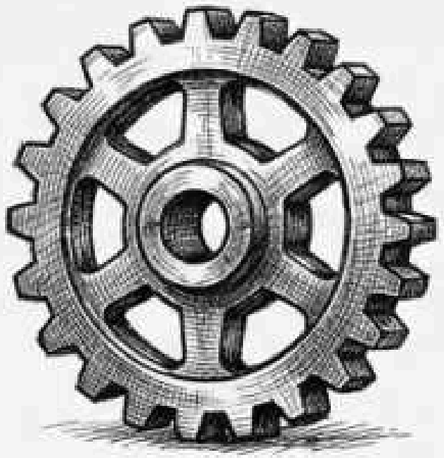
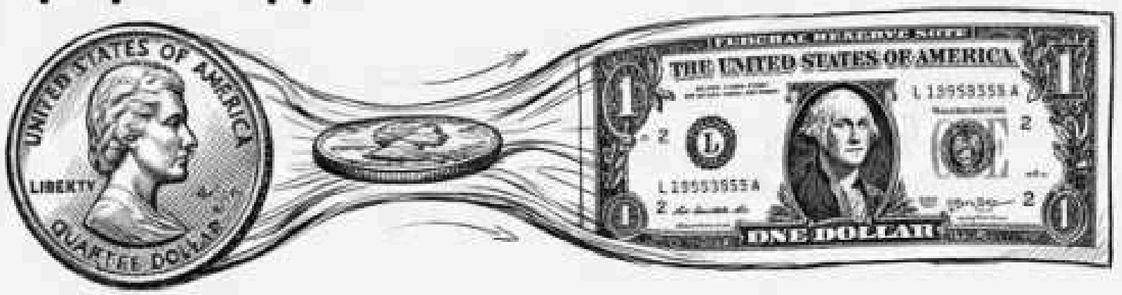
¶ 1.1

MONEY:
An Agreement



What is it & what are its jobs?

How did coins and paper appear?





Where did it come from & why?

Money is less a thing than an agreement, taking many historical forms.

Gemini Notebook

Adam Smith's Old Story (1776)

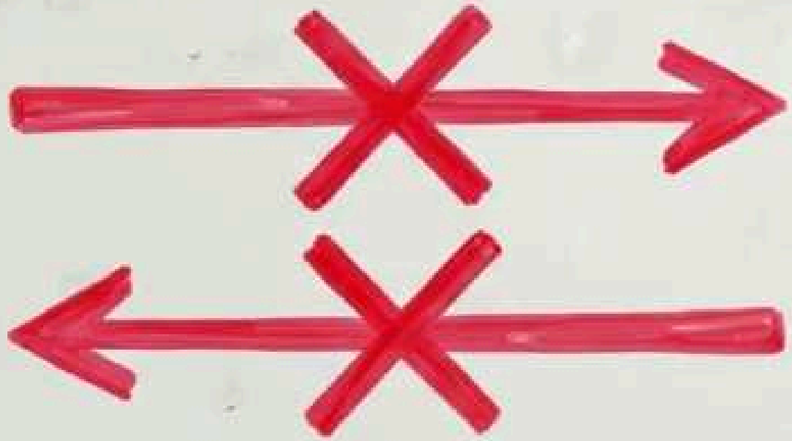
¶ 1.2

The Double Coincidence of Wants

$$\text{Wants}(A) = \text{Has}(B) \cap \text{Wants}(B) = \text{Has}(A)$$

Person A





Person B



The core friction of early barter: You must find someone who has exactly what you want, who also wants exactly what you have.

Gemini Notebook

¶ 1.3

Medium of Exchange



Acceptable in a sale to pass on in a purchase.

Unit of Account



The standard metric for quoting prices.

Store of Value

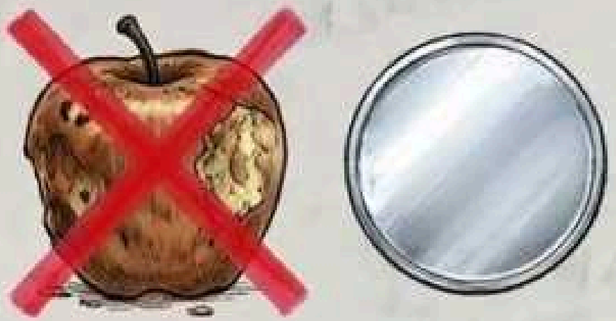


Retains purchasing power until spent.

