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## Aims

The Monetary Inquiry Association (MIA) was set up to ask questions about  
\*What money is \*Different ways of perceiving money \*How money is created  
\*How something intrinsically valueless gets its value \*What value is \*And other  
related issues.

MIA aims to become a recognised authority. However, not yet another authority  
on monetary issues, but rather an authority on asking questions about these  
issues. One could call it an authority of doubt. And as such, MIA hopes to  
inspire others to ask their own questions about money.

# Association structure

MIA was founded on 30 January 2002, when Simon Goldin sent a £10 note to the Bank of England, asking to get the ten pounds, which the note promises to pay the bearer on demand.

So far Mr Goldin is the only member of the MIA. Although MIA is most willing to accept applications from people who would like to join, expansion of the association is not high priority. Spreading the *question asking* is of far greater importance. MIA has set up a structure whereby anyone can become an official MIA Question Holder and/or Question Asker. (These concepts are more fully explained under “Inquiries”).

## Inquiries

As mentioned above, the initial MIA inquiry was asking the Bank of England for the ten pounds, which their note promises to pay the bearer on demand. “Basically, I wanted to know what ten pounds actually is” Simon Goldin comments.

From then on the MIA has engaged in a variety of further inquiries. Mr Goldin wrote a letter to 45 Experts in Economics at the London School of Economics and to the Chief Executives of the nine largest banks in Britain, asking them what money is.

The latest inquiry innovation of the MIA is set up as a question spreading device. It is the MIA-stamp, reading: “What do you want to know about money? E-Mail: [monetaryinquiry@hotmail.com](mailto:monetaryinquiry@hotmail.com)”. This stamp is used on all banknotes, which pass through the MIA. And whoever gets one of these notes, becomes an MIA Question Holder. If this person subsequently sends a question to the given email account, he/she becomes an official MIA Question Asker.

## Responses and further inquiries

MIA has received a number of responses to its inquiries, of which some have led to further inquiries.

So far there have been 15 responses to the 54 letters the MIA sent, asking what money is. The responses have come from four Professors of Economics (of which one is also a Lord), four Lecturers in Economics, four Readers in Economics, one Bank Executive Chairman (via his assistant), one Bank Assistant Director, and one person of unknown position in bank.

Of these 15 responses, the MIA has in turn responded with further inquiries to 10 of them.

Another set of inquiries into the concept of legal tender, and who has the right to create money, also came as a result of some of the responses, and was sent to General Enquiries at the Bank of England.

# Letters

Monetary  
Inquiry  
Association



My claim  
on ten pounds



30 January, 2002

Dear Bank of England,

I am writing to you with regard to an outstanding claim I have. I am in receipt of a note, which I understand has been issued by you, and which states that you promise to pay me (as the bearer of this note) ten pounds on demand. I hereby demand those ten pounds.

Could you please send them to me a.s.a.p. My address is 9 Manningtree Street, Top floor flat, London E1 1LG.

Yours sincerely



Simon Goldin







**BANK OF ENGLAND**  
**BANKING SERVICES DIVISION**

Custody Office (HO-G)  
Counter Services  
Threadneedle Street  
London EC2R 8AH

28 FEB 2002

Tel 020-7601 4366  
Fax 020-7601 3620

Ref: CO/Exchanges/4632

Mr S Goldin  
9 Manningtree Street  
Top floor flat  
London  
E1 1LG

Dear Mr Goldin

Thank you for your letter dated 30 January enclosing a Bank of England £10 note. I enclose a cheque for £10 in exchange.

Yours sincerely

*Ruth Resnick*

Manager

To the Cashiers of the  
*Bank of England London*

10-00-00  
28 FEB 2002

Date

Pay *S. Goldin*

*Ten pounds*

ACCOUNT PAYEE

£ 10

CUSTODIAL SERVICES GROUP  
BANKNOTE EXCHANGE  
ACCOUNT

*Ruth Resnick*

*L C Jones*

9

⑈004241⑈ 10⑈00001⑈ 56188889⑈

13 March 2002

Dear Bank of England,

On 30 January 2002 I sent you a Bank of England note, which stated that you promised to pay me, as the bearer of that note, ten pounds on demand. I asked you to send me those ten pounds.

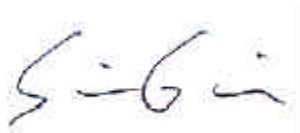
In response I received a letter from you dated 28 February 2002, in which you enclosed a cheque for ten pounds in exchange.

I was glad that you responded, although you seem to have misunderstood my request. I was not asking for another claim on ten pounds, but for the actual ten pounds.

On the cheque you sent me it says for the Cashiers of the Bank of England to "Pay S. Goldin Ten pounds". And that is precisely what I ask for. I hereby return the cheque and wish to receive ten pounds a.s.a.p.

