



CHAPTER 1

LEDGERS AS THE FOUNDATION OF MONEY

Many people think that money as a concept starts with something like coins or shells, but the story really begins before that. It begins as a ledger.

A ledger is a summary of transactions and is used to keep track of who owns what. The oldest known written ledgers date back over 5,000 years to ancient Mesopotamia in the form of clay tablets. According to Encyclopedia Britannica, Sumerian is the oldest known type of writing in existence, and the oldest known instances of Sumerian writing were clay ledgers that kept track of commodities.⁸ They showed pictures of various commodities and had dots next to them that represented quantities. In other words, the first ideas that humans are known to have written down with their early proto-scripts were lists of ownership, credit, or transactions.⁹

But ledgers as a concept can be even simpler than that. And prior to the invention of writing, they must have existed to some degree in memory and in oral form. Anytime somebody owed something to someone else, either formally or informally, they were inherently maintaining a basic oral ledger.

At the simplest level, with a modern example, let's imagine two child siblings named Alice and Bobby. They are old enough that their parents task them with chores, and as they grow and start to lead more complex lives, occasionally they need to rearrange their schedules. Alice, for example, might need to skip chores one night so that she can go out with her friends. To do this, she can offer to her brother Bobby that if he covers her chores today, she'll cover his chores tomorrow. As he accepts the offer, they have just created a basic mental ledger and a form of credit. Alice now owes Bobby a specific set of chores. This is

enforceable only through trust and reputation: If Alice does not repay her debts, then Bobby will likely refuse future trades. If it remains simple enough, their little ledger will be a verbal one only, but if their schedules get complex enough and they trade around chores on a regular basis, they might use a calendar as a written ledger. There is no specific monetary unit associated with this ledger — it's just a barter system. The only units involved are individual chores. The ledger merely keeps track of individual chores that are swapped over time, as a form of credit.

We can also imagine a group of hunters, perhaps tens of thousands of years ago in a tribe somewhere, counting how many kills they each had made, or loosely keeping track of who did whom a favor. Tribes throughout the world had (and still have) various ways of selecting leaders formally or informally, and the process is often meritocratic to some degree. Whether intending to or not, people approximately keep track of deeds and reputations of others, to see who provides the group with a surplus and who is a burden.

Early human social groups generally consisted of dozens of individuals, forming a band. Various bands within a geographic area, with a closely related culture, would then often recognize themselves as being part of a larger interconnected tribal culture. Within a group where everyone knows each other, money isn't needed, aside from oral and memory-based ledgers. Favors can be loosely tracked, and it is usually clear who is pulling their weight and who isn't. Groups of this nature would typically consist of kinships and friendships, so the exact "score" didn't need to be tracked. The ledger would be approximate, loose, and flexible.¹⁰

Back in my engineering days, a subset of my colleagues and I often went out to lunch together. We loosely kept track of who drove the small group each time, so that we could roughly balance it out. It wasn't written down, and it wasn't exact, but there was indeed a rough mental ledger that we collectively kept track of. The same was true for driving co-workers to the mechanic or to the airport and having the favor returned later (before ride-sharing apps were commonplace), or lending someone a bit of cash in a moment where they were short on it (for example, when splitting a cash restaurant bill, which used to happen more often back in those days). These favors were never phrased in terms of "I'll do this for you now, but you have to reciprocate in the future." Rather, such a favor was happily provided as a gift when asked for, and then it would be assumed that if a reciprocal favor was asked for later, that it would be happily returned.

Considerable research by anthropologists on hunter-gatherer tribes has found similar gift-oriented behavior as a recurring theme. While cultures of course vary substantially, individuals that know each other generally give gifts or favors and then naturally expect sharing in return.¹¹ That's a big piece of what friendship is.¹²