Properties of Money

¶ 1.4

Durable



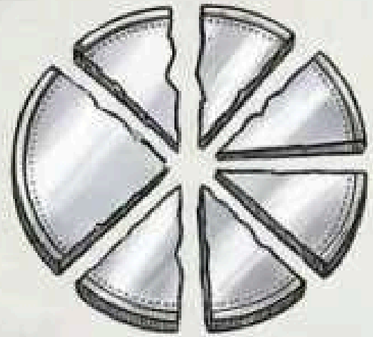
Must not rot

Portable



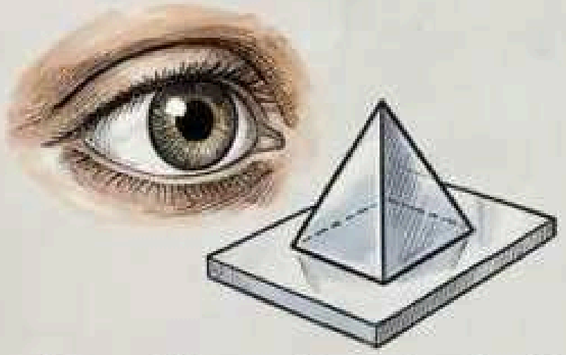
Easily carried

Divisible



Split into small amounts

Recognizable



Instantly identifiable

Hard to Fake



Resists forgery

Scarce

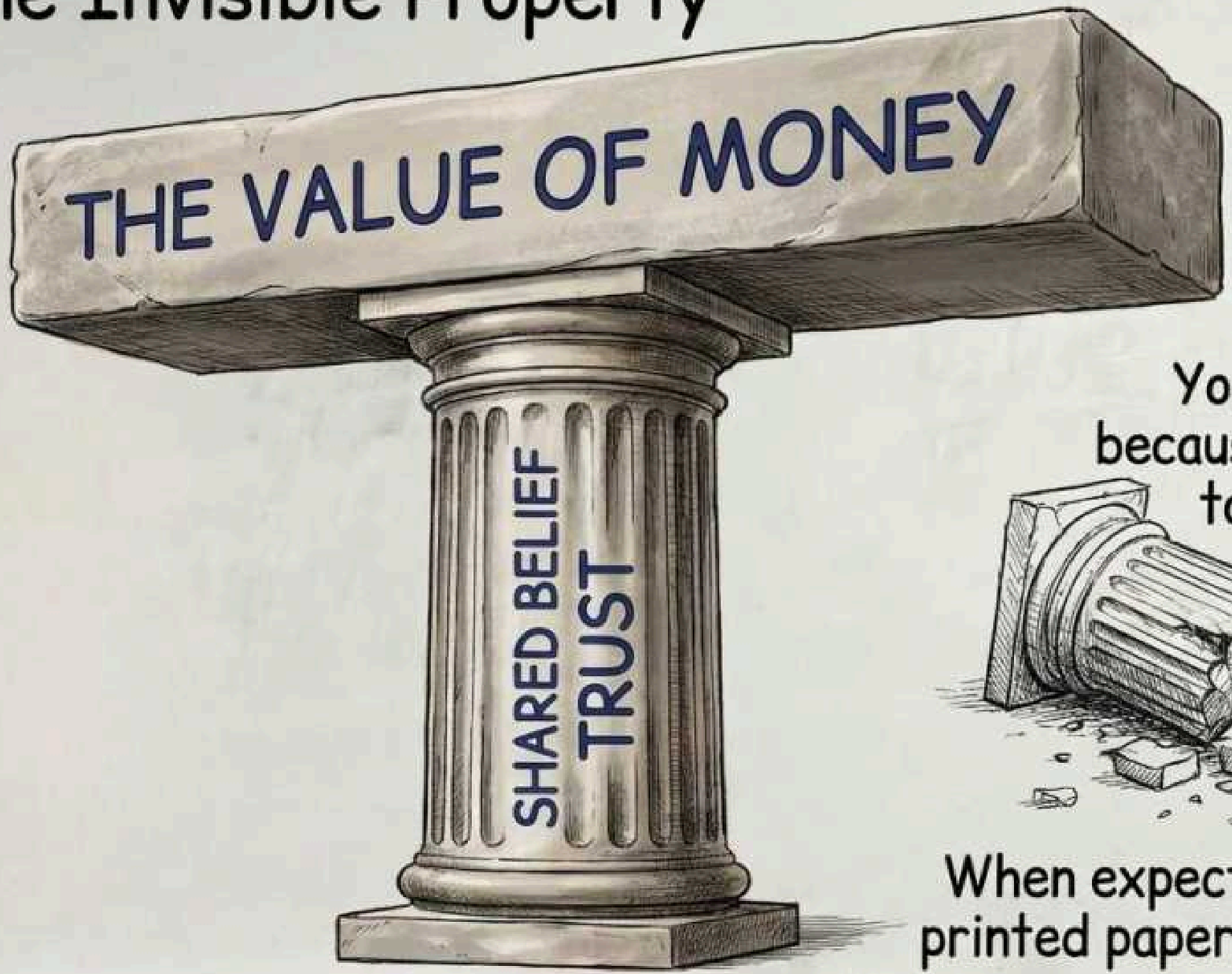


Not too easy to find

Gemini Notebook

The Invisible Property

¶ 1.5



You accept a note only because you expect others to accept it from you.



When expectation breaks, even printed paper becomes worthless.

Commodity Money: Goods with their own inherent use that also serve as money.

¶ 1.6



WWII POW Camps

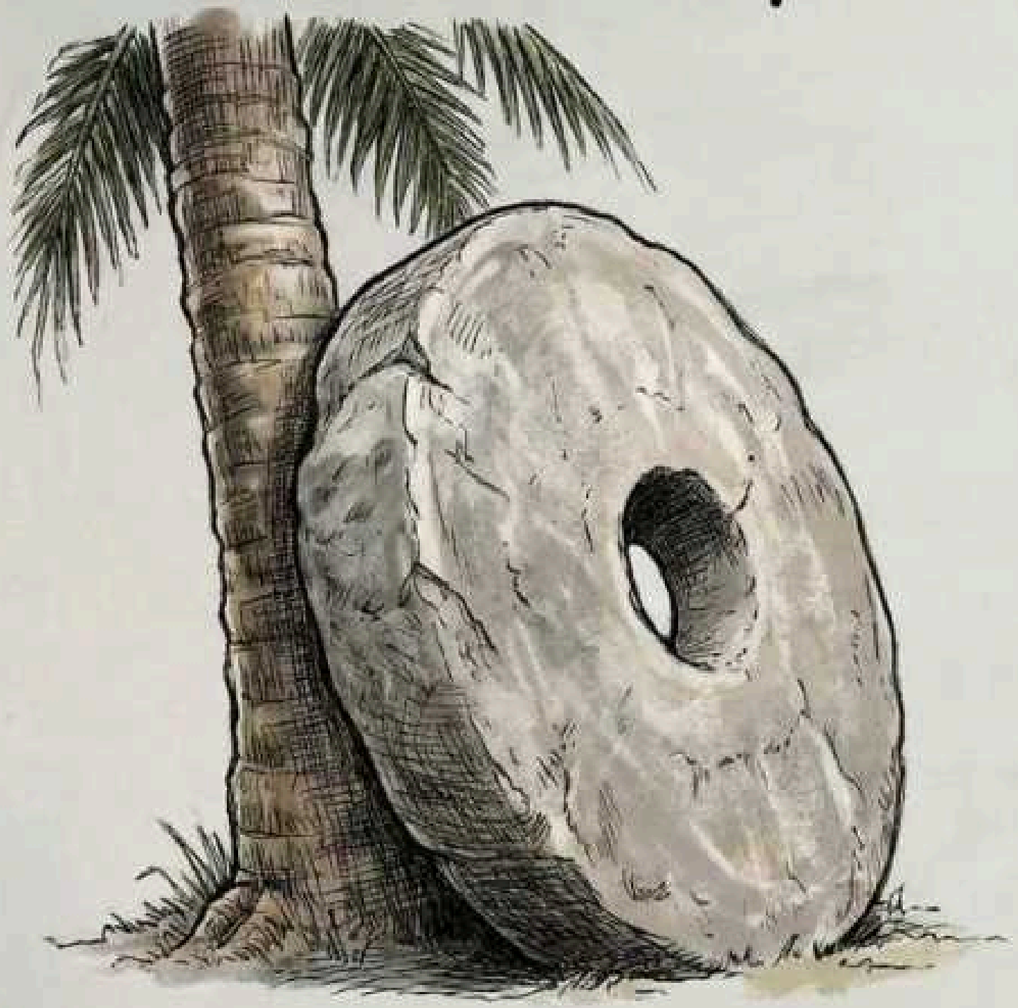
(Observed by economist R.A. Radford)