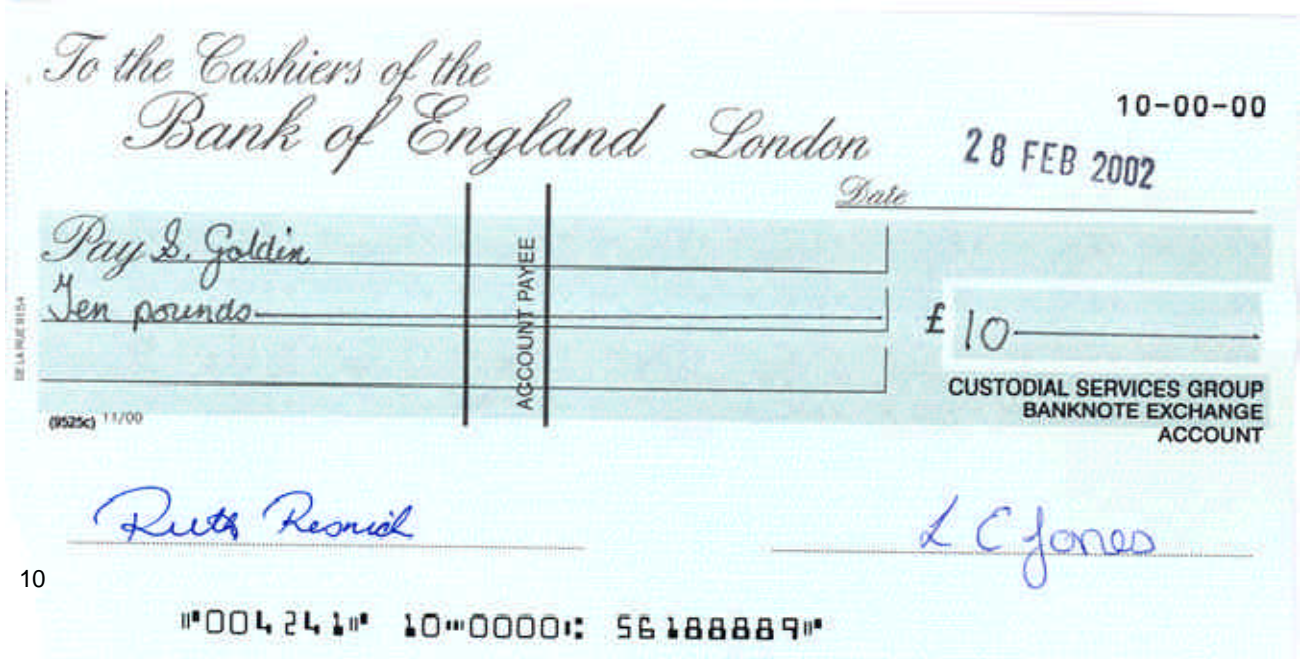
I would like to make it clear that I do not wish to receive yet another promise to pay ten pounds. Failure to deliver the ten pounds, which you – the Bank of England – owe me, would clearly force me to question the trustworthiness of the promises you make.

Yours sincerely,



Simon Goldin

9 M anningtree Street  
Top floor flat  
London E1 1LG



To the Cashiers of the  
Bank of England London

10-00-00  
28 FEB 2002

Date

Pay S. Goldin  
Ten pounds

ACCOUNT PAYEE

£ 10

CUSTODIAL SERVICES GROUP  
BANKNOTE EXCHANGE  
ACCOUNT

R. Resnick

L. C. Jones

10

⑈00424⑈ 10⑈0000⑈ 56188889⑈



**BANK OF ENGLAND**  
**BANKING SERVICES DIVISION**

Custody Office (HO-G)  
Counter Services  
Threadneedle Street  
London EC2R 8AH

Tel 020-7601 4366  
Fax 020-7601 3620

8 APR 2002

Ref: CO/Exchanges/4632

Mr S Goldin  
9 Manningtree Street  
Top floor flat  
London  
E1 1LG

Dear Mr Goldin

Thank you for your letter dated 13 March enclosing the Bank of England cheque that was sent to you. I now enclose ten £1 coins in exchange.

Yours sincerely

*Ruth Resnick*

*MR* Manager



23 April, 2002

Dear Ruth Resnich,

Thank you for your letter dated 8 April, enclosing ten £1 coins in exchange for the Bank of England cheque, which you had previously sent me in exchange for a Bank of England note.

It seems as though I am now in receipt of the ten pounds, which both the note and the cheque promised to pay me. I am most delighted to know what ten pounds actually is, and I am relieved that you did indeed have them in store for me.

I happen to have claims on approximately 10,000 more of these pounds. And I am a little bit unsure of how best to collect them. I imagine it would be quite inconvenient to send them all by mail. I was thinking that perhaps I could come by with my claims and a security vehicle. Maybe we should arrange an appointment for this. What do you recommend? Please get back to me.

Yours sincerely,



Simon Goldin

9 Manningtree Street  
Top floor flat  
London, E1 1LG

# What is Money?



Professor Charles Goodhart  
Department of Economics  
London School of Economics  
Houghton Street  
London, WC2A 2AE

Central Saint Martins  
College of Art & Design

*School of Art*

21 March, 2002

Dean of School: Chris Wainwright BA(Hons)MA

Dear Professor Charles Goodhart,

What is money?

My name is Simon Goldin and I am on the BA (Honours) Fine Art Course at Central Saint Martins College, an art and design college with a strong international reputation. At the same time I have an interest in economics, and worked last year as the editor of the Swedish journal *Pengar* (Money), sponsored by the JAK bank.

I am researching an art project about what money is and how we perceive it. The increasing amount of non-cash payment, the emergence of e-money, the volatile financial markets of recent years, and the introduction of the Euro are all factors which contribute to a rising general interest in the very fundamental question of what money actually is.

This project is still in a developmental phase. The final piece will be of an educational character, aiming to open up monetary and economic issues to a broader public. Because of the reputation of the College, and the central London location, student shows receive a considerable amount of attention.

Several members of staff as well as students are involved in cross-disciplinary activities. Collaborations between arts and sciences have proven very fruitful for all parties involved.

As an expert in economics, at the London School of Economics, I would be very grateful if you could offer me your definition of what money is. If you could take the time and write only a couple of sentences, that would be most helpful. Any participation from your side will be clearly acknowledged when exhibiting the final piece of art.

Enclosed is a self-addressed envelope. If you find e-mailing more convenient, please reply to the e-mail address stated below.

Yours sincerely;



Simon Goldin

Address: c/o Graham Ellard  
BA Fine Art, 4D Pathway  
Central Saint Martins College  
107-109 Charing Cross Road  
London, WC2H 0DU

E-mail: s.goldin1@esm.linst.ac.uk

Tel: 078 1633 6656

Please reply to

107-109 Charing Cross Road London WC2H 0DU  
Telephone 020 7514 7000 Fax 020 7514 7208

This letter was sent to the following:

