336-323 B.C.)
  diameter: 2.6 cm

7. As, Rome (3rd century B.C.)
  diameter: 6 cm
The use of money becomes widespread in Persia, whose gold daric (named after the Persian King Darius) acquires the status of an international currency.

In the Greek world, in the 5th and 6th centuries B.C., 1,400 city states and 500 heads of states mint coins, but the money market is dominated by the silver Athenian owls (tetradrachms). Alexander the Great makes the circulation uniform, with the gold stater showing the features of Pallas Athena and the tetradrachms showing Hercules. Under his successors, portrait coins appear: classical gods and goddesses will soon be accompanied by the deified portrait of Alexander. Around 305 B.C. the Egyptian sovereign Ptolemy I Soter puts into circulation a series of coins bearing his effigy.

In Rome, Julius Caesar was the first to appear on a coin in his lifetime. In the 3rd century B.C., the Romans used as means of payment heavy bronze plates (aes signatum) and coins (aes grave) – the highest value was the decussis or 10 asses, the smallest the half ounce or 1/24 as – and began to issue silver coins.

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The Athenian owl

The most international Greek coin was certainly the Athenian owl, as this silver coin – minted from the 5th century B.C. onwards – was commonly called. Whereas the coin issues of most of the Greek cities remained confined to one or two denominations, the series of Athenian coins comprised fifteen, and indeed later sixteen, different denominations. The largest coin was the 10 drachms, the decadrachm; the smallest was the hemitetartemorion, worth 1/8 obol; a drachm was divided into six obols. The decadrachm weighed about 43 grams, and the hemitetartemorion averaged 0.14 grams and had a diameter of approximately 5 mm. All these coins had the owl on the reverse, while, in most cases, the obverse depicted the goddess Athena. This set of coins indicates that the monetary system was very much a part of Athenian life. The range of coins could be used not only for big international transactions but also for small daily purchases.
Weights and measures: from bronze to copper, silver and gold

The Romans based their monetary system on the coins which circulated in the Greek colonies of Southern Italy and Sicily. They even adopted the same denominations: their first silver coins were didrachms weighing about 7.5 grams. Not until 211 B.C. did they opt for the denarius (4.5 grams), showing a helmeted Roma on the obverse and the Dioscures on the reverse, as the reference unit of their own monetary system. The denarius was to enjoy considerable success, because it remained the leading Roman coin for more than 450 years. The Roman coins generally had a high precious metal content, at least the gold coins, with a content of 95% or over, even in the 3rd century A.D. when Rome was in full decline. Under the Republic, this high content was also usual for silver coins. But it gradually decreased under the Empire, reaching its lowest level towards 270 A.D. with a “silver” antoninian which contained barely 2% of silver.

At the same time, Belgian tribes were minting gold staters according to Greek models. After the Gallic War, gold coinage was replaced by silver and bronze coinage. Roman coins, such as the silver denarius, the bronze sestertius and the gold aureus and solidus were in use in the region which is now Belgium. From the time of Nero’s reign (54-68), one devaluation followed another. Emperors repeatedly altered the content of the denarius until eventually the alloy consisted of 50% copper. The depreciation of the currency rapidly accelerated from the reign of Septimus Severus (193-211) onwards, reaching a peak towards 270 A.D. In 395 A.D., in an attempt to withstand Barbarian pressure, the Roman Empire split into two: the Eastern Empire and the Western Empire. But less than a century later, in 476 A.D., the Western Empire collapsed and was replaced by various kingdoms with ever changing boundaries. In Merovingian Gaul, trade declined steadily in an economy based almost exclusively on agriculture. The gradual disappearance of coins led to the return of payments in kind (cereals, horses, etc.).
Chinese paper money or flying money

This little story reveals Marco Polo’s interest in the money which had been put into circulation by the Mongol chief Kublai Khan (1214-1294).