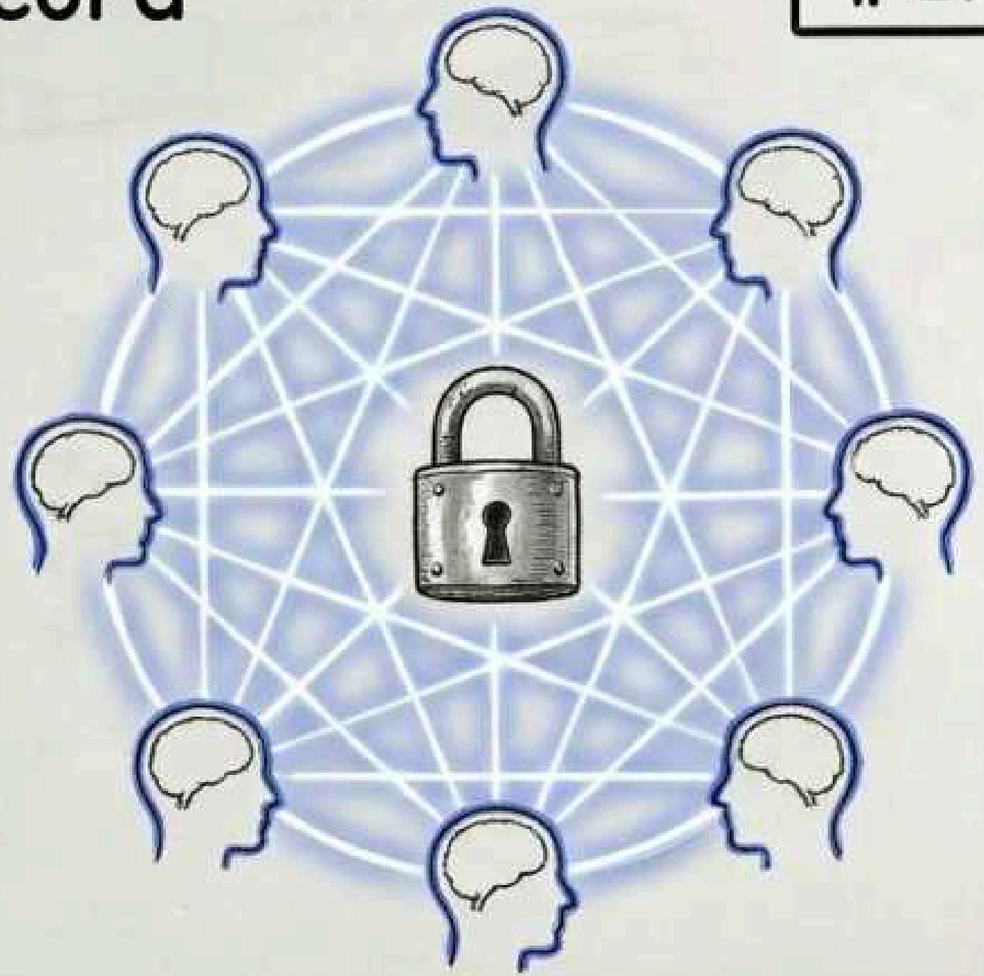
Even non-smokers priced goods and traded in cigarettes—proving money emergent unit of account.

The Island of Yap: Pure Record

¶ 1.7



Limestone discs (Rai) were too massive to move.

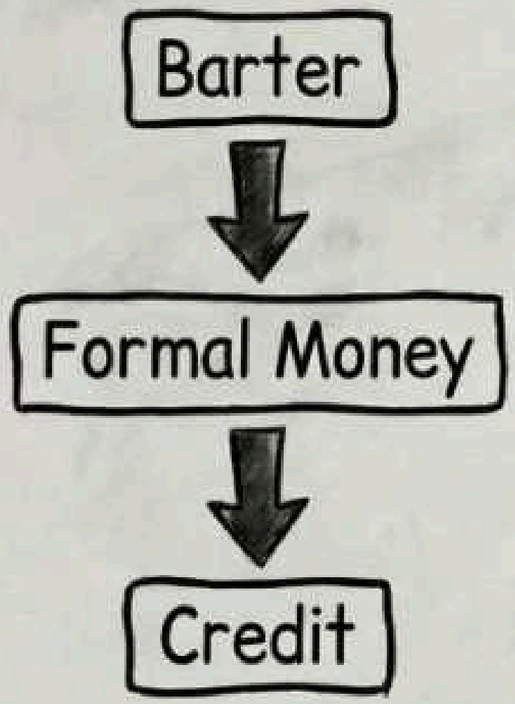


Ownership changed hands without the object ever moving. The community's collective memory served as the ultimate ledger.