LSE Experts in Economics

Alford, Mr Roger F G  
Bandiera, Ms Oriana  
Barr, Dr Nicholas \*  
Bray, Dr Margaret  
Burgess, Dr Robin  
Cowell, Professor Frank A  
Desai, Professor Lord \*  
Dougherty, Dr Christopher R S  
Faure-Grimaud, Dr Antoine  
Felli, Dr Leonardo  
Foldes, Professor Lucien P  
Gomulka, Dr Stanislaw \*  
Goodhart, Professor Charles  
Hajivassiliou, Dr Vassilis A  
Hardman Moore, Professor John  
Hidalgo, Dr F Javier  
Horsley, Dr Anthony \*\*  
Jackman, Professor Richard A \*  
Kiyotaki, Professor Nobuhiro  
Lane, Dr John S  
Layard, Professor Richard  
Leape, Dr Jonathan I  
Linton, Professor Oliver Bruce  
Manning, Professor Alan  
Marin, Mr Alan M  
Mariotti, Dr Thomas \*  
Nickell, Professor Stephen \*  
Ortalo-Magné, Dr Francois  
Pissarides, Professor Christopher A \*  
Prat, Dr Andrea \*  
Quah, Professor Danny T  
Rahi, Dr Rohit  
Redding, Dr Stephen  
Robinson, Professor Peter M  
Schafgans, Dr Marcia  
Schankerman, Dr M

Scott, Dr Christopher D  
Stanca, Mr Luca  
Steuer, Mr Max D \*  
Sutton, Professor John  
Thomas, Mr James \*  
Tsai, Ms Lucia \*  
Venables, Professor Anthony J  
Whitehead, Professor Christine M E  
Xu, Dr Chenggang

Bank Executives

Abbey National  
Mr Ian Harley, Chief Executive  
  
Alliance & Leicester \*\*  
Mr John R Windeler, Executive Chairman  
  
Barclays \*\*\*  
Mr John Stewart, Deputy Group Chief  
Executive and Chief Executive, Retail Finan-  
cial Services  
  
Bradford & Bingley  
Mr Christopher Rodrigues, Chief Executive  
  
HBOS \*  
Mr James Crosby, Chief Executive  
  
HSBC  
Mr William R P Dalton, Director and Chief  
Executive  
  
Lloyds TSB  
Mr Peter Ellwood, Group Chief Executive  
  
Northern Rock  
Mr Adam Applegarth, Chief Executive  
  
The Royal Bank of Scotland  
Mr Fred Goodwin, Group Chief Executive

\* = response received

Monetary  
Inquiry  
Association

Dr Nicholas Barr  
Reader in Economics





# The London School of Economics and Political Science



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Email: N.Barr@lse.ac.uk

DEPARTMENT OF ECONOMICS  
Dr Nicholas Barr

2 April 2002

Simon Goldin

Dear Simon,

The theoretical definition of money is: Money is anything that people accept as money.

Thus money is a social convention: an orange bit of paper with the Queen's picture on it is worth £10 because people in Britain have agreed that it should be so; my cheque is money if you are prepared to accept it, and not otherwise.

Good luck with the project.

*Nick Barr*

Central Saint Martins  
College of Art & Design

*School of Art*

Dean of School: Chris Wainwright BA(Hons)MA

Dr. Nicholas Barr  
Department of Economics  
London School of Economics  
Houghton Street  
London, WC2A 2AE

25 April, 2002

Dear Nick Barr,

I was very much inspired by the definition of money you offered in your letter dated 2 April. You wrote that 'my cheque is money if you are prepared to accept it, and not otherwise'.

I hereby enclose a cheque of mine, to see whether or not I have successfully created money. Will you accept this cheque as a means of payment? And what are you willing to give in exchange for it?

Best regards,

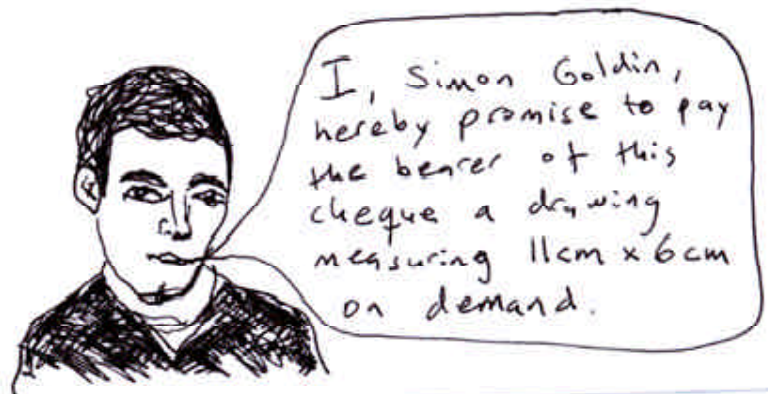


Simon Goldin

Address: c/o Graham Ellard  
BA Fine Art, 4D Pathway  
Central Saint Martins College  
107-109 Charing Cross Road  
London, WC2H 0DU

E-mail: s.goldin1@esm.linst.ac.uk

Tel: 078 1633 6656



Please reply to

107-109 Charing Cross Road London WC2H 0DU  
Telephone 020 7514 7000 Fax 020 7514 7208

Professor Lord Desai  
Professor of Economics



**Subject: What is money?**

**Date:** Tue, 26 Mar 2002 13:12:31 -0000

**From:** "Desai,M" <M.Desai@lse.ac.uk>

**To:** <s.goldin1@csm.linst.ac.uk>

Dear Simon Goldin

This is too big a question, but here goes:

Money is an asset whose value is based on the social trust that it will be exchanged against commodities, services and other assets produced in the future. Money used to have a commodity basis (gold, silver) but increasingly is represented by paper currency (intrinsically valueless) or an electronic signal (even more valueless). The more money becomes abstract, the easier it is to base a system of bank credit on it. Because of its non-physicality (abstractness) credit is misunderstood even more than money.

Hope this suffices.

Best wishes

Lord Desai

Central Saint Martins  
College of Art & Design

*School of Art*

Dean of School: Chris Wainwright BA(Hons)MA

Professor Lord Desai  
Department of Economics  
London School of Economics  
Houghton Street  
London, WC2A 2AE

25 April, 2002

Dear Lord Desai,

Thank you very much for your email of the 26<sup>th</sup> March, offering your definition of money. I found it very clear and to the point. It raises a number of further questions:

# What are the common misunderstandings about credit to which you refer?

# Would you say that a system of bank credit alters what money is?

If you would take the time to briefly answer these questions as well, I would be most thankful.

