Chapter 2

Money and Currency

Gaspar Feliu
Translated by Ramon Pujol Gorné

The purpose of my contribution is to study different aspects of medieval money in its two forms, as a unit of value and as a means of payment. After a general introduction about the characteristics of medieval money, I will examine the types of currency, including non-monetary forms of payment, the causes that explain the introduction and the use of every means of payment, and indicate very briefly the problems generated by the relationship between the different types of currency.

Definition and Kinds of Moneys

Money is in essence a concept, an abstract unit of value that is used as a universal equivalent to compare any good or service with all others. The concept of money from a logical point of view must precede any physical monetary reality, but to be fully effective, to be able to act, money as a concept must be brought to life through its materialization in an object that the community accepts as money. Under this double form, money meets the three functions that are considered basic for its characterization and definition: to be a unit of account, a means of exchange (currency), and a store of value. I think that to these should be added a fourth function: to be an instrument of business through credit.\(^1\)

The objects used as currency have varied throughout space and time, but they can be reduced to two classes: goods that have intrinsic value (real currency) and symbols (shells, stones, printed paper, pieces of metal), whose intrinsic value is lower than their value as currency, so they receive the name of fiduciary money.

Although as we will see there are other types of effective currency, in the Middle Ages its most common form was coined currency. It could be issued

\(^1\) Munro, "Introduction", p. 1, points out this function ("Standard of deferred payments") but does not refer to the possibility of profit, which is synonymous with credit.
either by the local authority or an external one; it could be current or old; it could consist of specimens in good or bad condition and might even extend to counterfeit or false money (as long as the deception was not discovered) or pieces which were worn or damaged. In addition, the concept of money could take the form of money of account, with no physical existence; in such cases it was only a unit of value, useful for counting or accounting but not used directly as a medium of exchange or saving.

General Characteristics of Medieval Money

The main features to keep in mind to understand the functioning and the evolution of medieval currency are:

1. The noble metals (silver and gold), the basis of the medieval monetary systems, were almost always insufficient to meet the needs of the demand for currency.
2. There were large differences in the availability and the temporal, spatial, and social distribution of the currency.
3. The value of each coin depended on the sort of metal used and the known parameters of weight standard, number of coins struck, and fineness.
4. Each coin had three currency values – the intrinsic value of the metal coined; the legal value that was attributed by the issuing authority; and the market value – although as a general rule the three values differed little. The legal value was almost always higher than the intrinsic value, due to the costs of coining (“brassage”) and also to the fee that the minting authority levied on coins for its own benefit (“seigniorage”). Only when the legal value significantly exceeded the intrinsic value did a separate market value appear, which tended to reduce the difference between the other two.
5. Coins circulated with few restrictions outside the territory of the issuing authority.

---

2 These features apply especially to minted coins; almost none of them is always and everywhere present, but all of them have broad spatial and temporal validity.
4 In English this is usually called "seigniorage" or "gros seigniorage", the difference between the price of the metal and the legal price of currency. I follow the continental practice of distinguishing them because it helps to clarify understanding of the process.
5 The difference may come from a very high seigniorage or from a change in the price of metal on the market; Bloch, *Esquisse d’une histoire monétaire*, p. 9; and Munro, "Technology and economics", p. 19.