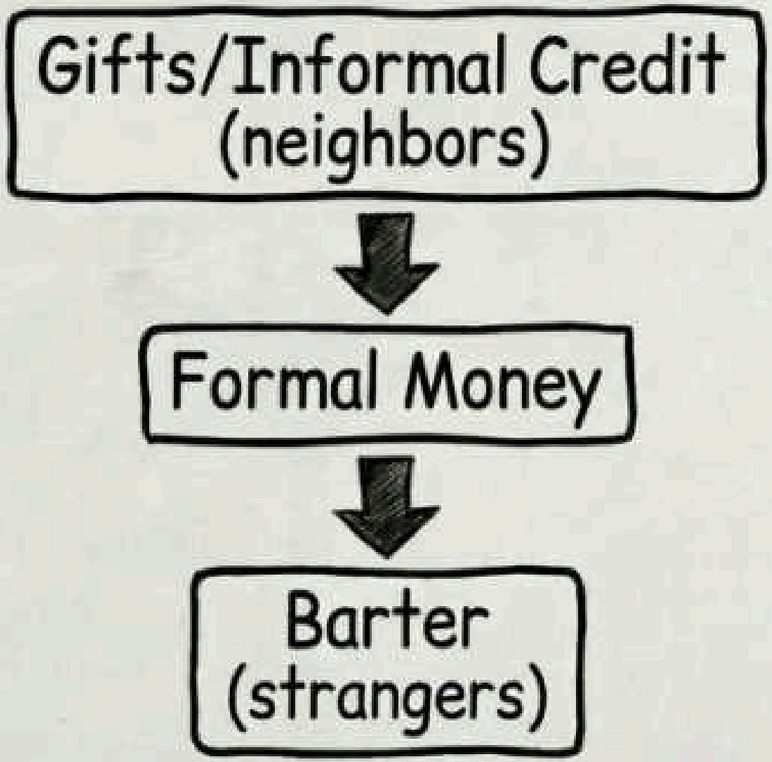
Comparing the Evolution of Exchange

¶ 1.8

The Old Story (Economics)



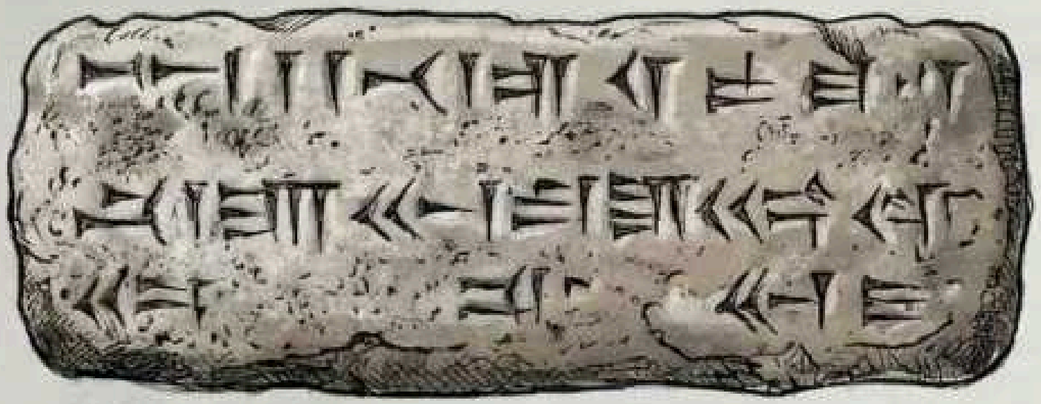
The Anthropological View



Pure barter societies are rare. Informal debts and gifts often preceded direct barter, which was reserved for strangers.

Mesopotamian Accounts (3000 BCE)

¶ 1.9



Temples and palaces acted as centralized ledgers for debts of grain, silver, and labor.

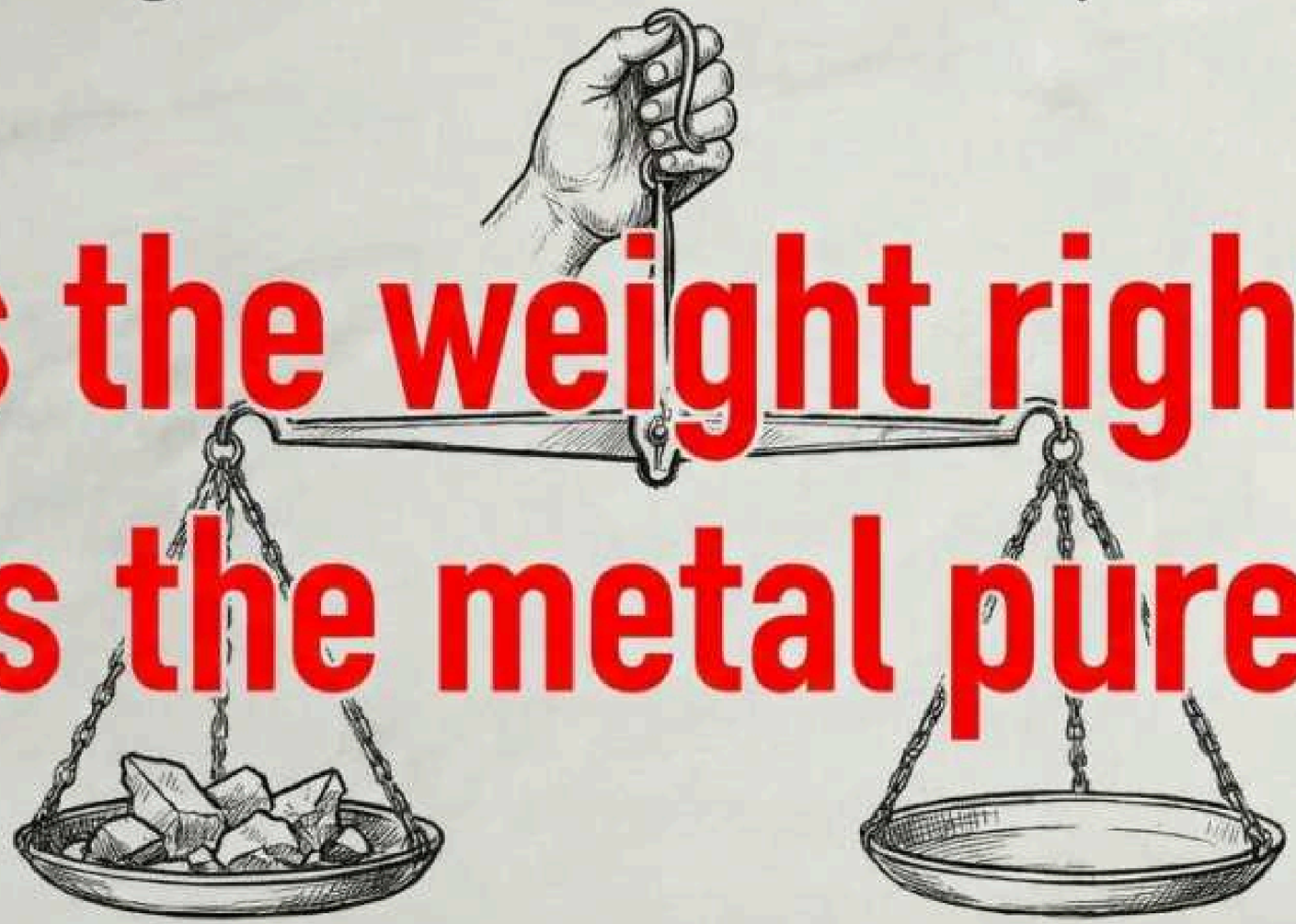
Standard Measures: Grain	Standard Measures: Silver (Shekels)
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𒐐𒐐𒐐𒐐 𒐐𒐐𒐐𒐐 𒐐𒐐𒐐𒐐 𒐐	𒐐𒐐𒐐𒐐 𒐐𒐐𒐐𒐐 𒐐
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Kings occasionally proclaimed jubilees, wiping the clay slate clean.

