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TWO SIDES OF THE SAME COIN: THE ONTOLOGY OF MONEY IN THE POLITICAL ECONOMIES OF DAVID HUME AND ADAM SMITH

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ABSTRACT. This paper analyses how the so-called metallist theory of money gave way to functionalism in early modernity. Theoretical metallism held that something, in order to perform the role of money, must bear some intrinsic value. Functionalism, on the contrary, endorsed a social ontology of money claiming that anything could perform that role as long as it was accepted as a means of payment. The paper argues that the early modern discovery of the so-called quantity theory of money played a key role in this transition, since this was the idea to question the inherent valueproofness of commodity money for the first time in history. According to our claim, commodity money was gradually replaced by fiat currencies after the former was no longer was regarded as more valueproof than the latter, and this theoretical struggle is clearly documented by Hume's and Smith's respective remarks on the subject.

Key words: *quantity theory of money, theoretical metallism, theoretical functionalism, Luis de Molina, John Locke, John Law, David Hume, Adam Smith*

0. Introduction

As for their political economies, David Hume and Adam Smith are mostly regarded as two sides of the same coin: they are often – although mistakenly – regarded as the originators of the so-called quantity theory of money, or the idea that the quantity of money supply is a determining factor of prices. This observation was the main reason why they both rejected the then dominant idea of mercantilism, and endorsed laissez-faire principles instead: while mercantilists claimed that countries, in order to prosper, should hoard up as much precious metal from their trading partners as possible (and hence, should strive for maximizing the export of goods to foreign countries while minimizing their flow in the opposite direction), Hume and

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Smith realized that the higher quantity of gold or silver would eventually increase prices as well, and hence, their accumulation should not be an end to be pursued by any government[1].

So far, so good. However, there seem to be considerable disagreements concerning their underlying views on the nature of money itself. While sometimes both Hume and Smith are referred to as theoretical metallists[2], there are equally good reasons to regard them as functionalists as well[3]. The idea of theoretical metallism holds that something, in order to perform the role of money, must bear some intrinsic value: this entails that commodities like salt or ebony can be used as money because of their intrinsic (use) value, but the same does not apply to stones or pebbles that are intrinsically worthless. Hume undoubtedly seems to endorse this idea in a number of occasions (which can be seen from his recurring objections against paper money for instance), while it also seems to be consistent with Smith's labour theory of value (according to which the ultimate source of value is labour, and by consequence, one is ought to get payed for his labour or goods with some equally valuable thing).

Functionalism, on the contrary, holds that anything can be considered as money as long as it can *function* as money (namely that it can fulfill the roles of a medium of exchange, of a store of value or of a unit of account etc.). Commodities like salt or ebony, in this case, can function as money as long as they are smoothly accepted as means of payment and turn out to be valueproof etc. Fuctionalists, hence, endorse a social ontology of money (meaning that the only prerequisite for something, in order to qualify as money, is to be accepted as a means of payment by a group of people), and a number of interpreters claim that both Hume and Smith can be regarded as representatives of this idea.

The aim of this paper is to show that the functionalist interpretations are mostly correct in the case of Hume and Smith, which can be seen by their – albeit reluctant – endorsement of the idea of paper money. Since paper money (often called as „counterfeit money" by Hume) bears no intrinsic value, their usage should have been rejected by both thinkers had they been in fact theoretical metallists.

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1 Mark Thornton, „Cantillon, Hume, and the Rise of Antimercantilism", *History of Political Economy* 39/2007, 453–480.

2 Regarding presumed Hume's metallism, see: Joseph Schumpeter, *History of Economic Analysis*, Allen & Unwin, Great Britain 1981. 117-126.; For Smith's metallist reading, see: Ian Simpson Ross, *The Life of Adam Smith*, Oxford University Press, Oxford, 2010, 297.

3 Regarding Hume's presumed functionalism, see: George Caffentzis, *Civilizing Money - Hume, his Monetary Project, and the Scottish Enlightenment*. Pluto Press, London 2021, 119-150. For Smith's functionalist reading, see: Siegfrid G. Karsten, *Dialectics, Functionalism, and Structuralism, in Economic Thought*. The American Journal of Economics and Sociology 1983/42, 179-192.

