

[Of Gold and Paper Money](#)

CFM-DP2018-21

Jagjit S. Chadha

Centre For Macroeconomics and National Institute of Economic and Social Research

I examine a number of historical examples of the role of money as a means of payment, store of value and medium of exchange. I outline quantitative and qualitative experiences of monetary management, which we might think of as problems of the state in running an exchange economy. Successful regimes have sprung up in a variety of surprising places, and I outline a number from ancient Lydia to the use of cigarettes in wartime, and been sustained with state (centralised) interventions. Although the link between state and money, and its standard of identity and account may be clear from a historical reading, particularly in earlier stages of economic development, the extent to which the state is widely felt to hold responsibility for 'sound money' is less clear in modern democracies, where there are many other public responsibilities implying ongoing trade-offs. I go on to develop this point based on Samuelson's (1958) observations on the role of money as a social contrivance.