

# From Sumer and Egypt to the Hanze cities

## Money in Ancient Sumer

At the birth of modernity in ancient Sumer, there were two major money systems next to each other, money with gold and money with grain as security.

State officials and the aligned priest caste promoted money backed by gold. Gold is a precious metal and it was kept safe in the temples, where the Gods watched over it. This steady security enabled rich people to lend their surplus money, and with time on their side, they were able to charge interest. The interest payments caused accumulation and concentration of wealth, while simultaneously the poor grew poorer. Their misery could result in the need to sell themselves or their children.

The rich accumulated more money than they could lend. That set off the development of investments. Dikes were erected to create polders close to the rivers Euphrates and Tigris. And they also constructed channels to irrigate lands a little further from the river. These investments proved very profitable because the combination of water and the warm climate of these Gardens of Eden made three yields a year possible. When all the investment opportunities were exhausted, the accumulated money was used to finance the conquering of the higher grounds, killing or enslaving the nomadic people that lived there, and ploughing the soils.

The high yields enabled a lot of specialization and the growth of cities in ancient Sumer. In the old Book the Sumerian and Akkadian peoples are called technicians and weapon smiths. They were so skilled that they were able to construct houses with five storeys, some of which still stand today after 4,000 years. The focus of these people on new investments and new technologies does not differ much from what we find today on Wall Street.

Next to the gold-based money, there was money with different characteristics. This was the grain Giro, money backed by grain stored in high quality central warehouses. These grain stores generally used by the small farmers, were run by the priest caste of another religion.

The farmers had to pay storage costs. The temples not only kept the grain safe and well-tended, but the temples also gave farmers access to liquidity. When the harvest was brought in, the temple administrated the weight and the quality, and gave the farmer a receipt with his claim on the grain. The administration of all claims was written down on roles of papyrus. Precisely these administrative papyrus roles were used to unravel the cuneiform, the writing system in Sumer.

The claims on stored grain have a lot in common with the accounting system of a modern bank. The owner could request the transfer of a certain amount of the claims to make a payment to someone, just like today we can transfer money from our bank account to a shop or a supplier.

The storehouse costs had to be paid by those who did not spend their claims, similar to the impact of the voucher-and stamp-system in Wörgl, described in chapter 3 of the book. It made people who permanently had more claims on grain than they needed for themselves, eager to find someone in need of a loan. So, because of the storage costs, hanging on to money became unattractive, urging affluent people to find those in need of loans. Grain Giro loans were short-term and interest-free loans.

It is likely that the economic success of the Sumerian culture was not only due to the irrigated fertile lands, but also to the combination of surplus money available for profitable investments as well as interest-free loans for small producers.

## Grain Giro in Ancient Egypt

The concept of central storehouses and the grain Giro was transferred to Egypt. In the Bible, the story of Joseph probably refers to the grain Giro system. In Egypt, storing the harvest made a lot of sense because the yields were irregular due to the different flooding levels of the river Nile. That resulted in years with high yields alternating with poor yields. With the good central storehouses, people did not starve during the meager years. Like in Sumer the administration of the granaries fulfilled the role of a bank. In Egypt, this type of money and banking system lasted over 2,000 years, from approximately 1700 BC to 300 years AC.

## Hanze cities

In medieval times interest free loans were also common in the Hanze cities<sup>1</sup> in north-west Europe. In these economies, gold (or silver) based money was used for long-distance trade, while the local economy used so-called Bracteates. These Bracteates were very thin coins. They were so flimsy that they had to be reminted every quite often. Reminting happened at moments such as death or marriage of the king, an appointment of a new bishop, or whoever was in charge. At reminting, a fee was charged that could be as high as 25% of the value. As a result, people avoided having a lot of coins. It was smarter to lend it or spend money on improvements of one's house for example. These circumstances made it difficult to demand interest, so no interest was charged. That was attractive for entrepreneurs who wanted to invest. The chance that they would still have the money when reminting was announced was small, as they would quickly pass it on to suppliers and the like. This way, the risk of the reminting costs ended up all over the local economy.

The coins were a local means of exchange, like the vouchers in Wörgl. Similar to the costs of the stamps for these vouchers, the threat of reminting increased the use of the money, boosting the opportunities for entrepreneurs to earn money, even more so because they did not have to pay interest. For loans, the same was true as for someone's earnings: as soon as the credit was transferred, that party ran the reminting risk, as the one who actually possessed the money when reminting was announced, had to pay. This condition was stressful for everybody that had more money than he/she could spend, but by investing the money as soon as possible, the risk was distributed.

So, the fear of reminting affected the velocity of money circulation, stimulating the use of the same money over and over again and increasing local economic activities. The money system of the Hanze cities made them very prosperous, of which their beautiful cathedrals bear witness.

Over time kings and bishops got greedy and ordered reminting more and more often. Because of this the local use of Bracteates was gradually replaced by gold-based or similar types of money that were less efficient in economic terms, but that delivered people in power better opportunities to accumulate wealth. Researchers confirm the likeliness that different types of money create different types of economic and social organization (Baumann et al., 2008; Dodd, 2014).

The Hanze cities did not know the Sumerian and Egyptian examples, but their money system provided an example that helped later initiatives (e.g. Gesell and Unterguggenberger in the book).

Nowadays, IT makes it quite easy to rule bank accounts in such a way that the money behaves like the grain Giro, Bracteate coins, and the stamp system in Wörgl. These examples show that it is possible to increase the efficiency of circulation and create an interest-free type of money that no longer transfers wealth from the poor to the rich.

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<sup>1</sup> <sup>1</sup>also called Hansa or Hanse cities