However, this is not the case. In the *Wealth of Nations* Smith clearly admits that paper money can be used as currency, and – as George Caffentzis recently discovered – Hume must have come to the same conclusion as well by the time of the 1764-edition of the *Political Discourses*[4]. However, while I claim both thinkers to be functionalists, I must also call attention to their reluctancy in this field, which might be due to the dangers inherent in paper money, and most respectively, to the lessons learned from the disastrous effects of John Law's failed experiment with paper currency in France.

Our train of thought will be the following: (1) in order to highlight the importance of the quantity theory of money in Hume and Smith, we will briefly outline the major milestones in the formation of this idea. As we have already adumbrated, neither Hume nor Smith can be rightfully claimed to be the discoverer of this highly influential hypothesis (the earliest formulations of which can be found in the works of some Spanish Jesuit theologians almost two centuries before them) but still, they undoubtedly added some important contributions to it. While the main concern of the earlier Spanish scholars – along, as we shall see, with John Locke – was to preserve the value of money by keeping its quantity and metallic content more or less constant, beginning with John Law's functionalist theory, the attention of scholars began to shift towards how paper money can give a stimulus to an economy. (2) One of the important observations Hume and Smith made was that inflation was not necessarily detrimental, but it could have positive consequences as well. For this reason, as we shall see, both Hume and Smith advocated inflationary policies, the underlying principle of which was the moderate but constant increase of the money supply. And since they both acknowledged that precious metals may sometimes be scarce, they admitted that paper money could make good service to the „happiness" of any country.

1. The Origins of the Quantity theory of Money

1.1. The Salamanca School

The earliest formulations of the quantity theory of money can be found in the works of Martin Azpilcueta (1491-1586) and Luis de Molina (1535-1600)[5], who found themselves in the midst of the so-called „price revolution" (approx. 1525-

4 George Caffentzis, *Civilizing Money - Hume, his Monetary Project, and the Scottish Enlightenment*. Pluto Press, London 2021, 207.

5 Majorine Grice-Hutchinson, *Early Economic Thought in Spain, 1177–1740*. Liberty Fund, Indianapolis, 2016, 129.

1618), during which the yearly rate of inflation could even reach the shocking highs of 1 or 1.5%[6]. Although such figures would certainly put a smile on the face of any contemporary economist, back in the day this was considered as a highly tormenting problem in the field of political economy, the causes of which were yet to be found out. It took the above-mentioned doctors of the Salamanca School to discover that the influx of Peruvian silver was – at least partly – to blame for the rise in prices, since the latter were determined by the quantity of circulating money[7].

In his *Handbook of Confessors and Penitents* (*Manual de Confessores y Penitentes*, 1549), Azpilcueta claimed that „the lack of money reduces the price of everything" in cases when the volume of goods increases and that of money does not. He tried to unfold this idea by the metaphor of a small man appearing even smaller when placed next to someone very tall, and by this he probably meant that the value of something (the small man) will seem to be even smaller if there is a high quantity of it (the tall person). Stuttering as it is, this analogy can be considered as the first ever definition of deflation, since Azpilicueta rightly observed that the above-mentioned sensual deception could reduce the market price of certain goods. Moreover, one can easily infer from this definition that the opposite (namely: inflation) will occur if (a.) there is an abundance in money, or (b.) there is a shortage in goods.

But even more fortunately, in his *On Justice and Law* (*De Justitia et Jure*, written between 1593 and 1609), Luis de Molina gave much more eloquent formulations of the above-mentioned concepts.

It should be noted […] that the concourse of customers and the shortage of goods increases in the price of a certain good [*concursus emptorum et penuria mercium auget pretium rei*]; while, on the contrary the lack of customers and the abundance of goods decreases it [*paucitas contra emptorum et copia mercium minuit pretium*][8].

Although the terms, deflation and inflation do not yet turn up in this work (the first instances of their usage in the economic sense only took place in the 19th century), Molina already gave definitions to them subtle enough even compared to the standards of some modern handbooks[9].

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6 Douglas Fisher, *The Price Revolution: A Monetary Interpretation*, The Journal of Economic History 1989/49 Cambridge University Press, 883-902.

