

5 Monetary Lessons From History Every American Should Understand

Lesson 1 Why money exists

Human beings are social creatures. They live together, work together, play together, build together, create together. They start families, begin businesses, pay taxes, run households, and do all the things that make civilization possible and life worth living, those things that lead to human flourishing.

Going back thousands of years in history, we see that as soon as they began to interact and to conduct commerce together, specializing in different skills and trades, a problem emerged. One man might raise cattle, another grow grain, another make tools, and another build homes. How could they efficiently exchange the fruits of their labor?

Barter was one solution, but it had limitations. A farmer might need shoes, but the shoemaker might not need grain. A shepherd might need shears, but the metal smith might not need wool nor mutton nor milk. Trade became easier when societies developed commonly accepted mediums of exchange. A surprising variety of items and commodities have been used as a medium of exchange at different times and places in the past. Cattle and other livestock, food, seashells, cigarettes, toilet paper, various metals and gems.

But there are various problems with each of those. Things like consistency, durability, divisibility, and portability, as examples. What if the trade you offer is only worth HALF a cow? There's really no such thing as half a cow, at least not for cows that are alive. And most food items are rather perishable and unstable. If there were no money, how would a village baker trade with a blacksmith?

Over time, societies discovered that some forms of money worked better than others. The best forms of money tended to share certain characteristics. They were durable, divisible, portable, recognizable, and difficult to counterfeit. These qualities made trade easier and allowed economic activity to expand far beyond small villages and local communities.

Key takeaway: Money exists because it is a very useful medium of exchange, allowing economies to grow and human flourishing to increase.

Lesson 2 Why Gold Became Money

When you hear the word “gold,” what comes to mind?

Jewelry? Wealth? Coins? Fort Knox? Wedding rings or Olympic medals? Pirate ships and buried treasure? Aargh!

Most people think of gold as something valuable. Far fewer stop to ask a deeper question: Why?

Some of the reasons that precious metals like gold and silver became default currencies around the world are its physical and chemical properties. While this is not a science lesson, it is easy to understand that these metals are relatively scarce and require work to mine and produce them.

They are very durable, belonging to the class of metals that make them very stable, not prone to tarnishing and breaking down. Ancient gold artifacts tend to be found in pristine condition thousands of years later.

These metals are also what is known as “malleable,” meaning they have lower melting points and can be easily stamped, formed, and shaped.

Think about how they are used to produce gorgeous pieces of jewelry the world around. Hindu gods and goddesses are depicted as adorned in gold, and the bible speaks of gold and silver in various metaphors.

In the pseudoscience known as alchemy, the quest was to turn iron into gold, but in reality gold and silver are very unique and difficult to counterfeit in any meaningful way.

These metals are also readily divisible, nothing at all like trying to pay with half a cow. Because they have a high value-to weight ratio, and are so recognizable and stable, they are highly portable.

Imagine being a rich Roman Senator, getting news of the impending invasion of the barbarian hordes, and being able to pack a few wagons with bags of gold in order to “get the heck out of Dodge.”

As far back as the 7th century BCE, in ancient Lydia (modern day Turkey), recognition of these unique characteristics led to adoption and standardizing of coins, greatly facilitating trade around the ancient world.

While modern countries and economies rely primarily on “fiat currencies” and legal tender laws (laws requiring that government paper money be accepted for commerce), central banks and global investors still hold and trade gold to protect wealth against inflation and economic turbulence.

And that is perhaps the most enduringly valuable thing about precious metals. Across cultures and centuries, human beings seem to have repeatedly recognized the beauty and utility of gold and silver.

As if it is just part of the archetypal human consciousness, that these beautiful metals are a very natural store of wealth.

Even as little kids we get chocolates wrapped in gold foil, we hear myths of pots of gold at the end of the rainbow. We note that jewelry is commonly made of gold and silver, even as we curiously wonder about the difference between 14 and 18 karat.