Metal by Weight: The Friction of Early Trade

¶ 1.10



Is the weight right?

Is the metal pure?

Every single transaction required immense effort to verify the material.

The Invention of Coinage: Lydia (600 BCE)

¶ 1.11

A trusted royal stamp guaranteed exact weight and purity, instantly solving transaction friction.





King Croesus later issued nearly pure gold and silver, making his name a permanent byword for wealth.

Electrum = Gold + Silver

Greek Coins & The Power of the Mint

¶ 1.12



Seigniorage =
= Face Value -
Intrinsic Metal Cost

Why rulers loved issuing coins:

1. Standardization: Easy to pay soldiers and state officials.
2. Seigniorage: The state charged a premium fee for minting.

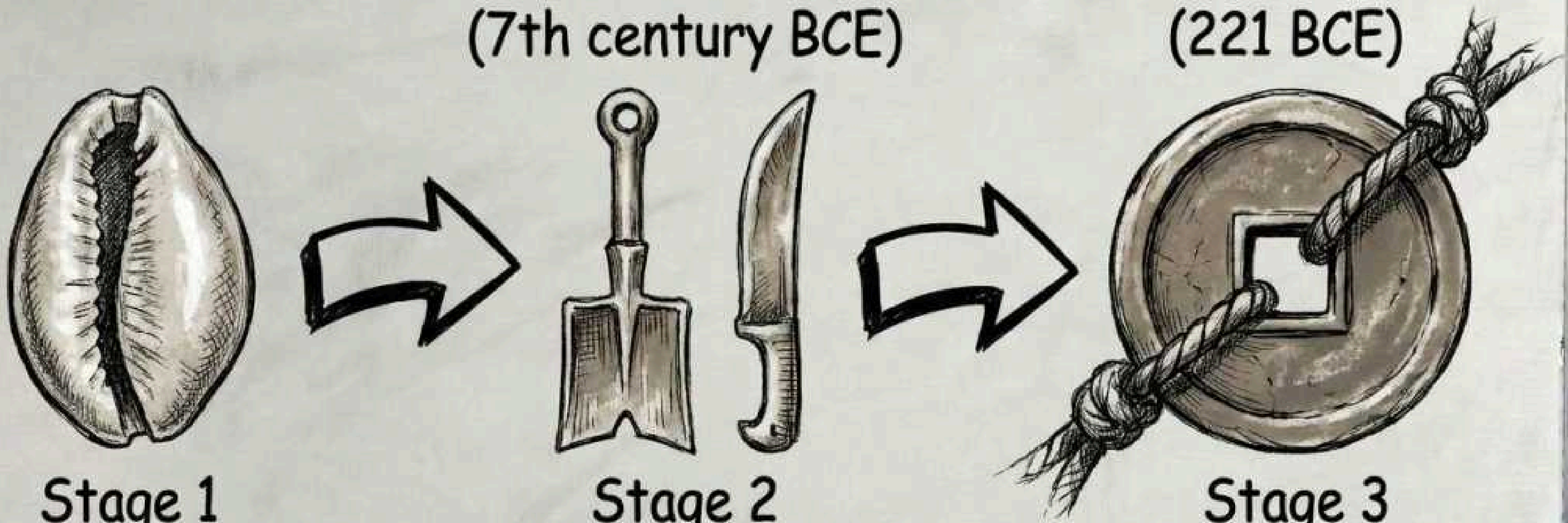
City-states projected their geopolitical power through stamped designs accepted far beyond their borders.

China's Independent Path

¶ 1.13

(7th century BCE)

(221 BCE)



Stage 1

Stage 2

Stage 3

Unified by the First Emperor (221 BCE), the round coin with a square hole became the enduring standard.

Designed specifically to be strung together for bulk carrying and rapid counting.

The Shift to Paper Receipts

¶ 1.14







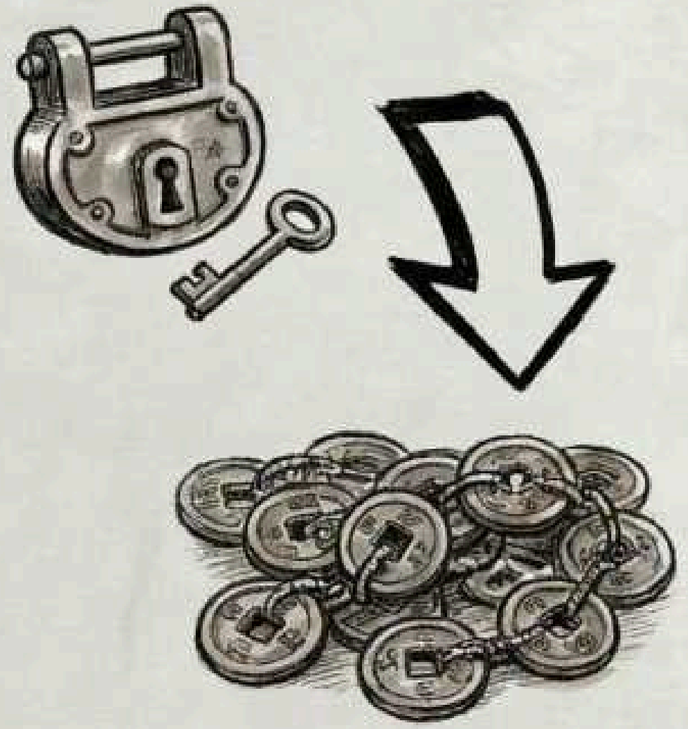
Bronze was cheap in value
but immense in bulk.

Sichuan merchants deposited coins for convenience. Eventually, these paper receipts began circulating hand-to-hand as money.