7 So much that In his The Fable of the Bees, Bernard de Mandeville sarcastically said that for Spain and Portugal money is the commodity produced: „Spain and Portugal, that are yearly supplied with new Gold and Silver from their Mines, may forever buy for ready Money as long as their yearly increase of Gold or Silver continues, but then Money is their Growth and the Commodity of the Country" Bernard de Mandeville, *The Fable of the Bees*, Liberty Fund, Indianapolis, 2010, 108.

8 Luis de Molina, *De Justitia et Jure – De Contractibus,* Balthasar Lippius, 1602, 238

9 However, the term concourse or concurrence (*concursus*) deserves some attention here, since it was an essential concept of early modern theories of causation: during the so-called *De Auxiliis* debate, which took place between compatibilist and libertarian theologians (and on which occasion

1.2. Debates in Britain about the Desirable Quantity of Money: John Locke and John Law

It was, hence, due to the discoveries of 16th-century Spanish thinkers that the inflationary and deflationary effects of money supply were common currency already by the time of John Locke took the ungrateful task of monetary reform in England. Locke dedicated two major treatises specifically to these questions: his *Some Considerations of the Consequences of Lowering the Interest and Raising the Value of Money* (1691) and his *Further Considerations Concerning Raising the Value of Money* (1695). These writings bear witness to Locke's debate with secretary of

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Molina published his metaphysical magnum opus, the *Concordia* in 1588), the disputing parties agreed that each and every effect came to pass as a result of the concurrence of different causes (*concursus causarum*). For instance, in order to light a fire, one needed the *concurrence* of air, some flammable material and an agent willing to ignite a match etc. Among the debating parties it was consensually accepted that in the case of such physical events, the effect will necessarily come to pass, if all the aforementioned prerequisites are given (*omnibus requisitis positis*)[9].

The only question unsettled was whether the same applied to free causes (namely: humans) as well or not: the compatibilists (mostly made up from Dominican theologians) held that if every necessary prerequisite of an action is given, even free agents cannot do otherwise, that to carry out this action. If, for instance, all the necessary prerequisites of a sinful deed (the to-be victim is present, and the agent has malicious intentions etc.) are given, that deed will be mournfully but necessarily carried out. On the contrary, the libertarians (including Molina himself) claimed that even in such situations, humans, as free agents still had the capacity to withhold their concourse and thereby refrain from such actions. Althoug the agent will be tempted or disposed to sin, but he will not necessarily obey this temptation.

But to what extent does the seemingly distant field of metaphysics can highlight Molina's dismal science of political economy? First, since, for Molina the term concourse means the voluntary participation of some agent in some action, from which he could always refrain. This is the reason why the phrasing „*the concourse of customers* (*concursus emptorum*)" has to be taken at face value, since it suggests that prices rise and fall due to the voluntary assistance of market agents[9]. Second, Hume also uses the same terminology when speaking about the mutual benefits of economic competition: somewhere at the beginning of his Essay, *Of Money*, he claimed that

„there seem[ed] to be a happy *concurrence of causes* in human affairs, which check the growth of trade and riches, and hinder them from being confined entirely to one people"[9].

What Hume has in mind here is the self-regulating mechanism of free markets: if country A gains competitive advantage over country B, wages in country B will decrease, whereby the competitive equality is restored between them. Hence, for Hume – the same way as for Molina – the „concurrence of causes" means the sum of all market activities, all carried out voluntarily. But for hume, this „concurrence of causes" is also a „happy" one, and as a result, each participant ends up in mutually beneficial states. The latter corollary reveals that Hume's presuppositions were radically novel to his Spanish precursors (the Spanish Jesuits never spoke with such optimism about the self-regulatory capacities of markets), but still, the fact that they employed the same phrasing can highlight the common conceptual framework they both employed in order to describe economic phenomena.

treasury, William Lowndes on how the problem of clipped or debased coins should be solved. As it is well-known, clipping (or cutting off a coins circumference in order to extract some of its metallic content) had been common practice among financial fraudsters for a long time, but by the end of the 17th century the volume of this swindle began to endanger the entire monetary system of England. The main problem was that, while the face value of coins was supposed to reflect the quantity of silver inherent in them, as the result of widespread clipping the two values moved further and further away from each other. Moreover, as this fact became common knowledge among market participants, trust in the value of money started to decrease, while prices took the opposite direction[10].

