Book Review : On the Origins of Money

Soma Dhar [1]

Abstract

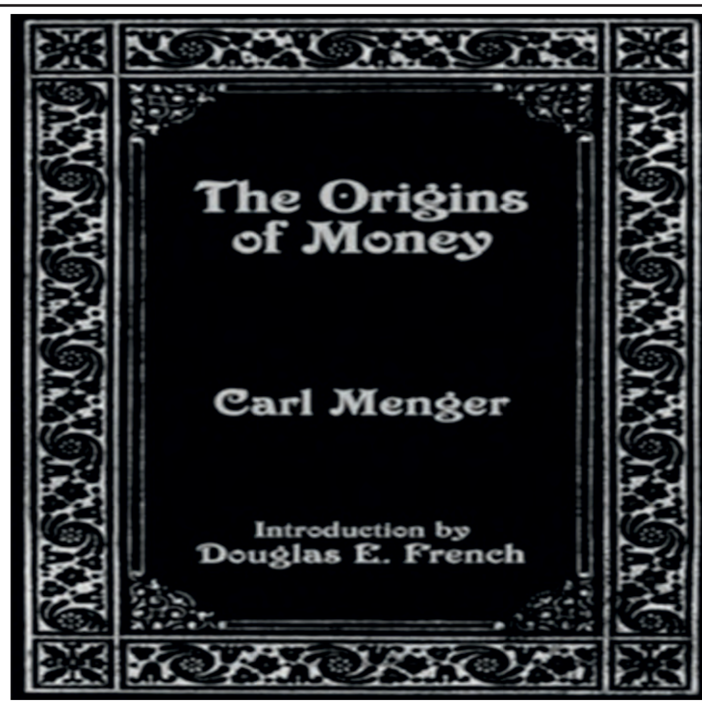
The book, *On the Origins of Money,* provides an appraisal of money by Carl Menger. The author evaluates money as a private affair that strengthens to reduce barter costs. The writer describes the property of money as saleableness. Albeit the book is the orthodox thought of the author, it provides a fundamental description to gain knowledge regarding the starting stage of the monetization of an economy. The book is an excellent source of knowledge for the new generation about the agricultural communities that moved away from subsistence farming to start specialization.

Keywords : degree of saleableness, barter system, medium of exchange

JEL Classification Codes: E14, E26, E42

Paper Submission Date : July 7, 2021 ; Paper sent back for Revision: September 20, 2021 ; Paper Acceptance Date : November 20, 2021

Book : *On the Origins of Money*
Author : Carl Menger
Translator : C.A.Foley
First Publisher : Oxford University Press
Year of Publish : 1892
Pages : 17
Edition : First
Current Publisher : Ludwig von Mises Institute
Edition : Illustrated
Year of Publish : 2016
Pages : 54
ISBN: 1933550597, 9781933550596
Price :$5.95
Binding : Hardcover



[1] *PhD Student,* Department of Economics, University of Chittagong, Chittagong University Rd, 4331, Bangladesh. (Email : soma.chowdhury7@yahoo.com)

DOI : https://doi.org/10.17010/aijer/2021/v10i4/168224

Over a century ago, the book named, *On the Origins of Money* was released, introduced by Douglas French. The book was published in English in 1892 before the Currency Commission in Austria-Hungary. Carl Menger gives a lucid explanation that the government has no role in creating money. All credit goes to individuals. Individuals used to decide the most saleable commodities for use as a medium of exchange. Every economy starts with a man and ends with the man himself.

The author depicts an explanation of the genesis of money. The author evaluates money as a private affair with three characteristics: portability, durability, and divisibility. These three qualities are called saleableness of money. Money is a fundamental building block of economics that attains three principal purposes. First, money should be a circulating medium by which economic consumption can easily trade. Second, money should be a storehouse that can be reclaimed and used for expenditure in the future. And last, money should be a unit of measure, a practical measuring stick. People used many things or commodities as money, such as tea, salt, cloth, and cattle in the early days.

On the Origins of Money is the classic, written by Carl Menger (1892), and this is one of the earliest writings in the tradition of Austrian Economics. The book portrays a memoir of money as a spontaneous construct, and maybe more interestingly, as a platonic ideal. Menger is the most famous advocate of the Metalist theory of money's origin. The book can be understood "as the natural outcome, the premediated resultant of special, individual efforts of the members of society." The writer operated the terminology' natural' and social as synonymous, opposing "natural" or social improvements and outcomes to those presented by conscious actions of the state. Menger's social origins of money signify an automatic process of evolution of the monetary system launched by self-seeking responses of individuals in a free-market connection.

Menger's story of money's origins starts with the difficulties connected in primitive barter (or direct replacement of goods for goods between two parties). Barter exchange presumes a "double chance of wants," and this exchange cannot be carried out. Different commodities allowed for trade are considered with varying degrees of saleability due to differences in their durability, portability, and divisibility.

