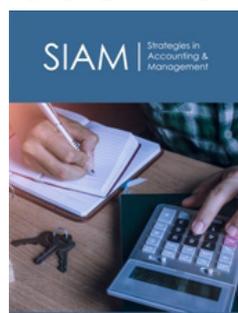


Beaver Pelts as Early Forms of Money in the Economic Sense: Satisfying Store of Value, Unit of Account and Medium of Exchange Requirements

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Abstract

This article examines the special case of beaver pelts, in part of the colonial era, in present-day parts of North America. When confidence in a system of currency with coins is present, this more conventional form of money takes precedence. A respected economic form of currency with coins has all three elements of money: a medium of exchange, a store of value and as a unit of account. This paper seeks to answer the question of whether beaver and deer pelts satisfied the three requirements for serving as a form of money. Currently, the Canadian dollar serves as the basis for money in Canada and the U.S. dollar serves as medium of exchange for money in the USA. It has been found that these beaver fur pelts met the three criteria necessary for them to be a type of money, though not as well as some other forms of money.

Keywords: Defining money; Colonial time period in present day United States and Canada; Beaver

Introduction

In this article, an answer is sought to determine if beaver pelts served well as forms of money in parts of colonial era North America. The next section will be a Literature Review, followed by an Analysis section and then a Discussion Section. Finally, a summary and conclusion section round out this article. Importantly, “beaver pelts” and “beaver fur pelts” have the exact, same meaning. It is proper to use either phrase and published research shows that.

Literature Review

Intriguingly, money can be referred to “as anything that is generally accepted in payment for goods or services or in the repayment of debts” Mishkin [1]. At times, money is currency with coins, and this is what lay people first think of when they hear the word money. Additionally, economists add in deposit accounts and financial instruments, such as bonds Mishkin [1]. Pearce [2] declares that sometimes, there has been the use of commodity money. With a commodity money system, the value of the commodity has value, determined by a society’s consensus. Agreeing with Mishkin [1], in order for something to be money, three requirements must be met. These three requirements are being a store of value, having a unit of account and being a medium of exchange. There are unique situations when something less familiar takes on traits of money, most often in an environment and time when currency with coins are not present. For instance, cigarettes were used as a type of money in prisoner of war camps in Germany during World War II. Radford [3]. Earlier, Native American wampum served as a means of recording treaties, histories, and sometimes messages within tribes and between tribes and other non-monetary uses, in what is now the Eastern part of North America. Yet, once European settlers came to America, the wampum started also being used as valued money, becoming a medium of exchange, in that area. Black beads of wampum were more valuable than white beads and so we can see an example of money having a unit of account. In part of Eastern North America, once Western European settlers came to the area until sometime in the eighteenth century, wampum was recognized as a medium of exchange, had units of account (black beads and white beads) and some store of value [4].

Similarly, different quantities of warehouse receipts served as money during part of the colonial period in Virginia. Moreover, receipts for tobacco during part of the time era of

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colonial Virginia, did satisfy all three requirements for something being money Gentle [4,5]. The store of value requirement would be at least somewhat satisfied Radford [3]. A cigarette can stay fresh for probably a shorter time than would tobacco aged in a warehouse or very large barrel. Thus, Tobacco stored in a warehouse or barrel, held value longer. An accepted currency with coin system would satisfy the three traits requirement well. Precious metals such as coins of gold and silver or notes, representing those precious metals, can also satisfy the necessary traits for something being money. The absence of such money causes some alternatives to be used and that was the case for different economies at one time¹.

Analysis

Commodities other than gold and silver have been used for money. Several commodities used as money in the fur trade in North America, with the most famous type of fur type of commodity, being beaver pelts. "In its principal accounts, the Hudson Bay money in Canada was used as sterling money..." Horizon [6]. However, in transactions with the aboriginal people Hudson Bay company "developed a money of account based on the value of a prime male beaver pelt". Horizon [6]. Using the male beaver pelt as a unite of account, the value of other items, including fur pelts from other animals were used often calculated from that male beaver pelt standard. Horizon [6]. Leduc [10] states that she found colonial Canada's "relatively short history Canada has used some rather distinctive, unusual, and indeed, inventive forms of money including wampum, beaver pelts, and playing cards" Leduc [10]. There was Native North American demand for European goods and the "marked increase in the supply of furs was significant for France, as well as for Canada". Leduc [10]. Marten, mink, otter, and beaver fur were important, including in commerce with Europe. Leduc [10]. In the year "1665, the natives traded the French one beaver pelt for any of the following: 2 hatches, short jacket, 2 pounds of gun powder, 4 pounds of lead shot, 8 knives with wooden handles, 2 swords, 2 axes, 10 pocket knives, 12 arrowheads, or 25 awls" Leduc [10]. In addition, "the traders quickly learned the value of Eau-de-vie, a type of French brandy. In fact, more beaver pelts could be obtained with a pint of brandy, than with any other merchandise. Supply fluctuated, depending on French contact with tribes native to North America. Importantly, export tax paid by the colonists. -25 percent on beaver pelts and 10 percent on moose skins - was the chief revenue that France derived from the colony. There was also a 10 percent import duty on specific goods. Leduc [10]. In part of colonial times in what is now the United States. Beaver skins, and receipts for drying tobacco in warehouses also served as money. Myers [11]; Gentle [4,5]. Gittings [12], concurs, stating that in the early times of European settlements, commodities such as tobacco and beaver pelts were used as money. Presently even credit and

debit cards are common. All of these and other items have been part of the American experience with money.