While Lowndes intended to keep the clipped coins with their original face value (as a result of which the face values would have no longer represented the real metallic content of the coins), Locke insisted on reminting them, and restoring their original content of silver, which was presumably due to his fear that, once trust in the coins' value becomes feeble, inflation would necessarily follow.

This is the view, which was severely criticized by John Law, who, in his *Money and Trade Considered* (1705) was the first to expressly hold that value had nothing to do with the metallic content of coins.

Mr. Locke and others who have wrote on this subject, say, the general consent of men placed an imaginary value upon silver, because of its qualities fitting it for money[11].

According to Law, it is highly implausible that objects endowed merely with an „imaginary value" could remain in circulation and keep being accepted as means of payment for such a long time in history and by such a huge variety of peoples. Why would, for instance, agent A accept P payment if he cannot be sure that B will later accept P from him at the same value? As opposed to this idea, Law proposed that the value of silver coins was not imaginary, but silver as raw material had to be differentiated from silver as money: while silver as a raw material bears a certain amount of intrinsic value, silver as money also bears an „additional value" simply because of the fact that it can function as money due to its ability by which it can facilitate exchange. Thereby, according to Law, no matter how little intrinsic value some coins contain, their additional value will still make them desirable for people, and as a result, they will remain trustworthy in their eyes.

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10 George Caffentzis, *Clipped Coins*, Automedia, New York, 1989, 57-82.

11 John Law, *Money and Trade Considered,* R. and A. Foulis, Glasgow, 1750. 14.

2. Hume and Smith: Between Metallism and Functionalism?

Although Law's critique on Locke seems to be convincing for several reasons[12], when put into practice, his theory proved to be disastrous. The Banque Générale of France, established by him in the command of Philippe, the Duke of Orléans, started issuing paper money by which Law intended to cover the public debt amassed during the previous wars waged by the country. What Law had in mind was similar to what is called today as *quantitative easing*, whereby central banks buy government bonds in order to cover the latter's expenses. But, contrary to Law's expectations, trust in paper money evaporated soon, and hyperinflation followed resulting in one of the most severe economic crises of the 18th century[13]. Hence, for an impartial spectator of contemporary monetary policies, Locke's old-fashioned but sober approaches must have seemed more desirable to Law's hazardous innovations. Still, Law's posthumous critiques on Locke are invaluable because they represent the first instance of the metallist-functionalist debate.

2.1. Hume, the functionalist?

At first sight, Hume and Smith really seem to endorse theoretical metallism. In Hume's case, one major symptom of this is his often-recurring criticism of paper money. Caffentzis enumerated four main reasons why Hume presumably opposed this idea: according to him, Hume (1) feared that paper money would drive precious metals out from circulation (which is simply the application of Gresham's law, holding that „bad money drives out good money)". Second, (2) he worried that paper money would facilitate credit so much that it would become dangerous. Third, (3) he held that paper money would never be accepted as a means of payment by foreigners, and hence, it would be useless in international trade. And most importantly, (4) he was afraid that paper money would cause inflation[14].

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[12] By applying to the „general consent of men", Locke clearly contradicted to what he had claimed in the first book of his *Essay concerning Human Understanding*, namely that such common consent never existed, and this, for him, proved that innate ideas did not exist either. The denial of general consent was, hence, a crucial point of Locke's empiricism, and revoking it – something he seems to be doing in the *Some Considerations* – would have had a devastating effect on his system.

[13] John Micklethwait, Adrian Wooldridge, *The Company – A Short History of a Revolutionary Idea,* The Modern Library, New York, 2003, 28-32

[14] George Caffentzis, *Civilizing Money - Hume, his Monetary Project, and the Scottish Enlightenment*. Pluto Press, London 2021, 203.

