

Introduction: Special Issue on Money



Money Matters

Money. It's a constant preoccupation, whether anyone wants to admit it or not. People obsess about how to get it or daydream about what could be done with it: a new car, a meal at a fancy restaurant, a child's college education. But most of us rarely stop to contemplate a larger question. What is money, really? Is it the change in your pocket, the bills in your purse, the vaporous flicker of a bank balance on a computer screen? Or is it something more substantial, like gold and silver?

One of the strangest incarnations of this ancient question has surfaced recently, in the development of real-life markets for virtual goods. Internet game players can go on eBay and pay real U.S. dollars for magic powers, enchanted weapons, or goblin gold—rare and precious items that exist only in the fantasy world of online gaming. This raises some peculiar questions. If your gaming alter ego defeats a dragon and wins a virtual pot of gold, do you have to pay income taxes on its market value? Will the IRS accept virtual gold as legal tender for the payment of taxes?

Odd as this may seem, virtual gold is only the latest permutation of a subject that has been a constant obsession in American history, from the founding of the first colonies to the present. If, as some historians argue, capitalism arrived with the first ships, so, too, did monetary experimentation, arguments about what money was, and debates about how it could legitimately be used. The experimentation was less a choice than a necessity: the first settlements were rich in promise but poor in precious metals. The imperial powers of Europe may have been awash in gold and silver from the mines of the New World, but their coins rarely lingered long in colonial coffers, thanks to imbalances in trade. The colonists necessarily developed what may seem (by today's standards) a bewildering diversity of substitute currencies—everything from wampum to tobacco to gunpowder.

But it is an obsession with paper money that has distinguished American

monetary history. Beginning with the first notes issued by a government in the Western world (the Massachusetts Bay Colony), through a war of independence underwritten with paper money (the Continental Dollar) and a similar experiment during the Civil War (the greenback), paper money has been a recurrent motif in the nation's history. To many who watched these experiments unfold, the willingness to accept paper in place of coin seemed an act of alchemy, a radical reordering of value that substituted trust and confidence for "real," intrinsic worth. Yet what once seemed like a sham has become the foundation of the money supply today. Absent a gold standard, faith in the fiscal prudence of the nation-state has become the basis of value.

Money is more than a medium of exchange or repository of value; it is also an incarnation of political sovereignty. Money, as we know it today, cannot exist without the formally defined political entities we have come to call nation-states. It is these that give money a value that transcends the particular qualities of money itself. But perhaps more importantly, without money there can be no nation-states. Few appendages of government do more to reinforce the power of the state than money. Hence, as early modern governments worked out their own meaning, the value, quantity, and reliability of their money were always central concerns. A state with a feeble or suspect money supply lacked the ability to enhance what John Brewer has called "the sinews of power"—overseas commerce, internal taxation, and military strength. Whether in seventeenth-century England, which witnessed an acrimonious debate over whether government could dictate the value of coin, or in the colonies, where assemblies claimed the right to print their own bills of credit, the story of money making has also been the story of nation making. Look at the audacious message of imperial ambition that adorned coins minted in Massachusetts. Examine the nationalist messages on Ben Franklin's revolutionary currency, the dollar signs that first appeared in the 1790s, and the symbols of federal sovereignty that adorn the first legal tender notes. They all speak the language of sovereignty, and as these monies passed from hand to hand, they did more than facilitate exchange: they built—and rebuilt—a nation.

Yet if money is so often an emissary of sovereignty, it does not obey the boundaries set by sovereign powers. Silver from the mines of Potosi circulated in the colonies in the eighteenth century and in the United States in the nineteenth, where it remained legal tender until midcentury. Only after the discovery of gold in California and silver in bordering territories did the United States manage to mint substantial quantities of its own coin. A good argument can be made, in fact, that the federal government became truly sovereign—truly the superior governing power—only with these developments, for they allowed the government, really for the first time, a significant measure of control over money that circulated within its borders.

Things have come full circle since that time, with paper dollars competing with, if not supplanting, local currencies in countries as different as Canada and Ecuador. The mighty dollar has become the global currency of choice, a kind of monetary lingua franca that ties together disparate nations in a common

circulation. The connection between money and sovereignty has grown so strong that now it is neither gold nor silver—what Mark Peterson calls “big money”—that has supreme value in the global market place. It is power, the same sovereign power that lay behind all those peculiar eighteenth-century symbols that adorn American currency.

The history of money, then, is about much, much more than the thing itself; it is about all the things that money has come to represent: power, value, wealth, etc. Indeed, to even think about money as a “thing,” as an object easily grasped and identified, is to conceive of it in terms too narrow. The history of money is also about processes of representation and documentation, whether in ledger books, balance sheets, or online bank accounts. In the endless business of monetary exchange, there inevitably arises a desire to measure wealth and fix value—to capture a sense of what someone or something is worth. But as anyone following the fortunes of the stock market, the federal government’s finances, or the housing market knows full well, these distillations of value are fleeting approximations. They are not so much a reflection of objective reality as an exercise in collective wish fulfillment. Money is a fickle beast; it does not sit still and can evaporate at a moment’s notice. Value means nothing unless it is translated into “real” money. And yet real money is no stable store of value. Whether greenbacks or gold, its value depends on the endless fluctuations of the now-global market.

There’s a history to all this, and for the most part, it is rarely told—which is not to say that historians have failed to appreciate economic forces; witness the scholarly fascination with the “market revolution” or the transition to capitalism in the early republic. But for all the attention to such massive economic shifts, the money that made those transformations possible has all too often escaped scrutiny. While economists have written extensively about money, they have done so as if it can be captured and described by the laws of physics. They write of quantity or velocity. The essays in this special issue of *Common-place* approach money from a somewhat different perspective. They treat it in a qualitative rather than a quantitative fashion, revisiting subjects that have been neglected, if not forgotten.

In so doing, these essays introduce a cast of characters both familiar and strange: money-lending Puritans, bills of credit that speak the language of satire, poetry-spouting bankers, and racist gold bugs with dreams of empire—to name but a few. As different as these stories may seem, all lead to a larger point: money does matter. We hope you agree.

This article originally appeared in issue 6.3 (April, 2006).

Stephen Mihm is assistant professor of history at the University of Georgia. He is the author of the forthcoming *Making Money, Creating Confidence: Counterfeiting and Capitalism in the Nineteenth-Century United States* (Harvard, 2007).

Mark Peterson teaches in the history department at the University of Iowa. He is the author of *The Price of Redemption: The Spiritual Economy of Puritan New England* (Stanford, 1997) and is at work on a book on Boston in the Atlantic World.