“It is in the city of Khanbalik that the great Khan possesses his Mint, which could almost be said to have mastered the art of alchemy. In fact, paper money is made there from the sapwood of the mulberry tree, whose leaves feed the silk worm. The sapwood, between the bark and the heart, is extracted, ground and then mixed with glue and compressed into sheets similar to cotton paper sheets, but completely black. The method of issue is very formal, as if the substance were pure gold or silver. On each sheet which is to become a note, specially appointed officials write their name and affix their seal. When this work has been done in accordance with the rules, the chief appointed by the Khan impregnates his seal with pigment and affixes his vermilion mark at the top of the sheet. That makes the note authentic.”

What is the inscription on this note?

The issuer: the Ming dynasty (14th-17th century) and the name of its founder, Hung Wu.

The value: 1 kwan or 1,000 cash in characters and as 10 small piles of coins.

The year of issue

The specific clause: the note shall be valid throughout the Empire and forgery shall be forbidden (the forger shall be punished by death and his denouncer shall receive all his goods).
During the Frankish period, only gold coins, mainly trientes or 1/3 solidi, struck by Mint officials, can be attributed with certainty to the region of Belgium. But bronze and silver coins were also in circulation. It is the latter, the pennies or denarii, that were to form the basis of the Carolingian monetary system and make up the coins in circulation for the next five centuries. From the 11th to the 14th century, feudal lords, cities and local mints went on to produce large quantities of these coins.

Not only kings, but also abbots and bishops minted coins by virtue of the kingly rights accorded to them, which also included some taxes and tolls. Thus, they were entitled to levy a toll, in payment for maintaining order at the markets. To enable traders to pay the charges demanded and facilitate transactions, they minted the necessary coins, deriving a profit from this, too.

By the 12th century, rapidly expanding trade together with urbanisation was already creating huge demand for cash. In the 13th and 14th centuries, in response to this need, coins with an international status, such as the gros tournois and the English sterling penny, appeared alongside those originally produced, such as the Flemish groot. The minting of gold coins, which ceased for a time after the Merovingian period, was resumed during the reign of Louis de Nevers (or de Crécy) (1322-1346) with imitations of the Florentine florin and French coins: the écu (shield) and the agnel (lamb). His son, Louis de Male, also introduced the mouton, the franc, the lion heaumé (helmeted lion) and the heaume d’or (golden helmet) to create one of the finest sets of medieval coins.

1. Florin from Hainaut (1337-1345) diameter: 2.2 cm
2. Flanders groot (1305-1322) diameter: 2.6 cm
3. Frankish cavalier (1419-1467) diameter: 2.8 cm
4. Burgundian single currency or Vierlander groot (1419-1467)
5. Tajadera (Latin America)
6. Heavy florin showing Charles V (1506-1555) diameter: 3.6 cm
Etymologies

1. Thaler: from Joachimsthaler, coin minted in the region of Štýrsko (Bohemia, Czech Republic); thaler and dollar have the same origin.

2. Franc: from Francorum Rex (king of the Franks), a title which appears as the legend on this coin. It could also refer to the freeing of John II the Good, King of France, held hostage by the English during the Hundred Years War. This coin was put into circulation for the occasion. Franc would therefore mean free.

3. Florin: from the Italian fiore (flower); the emblem of the city of Florence, where this coin was produced for the first time, is a fleur-de-lys.

4. Guilder: gold coin (related to gold and gild). Later, silver “guilders” were also put into circulation.

5. Mouton: (lamb): these coins bear an effigy of Christ represented by the Lamb of God.

6. Écu (shield): abbreviation of “écusson” (escutcheon), the coats of arms depicted on these coins.

MODERN PERIOD (XVIth → XVIIIth century)

1600

7. Cocoa beans, used as means of payment in Mexico (16th century)
8. ½ ecu from Liège (1557) diameter: 3.4 cm
9. Double sovereign (1620) diameter: 3.8 cm
10. Double ducat from Liège (1694) diameter: 2.4 cm
The Dukes of Burgundy took a major step towards monetary unification. In 1434, Philip the Good issued coins of the same type, weight and content, including the vierlander groot and the gold cavalier, in four States but, to distinguish them, these coins bore provincial symbols. The modern coinage era began with Charles V and his son Philip II, who issued heavy silver coins such as the carolus guilder and the philippus thaler, minted in silver from the New World.