Caffentzis establishes each of these claims on quotations taken from different writings by Hume, and he certainly has a point regarding the first three questions. Moreover, it is certainly true that Hume was reluctant to come to terms with the idea of inflation, but, solely from this fact, one should not infer that he rejected it altogether. While on the one hand, Hume – in his essay *Of Money* – claimed that by increasing the money supply, the economy will suffer disadvantages due to the rise in prices, but he also observed the quasi-miraculous phenomenon, that people tend to spend more money even if prices are up, and by propping up aggregate consumption, they make the economy prosper:

[…] we find that in every kingdom, into which money begins to flow in greater abundance than formerly, everything takes a new face; labour and industry gain life; the merchant becomes more enterprising [...]. *This is not easily to be accounted for*, if we consider only the influence, which a greater abundance of coin has in the kingdom itself, by heightening the price of commodities, and obliging everyone to pay a greater number of these little yellow or white pieces for everything he purchases (Hume 1752).

Although „not easily to be accounted for", but the previous observation even led Hume to the conclusion that

[t]he good policy of the magistrate consists only in keeping [the quantity of money], if possible, still increasing; because, by that means, he keeps alive a spirit of industry in the nation, and increases the stock of labour, in which consists all real power and riches. A nation, whose money decreases, is actually, at that time, much weaker and more miserable, than another nation, who possesses no more money, but is on the increasing hand (Hume 1752)

But what makes, for Hume, the highly counter-intuitive fact that increased prices can make an economy prosper reasonable? The answer is to be found in a later part of the same essay, where Hume speaks about the necessary prerequisites of *trade*. Here, similarly to Smith, he enumerates division of labour, which makes it necessary for people to exchange their goods with each other (since, being specialized in certain crafts, they will certainly have a surplus from certain goods, and lack of some others), and also mentions money, which makes is possible for them to trade.

[…] men, content with the productions of their own fields, or with those rude improvements that they themselves can work upon them, have little occasion for exchange, at least for money, which, by agreement, is the common measure of exchange […]. But after men begin to refine on all these enjoyments, and live not always at home, nor are content with what can be raised in their neighborhood, there is more exchange and commerce of all kinds, and more money enters into that exchange[15].

[15] David Hume, *Political Discourses*, R. Fleming, Edinburgh 1752, 47.

If taken at face value, the phrasing „more money enters into that exchange" seems to be puzzling, since it suggests that money is only an accidental property during the process of exchange. And naturally, Hume held that money was invented after exchange of goods became customary, and only because barter was so inconvenient for them: money is something that „men have agreed upon to facilitate the exchange of one commodity for another" (Hume 1752) – as he says in the beginning of the same essay. Chronologically, hence, exchange came first and money second. But it is important to note that ontologically the two are equally indispensable, since trade, as we know it, would cease to exist without either of them[16]. Hence, what Hume formulates here in a descriptive manner, is rather a normative assumption that could be reformulated as follows: *if* there is more exchange and commerce of all kinds, then more money *should* enter into that exchange.

What we intended to show in this section so far is that Hume, although reluctantly, kept an eye on Law's observations, and, unwillingly, but he admitted to the usefulness of inflationary policies. But how much was Hume a functionalist? As we have already mentioned, Caffentzis observed that Hume added a corollary to the 1762-edition of the *Political Discourses*. And here, in the essay *Of Balance of Trade* we already find a full-scale endorsement not only of inflationary policies, but also of the employment of paper money.

It must, however, be confessed, that, as all these questions of trade and money are extremely complicated, there are certain lights, in which this subject may be placed, so as to represent the advantages of paper-credit and banks to be superior to their disadvantages. That they banish specie and bullion from a state is undoubtedly true; and whoever looks no farther than this circumstance does well to condemn them; but specie and bullion are not of so great consequence as not to admit of compensation, and even an overbalance from the increase of industry and of credit, which may be promoted by a *right* use of paper money[17].

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[16] The same idea turns up in Law's treatise as well: There are, however, traces of Law's theory which nevertheless found their way to the thinking of Hume and Smith as well. One of the main reasons behind Law's policies of quantitative easing was the underlying assumption that money has a civilizing effect. „As money increased, the disadvantages and inconveniences of barter were removed; the poor and idle were employed, more of the land was laboured, the product increased, manufactures and trade improved, the landed-men lived better, and the people with less dependence on them". Or as he continued, „Domestic trade depends on the money. A greater quantity employs more people than a lesser quantity. A limited sum can only set a number of people to work proportioned to it, and 'tis with little success laws are made, for employing the poor or idle in countries where money is scarce [...]". John Law, Money and Trade Considered. Glasgow, R. and A. Foulis, 1750. 19, 20.

