

The Power of Money

Business Club takes you inside the world of money by Prudence Frinzi

Historically, power and wealth have always been connected to the control of resources. All modern forms of money evolved from the earliest means of exchange – barter and trade. Ancient Mesopotamia and Egypt issued receipts to depositors who put their grain and other commodities in state warehouses.

There was a slow transition to using a common medium of exchange that could be counted instead of weighed, namely "currency". Coins minted from precious metals developed in Lydia around 500 BC, and were then further refined by the Greek, Persian, Macedonian, and Roman empires. Paper money was first issued in China in the 10th century.

London developed a relatively sophisticated money market in the 1660s. Goldsmiths and money lenders began making loans to other people at interest (usury), and so began the banking profession.

The Industrial Revolution in the late 18th century, saw the mechanization of manufacturing, a new "working class", and a new wealthy elite – industrial barons. In turn,

the population grew, and urbanization led to new political and banking centres. Machinery advanced wars, colonization and trade, all of which increased capital which could then be invested.

Gold was officially made the standard of value in England in 1816. For the first time standard banknotes were produced to represent a certain amount of gold.

In the United States, the Gold Standard Act was officially enacted in 1900, leading to the establishment of a central bank.

As a result of the Depression of the 1930s, the US gold standard was revised and the price of gold was devalued. The British and international gold standards soon ended as well, and the complexities of international monetary regulation began.

Who's got all this money?

According to CBS News (February, 2003), the World's richest man is still 47-year-old American



William H. (Bill) Gates III, who made his fortune (net worth \$40.7 billion) from Microsoft. The world's richest woman is 54-year-old Texan Wal-Mart (mass-merchandising retail stores) heiress, **Alice Walton**, who is worth \$16.5 billion.

If you judge a country's wealth by its GDP (Gross Domestic Product), **Luxembourg** is the world's richest country. It has a GDP of \$44,000 per capita.