What Are The Origins Of The Money We Use Today? Revisiting Heinrich Schurtz's Groundbreaking Research

Heinrich Schurtz 1863 – 1903 – Ills.: eng.wikipedia.org

03-07-2025 ~ *The pioneering research by one of the founders of economic anthropology is essential for understanding the social and institutional processes that gave rise to money as we know it.*

The late 19th century saw economists, mainly German and Austrian, create a mythology of money's origins that is still repeated in today's textbooks. Money is said to have originated as just another commodity being bartered, with metal preferred because it is nonperishable (and hence amenable to being saved), supposedly standardized (despite fraud if not minted in temples), and thought to be easily divisible—as if silver could have been used for small marketplace exchanges, which was unrealistic given the rough character of ancient scales for weights of a few grams.*[1]*

This mythology does not recognize government as having played any role as a monetary innovator, sponsor, or regulator, or as giving money its value by accepting it as a vehicle to pay taxes, buy public services, or make religious contributions. Also downplayed is money's function as a standard of value for denominating and paying debts.*[2]*

Although there is no empirical evidence for the commodity-barter origin myth, it has survived on purely hypothetical grounds because of its political bias that serves the anti-socialist Austrian school and subsequent "free market" creditor interests opposing government money creation.

Schurtz's Treatment of Money as Part of the Overall Social System
As one of the founders of economic anthropology, Heinrich Schurtz approached the origins of money as being much more complex than the "economic" view that it emerged simply as a result of families going to the marketplace to barter. Surveying a wide range of Indigenous communities, his 1898 book, *An Outline of the Origins of Money*, described their trade and money in the context of the institutional system within which members sought status and wealth. Schurtz described these monetary systems as involving a wide array of social functions and dimensions, which today's "economic" theorizing excludes as external to its analytic scope.

Placing money in the context of the community's overall system of social organization, Schurtz warned that anyone who detaches "sociological and economic problems from the environment in which they emerged… their native land… only carries away a part of the whole organism and fails to understand the vital forces that have created and sustained it."

Looking at Indigenous communities as having preserved presumably archaic traditions, Schurtz viewed trade with outsiders as leading wealth to take an increasingly monetary form that eroded the balance of internal social relations. Schurtz deemed the linkage between money, debt, and land tenure to lie beyond the area on which he focused, nor did he mention contributions to group feasts (which historian Bernard Laum suggested as the germ from which Greek obols and drachmas may have evolved).*[3]*

The paradigmatic forms of Indigenous wealth were jewelry and other items of personal adornment, decorations, and trophies, especially foreign exotic products in the form of shells and gemstones or items with a long and prestigious history that gave their wearers or owners status.

Thorstein Veblen would call the ownership and display of such items conspicuous consumption in his 1899 book, *The Theory of the Leisure Class*. They had an exchange value, as they do today, but that did not make them monetary means of exchange. Schurtz saw many gray areas in their monetization: “Beads made of clay and stone are also crafted by Indigenous people and widely used as ornaments but rarely as money.”

At issue was how a money economy differs from barter and from the circulation and exchange of useful and valued items in a social economy. Was Indigenous exchange and wealth pre-monetary, an archaic seed that led to money’s “more ideal forms?”

Schurtz’s Distinction Between Inside-Money and Outside-Money
Exchange with outsiders was typically conducted by political leaders as the face of their communities to the outside world. Trade (and also payment of tribute) involved fiscal and social relations whose monetary functions differed from those of the domestic economy but ended up dovetailing with them to give money a hybrid character. Schurtz distinguished what he called outside-money from inside-money, with outside-money ultimately dominating the inside monetary system.

“The concept of money,” he wrote, originated “from two distinct sources: What functions as the foundation of wealth and measure of value for property and serves social ends within a tribe is, in its origins, something entirely different from the means of exchange that travels from tribe to tribe and eventually transforms itself, as a universally welcomed commodity, into a kind of currency.”

