

Chartalism, Metallism, and Key Currencies

- Two theories about what gives money its value
 - Chartalism: money's value comes from the fact that it is issued by the state
 - Metallism: money's value comes from the value of the material it is made out of (e.g. gold or silver)
- Both theories existed in parallel in the past
 - Domestic trade followed the theory of chartalism
 - International trade followed the theory of metallism
- The system became hybrid because of war finance
 - Salmon P. Chase withdrew the government's deposits from private banks in the form of gold to suck all the gold out of the private system
 - The private banks were forced to adopt domestic currency to back the deposits they issued