[17] David Hume, *Political Discourses*, R. Fleming, Edinburgh 1752, 50.

What Hume recommends here is, hence, the moderate use of paper money. Although this functionalist stance does not necessarily follow from his claims on behalf inflation, but they are not contradictory to them either. However, this clearly shows that Hume's metallist interpretations are highly questionable.

2.2. Smith, the functionalist?

Although Smith seems to be much more straightforward in his endorsement of theoretical metallism, a similar ambiguity – to say the least – can be observed in his works as well. On the one hand, Smith famously held that the ultimate source of value was labour:

[i]t was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased […]. [And the value of money], to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command[18].

While Hume did not (explicitly) endorse such a labour theory of value, for Smith it was undoubtedly a decisive idea. The hardship it rises – from our point of view – can be formulated as follows: if labour creates value, and value is payed for with money, money has to be valuable in order that the exchange remains just.

Theoretical metallism, at first sight, might easily be able to solve this hardship: if money is something that is intrinsically valuable due to its metallic content, the vendor will be fairly compensated by it for the labour he performed. However, the problem is that according to Smith's own price theory, such fortunate outcomes only seldom occur in practice, and for this reason, in Chapter 7 of the *Wealth of Nations*, he drew a distinction between *natural price* and *actual price*. He defines the former as [w]hen the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock[19].

As opposed to this, he defines the latter as a price „at which any commodity is commonly sold"[20]. It is clearly visible, that in the hypothetical example of the vendor getting compensated for his labour by the metallic content of some coin, he

[18] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Random House, New York 1994, 22.

[19] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Random House, New York 1994, 83

[20] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Random House, New York 1994, 84.

receives a natural instead of a market price for his services. But Smith also admitted, that in practice, this is seldom the case, and in fact people mostly buy and sell either cheaper of dearer than what the idea of natural price would entail.

What determines the above-mentioned phenomenon is – according to Smith – the money supply, since, in agreement with Hume, he held that the quantity of money in circulation is the decisive factor of real prices.

[T]he exchangeable value of every commodity is more frequently estimated by the quantity of money, than by the quantity either of labour or of any other commodity which can be had in exchange for it[21].

If, by consequence, money is abundant, then prices will rise and vendors will get payed more than the natural price. On the contrary, if there is a scarcity of money, market agents will likely receive less compensation for their labour.

All this means that the main argument against paper money applies to commodity money as well, since they are both unable to serve as a reliable measure of value of labour due to the continuous change of their quantity and to the resulting volatility of their value. To put it another way: Smith clearly understood that the quantity theory of money applied to both kinds of currencies, and this might be the underlying reason why commodity money no more seemed to him any more desirable than paper money. In fact, by chapter 2 of book 2 of the Wealth of Nations, Smith clearly endorses the idea of paper money on the grounds that the „additional value" of paper money, generated by the demand for this currency will eventually preserve its worth. Here, he brings up the example of some American colonies which successfully employed this kind of currency during the payment of taxes, claiming that, when the quantity of such money is properly adjusted to the quantity to be payed, this additional value will secure the overall worth of such banknotes.

This additional value was greater or less, according as the quantity of paper issued was more or less above what could be employed in the payment of the taxes of the particular colony that issued it[22].

3. Summary

As it can be seen, Smith not only borrows the term, „additional value" from Law, but endorses his overall idea of paper currency as well. As we have also seen, Hume, although reluctantly and on different grounds, did the same with fiat money. From all this, we can infer that, in the 18th century, the traditional metallist approach

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[21] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Random House, New York 1994, 53.

[22] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Random House, New York 1994, 435.

to the ontology of money slowly gave way to an entirely new, functionalist attitude, which held that as long as something was accepted as a means of payment by a group of people, it could fulfill the role of money.

The aim of this paper was to show the slow transition from one approach to the other. According to our claim, the early modern discovery of the quantity theory of money played a key role in this process on the grounds that it made the inherent valueproofness of commodity money questionable for the first time in history. As we have seen, the theoretical endorsement of commodity money was gradually replaced by fiat currencies after the former was no longer regarded as more valueproof than the latter, and this process is documented by David Hume's and Adam Smith's respective remarks on the subject.

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