In the spirit of the Renaissance, these coins bore a lifelike image of their issuer. Gradually, the production technique also changed: by the 17th century, the screw press replaced the centuries-old hammer, and Empress Maria-Theresa set up a central mint in Brussels to produce coins for all the Austrian Low Countries.

In 1790, the United Belgian States issued coins bearing the emblem of the “Belgian lion”, but it was only under the French regime that the name “franc” reappeared. At the same time, the French introduced the decimal system. Apart from a brief period of Dutch rule, the franc was to remain until the advent of the euro in electronic form in 1999 and in the form of notes and coins in 2002.

In 1832, after much discussion, Belgium chose the franc as its monetary unit; the alternatives suggested included the guilder, the pound and even the pentagram. In 1861, Belgium was one of the first countries to mint nickel coins. In 1901, it was the first country in Europe to issue perforated coins. In an effort to curb galloping inflation, a second monetary unit was created in 1926, the belga, with a value of 5 francs. Its life was short and it disappeared altogether in 1946.

Finally, the last Belgian franc coin was minted in 2001: a 500 franc coin commemorating the Belgian presidency of the European Union.
Inflammable paper

So long as circumstances did not create any pressing need to introduce a currency based exclusively on trust, people remained attached to metal currency with an intrinsic value. In the mid-17th century, Sweden had a shortage of coins: the only answer was to issue paper money. In accordance with Gresham’s law (“bad money drives out good”), silver coins had disappeared from circulation and copper coins, being too heavy (some plåtmynt weighed nearly 20 kg), did not circulate sufficiently freely.

In 1656, Johan Palmstruch obtained from the king the exclusive privilege to establish a private bank in Stockholm; in addition to deposit, endorsement and exchange operations, the bank would also be entitled to grant loans. But the certificates of deposit of the Stockholms Banco were little used as means of payment, because Palmstruch had forgotten an important detail: as the certificates bore interest, it was necessary to calculate and pay this on each transaction. Five years later, in 1661, as a result of a serious shortage of plåtmynt, the private banker obtained an exclusive right to issue non-interest-bearing banknotes, called kreditivsedlar. These notes, denominated in round figures, were convertible into copper and issued without any metal-deposit exchange value. They were used for financing loans; that is how they came into daily circulation. The banknote was born. However, the value of the notes depended on the confidence enjoyed by the bank; unfortunately, a wave of panic soon broke out in 1663, with the result that the Stockholms Banco had to close the following year.
3. Paper money

The ancestors of the banknote, certificates of deposit or receipts, date back to an era long before the Middle Ages. Given by individuals, goldsmiths, money changers or institutions to people depositing precious metal, they eventually replaced the circulation of gold and silver. These promises to pay, increasingly often at sight and – in practice – to bearer, actually originated from a simple exchange of receipts against cash and not from credit transactions; they therefore did not bring about any increase in the circulation.

Outside Europe, we know that certificates of deposit representing a cash value existed in China as far back as the 7th century. In Europe, we know of those issued by the Casa di San Giorgio in Genoa (1408), the Banco del Rialto in Venice (1564) and the Amsterdamsche Bank (1609).

Proper banknotes appeared during the 17th century and became more widespread during the following century, though it was not until the 19th century that their rapid expansion began. At first, banknotes were issued by private banks, and later by central banks. In the 17th century, the private bank Stockholms Banco (1661), was the first in Europe to issue bearer “credit notes”; from 1668 onwards, Rikets Ständers bank, today the Bank of Sweden, created “transfer notes” which people first had to register in their own name before being able to use them in trade.

In 1694, the establishment of the Bank of England marked the start of standardisation in a circulation system composed of banknotes and goldsmith’s notes.