Inside-money was used within communities for their own exchange and wealth. Outside-money was derived from transactions with outsiders. And what was “outside” was a set of practices governing trade outside the jurisdiction of local governance.*[4]*

Schurtz’s distinction emphasized a characteristic of trade that has continued down through today’s world: the contrast between domestic payments subject to checks and balances to protect basic needs and navigating status hierarchies but (ideally) limiting sharp wealth disparities, and exchange with outsiders, often conducted on islands, quay areas, or other venues socially outside the community's boundaries, subject to more impersonal standardized rules.

Throughout the ancient world, we find offshore island entrepots wherever they are conveniently located for conducting trade with outsiders.

These islands kept foreign contact at arm's length to prevent mercantile relations from disturbing the local economic balance. Egypt restricted foreign contacts to the Delta region where the Nile flowed into the Mediterranean. For the Etruscans, the island of Ischia/*Pithekoussai* became the base for Phoenician and Greek merchants to deal with the Italian mainland in the eighth and seventh centuries BCE. North Germans seem to have conducted the Baltic amber trade through the sacred island of Helgoland.

"The emergence of specific internal monetary systems is always supported by the inclination to transform outside-money into inside-money, and to employ money not to facilitate external trade, as one might assume according to common theories, but rather to obstruct it," Schurtz concluded. In his chapter, "Metal as Ornament and Money," he pointed out that it was foreign trade that led metal to become the primary form of money. "While most varieties of ornament-money gradually lose their significance, one of them, *metal-money*, asserts its ground all the more and finally pushes its competitors out of the field." He added that: "Metal-money made from noble metals is not a pure sign-money, it is at the same time a valuable commodity, the value of which depends on supply and demand. In its mature form, it therefore in itself embodies the fusion of inside-money with outside-money, of the sign of value and valuable property with the means of exchange."*[5]*

This merging of inside- and outside-money is documented already in the third millennium BCE in the Near East. Silver-money was used for long-distance trade and came to be used for domestic enterprise as well, while grain remained the monetary vehicle for denominating agrarian production, taxes, and debt service on the land, and for distribution to dependent labor in Mesopotamia's temples and palaces.

Schurtz also questioned whether the dominance of metallic money emerged spontaneously in many places or whether there was a diffusion from a singular origin, that is, "whether a cultural institution has grown in situ or whether it has been transferred from other regions through migration and contact between societies." The diffusion of Mesopotamian weights is associated with silver points to its diffusion from that region, as does the spread of the region's practice of setting interest rates simply for ease of calculation in terms of the local fractional arithmetic system (60ths in Mesopotamia for a shekel per mina a month, 10ths or percentages in decimalized Greece, and 12ths in Rome for a troy ounce per pound each year).

Checks and Balances to Prevent the Selfish Concentration of Wealth
What does seem to have developed spontaneously were social attitudes and policies to prevent the concentration of wealth from injuring economic balance. Wealth concentration, especially when achieved by depriving cultivators of their means of livelihood, would have violated the ethic of mutual aid that low-surplus economies need as a condition for their resilience.

Viewing money as part of the overall social context, Schurtz described "the social transformation brought about by wealth" as a result of monetizing trade and its commercial pursuit of profit, or "acquisitiveness":

"[E]veryone is now compelled to join in the competition for property or he will be pulled into the vortex created by one of the newly emerging centers of power and property, where he will need to work hard to be able to live at all. For the property owner, no temporal limit constrains his view on the perpetual increase of his wealth."

Schurtz characterized the economic mentality as a drive for "the unlimited accumulation of movable property," to be passed on to one's children, leading to the creation of a wealthy hereditary class. If archaic societies had this ethic, could ancient civilizations have taken off? How did they prevent the growth of wealth from fostering an oligarchy seeking to increase its wealth at the expense of the community at large and its resilience?

Schurtz reviewed how Indigenous communities typically avoided that fate by shaping a social value system that would steer wealth away from being used to achieve predatory power over others. He cited numerous examples in which "immense treasures often accumulate without reentering the transactions of daily life." One widespread way to do this was simply to bury wealth. "The primitive man," he wrote, "believes that he will have access to all the goods given to him in the grave, even in the afterlife. Thus, he too knows no bounds to acquisition.”