Best regards,



Simon Goldin

Address: c/o Graham Ellard  
BA Fine Art, 4D Pathway  
Central Saint Martins College  
107-109 Charing Cross Road  
London, WC2H 0DU

E-mail: s.goldin1@csm.linst.ac.uk

Tel: 078 1633 6656

P.S. I have previously sent this letter as an email, but your Auto Reply informed me that you might not have got it, due to your sabbatical

Please reply to

107-109 Charing Cross Road London WC2H 0DU  
Telephone 020 7514 7000 Fax 020 7514 7208

Monetary  
Inquiry  
Association

Dr Stanislaw Gomulka  
Reader in Economics





Dr Stanislaw Gomulka  
 Department of Economics  
 London School of Economics  
 Houghton Street  
 London, WC2A 2AE

Central Saint Martins  
 College of Art & Design

School of Art

21 March, 2002

Dean of School: Chris Wainwright BA(Hons)MA

Dear Dr Stanislaw Gomulka,

What is money?

My name is Simon Goldin and I am on the BA (Honours) Fine Art Course at Central Saint Martins College, an art and design college with a strong international reputation. At the same time I have an interest in economics, and worked last year as the editor of the Swedish journal *Pengar* (Money), sponsored by the JAK bank.

I am researching an art project about what money is and how we perceive it. The increasing amount of non-cash payment, the emergence of e-money, the volatile financial markets of recent years, and the introduction of the Euro are all factors which contribute to a rising general interest in the very fundamental question of what money actually is.

This project is still in a developmental phase. The final piece will be of an educational character, aiming to open up monetary and economic issues to a broader public. Because of the reputation of the College, and the central London location, student shows receive a considerable amount of attention.

Several members of staff as well as students are involved in cross-disciplinary activities. Collaborations between arts and sciences have proven very fruitful for all parties involved.

As an expert in economics, at the London School of Economics, I would be very grateful if you could offer me your definition of what money is. If you could take the time and write only a couple of sentences, that would be most helpful. Any participation from your side will be clearly acknowledged when exhibiting the final piece of art.

Enclosed is a self-addressed envelope. If you find e-mailing more convenient, please reply to the e-mail address stated below.

Yours sincerely;



Simon Goldin

Address: c/o Graham Ellard  
 BA Fine Art, 4D Pathway  
 Central Saint Martins College  
 107-109 Charing Cross Road  
 London, WC2H 0DU  
 E-mail: s.goldin1@esm.linst.ac.uk  
 Tel: 078 1633 6656

Economists do not differ much on that issue. They note three major roles of any monies: a means of exchange, unit of account and store of wealth, in that order of importance. Money used to be some common-olities (gold, silver), later most money was cash, now most money is in a dematerialised, electronic form, a fiat money or virtual money. I hope this is of some help

Please reply to  
 107-109 Charing Cross Road London WC2H 0DU  
 Telephone 020 7514 7000 Fax 020 7514 7208



Dr. Stanislaw Gomulka  
Department of Economics  
London School of Economics  
Houghton Street  
London, WC2A 2AE

Central Saint Martins  
College of Art & Design  
*School of Art*

Dean of School: Chris Wainwright BA(Hons)MA

25 April, 2002

Dear Dr. Stanislaw Gomulka,

I much appreciated your response to my letter inquiring about your definition of money. You wrote, among other things, that "Economists do not offer much on that issue". I would like to know if you have any further comments, as to why Economists are generally so uninterested in what money is?

Yours sincerely,



Simon Goldin

Address: c/o Graham Ellard  
BA Fine Art, 4D Pathway  
Central Saint Martins College  
107-109 Charing Cross Road  
London, WC2H 0DU

E-mail: [s.goldin1@csm.linst.ac.uk](mailto:s.goldin1@csm.linst.ac.uk)

Tel: 078 1633 6656



Dr Anthony Horsley  
Lecturer in Economics



**Subject: money**

**Date:** Wed, 27 Mar 2002 16:38:38 EST

**From:** LSEecon123@aol.com

**To:** s.goldin1@csm.linst.ac.uk

I've just seen your letter of 21 March. It sounds like a great idea, going vastly beyond dry reduced technical definitions. Even the economic issues about money are interesting at the moment, so I am keen to help and to keep in touch with the development of this work. I'll get back to you when I've thought a bit about it, but it would be useful to now how up to speed you are with the subject, e.g., have you come across concepts such as sovereignty, high-powered money and so on? Do you understand, for example, that if (as is mooted) the UK engineers a 20% fall in the value of Sterling to join the euro, then ordinary people will have their wealth marked down by a fifth and will have to work a fifth longer for their foreign holidays and imported products, whereas the rich will not only be able to insulate themselves (using various financial instruments) but will be able to profit from the little people's losses? And if the Euro project founders the savings and pensions of ordinary people will be wiped out? Do you think New Labour realises this? And why are these issues never mentioned in the media coverage? You are getting into what could be very controversial areas. Is this your intention, or were you planning a satirical treatment, say a la Gillray?

**Subject: Re: money**

**Date:** Tue, 16 Apr 2002 19:15:43 +0100

**From:** Simon Goldin <s.goldin1@csm.linst.ac.uk>

**To:** LSEecon123@aol.com

**References:** 1

I just got back from my Easter holiday, and was very pleased to have received your response to my letter inquiring about the definition of money. With regard to your queries about what I am planning to do artistically, I can assure you that I am not at all interested in a satirical dismissal of the subject. I want to look quite seriously at what money is, how it functions, and how we perceive it.

You write that it would be useful for you to know how up to speed I am with the subject, and if I have come across concepts such as sovereignty and high-powered money. I believe I have some understanding of these concepts. Am I right in saying that sovereignty is the profit the central banks make from the issuing of (paper) money? My understanding of high-powered money is that it is the money which the central banks issue, also called base money. This money is put into circulation through Open Market Operations, i.e. central banks buying government securities. This high-powered money is then expanded through the system of bank credit

If these are misconceptions, please let me know. Anyway, do get back to me with your definition of money and any other related thoughts. I would much like to stay in touch with you as this project develops.

Yours sincerely,

Simon Goldin

**Subject: Re: Re: money**  
**Date:** Thu, 18 Apr 2002 03:23:22 -0400  
**From:** LSEecon123@aol.com  
**To:** s.goldin1@csm.linst.ac.uk (Simon Goldin)

Good to hear from you. I'm away until the beginning of term when I will get back to you on money. Please note my change of e-mail address. It looks similar, but the ISP has changed from AOL to MAC. All the best, Tony Horsley.

