



The History of Money is based on a Dualistic view of Reality

The history of ‘money’ started in a society of barter. And during this period, there were two realities that were relevant when goods were exchanged in the marketplace. The first reality was the good itself (say a chicken, cow, or deerskin). We all perceive these items as a physical ‘thing’ which is outside our thinking (consciousness). The second reality concerns our view of the ‘value’ of this good or thing. When we think about the concept of ‘value’ we are dealing with our subjective (inner) consciousness. This subjective (inner) consciousness is generally viewed as non-physical and separate from the ‘thing’ (chicken, cow or deerskin) being exchanged. What does this mean? This means that we all use a dualistic philosophy of reality when we exchange economic goods in the marketplace. The observed ‘good’ is viewed as separate from the ‘value’ which we assign to the good. Yet both the ‘good’ and its ‘value’ are intertwined in our transaction.

This same dualistic mindset formed the foundation for our view of ‘money’ and its use as a medium of exchange, store of value, and unit of account (standard of value). Money emerged from a barter economy where goods were being exchanged between individuals and groups. There then became a need to choose some ‘thing’ (good) which could serve as a multi-purpose tool (medium) that would represent the ‘value’ of the goods being exchanged and which could be stored over time to represent wealth that was not consumed immediately. What could serve these functions best was the issue of the day in a barter economy. What emerged from the marketplace over time were special items (goods) that appealed to the psyche of individuals as most desired. The best good that emerged was the commodity we now call gold (and silver to a lesser extent). This commodity was special because it appealed to the human psyche (our inner consciousness) and it also had to be mined from the earth and was very scarce. Also, after mining the commodity the process of producing coins (money) required time, labor, and scientific thinking to produce the end product. This uniqueness of gold/silver and the resultant labor intensive process required to produce these unique commodities created our trust in these commodities for use as ‘money’ and a store of wealth over time. We perceived these commodities (gold/silver) as being both a physical ‘thing’ and containing ‘value’ (a non-physical concept of our mind). How did this change our barter economy over time?

What happened over time is that we used our inner consciousness (mind) to develop a mathematical system (set of imaginary numbers and symbols) to improve upon the

perceptions which people had adopted while in the barter economy. We chose a symbol such as \$1.00 to represent a unit of 'value' (price) and we then defined this unit in terms of the physical commodities (gold/silver) which had been accepted by most people as 'money' in the barter economy. Notice the dualistic philosophy involved in our thinking above. Gold and silver, after all, could be broken down into grains (small units) chemically and this allowed us to define \$1.00 (our money symbol) as a specific number of grains of gold. Since there were 480 grains in one troy ounce of gold and since an ounce of gold exchanged for 15 ounces of silver and since 15 ounces of silver exchanged for (say) one chicken and since ten chickens exchanged for (say) one cow, we now could develop a mathematical system (set of numbers) for valuing (pricing) all goods in the marketplace (using a little of our creative thinking to value all other goods). We could then convince most thinking people that we could 'value' (price) all goods and services via our newly created money symbols (using mathematics as an absolute proxy and logic for valuation). Isn't this how our 'money' system emerged over time? And this system emerged over time from a dualistic philosophy of reality. Dualism proposes that there are two realms of reality...that which is observed (the physical) and that which derives from the observer (our consciousness or mind).

Now let's review this evolution to understand what has developed over time. We started our economic thinking within a barter system (just like we would start today if we eliminated all money symbols from our money accounts as of this moment). We then noticed that as people owned and produced goods in the marketplace they desired to exchange various goods for other goods and services to grow the economy and improve the wealth of their society. But to exchange goods or services, the inner concept of 'value' became an issue. What is an economic good worth and what is a fair price to exchange different types and qualities of goods between individuals and groups? And how should the labour of workers be rewarded in the marketplace for producing new goods? This situation required us to develop a dualistic logic that would meld this paradoxical set of realities into a logical system. Goods are physical 'things' (like gold, chickens, and deerskins) and 'value' (our imaginary perception for fairness in exchange) is a non-physical concept of our consciousness or mind. So to meld these two dualistic items into a medium of exchange that would work in the marketplace we developed a type of money that could be used as a tool for all exchanges and simultaneously a store and standard of value. We refined this thinking by developing a mathematical set of symbols which were defined (or exchangeable) in terms of something physical and real (like gold/silver) to serve as this tool for valuation in the marketplace. We now can use sound mathematical logic to 'value' all goods and services (with prices) that satisfy our dualistic view of reality. The key to keeping this logic sound is to maintain confidence and trust in the original physical commodity chosen from our barter economy (say gold) and to retain a definition of our money symbol (\$1.00) that ties the two realities (gold and value) together logically. Gold (the physical item) and mathematics (our system of logic for deriving value) could perform this dual need as long as we have confidence and trust in the system. Our monetary history demonstrates that most individuals and groups have accepted this dualistic philosophy for our global money.

We can demonstrate this philosophy with the additional example where we visualize an inverted pyramid of money and debt. At the bottom of this inverted pyramid is the anchor for the system (physical gold). Gold serves as the core asset with no other liability attached. Above this anchor is our created conceptual money. All our conceptual money is created as forms of debt. Names for this debt in order of risk include: cash, checking accounts, savings accounts, treasury bonds, money market funds, municipal bonds, corporate bonds, and at the very top of this pyramid is our derivative contracts. All this conceptual money is created from the consciousness of our policymakers. The gold at the base of our pyramid represents physical reality. This example demonstrates the dualistic philosophy that comprises our views of economic reality. As economic beings we have lived within two realms of reality which we can label as partially physical and partially spiritual. Gold represents the physical and our money symbols represent the spiritual (that which is derived from our consciousness).

To summarize, we can say that our money system started within a barter economy. Barter money (various commodities) served as our initial medium of exchange and standard of value. Then over time we chose metals (gold/silver) as the next form of money. Then we improved on metal money by issuing paper certificates (Continental, Greenbacks, Federal Reserve Notes) as proxies for the metals that backed up the paper. Then we closed the gold window (removed any exchangeability of our paper into the anchor money) with the resultant emergence of Fiat money (paper without a definition or backing). Then we developed electronic money (another form of Fiat money) with the emergence of our computer technology. We are now living with money that is totally conceptual in form and substance (electronic symbols distributed at the speed of light in cyber space). Our money accounts are all based on these imaginary symbols (\$1.00) created from the consciousness of key policymakers at the Fed and our Treasury. We have no anchor or standard of value in any traditional sense. Our money is governed by laws and rules (legal tender) with no marketplace participation from the public or investors at large. The future viability of our money system is totally dependent upon maintaining public and investor confidence in the symbol system which has emerged. As the future develops, history has demonstrated that our current non system has a limited likelihood of surviving. Electronic symbols distributed via our computer networks will likely create tremendous distortions within our global economies over time. Concepts such as hyper-deflation, stagflation, and hyper-inflation describe the volatility which our economy will most likely experience in the coming months and years. At the end of the day, we all will be searching for new concepts and agreements so we can develop a new and better system of money and economics.

Some good links to web sites for further study and research are: www.dualism.org, www.howestreet.com, www.economy.com, www.financialsense.com, www.marketskeptics.com, www.meltdown2011.com, and www.federalreserveeducation.org

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