I remember being confused about “carrots” having anything to do with metal at all. I remember riding the Gold Rusher at Magic Mountain a year or two before the lessons of the California gold rush were taught in my grade school.

Gold is also scarce. It cannot be created by:

- Politicians
- Central banks
- Government decrees
- Printing presses

Obtaining more gold requires:

- Discovery
- Labor
- Capital
- Effort

Key takeaway: Gold did not become money because governments demanded it. Gold became money because people repeatedly discovered its usefulness.

Lesson 3: What Rome Teaches Us About Money

The Roman Empire was one of the greatest civilizations in history. Its roads, laws, engineering, military organization, and commercial networks helped create centuries of relative stability and prosperity.

One often-overlooked factor in Rome's success was confidence in its money.

For generations, Roman coins contained substantial amounts of precious metal and were widely accepted throughout the empire. Merchants, soldiers, and citizens could conduct trade knowing that the money they received had recognized value.

Over time, however, Roman emperors faced increasing financial pressures. Wars became more expensive. Government obligations grew. Rather than raising all of the necessary revenue through taxation, many emperors chose a different path: they reduced the precious metal content of the coinage.

Silver coins that once contained substantial silver were gradually mixed with cheaper metals. While the coins looked similar, their actual value steadily declined.

This process is known as debasement.

As people realized their money was losing value, confidence began to erode. Prices rose. Commerce became more difficult. In some areas, people increasingly relied on barter or demanded payment in more reliable forms of wealth.

Debasement alone did not cause the fall of Rome. History is rarely that simple. But it contributed to economic instability and weakened trust in one of the institutions that helped hold the empire together.

The lesson is not that every society follows Rome's exact path.

The lesson is that money depends heavily upon confidence. When people lose faith in the long-term value of their currency, economic and political problems often become much more difficult to solve.

Key takeaway: History leaves clues. Rome and its fall teaches us that there is no way to really predict the future and it is always wise to have some precious metals.

Lesson 4 What Weimar Germany Teaches Us About Inflation

In the years following World War I, Germany faced enormous financial pressures. The government had accumulated significant debts and struggled to meet its obligations.

Rather than raising sufficient taxes or dramatically reducing spending, German authorities increasingly relied on the creation of new currency.

At first, the effects seemed manageable. But as more money was created, prices began rising faster and faster. Eventually, the situation spiraled out of control.

What became known as the Weimar Hyperinflation of 1921–1923 remains one of history's most famous examples of currency collapse.

Stories from the period sound almost unbelievable. Workers were often paid multiple times per day because prices were rising so quickly. Families rushed to spend their wages before money lost even more value. Savings accumulated over a lifetime were wiped out.

The image in my own head is one of a woman pushing a wheelbarrow full of paper money to go buy groceries from the store.

The lesson is not that every modern inflationary period becomes Weimar Germany.

The lesson is that money can lose value when its supply expands much faster than the goods and services available for purchase.

History reminds us that preserving purchasing power matters. What appears stable today can change more quickly than many people imagine.

When confidence in money declines, economic and social problems often become far more difficult to solve.

Key takeaway: History leaves more clues. Weimar Germany, just one hundred years ago, had its money completely destroyed, so protect yourself by holding part of your money in precious metals, which cannot be created out of thin air.

Lesson 5 Why Understanding Money Matters Today

In August 1971, President Richard Nixon completely severed any connection between gold and the dollar, formally ending convertibility, and ushering in the modern fiat currency era. This is reminiscent of the events that led to the destruction of the money of Rome many centuries ago, as well as what led to the destruction of German money in the 1920s.

The thing to understand is that in either case, holding some real money that cannot be created by government monetary policy, was an excellent way to protect oneself from the worst of the consequences.

You see, **real money survives politics**. Precious metals in your own possession, safely and wisely stored, are what I live to call “insurance.”

Regardless of political affiliation, periods of economic and political uncertainty remind us of the importance of financial preparedness.