Taking his greed and wealth with him to use in the hereafter prevents hoarded wealth from being inherited “and growing into a dangerous instrument of power” by becoming dynastic; ultimately operating “on the belief that the deceased does not give up his rights of ownership but jealously guards over his property to ensure that no heir makes use of it.” A less destructive removal of wealth from its owners was to create an ethic of peer pressure in which individuals gained status and popular acclaim by accumulating wealth to give away. Schurtz wrote:

“[R]emnants of the ancient communism remain alive enough for a long time to effectively block attempts to amass as many assets as possible in a single hand. And *in places without an actual system of debt and interest*, the powerful individual, into whose house the tributes of the people flow, has indeed little choice but to ‘represent’ by way of his wealth: in other words, to allow the people to participate in his indulgences.”

Such an individual achieves philanthropic renown by generously distributing his possessions to “his friends and followers, winning their hearts and thereby establishing real power based on loyal devotion.” One widespread practice was to celebrate marriages, funerals, and other rites of passage by providing great feasts. This “extraordinary… destruction and squandering of valuable property, particularly livestock and food, during those grand festivals of the dead that evolved out of sacrifices and are, among some peoples, not only an effective obstacle to the accumulation of wealth but have turned into economic calamities” when families feel obliged to take on debt to host such extravagant displays.

Religious officials and temples often played a role in such rituals. Noting that “money, trade, and religion had a good relationship with one another in antiquity,” Schurtz cited the practice of donating wealth to temples or their priesthoods. But he recognized that this might enable them to “gain dominance through the ownership of money” under their control.

“The communist countermeasures against wealth generally do not endure,” Schurtz wrote. “Certain kinds of property seem to favor greed directly, especially cattle farming, which can literally turn into a hoarding addiction.” He described communalistic values of mutual aid as tending to break down as economies polarized with the increase in commercial wealth.

Schurtz also noted that the social checks on personal wealth-seeking did not apply to economies that developed a "system of debt and interest." Wealth in the form of monetary claims on debtors was not buried and could hardly be redistributed to the population at large, whose members typically were debtors to the rising creditor interest.

The only way to prevent such debts from polarizing society was to cancel them. That is what Near Eastern rulers did, but Schurtz's generation had no way of knowing about their Clean Slate proclamations.

Starting with the very outset of debt records c. 2500 BCE in Sumer, and continuing down through Babylonia, Assyria, to their neighbors, and on through the early first millennium BCE, rulers annulled financial claims on agrarian debtors. That prevented creditors from concentrating money and land in their own hands. One might say that these debt cancellations and land redistributions were the Near Eastern alternative to destroying material wealth to preserve balance. These royal acts did not destroy physical wealth but simply wiped out the debt overhead to maintain widespread land tenure and liberty for the population at large.

Canceling agrarian debt was politically feasible because most personal debts were owed to the palace sector and its temples or their officials. Royal Clean Slates seemed so unthinkable when they began to be translated around the turn of the last century that early readers hardly could believe that they actually were enforced in practice. François Thureau-Dangin's French translation of the Sumerian ruler Enmetena's (c. 2400 BCE) proclamation in 1905 was believed by many observers to be too utopian and socially disruptive to have been followed in practice, as was the Biblical Jubilee Year of Leviticus 25.*[6]*

But so many such proclamations have been found, extending so continuously over thousands of years—along with lawsuits in which judges upheld their increasing detail—that there is no doubt that these acts did indeed reconcile the accumulation of monetary wealth with social resilience by blocking the creation of predatory oligarchies such as those that would emerge in classical Greece and Rome and indeed survive into today's world.