Professor Richard A Jackman  
Professor of Economics





THE LONDON SCHOOL  
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Simon Goldin  
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BA Fine Art, 4D Pathway  
Central Saint Martins College  
107-109 Charing Cross Road  
London  
WC2H 0DU

Department of  
Economics

**Professor Richard Jackman**

Convenor

27 March 2002

Dear Mr Goldin



Thank you for your letter.

In my lectures on Monetary Economics I define money thus:

'Money is anything which is in general use, and generally accepted, as a means of payment'.

I hope this is of assistance to you.

Yours sincerely

  
Richard Jackman  


Dr Thomas Mariotti  
Lecturer in Economics



**Subject:****Date:** Tue, 26 Mar 2002 18:54:24 -0000**From:** "Mariotti,T" <T.Mariotti@lse.ac.uk>**To:** <s.goldin1@csmlinst.ac.uk>

Dear Simon,

You asked some time ago what my definition of money is. Well, I'm not an expert on monetary economics, so the definition I will give you is certainly not mine, but, whatever it's worth, here it is: money is memory (this formula is actually the title of a recent paper by Narayana Kocherlakota, a distinguished economist from the University of Minnesota, published in the Journal of Economic Theory in 1998). The idea is simple, but it needs to be put in context to be correctly understood. It may sound bizarre at first sight, but in classic economic theory – or at least in its purest expression, the "theory of general equilibrium" – there is no need for money at all. The reason is that all the exchanges between consumers and firms are mediated by some fictitious character, called the "Walrasian auctioneer" after the economist Leon Walras, whose sole role in the theory is to clear markets and equal supply and demand. Prices, in particular, are labelled in some unit of account, which plays no role in the theory. If you want, in this classical conception, any good can play the role of this unit of account, and there is role for an extra, useless good, as money. Money becomes important only whenever exchanges do not take place in such a perfect world. When this is not the case, money solves the problem of "absence of double coincidence of needs". I don't offer economics lesson to my dentist in exchange of fixing my teeth. Rather, I offer him money, and he accepts it, not because he likes it as such, but because he will be able to use it later to buy what he wants. Here is the classic answer: money is the "medium of exchange". Note that for this argument to hold together, there must be an infinite hierarchy of mutually sustaining beliefs. I held money yesterday because I anticipated that my dentist would accept it today. He is willing to accept money today because he believes that someone else will accept it tomorrow. And so on. If there was a point in time such that everybody knows that nobody would accept money from that point, then the entire structure of beliefs would collapse and money would be worthless today. The idea of Kocherlakota is that in order to sustain this complicated sequence of exchanges, where I go to my dentist who fixes my teeth and then he buy some stuff from somebody else, and so on, money is not actually needed. Memory would do the same job, if only every transaction was observable. For instance, I could go to the dentist, he would fix my teeth, because he anticipates that tomorrow, he will be able to get some good or service from a third chap who will purchase an economics lesson from me. This complicated "gift giving game" would replicate the allocation we have with money, if only all the transactions were observable by everyone, so that one could punish somebody if he deviates from the prescribed behavior. In other terms, barter works, but only with unlimited memory. The idea of Kocherlakota is that the sole role of money is to be a substitute of memory. In a sense, money holdings encode the history of transactions, and it is the only relevant information from the point of view of the allocation of goods in the economy.

I hope this may be helpful. Don't hesitate to contact me if you have any further questions.

Yours,

Thomas Mariotti



**Subject: Re: Money is memory**  
**Date:** Wed, 01 May 2002 17:09:25 +0100  
**From:** Simon Goldin <s.goldin1@csm.linst.ac.uk>  
**To:** "Mariotti,T" <T.Mariotti@lse.ac.uk>  
**References:** 1

Dear Thomas Mariotti,

I would much like to thank you for your email of 26 March in response to my letter asking about your definition of money.

Kocherlakota's idea - money as a societal memory of transactions - offers a fascinating way of thinking. I do however wonder what the "real life" implications of this would be?

Does this way of looking at money suggest changes in monetary policies? And if so, what kind of changes?

Could the memory of money be more or less good? And would improved money-memory give us a better society?

Yours sincerely,  
Simon Goldin

Professor Stephen Nickell  
Professor of Economics



**MONETARY POLICY COMMITTEE**

**Professor Stephen Nickell**

**Telephone: 020 7601 4071**

**Facsimile: 020 7601 4610**

**E-mail: [stephen.nickell@bankofengland.co.uk](mailto:stephen.nickell@bankofengland.co.uk)**

**BANK OF ENGLAND  
Threadneedle Street  
London  
EC2R 8AH**

15 April 2002

Mr Simon Goldin  
C/o Graham Ellard  
BA Fine Art, 4D Pathway  
Central Saint Martins College  
107-109 Charing Cross Road  
London  
WC2H 0DU

Dear Mr Goldin

Here are a few thoughts on money as requested. Money is a commodity that is socially acceptable as a means of exchange. Thus, there is general agreement that this commodity can be exchanged for other goods. The rates of exchange are the prices of the goods. The interesting feature of money is that it may, of itself, be of no intrinsic value (e.g. it may consist of intrinsically worthless bits of paper). So long as there is general agreement that it may be used as a means of exchange, its intrinsic value is irrelevant.

Yours sincerely



Stephen Nickell

Monetary  
Inquiry  
Association

Professor Christopher Pissarides  
Professor of Economics



# The London School of Economics and Political Science




DEPARTMENT OF ECONOMICS  
Christopher Pissarides  
Professor of Economics

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Secretary: 020 7955 7866

Money is convenience, security and a means to material satisfaction

  
19.4.02

Monetary  
Inquiry  
Association

Dr Andrea Prat  
Lecturer in Economics

Houghton Street  
London WC2A 2AE

switchboard: 020 7405 7686

sticerd fax: 020 7955 6951

<http://sticerd.lse.ac.uk/>

direct line:

email:

Money is a useless, non-perishable commodity (which may or may not exist in a physical sense) in exchange of which people are generally willing to provide goods and services.