A similar attempt to revitalise the economy by means of paper money took place in France at the beginning of the next century. The Scottish economist John Law obtained from the French Regent, the Duke of Orléans, permission to create a bank (Banque Générale, 1716) and to issue notes not covered by deposits of metal but guaranteed by the value of land. Despite that high level of protection, the experiment was a fiasco and public confidence in this new form of money was seriously dented.

The Banque de France was created in 1800; in the subsequent decades its example was followed by many other central banks.

In Belgium, the Banque d’Ostende et de Bruxelles issued notes from the end of the Austrian period, but the public rapidly lost confidence in them. Soon afterwards, the assignats introduced by the French turned out to be a disastrous episode for the public. Created in 1822, the Société générale pour favoriser l’industrie nationale (later called Société Générale) put notes into circulation in its turn. After Belgium’s independence in 1837, they were denominated in

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1. The largest means of payment in the world on the island of Yap. Diameter: up to 4 m
2. The Indonesian “mokko” size: 59 x 36 cm
3. 10 centime pierced coin, King Leopold II (1902) diameter: 2.2 cm
4. 50 francs or 10 belgas (1927) size: 8.7 x 14.4 cm
francs. Other banks also obtained the right of issue, particularly the Banque de Belgique, the Banque Liégeoise et Caisse d’Epargnes and the Banque de Flandre.

This system of multiple issuers was to disappear with the founding of the National Bank, in 1850. This bank was granted an exclusive right of issue which was regularly renewed. Its notes gradually replaced those of the other banks of issue, and soon represented 46 million francs.

In 1914, the German occupier suspended the National Bank’s right of issue and set up an Issuing Department within the Société Générale which issued a series of notes.

During the Second World War, the volume of notes in circulation tripled. When Belgium was liberated, this state of affairs led to the Gutt operation, a currency reform involving the withdrawal and replacement of the notes in circulation.

In 1946, the Bank put the “Dynasty” series into circulation, which was followed from 1950 onwards by the “Centenary” series. The last series of Belgian franc notes featured artists who left their mark on 20th century art.

By 1st January 2002, twelve printing works in the euro area, had printed 15 billion euro, of which 6.6 billion were put into circulation.

PRESENT PERIOD (1945 → ...)

1950

5. 1 franc coin, King Albert I (1922) diameter: 2.3 cm
6. 10,000 franc – 2,000 belga note (1929)  
size: 13.5 x 22.3 cm
7. 10 centimes, zinc, King Leopold III (1942) diameter: 2.2 cm
8. Centenary 500 franc note, reflecting Belgium’s colonial past (1955)  
size: 8 x 16 cm
With the first supply of euro notes finished in 2002, the ECB attributed one or more banknote denominations to each printing works. Since 2002, the NBB’s printing works has mainly printed the 50 euro note. Each year, the ECB decides on the banknotes and quantity requested from each printing works. Annual production has to be sufficient to meet the forecast increase and to replace unsuitable banknotes, and also to cope with any sudden and unexpected rise in demand. Eurosystem printing works are currently preparing for a second series of euro banknotes.

4. Book money and electronic money

The various forms of money have changed over time, in line with economic and technological developments. With the rise of information technology, payments are increasingly computerised. Nowadays, we have various forms of dematerialised money, including “book money”. This makes it possible to transfer amounts from one bank account to another by a simple entry procedure whereby one account is credited by debiting another.

These payments may be made by completing a transfer form, but can also be effected electronically by means of a debit or credit card or via the internet. Book money is steadily increasing as a percentage of the total volume of money in circulation.

In the case of electronic purses, the amount is withdrawn from an account and stored on an electronic medium. This money is based on the principle of prepayment: the customer transfers an amount from his account to his electronic card and gradually uses it to effect payments.

Furthermore, for a long time regarded as just a simple telephone, the mobile phone is now turning into a new means of payment, and no doubt wifi and the internet will open up several more opportunities in the future.
For more information

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