With the complications of barter and different degrees of the saleability of goods, individuals would endeavor to exchange their less saleable commodities for more saleable goods, albeit the latter was not expected for personal consumption. The process of secondary exchange was set into movement, led by individuals' perception of their economic interest. There was no place for the social conference, legal requirement, or even acceptance of societal advantage in this automatic process.

According to Menger's hypothesis, a self-interested respective would readily give up a less saleable commodity for a more saleable commodity. An exception may be raised regarding an identically self-interested counter-party in voluntary exchange, who is willing to give up the more saleable commodity for a less saleable commodity. Menger endeavored to explain this issue by extracting the problem of education and erudition. Deliberately, then there remained one medium of exchange—the approximately most saleable commodity or money. The money came to be organized in precious metal due to its exceptional belongings of divisibility, durability, portability, low cost of the storehouse, high consistency of value, and uniformity.

Distinctly, the state had no role to play in the mechanism of money's origins. In contrast, money developed unconsciously, a social or natural developmental process, whereby individuals acquired to exchange their less saleable for more saleable commodities, thus advertising silver and gold metal to its uncommon status as a widespread medium of exchange. Menger concluded that "by state recognition and state directive," this social system of money has been fulfilled and renewed to the manifold and changing needs of developing dealing.

Carl Menger demonstrates how money emerged as an unintended side effect of people in a barter economy. Rather than barter for what they require immediately, which defines their number of inherent trading partners, people will try to first trade for commodities wanted by many people. As people recognize and copy one another, a single good or handful of assets will appear as the most marketable and become money. Menger's description of the origin of money works as an example of a principal process for investigating the evolution and function of social organizations.

The writer's flawed premise running through the book is that a money-less human society would be one where goods are received to a significant extent by barter spot transactions. Money might have started this way, but it is quite another thing to say that it could only have started in this way and no other form.

Menger continues by saying that precious metals developed as the medium of exchange for their "special saleableness." He believes that no "adventure, nor the outcome of state compulsion, nor deliberate convention of traders affected this." Menger's viewpoint is highly controversial since metals were not particularly distinguishable or used in uniform divisible units until the discovery of coins.

Albeit the author highlights the saleableness of commodities, the Chartalist scrutinized this ideal medium of exchange eventually. The writer points out that the origin of money is social. The state has no role in it. But the Chartalists argue that the state presents a significant performance in the impact of money. They approach that the theory of Menger is entirely about raw metals where the trade of cost is invaluable. The Chartalists claim that money, as a sensitive metal, cannot be a perfect medium of exchange. Neo-Chartalists also describe that the economic branch of state has an extraordinary inspiration to advance its economy apart from barter. The doctrine of Menger is exclusively individual, but the Chartalist theory is a purely state-based, comprehensible channel between financial opportunity and money.

The author's *On the Origins of Money* is an orthodox theory of money. The writer demonstrates that money is a medium of exchange. But the tool of interchange cannot find money except concerning exclusively logical information. Money is the good that can trade for all other goods. The faulty assumption running through the script is that a moneyless human society would be one where goods are obtained to an impressive degree by barter spot purchases. The author himself explicitly denies this solution. It is not useless for media of exchange, presenting as they do the commonweal in the most vigorous sense of the word, to institute a rule, like new communal businesses. But this is not solely the prime mechanism in which money has received its origin. The author says that precious metals emerged as the medium of exchange for their special saleableness. The writer thinks that no casualty or the aftermaths of state force nor a voluntary code of traders affect this. The author's regard is highly ambiguous since metals are not divisible or controlled in consistent dividable units until the innovation of metal money.

The book is one of the earliest writings in the tradition of Austrian Economics. The wholesome essay on the presumed theory of the origins of money is about a century ago. Even though any historical data and theory do not recommend the author's point of view, the thought of money converting the best medium of exchange; as a winner commodity is profitable and highly adaptable and originates from earlier use of brilliant metals. Later, the state rulers adapt this media of exchange method for the same reason. The state governments change it into currency with the same primary elements that are entirely fascinating and detect intuitively. Even though the language of the book is dated and wordy for the modern reader, it is clear when read carefully; it covers a lot of hidden complexity that helps to drive the point. The book is a must-read for undergraduate students to acquire knowledge of the first stage of money at the first stage of development.

Author's Contribution

Soma Dhar conceived the idea and wrote this book review.

Conflict of Interest

The author certifies that she has no affiliations with or involvement in any organization or entity with any financial interest or non-financial interest in the subject matter or materials discussed in this book review.

Funding Acknowledgement

The author received no financial support for the research, authorship, and/or for the publication of this book review.

References

Menger, C. (2016). *On the origins of money*. Oxford University Press.

About the Author

Soma Dhar is a Ph.D. student of the Department of Economics at the University of Chittagong, Bangladesh. She is an economic researcher, author of papers published in many national and international journals, and daily columnist of English and Bengali newspaper articles.