Good luck with your project

Andrea Prat

Mr Max D Steuer  
Emeritus Reader in Economics





**Subject: money**

**Date:** Tue, 9 Apr 2002 11:37:49 +0100

**From:** "Steuer,M" <M.Steuer@lse.ac.uk>

**To:** <s.goldin1@csm.linst.ac.uk>

Dear Simon

There are many interesting and important questions about money, but in my opinion the question "What is money?" is not one of them. The term covers such things as currency, bank deposits, and shades off into 'near monies'. So what? Various definitions of money are used for various purposes.

A common mistake is to think that if a term is used to mean more than one thing there is a problem, and maybe even a mystery. A related common mistake is to think that if the border is fuzzy, the distinction is either meaningless or problematic. That's nonsense. There is no sharp division between hot water and cold water, but that does not mean they are the same, or that there is any particular problem with the terms.

I guess you do not agree, but if you want to chat about money, I'm around quite a bit. You have the e-mail. The phone is 7955 7521.

Yours,

Max Steuer

**Subject: Re: money**

**Date:** Tue, 16 Apr 2002 16:54:14 +0100

**From:** Simon Goldin <s.goldin1@csm.linst.ac.uk>

**To:** "Steuer,M" <M.Steuer@lse.ac.uk>

**References:** 1

Dear Max Steuer,

Thank you for your response. Some of the things that interest me about money are:

# How does money, and fiat money in particular, get its value?

# Who creates money and how? What part is created by central banks and what part is created through the lending activities of private banks, i.e. through the credit multiplier?

What do you think are interesting questions about money?

Best regards,

Simon Goldin

Mr James Thomas  
Reader in Economics (retired)



Department of Economics  
London School of Economics  
Houghton Street, Aldwych  
London WC2A 2AE  
[thomasj@lse.ac.uk](mailto:thomasj@lse.ac.uk)

2 April 2002

Dear Simon Goldin,

The definition given below captures the three main characteristics of money, i.e. that it should be (i) a unit of account, (ii) a medium of exchange and (iii) a store of value. The source predates much of the increased importance of 'plastic money', but the general principles remain the same.

**Money:** Anything which is widely accepted in exchange for goods or in settling debts, not for itself but because it can be similarly passed on, has the character of money since it serves the primary function of money, i.e. a means of payment. As a means of payment money is an entity which is transferred when a payment made; as such it acts as a *medium of exchange*, a function essential to any economy other than the most primitive. The term 'money' is also used in the sense of 'money (or unit) of account': this denotes a system of abstract accounting units in which values are expressed or debts defined. Practically such a system is a necessary precondition of a price system since it reduces *relative prices* to a manageable number of money prices. In modern monetary systems that principal means of payment are *debt* instruments, namely *banknotes* and *bank deposits*. Besides serving as exchange media, such means of payment are held as part of the holders stock of *assets*, i.e. they act as 'stores of value'.

David W. Pearce (ed.) (1981) *The Dictionary of Modern Economics*, (London: Macmillan), p. 289.

Good luck with your study.

Yours sincerely,

A handwritten signature in blue ink that reads "J. Thomas". The signature is written in a cursive style with a horizontal line underneath the name.

Jim Thomas

Ms Lucia Tsai  
Lecturer in Economics



**Subject: definition of money**

**Date:** Tue, 26 Mar 2002 16:11:00 -0000

**From:** "Tsai,L" <L.Tsai@lse.ac.uk>

**To:** <s.goldin1@csm.linst.ac.uk>

Per your letter inquiring about the definition of money, hope the following is useful:

People accept money because people accept money.

**Subject: Re: definition of money**  
**Date:** Tue, 16 Apr 2002 17:00:18 +0100  
**From:** Simon Goldin <s.goldin1@csm.linst.ac.uk>  
**To:** "Tsai,L" <L.Tsai@lse.ac.uk>  
**References:** 1

Dear Ms Lucia Tsai,

Thank you very much for your response to my letter inquiring about the definition of money. It made me wonder:

If people did no longer accept money, would it then no longer be money?

Best regards,

Simon Goldin

Monetary  
Inquiry  
Association

Mr John R Windeler  
Executive Chairman, Alliance & Leicester



**Subject: What is money?**

**Date:** Thu, 28 Mar 2002 15:34:30 -0000

**From:** "Henderson, Diane" <Diane.Henderson@alliance-leicester.co.uk>

**To:** "'s.goldin1@csm.linst.ac.uk'" <s.goldin1@csm.linst.ac.uk>

Dear Mr Goldin,

Further to your letter of 21 March, John Windeler gives the following as his definition of money in respect to Art:

'Money is a pre-requisite. There is no great art without wealthy patrons.'

Regards,

Diane Henderson  
Chairman's Assistant  
Alliance & Leicester plc  
020 7908 3003

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**From:** Simon Goldin [SMTP:s.goldin1@csm.linst.ac.uk]

**Sent:** 17 April 2002 18:55

**To:** Henderson, Diane

**Subject:** Re: What is money?

Dear Ms Diane Henderson,

I would much like to thank Mr John Windeler for his definition of money in respect to Art. I wonder, however, if you could ask him for a bit of clarification. He states that "there is no great art without wealthy patrons". Does this mean that the wealth of patrons defines what great art is?

Best regards,

Simon Goldin

**Subject: RE: What is money?**

**Date:** Fri, 19 Apr 2002 14:30:13 +0100

**From:** "Henderson, Diane" <Diane.Henderson@alliance-leicester.co.uk>

**To:** 'Simon Goldin' <s.goldin1@csm.linst.ac.uk>

Mr Windeler feels that there is a correlation between art and money, and focussing on fine art one finds that most great art is created where there are wealthy bankers, merchants, or religious orders. This is true in the ancient world, the renaissance and indeed the present.

Regards, Diane.

**Subject: Re: What is money?**

**Date:** Tue, 23 Apr 2002 17:34:45 +0100

**From:** Simon Goldin <s.goldin1@csm.linst.ac.uk>

**To:** "Henderson, Diane" <Diane.Henderson@alliance-leicester.co.uk>

**References:** 1

Thank you for your response!