Monetary Innovations in the Bronze Age Near Eastern Palaces and Temples

Economic documentation in Schurtz's day was able to trace monetary practice only as far back as classical Greece and Rome. There was a general belief that their practices must have evolved from Indigenous Indo-European speakers. Marcel Mauss would soon treat the gift exchange of the Kwakiutl tribe of the Canadian Pacific Northwest (with their competitive one-upmanship) as the prototype for the idea of charging interest. But monetary interest has a specific stipulated rate, with payments due on specific periodic dates set by written contracts. That practice stems from Sumer in the third millennium BCE, along with silver (and grain) money and related financial innovations in the economic big bang that has shaped subsequent Western economic evolution.

Money's function as a standard of valuation did not play a big role in Schurtz's survey. But subsequent archaeological research has revealed that money's emergence as part of an overall institutional framework cannot be understood without reference to written account-keeping, denominating debt accruals, and fiscal relations. Money, credit/debt, and fiscal obligations have all gone together since the origins of written records in the ancient Near East.

Near Eastern fiscal and financial records describe a development of money, credit, and interest-bearing debt that neither the barter theory nor Schurtz's ethnographic studies had imagined. Mesopotamia's "more ideal" money evolved out of the fiscal organization of account-keeping and credit in the palaces and temples of Sumer, Babylonia, and their Bronze Age neighbors (3200–1200 BCE). These Near Eastern economies were larger in scale and much more complex and multilayered than most of the Indigenous communities surveyed by Schurtz.

In contrast to largely self-sufficient communities, southern Mesopotamia was obliged to engage in large-scale and long-distance trade because the region's river-deposited soil lacked metal, stone, and even hardwood. The region's need for raw materials was far different from the trade and "monetization" of luxuries by the relatively small-scale and self-sufficient communities studied by Schurtz and hypothesized by economists imagining individuals bartering at their local market. In these communities, he noted: "The amount of metal shaped into ornaments almost always far outweighs the amount transformed into practical tools." Mesopotamia's trade had to go far beyond personal decorative luxuries and prestige commodities or trophy items.

An entrepreneurial merchant class was needed to obtain these raw materials, along with a specialized labor force, which was employed by the temples and palaces that produced most export handicrafts, provisioned corvée labor to work on public infrastructure, served as mints and overseers of weights and measures, and mediated most monetary wealth and debt. This required forward planning and account-keeping to feed and supply labor (war widows, orphans, and slaves) in their weaving and other handicraft workshops and to consign their output to merchants for export. Calculating the cost of distributing food and raw materials within these large institutions and valuing their consignment of goods to merchants required designing standard weights and measures as the basis for this forward planning. Selecting monetary units was part of this standardization of measuring costs and value.

This made possible the calculation of expected rental income or shortfalls, along with profit-and-loss statements and balance sheets. The typical commodity to be distributed was grain, which served as a standard of value for agrarian transactions and credit balances that mounted up during the crop year for advances to sharecroppers, consumption such as beer from ale-women, and payments to priests for performing ceremonial functions. Their value in grain was to be paid at harvest time.

The calculation of food rations for distribution to the various grades of labor (male, female, and children) enabled the costs to be expressed in grain or in workday equivalents.

Schurtz would have called this grain “inside-money,” and regarded as “outside-money” the silver minted by temples for dealing with foreign trade and as the basic measure of value for business transactions with the palace economy and for settling commercial obligations. A mina (60 shekels) of silver was set as equal to a corresponding unit of grain as measured on the threshing floor. That enabled accounts to be kept simultaneously in silver and grain.

The result was a bi-monetary grain-silver standard reflecting the bifurcation of early Mesopotamian economies between the agrarian families on the land (using grain as “inside-money”) and the palatial economy with its workshops, foreign trade, and associated commercial enterprise (using silver as “outside-money”).

Prices for market transactions with outsiders might vary, but prices for debt payments, taxes, and other transactions with large institutions were fixed.

Schurtz’s conclusion that the rising dominance of commercial money tended to break down domestic checks and balances protecting the Indigenous communities that he studied is indeed what happened when commercial debt practices were brought from the Near East to the Aegean and Mediterranean lands around the eighth century BCE.

