

“On the Origin of Specie,” by Francois Velde

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Background Questions

- ▶ Where does coinage come from?
- ▶ What explains its emergence?

Background

- ▶ Tokens, rings, ingots, precious metals bullion existed as means of payment long before coins.
- ▶ What do we mean here by a “coin” - Webster dictionary :
“Usually a piece of metal certified by a mark or marks upon it to be of a definite exchange value and issued by governmental authority to be used as money.”
- ▶ Important aspects are
 - ▶ issued by the government
 - ▶ definite exchange value: standard
 - ▶ to be used as money (?)
- ▶ Candidate for first coins: Electrum coins

Electrum Coins

- ▶ Electrum: An alloy of (70 to 90 %) gold and silver



The Lydian Lion



Is the Lydian Lion the first coin?

- ▶ Strong presumption it is issued by the government: Lion stamp is the symbol of the Lydian kings (Alyattes and then Croesus)
- ▶ Its weight is rather standard: Lydian trite is around 5 grams – guarantees an exchange value
- ▶ Served as money?

Lydian Lion as Money?

What were these coins used for?

- ▶ Electrum coins were not found in the market place in Sardis (capital of Lydia) or outside of western Anatolia (so much for using it for “international trade”)
- ▶ The intrinsic value of each coin was very high
- ▶ Probably not the means of payment of choice – too precious
- ▶ Francois says there is evidence it circulated [?] - evidence of wear on coins as illustrated by Figure 2 [but it could be that lower valued coins were not produced with much care]

Lydian Lion: The First Large Value Transfer System ?

- ▶ How do you pay for bread? You don't. You keep a tab.
- ▶ Would you risk losing your reputation/life over a small tab?
Probably not.
- ▶ Tab large enough: Need coins to settle your position.

Lydian Lion: The First LVTS ?

We know silver was added

- ▶ Electrum contains 70-90% gold while the analyzed coins contain 50 to 60% gold
- ▶ Debasement ? [Bolin's theory of choice]. But electrum's content is very variable [this was unknown to Bolin] although apparently not as much as what is recorded.
- ▶ It is likely people knew silver was added: Touchstone available, standard weight, standard size [?]

Lydian Lion: The First LVTs?

Could issuers be aiming for 50% or more gold ?

- ▶ Electrum had 70-90% of gold. Add around 20% silver, and you get that distribution:

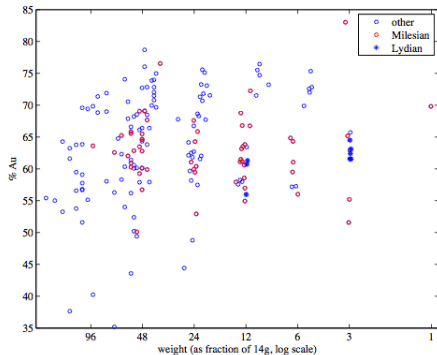


Figure 10: Gold content of electrum coins in the Falghera collection (Vismara 1993).

- ▶ [Francois (p.16): royal coins varied from 50 to 60%.]

Lydian Lion : The First LVTs?

Why adding silver?

- ▶ Level of debt above which you would default? 1 week, 1 month, 1 year subsistence?
- ▶ Pure electrum may have been too valuable to cover just that level. Need to add silver. [testable]

Lydian Lion : The First LVTs?

Why not use other means of payment or just silver or gold?

- ▶ Relatively large value at stake : need a guarantee ?
- ▶ Shortage of supply through trade? Too precious to be melted?
- ▶ Abundant quantity of electrum found in the Paktolos river.
- ▶ Technology to separate gold from silver may not have been available at the time [still debated]
- ▶ Revealed preferences: Greeks (not much) later used silver and gold. So if they could have used silver/gold, they would have.

Questions

- ▶ Who used these coins?
- ▶ Could electrum coins be hoarded “good money”?
- ▶ If so, was the silver content of circulating coins even higher?

Lydian Lion : The First LVTS?

Other evidence pointing in the LVTS direction?

- ▶ Coins were not found in the market place in Sardis : They probably did not “circulate”
- ▶ Coins were found in the site of temple of Artemis, and cult bases surrounding the pre-Croesus sanctuary. But who do you trust more for storage?
- ▶ Absence of clippings: Likely that coins were weighted at each transactions
- ▶ Coins would also be a store of value (until time to settle) - need a guarantee
- ▶ Debtors and creditors meet at the temple (where the valuable coins are kept) to settle their debt?