Jiaozi: The First Government Paper Money

¶ 1.15



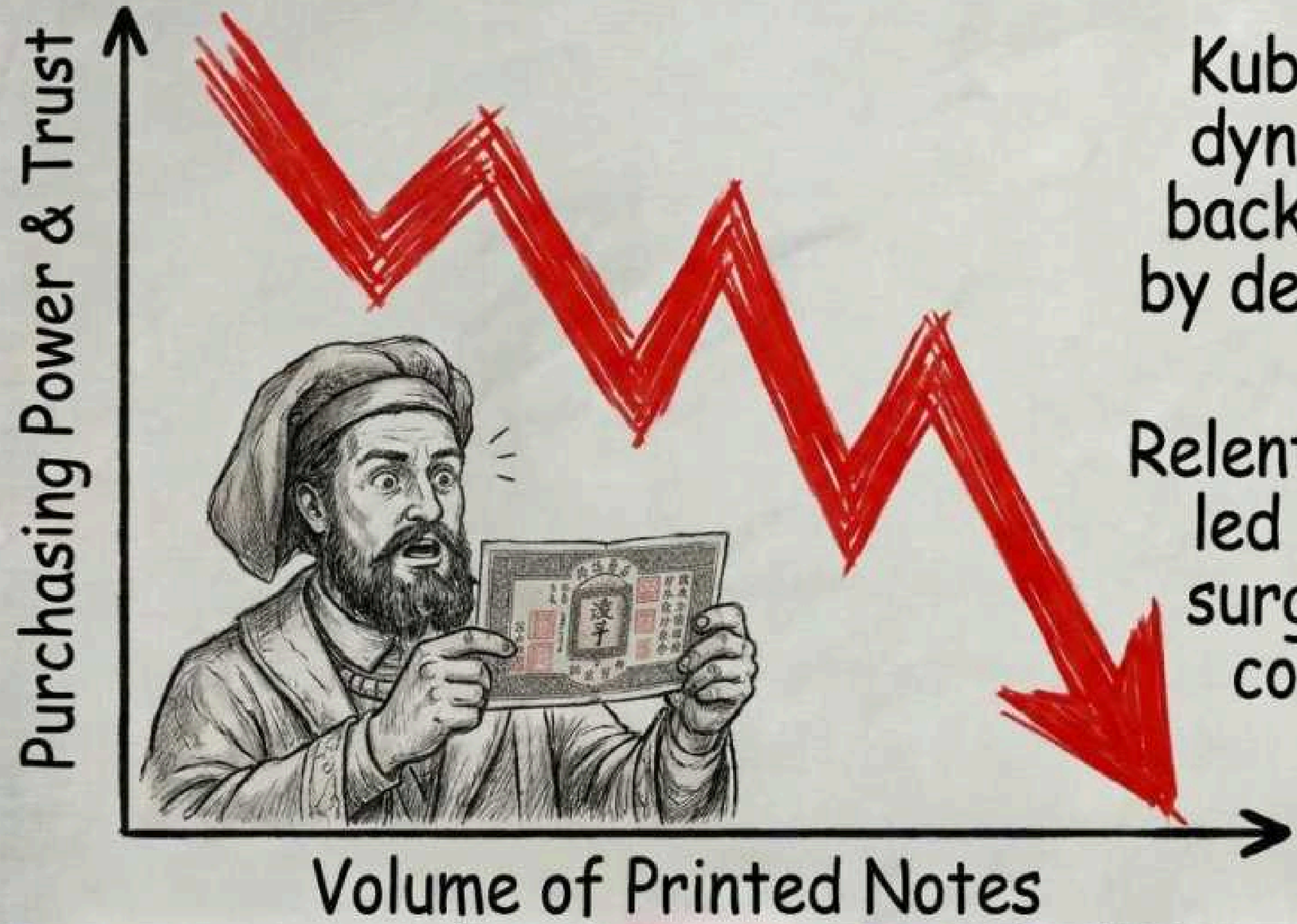


Song Dynasty authorities absorbed private receipt shops, issuing official state paper around 1024.

Centuries ahead of Europe. The notes were backed by coin but introduced the permanent vulnerability of state overprinting.

The Mongol Fiat Experiment (1260s)