Having no tradition of royal debt cancellations as had existed in the Near East ever since the formative period of interest-bearing debt, the resulting decontextualization of credit practices fostered financial oligarchies in classical Greece and Rome. After early debt cancellations and land redistribution by populist "tyrants" in the seventh and sixth centuries BCE, the ensuing classical oligarchies resisted popular revolts demanding a revival of such policies.

The dynamics of interest-bearing debt and the pro-creditor debt laws of classical antiquity's creditor oligarchies caused economic polarization that led to five centuries of civil warfare. These upheavals were not the result of the coinage that began to be minted around the eighth century BCE, as many 19th-century observers believed, mistakenly thinking that Aegean coinage was the first metallic money. Silver-money had been the norm for two millennia throughout the Near East, without causing disruption like that experienced by classical antiquity. What polarized classical antiquity's economies were pro-creditor debt laws backed by political violence, not money.

Conclusion and Discussion

Schurtz's starting point was how communities organized the laws of motion governing their distribution of wealth and property. He viewed money as emerging from this institutional function with a basically communalistic ethic. A key characteristic of Indigenous economic resilience was social pressure expecting the wealthy to contribute to social support. That was the condition set by unwritten customs for letting some individuals and their families become rich.

Schurtz and subsequent ethnologists found a universal solution for reconciling wealth-seeking with community-wide prosperity to be social pressure for wealthy families (that was the basic unit, not individuals) to distribute their wealth to the citizenry by reciprocal exchange, gift-giving, mutual aid, and other forms of redistribution, and providing large feasts, especially for rites of passage.

This was a much broader view than the individualistic economic assumption that personal gain-seeking and, indeed, selfishness were the driving forces of overall prosperity. The idea of monetizing economic life under communalistic mutual aid or palace direction was and remains anathema to mainstream economists, reflecting the worldview of modern creditors and financial elites. Schurtz recognized that mercantile wealth-seeking required checks and balances to prevent economies from impoverishing their members.

The problem for any successfully growing society to solve was how to prevent the undue concentration of wealth obtained by exploitative means that impaired overall welfare and the ability of community members to be self-supporting. Otherwise, economic polarization and dependency would lead members to flee from the community, or perhaps it simply would shrink and end up being defeated by outsiders who sustained themselves by more successful mutual aid.

As noted above, Schurtz treated the monetization of wealth in the form of creditor claims on debtors as too post-archaic to be a characteristic of his ethnographic subjects. But what shaped the context for monetization and led "outside-money" to take priority over inside-money were wealth accumulation by moneylending and the fiscal and military uses of money. Schurtz correctly rejected Bruno Hildebrand's characterization of money as developing in stages, from small-scale barter to monetized economies becoming more sophisticated as they evolved into financialized credit economies.*[7]*

And, in fact, the actual historical sequence was the reverse. From Mesopotamia to medieval Europe, agrarian economies operated on credit during the crop year. Monetary payment occurred at harvest time to settle the obligations that had accumulated since the last harvest and to pay taxes. This need to pay debts was a major factor requiring money's development in the first place. Barter became antiquity's final monetary "stage" as Rome's economy collapsed after its creditor oligarchy imposed debt bondage and took control of the land.

When emperors were unable to tax this oligarchy, they debased the coinage, and life throughout the empire devolved into local subsistence production and quasi-barter. Foreign trade was mainly for luxuries brought by Arabs and other Near Easterners. The optimistic sequence that Hildebrand imagined not only mistakenly adopted the barter myth of monetary origins but also failed to take debt polarization into account as economies became monetarized and financialized.

Schurtz described how the aim of preventing the maldistribution of wealth was at the heart of Indigenous social structuring. But it broke down for various reasons. Economies in which family wealth took the form of cattle, he found, tended to become increasingly oppressive to maintain the polarizing inequality that developed. The same might be said of credit economies under the rising burden of interest-bearing debt. Schurtz noted the practice of charging debtors double the loan value—and any rate of interest indeed involves an implicit doubling time.