Regards,  
Simon

Mr John Stewart  
Deputy Chief Executive and Chief  
Executive, Retail Financial Services  
Barclays



**Subject: "What is money?"**

**Date:** Wed, 10 Apr 2002 14:49:04 +0100

**From:** grainna.twomey@barclays.co.uk

**To:** s.goldin1@csm.linst.ac.uk

Simon,

Thank you for your letter of the 21st March asking for a definition of, "What money is?" which has been passed to me as part of John Stewart's team.

You rightly acknowledge the variety and breadth of delivery/transaction channels encouraging non-cash payments and developments in finance, but I would contend that the accepted definitions of "money" remains unchanged.

In response to "What money is ?" it is a:

- Medium of exchange
- Measure of value
- Store of value
- Unit of account
- Standard of deferred payments

Trust the above is helpful.

Wishing you every success with your art project and degree course.

Yours sincerely,

Grainna Twomey

Assistant Director  
Deputy Group Chief Executive's Office  
Barclays Bank PLC

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**From: Simon Goldin [mailto:s.goldin1@csm.linst.ac.uk]**

**Sent:** 22 April 2002 19:14

**To:** Twomey, Grainna : Barclays Comms

**Subject:** Re: "What is money?"

Dear Grainna Twomey,

Thank you for your email from 10 April, offering your definition of money. Although I appreciate that it is a generally accepted definition, I would like to inquire further about the second and third points – money as a 'measure of value' and a 'store of value'.

Just what value is it money measures and stores? And how does it get this value?

Yours sincerely,

Simon Goldin

**Subject: FW: "What is money?"**  
**Date:** Tue, 23 Apr 2002 12:22:54 +0100  
**From:** grainna.twomey@barclays.co.uk  
**To:** s.goldin1@csm.linst.ac.uk

Simon,

Thank you for your email of 22nd April.

Money is a measure of the value of goods, services, products etc and it allows us to purchase these goods more precisely than say a system which relies on bartering which as you probably realise can only be highly imperfect.

The value that money stores is the ability to hold and save this value to allow us to purchase goods etc in the future.

I hope this is helpful.

I am concerned about any publicity that may be provided to my comments and ask you to come back to me before publishing or attributing any of them, as I would need to confirm this request with our Communications/PR Team.

Many thanks

Grainna Twomey

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**From: Simon Goldin [mailto:s.goldin1@csm.linst.ac.uk]**

**Sent:** 25 April 2002 11:57

**To:** Twomey, Grainna : Barclays Comms

**Subject:** Re: FW: "What is money?"

Dear Grainna,

Thank you very much for taking the time to further develop on your previous statement about money.

With regard to your concern about how I may present your statements, I would like to include them, among many other statements on money, in the Monetary Inquiry Association Progress Report. This report will be presented for the first time, in front of a select audience on 7 or 8 of May. You are more than welcome to attend this presentation. That would give you an opportunity to discuss any hesitations you might have about the way in which your statements come across.

Please let me know if you are interested in attending the MIA Progress Report Presentation. I will be happy to get back to you with further details on time and place, as soon as these have been confirmed.

Best regards,  
Simon Goldin

**Subject: FW: FW: "What is money?"**  
**Date:** Thu, 25 Apr 2002 15:41:42 +0100  
**From:** grainna.twomey@barclays.co.uk  
**To:** s.goldin1@csm.linst.ac.uk

Simon,

Thank you for your email of 25th April.

As I am sure you appreciate there is sensitivity around publishing/attributing comments, and as such we have certain procedures that I need to comply with, in order to further your request.

Prior to agreeing to publish or attribute any of my statements in your Monetary Inquiry Association Progress Report, I will need to confirm this request with our Communications/PR Team, who will require a copy of the final report (or at least the comments attributed to me) to review.

If you forward to me a copy of the report, I can direct to the necessary team (in order to meet your timescale of 7/8th May I would need to be submitting to our Communications / PR Team by 2nd May).

Hope the above will not prove too onerous.

Many thanks for your invitation to the 7/8 May, but I shall be unable to attend.

Again, best wishes for the project and presentation.

Regards

Grainna

Mr William R P Dalton  
Director and Chief Executive, HSBC



**Subject: Memo: Art Project - Money**  
**Date:** Mon, 22 Apr 2002 13:37:21 +0100  
**From:** vivienjohnson@hsbc.com  
**To:** s.goldin1@csm.linst.ac.uk

\*\* HSBC's website is at [www.hsbc.com](http://www.hsbc.com) \*\*

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**Subject: Re: Memo: Art Project - Money**  
**Date:** Thu, 25 Apr 2002 11:54:45 +0100  
**From:** Simon Goldin <s.goldin1@csm.linst.ac.uk>  
**To:** vivienjohnson@hsbc.com  
**References:** 1

Dear Vivien Johnson,

I was glad to receive your response to my letter of the 21st March, asking Mr. William R. P. Dalton to define what money is. I much appreciate your wish to assist me by sending the address of your company website. It is however quite an extensive site, and I would be thankful for further assistance as to where on the site the HSBC definition of money is given.

Please get back to me!

Yours sincerely,

Simon Goldin  
s.goldin1@csm.linst.ac.uk



What money is  
legal tender?



**Subject: What money is legal tender?**

**Date:** Mon, 22 Apr 2002 19:02:51 +0100

**From:** Simon Goldin <s.goldin1@csm.linst.ac.uk>

**To:** enquiries@bankofengland.co.uk

I have a question with regard to money as legal tender. Is it true that everyone in England has to accept the English pound as a means of payment? And if so, which forms of the pound are legally binding? Is it only the coins? Or the coins and the notes? Or are even bank deposits (i.e. non-cash money) legal tender? Do I have to accept non-cash payment of e.g. my salary?

Hope to hear from you!

Best regards,

Simon Goldin  
s.goldin1@csm.linst.ac.uk



**Subject: Re: What money is legal tender?**

**Date:** Wed, 24 Apr 2002 11:42:37 +0100

**From:** "ENQUIRIES ENQUIRIES" <ENQUIRIES@bankofengland.co.uk>

**To:** <s.goldin1@csm.linst.ac.uk>

Dear Mr Goldin

Thank you for your email.

In the UK, Bank of England banknotes are legal tender in England and Wales but not in Scotland and Northern Ireland.