¶ 1.16

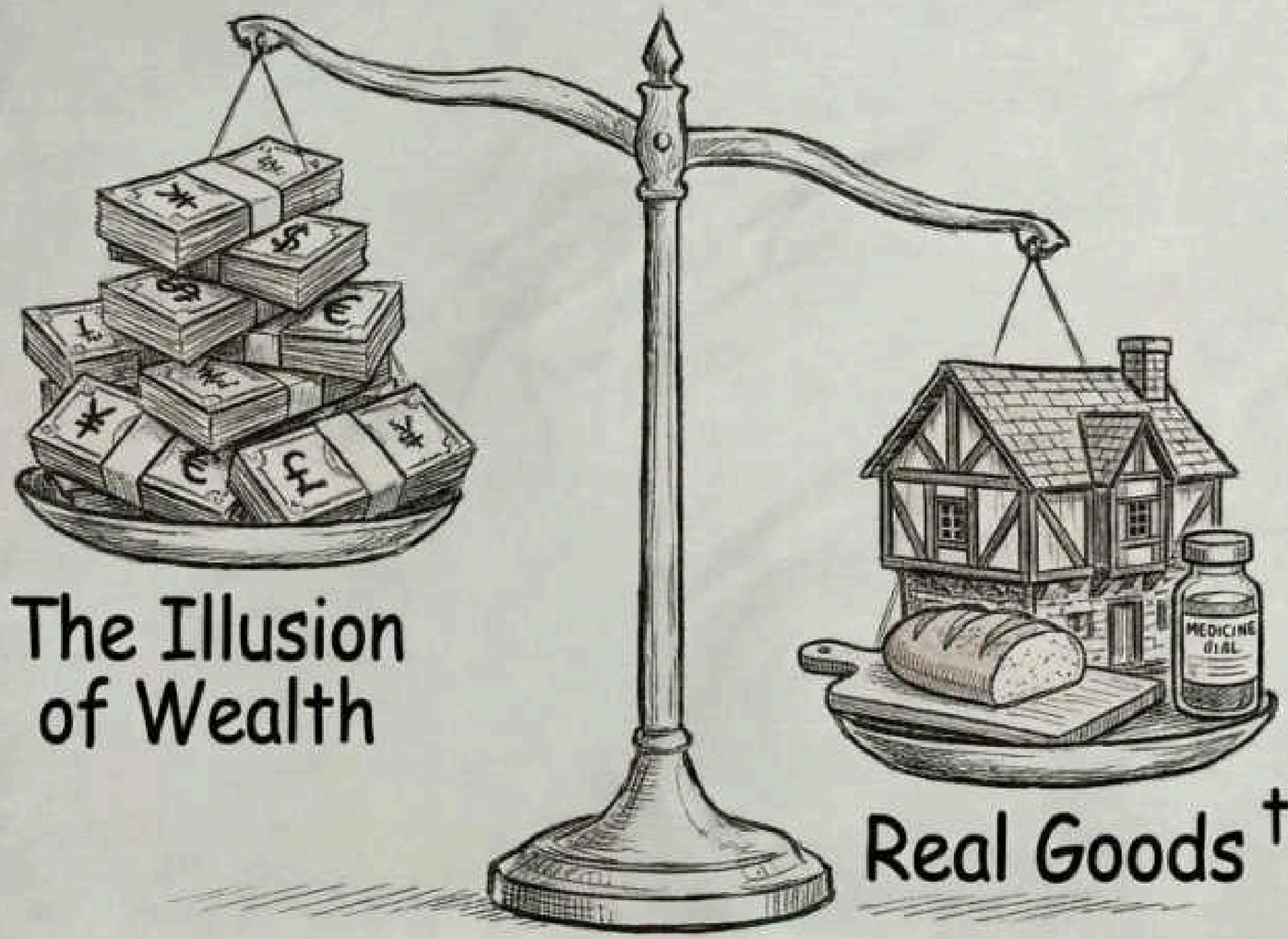


Kublai Khan's Yuan dynasty eventually backed paper money by decree alone (fiat).

Relentless overprinting led to massive price surges and the total collapse of public trust.

Money ≠ Wealth

¶ 1.17



The Illusion of Wealth

Real Goods

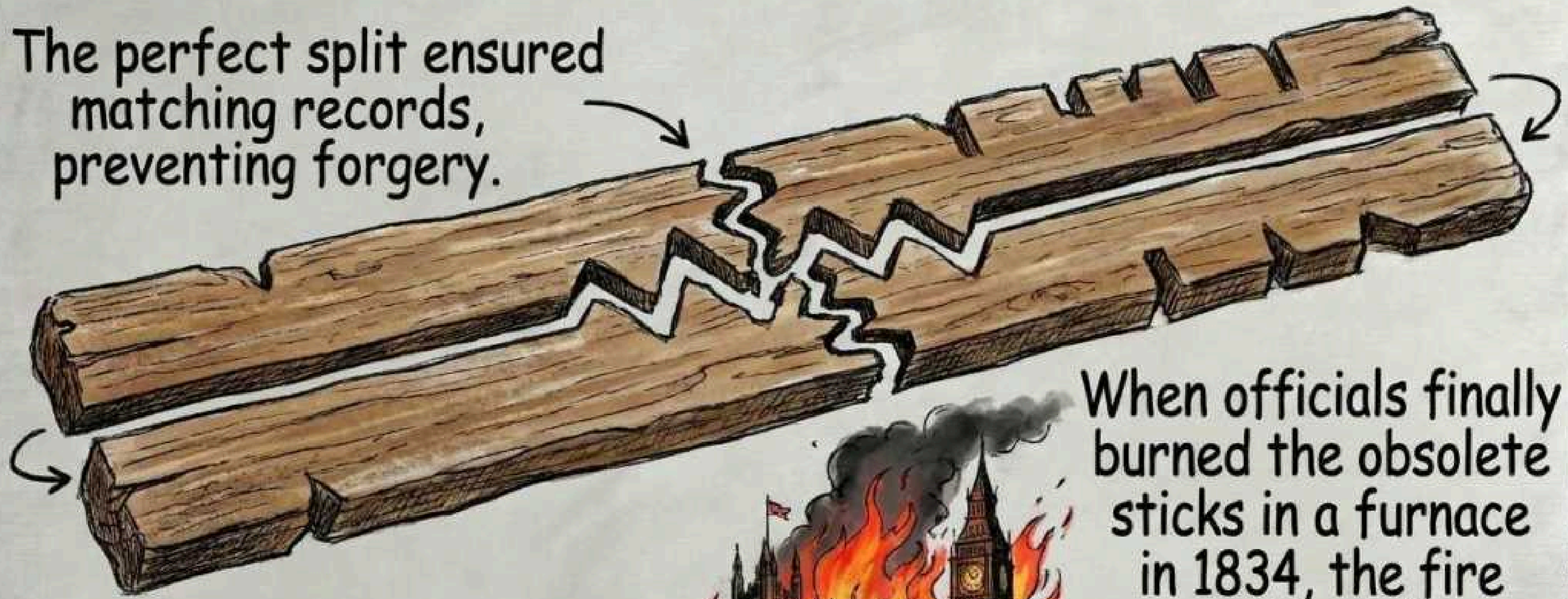
Wealth is the actual goods and services a society can produce.

Printing money does not build houses or bake bread. It merely changes how many tokens chase the exact same resources.

English Tally Sticks (12th C - 1826)