The headlines can be scary, but rather than letting that grow into any sort of unease, takes steps to prepare yourself. Don't panic; rather prepare.

Modern skyrocketing debt levels. Undisciplined central bank policies. A history replete with examples of governments destroying the money of its citizens. Holding some precious metals is exactly the sort of wise decision that reduces the problems caused by these things.

In some cases it has literally been the survival of the people who had the foresight to see money troubles before they arrived. In many others, it meant coming out the other side with much of their wealth intact.

Many of the best minds in economic and money history recommend that we keep from 5 to 25 percent of our net worth in precious metals. I like to think of it as the base of my financial pyramid, the bedrock foundation upon which everything else can be safely built.

Precious metals are the indestructible bricks of a financial life that endures, no matter what governments do, or how much paper dollars they print, or how many wars they get into or out of.

The gold that was in the vaults of a rich Roman senator 2000 years ago is still real money today, with all the intrinsic worth it had all those years ago. There is no paper currency in history that can boast that.

The dollar today has lost some 97% of its value in just the last century. Gold, in all of its shining glory, still has all of its real value over that same period.

That is the most important thing that you must understand. Political turmoil can bring destruction on many fronts, but holding real money will always be a source of peace of mind. Financial literacy is ultimately an individual responsibility, so you must educate yourself.

Key takeaway: Financial literacy is ultimately an individual responsibility. The more you understand money, the better prepared you will be to protect yourself, your family, and your future. It is up to you to educate yourself.

Conclusion

I was in my late twenties when I had the first stirrings of real wonder. What is inflation; what can stocks, bonds, commodities, and other “investments” do to increase and protect my growing family and our finances? Why do people everywhere seem to understand that gold is highly valuable?

History does not repeat itself exactly, but it often rhymes. Understanding money cannot guarantee financial success, but it can help you avoid many of the mistakes that have harmed people throughout history. The better we understand money, the better equipped we are to protect ourselves, our families, and our futures.

As I began to study and research these things, I learned that gold and other precious metals have several properties that make them very valuable as a form of real money. I learned that the people who know the most about economics and financial history always have a portion of their wealth stored in these things that can't easily be created the way that a government can simply turn on the printing presses.

In time, what I learned is that because of history, because of human nature, because of what biology, psychology, politics, and social dynamics reveal about life, precious metals must make up a portion of a wise financial base.

About RealMoneyMatt

Matt holds both Bachelor's and Master's degrees from UCLA.

Matt has been teaching a variety of important subjects including History, Mathematics, Science, and Physical Education for decades now. He holds California teaching credentials in History, Science, and Physical Education.

Matt also holds an apprentice instructorship in Southeast Asian Martial Arts under Cass Magda of the Magda Institute. One lesson he carried from martial arts into investing is simple: stay prepared, stay disciplined, and keep your tools sharp.

Matt is a true student of life, and has been studying the economics, history, psychology, and functions of money since 1998 when he had the epiphany, "Matt, you have a wife and kids....it's time to be a grownup...." He took to investing and increasing his wealth through wisdom and diversification, in the tradition of King Solomon, who suggested "give a serving to seven, and also to eight."

He has advised many friends and family members ever since, explaining how and why to protect your wealth with a baseline position in precious metals, even while using other investment channels to perform other functions for a portfolio.

Matt was a school teacher for two decades, and his passion is helping other people to better understand the threats they face and the ways to overcome them. He is very open-minded, not readily trusting the authorities to keep their many promises. He recognizes that many times in history regular people have gotten the shaft because they did not understand much about money.

To help you avoid that kind of catastrophe in life, he teaches what he has learned, and is always ready to help you to obtain the right precious metals for protection, investment, and wealth preservation, reminding you always that **REAL MONEY SURVIVES POLITICS**.

If you found this report valuable and would like to continue learning about monetary history, precious metals, inflation, and wealth preservation, I invite you to join my email list and follow my future content.

Remember: Real Money Survives Politics.