The research in beaver fur pelts in this article shows that beaver fur pelts did fulfill the three requirements of necessary to be money, during part of colonial times in the geographic area of present-day Canada. Yes, during part of colonial times, beaver fur pelts were important in colonial times in some part of present-day United States but in part of colonial times, possibly used to some degree as money. However, Canada beaver fur pelts were used on a formalized basis. The beaver pelts were a store of value. These pelts were used as a medium of exchange, especially in interactions between the colonists and aborigines of the geographic area of present-day Canada. As stated, a prime male beaver pelt was the unit of account, that other items were compared to. Rothbard [13], maintains that when other forms of money are not available or do not inspire enough confidence, then people may have confidence in certain commodities to serve as a type of money. For instance, during part of the history of colonial Virginia, warehouse receipts for tobacco were used between people as a form of money, since receipts were backed up by 100 percent tobacco. Brock [14]; Rothbard [13], Gentle [5]. A comparable example would be rice in colonial South Carolina. Rothbard [13]. An examination of all commodity money may be intriguing. Commodities such as tobacco and beaver fur pelts fulfill a dual need. Beaver fur pelts were used and still are to some extent, as part of apparel. The tobacco is useful in tobacco products and as the basis for warehouse receipts, used as money in the Virginia colony for a time. Gentle [5,9] explains how stone money was used at one time in the island of Yap and the stones also had some ceremonial purposes.

Subjective Value and the Quantity Theory of Money

The subjective value would be determined by the degree of an individual's pleasure or displeasure in looking at and owning an item. Menger [15]; Mankiw [17]. In Gentle [5] it was shown that warehouse receipts for tobacco in colonial Virginia can be an example of money, fitting the Quantity Theory of Money. The Quantity Theory of Money's four factors can be as shown this way: M denotes the money supply; V denotes the Velocity of money; P denotes the price level and Q stands for Quantity of goods and services. M could for instance, be beaver pelts. More of M would result in price increases for P, if V and Q were constant. If M were increasing, the amount of beaver fur pelts harvested and the demand for them in Europe and other places determined the value of such pelts, would determine the amount of increase. As Mishkin [1] has stated, one of the required traits for something to be considered money, is being a store of value. This paper has mentioned several items that served as money. One common trait for these type monies is being a store of value. Yet some types of

¹Endnote (1) Examining the beaver pelts described in the article, is done by economist and sometimes anthropologists. Herskovits [7], views economists s primarily concerned with material welfare, while anthropologists care about relationships. The fact is economists care about material welfare and relationships. The service sector of an economy is very much about relationships. Also, economists sometimes use a non-pecuniary approach. Economics is a social science and as with some other social sciences, takes into consideration an unlimited number of factors in explaining human behavior; including how this relates to institutions, such as government, firms, and others. Both economics and anthropology can simultaneously add to many discussions of social science topics Gentle [4,5] & Gentle [8,9].

money will hold their value longer than other types. Interestingly, a cigarette may decompose in as little time as a few months. A cigarette meets the store of value requirement for money. However, it may not last as long as tobacco in a warehouse or in a large barrel. So stored tobacco is a whole different product compared to cigarettes. Furthermore, stored tobacco holds its value longer than cigarettes do. Nettles [18], Gentle [5].

Nonetheless, Wampum was made of shell beads and was thus more durable, than cigarettes or stored tobacco. Tobacco warehouse receipts held their value, served as a medium of exchange and met the unit of account trait necessary to be money. Gentle [5]. Therefore, one would probably wonder about gold and silver. How well do they retain value? Compared to the other items considered in Gentle [4,5,8] and the Stone money of Yap, gold and silver have held their value quite well Abdullah [19]; Hart [20]. Although very select paintings hold their value, as a general rule, artwork is not a comparatively good investment, in monetary terms. It may have some intangible values, such as the utility, "psychic income" in owning a work of art Ekelund et al [21]. Over time, the type of money that may best hold its value, in many situations could be based upon gold and silver Greenspan [22]; Abdullah [19]. Indeed, both gold and silver have been used for a time, as an important basis for money. Gold [5]. A detailed explanation of this goes beyond the scope of this article.

Summary and Conclusion

When conventional forms of money are not ubiquitous at all, people may turn to substitutes, such as wampum or tobacco in the form of cigarettes or with a receipt in a warehouse. In this article, there has been a focus on the use of beaver fur pelts during part of the history of colonial era parts of North America. These beaver fur pelts fulfilled the three requirements for something to be money. As the economic history of a place progresses, one can expect the forms of money to sometimes change².

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²Endnote (2) In Gentle [8] the reality of art works during the Nazi era being used to hold value was examined. Though the art certainly had a store of value, it could not be broken down into units of account, nor was it the medium of exchange for the general society. Therefore, art during the Nazi era failed to meet the criteria for something being money.

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