¶ 1.18

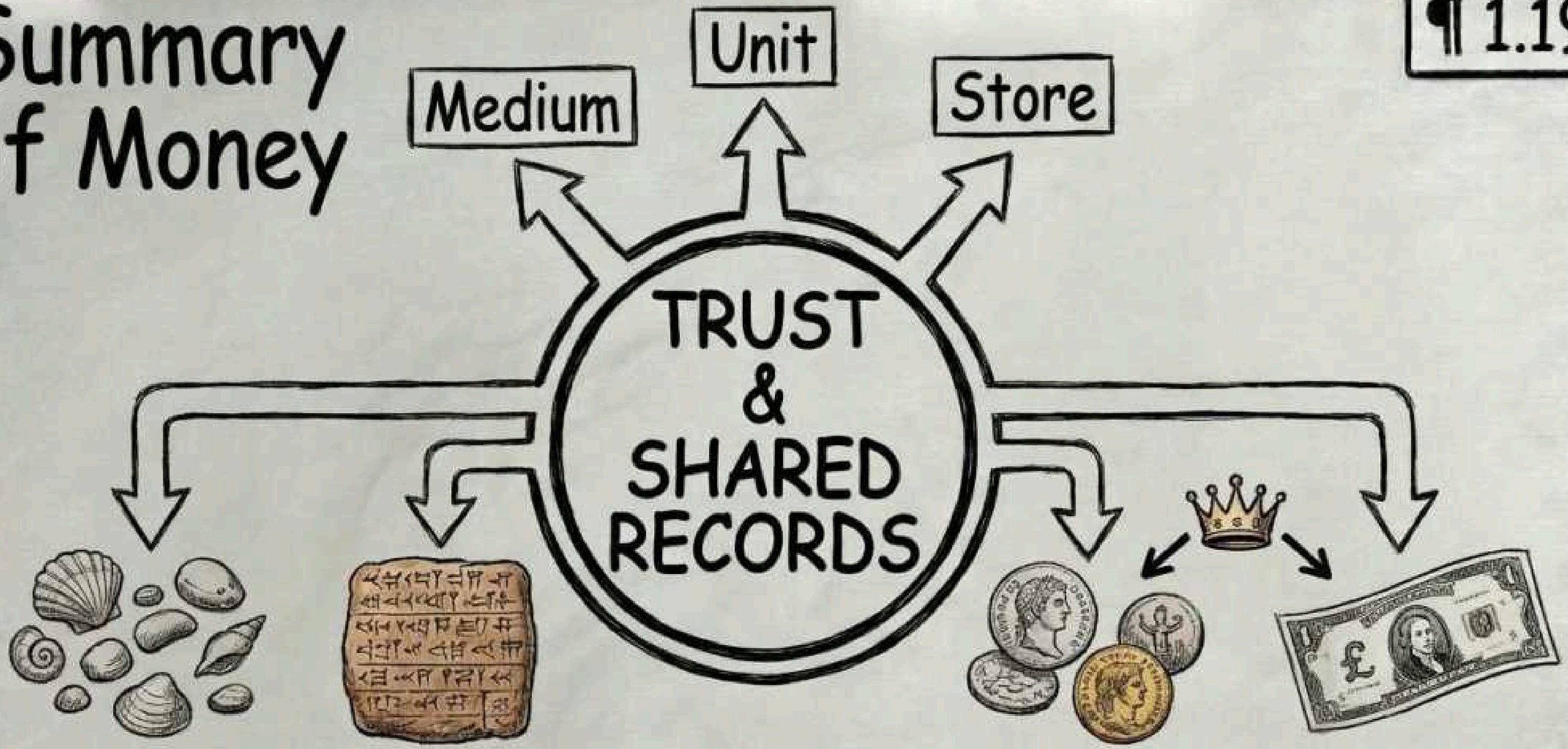
The perfect split ensured matching records, preventing forgery.



When officials finally burned the obsolete sticks in a furnace in 1834, the fire accidentally destroyed the Houses of Parliament.

Summary of Money

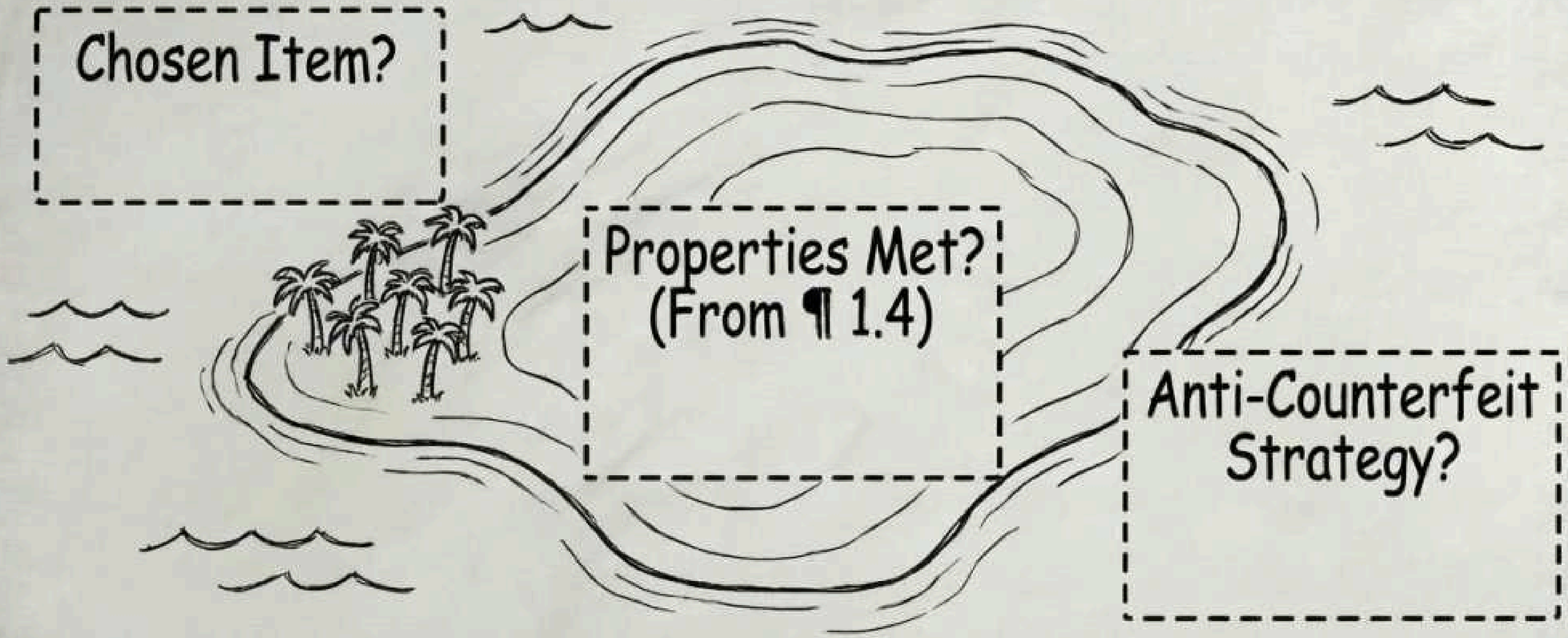
¶ 1.19



Money is not a single technology; it is an evolving system of agreement. Coins and paper drastically reduced transaction friction, but handed rulers immense power over the currency itself.

The Island Thought Experiment

¶ 1.20



If you were stranded here and had to invent money from scratch...
What would you choose, why, and how would you protect its integrity?