That exponential dynamic is what polarizes financialized economies. In contrast to Schurtz, mainstream economists of his generation avoided dealing with the effect of monetary innovation and debt on the distribution of wealth. The tendency was to treat money as merely a “veil” of price changes for goods and services, without analyzing how credit polarizes the economy’s balance sheet of assets and debt liabilities. Yet, the distinguishing feature of credit economies was the use of moneylending as a lever to enrich creditors by impoverishing debtors. That was more than just a monetary problem. It was a political creditor/debtor problem and, ultimately, a public/private problem.

The issue was whether a ruler or civic public checks would steer the rise in monetary wealth in ways that avoided the creation of creditor oligarchies.

Most 19th-century and even subsequent economic writers shied away from confronting this political context, leaving the most glaring gap in modern economic analysis. It was left to the discovery of cuneiform documentation to understand how money first became institutionalized as a vehicle to pay debts. This monetization was accompanied by remarkable success in sustaining rising wealth while preventing its concentration in the hands of a hereditary oligarchy. That Near Eastern success highlights what the smaller and more anarchic Western economies failed to achieve when interest-bearing debt practices were brought to the Mediterranean lands without being checked by the tradition of regular cancellation of personal nonbusiness debt.

Credit and monetary wealth were privatized in the hands of what became an increasingly self-destructive set of classical oligarchies culminating in that of Rome, which fought for centuries against popular revolts seeking protection from impoverishing economic polarization.

The devastating effects of transplanting Near Eastern debt practices into the

Mediterranean world's less communalistic groupings show the need to discuss the political, fiscal, and social-moral context for money and debt. Schurtz placed monetary analysis in the context of society's political institutions and moral values and explained how money is a product of this context and, indeed, how monetization tends to transform it—in a way that tends to break down social protection. His book has remained relatively unknown over the last century, largely because his institutional anthropological perspective is too broad for an economics discipline that has been narrowed by pro-creditor ideologues who have applauded the "free market" destruction of social regulation aimed at protecting the interests of debtors.

That attitude avoids recognizing the challenges that led the Indigenous communities studied by Schurtz, and also the formative Bronze Age Near East, to protect their resilience against the concentration of wealth, a phenomenon that has plagued economies ever since classical antiquity's decontextualization of Near Eastern debt practices.

Notes

[1] Menger, Carl, 1892. The barter theory has been refuted by modern research uncovering the Bronze Age Near Eastern institutional origins of money, which I discuss in chapters 1 and 3 of *Temples of Enterprise*(Hudson, 2024). My criticisms of this theory are in "Origins of Money and Interest: Palatial Credit, Not Barter" (Hudson, Michael, 2020).
[2] See the papers collected in Wray, L. Randall, 2004.
[3] Mauss, Marcel (1925), 2016; Laum, Bernard, 1924. Schurtz mentions spit-money in passing but finds trade in food relatively unimportant.
[4] I discuss this in "From Sacred Enclave to Temple to City" (Hudson, Michael, 1999) and Chapter 10 of Temples of Enterprise (Hudson, Michael, 2024).
[5] Schurtz cited as an example of how monetary authorities could substitute sign-money for metal-money the case of "Kublai Khan, the ruler of the Mongolian empire, [who] drove out metal-money with sign-money, specifically stamped pieces of paper, evidently following the Chinese example; Marco Polo's accounts indicate that the endeavor must have temporarily succeeded only because of the tremendous power and authority of the ruler, with the result of a vast accumulation of gold and silver in the Khan's residence." But he made disparaging remarks about the French government's paper money assignats and called John Law a "swindler," dismissing government money creation.

[6] Thureau-Dangin, François (1905: 86–87), translated the Sumerian term for "justice" (amargi) to mean specifically that officials and wealthy individuals ("the powerful") would have no legal claims for debt foreclosure.
[7] Hildebrand, Bruno (1864), classified economies as passing from Naturalwirtschaft ("barter economy") to Geldwirtschaft ("gold/commodity money economy") and finally Kreditwirtschaft ("credit economy").

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