Scottish and Northern Irish banknotes are not legal tender anywhere in the UK. However, they circulate freely and are generally accepted in their respective countries.

(The only currency carrying legal tender status for unlimited amounts is the one and two pound coins.

There are legal tender limits governed by the Coinage Act 1971 and amended by the Currency Act 1983).

However, the concept of legal tender does not itself govern the acceptability of banknotes in financial transactions. Whether or not notes have legal tender status, their acceptability as a means of payment is essentially a matter for agreement between the parties involved. 'Legal Tender' has a very narrow meaning in relation to the settlement of debts. Quite simply, it means that if a debtor pays in legal tender the exact amount he owes under the terms of a contract, he has a good defence in law if he is subsequently sued for non-payment of the debt. It follows that, in ordinary everyday transactions, the term 'legal tender' has very little practical application.

In practice, people are often willing to accept payment by cheque, standing order, debit or credit card - in fact by any instrument that they are confident will deliver value.

I hope this helps.

Yours sincerely  
Jackie Keating

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**Subject: Re: What money is legal tender?**

**Date:** Thu, 25 Apr 2002 12:34:42 +0100

**From:** Simon Goldin <s.goldin1@csm.linst.ac.uk>

**To:** ENQUIRIES ENQUIRIES <ENQUIRIES@bankofengland.co.uk>

**References:** 1

Dear Jackie Keating,

Thank you for your response. It was very helpful. It does however make me wonder who has the right to issue a means of payment? Can anyone legally issue their own money?

You write: "In practice, people are often willing to accept payment by (...) any instrument that they are confident will deliver value". If I issue my own IOUs and am able to get people to trust them, and therefore accept them as a means of payment, is that OK? Would I not be guilty of counterfeiting?

Best regards,  
Simon Goldin

**Subject: Re: What money is legal tender?**  
**Date:** Fri, 26 Apr 2002 15:36:42 +0100  
**From:** "ENQUIRIES ENQUIRIES" <ENQUIRIES@bankofengland.co.uk>  
**To:** <s.goldin1@csmlinst.ac.uk>

Dear Mr Goldin

Thank you for your further email.

First of all, there has been different Acts of Parliament concerned with the note issue. The Bank Charter Act 1844 gave the Bank of England the monopoly to issue banknotes in England and Wales. So it is not possible for anyone just to issue their own money. (As you know some Scottish and Northern Irish banks can issue banknotes, but they have to be backed by Bank of England notes). It is of course, illegal to produce counterfeit banknotes.

In explaining that people are often are willing to accept anything they believe will deliver value, this was to emphasise that people may accept other mediums of payment other than those that carry 'legal tender status'.

If you have access to the Internet you might like to look at our website at [www.bankofengland.co.uk](http://www.bankofengland.co.uk)

Under publications - fact sheets - there is a fact sheet about banknotes which you may find of interest. The first two pages in particular, cover the history of banknotes.

Yours sincerely  
Jackie Keating

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**Subject: Re: What money is legal tender?**

**Date:** Wed, 01 May 2002 17:17:30 +0100

**From:** Simon Goldin <s.goldin1@csm.linst.ac.uk>

**To:** ENQUIRIES ENQUIRIES <ENQUIRIES@bankofengland.co.uk>

**References:** 1

Dear Jackie Keating,

Thank you for taking the time to answer my further inquiry. The Fact Sheet on Bank Notes, which you pointed me to, also proved very helpful.

However, I would still appreciate some further clarification. In your latest email you write: "it is not possible for anyone to issue their own money. (...) It is of course illegal to produce counterfeit banknotes."

At the same time you acknowledge that "people may accept other mediums of payment", and in your previous email you mention "cheque, standing order, debit and credit card".

It seems to me that most money in circulation is non-cash money (i.e. bank deposits).

Whereas it is quite clear that the Bank of England creates the banknotes, and the Royal Mint (on behalf of the Treasury) issues the coins, I would like to know who creates the vast amount of non-cash money. And why are they not guilty of counterfeiting?

Yours sincerely,  
Simon Goldin

**Subject: Re: What money is legal tender?**

**Date:** Thu, 02 May 2002 12:10:06 +0100

**From:** "ENQUIRIES ENQUIRIES" <ENQUIRIES@bankofengland.co.uk>

**To:** <s.goldin1@csm.linst.ac.uk>

Dear Mr Goldin

Thank you for your further email.

It is illegal to reproduce/counterfeit banknotes. Only the Bank of England and other note issuing authorities can issue banknotes under legislation/Acts of Parliament.

As previously explained Bank of England banknotes carry 'legal tender' status in England and Wales; Scottish and Northern Irish banknotes do not carry 'legal tender' status. However, I have also previously explained about the concept of legal tender.

People may choose to accept cheques, standing order, debit and credit cards etc. These are not counterfeit - they are simply other methods of payments.

Regards  
Jackie Keating

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**Subject: Re: What money is legal tender?**

**Date:** Mon, 20 May 2002 18:19:23 +0100

**From:** Simon Goldin <s.goldin1@csm.linst.ac.uk>

**To:** ENQUIRIES ENQUIRIES <ENQUIRIES@bankofengland.co.uk>

**References:** 1

Dear Jackie Keating,

Thank you once again for taking the time to answer my questions.

You write: "People may choose to accept cheques, standing order, debit and credit cards etc. These are not counterfeit - they are simply other methods of payments."

So, if I issue my own cheques or other non-cash claims on money, and use them as a means of payment. Would that be legally acceptable?

Best regards,  
Simon Goldin

**Subject: Ref your email.**

**Date:** Wed, 22 May 2002 09:48:06 +0100

**From:** "ENQUIRIES ENQUIRIES" ENQUIRIES@bankofengland.co.uk

**To:** <s.goldin1@csm.linst.ac.uk>

Dear Mr Goldin

Thank you for your further email.

You might find the Cheques Act 1992 will assist you in answering your enquiries about cheques. Acts of Parliament are available from the Stationary Office (HMSO)

Tel 020 7873 0011 [book.enquiries@THESO.gov.uk](mailto:book.enquiries@THESO.gov.uk)

Regards

Jackie Keating

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