

# “Native American wampum for non-monetary uses and for use as money”

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## Native American wampum for non-monetary uses and for use as money

### Abstract

Frederic Mishkin's three traits of money are examined in light of Native American wampum. This paper explores some of these issues concerning Native American wampum and can be of help to economic historians concerned with money issues. The presentation is qualitative rather than quantitative. There is some attention given to the non-monetary uses of wampum in this article. In addition, a comparison of wampum to the stone money of Yap is provided.

**Keywords:** Native Americans, wampum, Dutch colonials, American colonial trade, necessary traits of money, Yap stone money.

**JEL Classification:** E40, N11.

### Introduction

Wampum refers to the cylindrical beads made from shells. They are pierced and strung, and were used by Native American Indians as a medium of exchange, for ornaments, and for ceremonial and spiritual purposes (Defined, 2016). It is this medium of exchange factor that may most attract the attention of economists. This paper establishes that wampum was sometimes used as a form of money by both the Native Americans and early settlers who interacted with the Native Americans. The first section of this article explains the manufacturing of wampum. Then, in the subsequent section, some of the non-monetary uses of wampum are reviewed. The third section of this article mentions some differences and similarities between anthropology and economics. In the fourth section, there is an explanation as to how wampum may be seen as a form of money. The fifth section concerns an explanation of the inflationary tendency of wampum after the Western Europeans arrived as settlers. Also, counterfeiting by whomever, is examined in that section. No monetary system is without its drawbacks. And that is true of wampum when it is used for money. Yet, even when a monetary system has its negative aspects, the monetary system may still endure, for some time at least. Section six provides some picture examples of wampum. A summary and conclusion will be in the final section.

#### 1. The manufacture of wampum

White wampum was created from working out the inside of the conch, which is a "large spiral univalve marine shell". The quahog or quahang is a thick shelled American clam. This shell is used to make purple or blue wampum that in hue was inclined to looking black. The size of the grains (beads) varied (Jacobs, 1949). Both black and white colored beads came from shells. Further-

more, the material for the black beads was relatively scarcer than the shell material for the white beads. The black beads for wampum were made of the inside shells of clams and mussels and were rarer and, therefore, more valuable than the white beads from conch shells, with some remaining examples, from that time in museums (Myers, 1970; Fenton, 1971; Wampum, 2016). Eventually, the introduction of settlers from Western Europe caused an increase in wampum, as the settlers could more easily manufacture the valued beads. Sometimes Native Americans rejected some of the wampum manufactured by the Western Europeans, due to perceived low quality. (Herman, 1956; Myers, 1970; Peña, 2001). Speck (1919) focuses on the lesser technological capacities of the Native Americans before the arrival of Western European settlers in manufacturing shell beads to create wampum. Slotkin and Schmidt (1949) acknowledge the different degrees of technological advancements, but also point out that adequate technical abilities for the manufacture of enough types of wampum were part of Native Americans before the arrival of the Western Europeans. This is because, before the arrival of the Western European, wampum was used rarely as a medium of exchange. The demand for wampum increased, as it became an important medium of exchange. There was also the reality of counterfeiting of wampum in the past. The less valued white beads were sometimes dyed as black beads (Myers, 1970). True black beads were valued more than white beads (Jacobs, 1949; Myers, 1970).

#### 2. Non-monetary uses of wampum

It is true that wampum was used for a variety of purposes. Sealing treaties was one use. For example, the "Two Row Wampum Treaty" was a 1613 agreement said to have been made between representatives of the Five Nations of the Iroquois and representatives of the government of the Kingdom of the Netherlands. The treaty was secured in what is today the upstate part of New York State (Two

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Row, 2016). However, the Native Americans who still hold that treaty in high esteem state that one should focus on the wampum record of the treaty rather than anything else (Coin, 2012). Importantly, Jacobs (1949) states that wampum was an integral part of diplomatic negotiations between Native Americans and settlers from Western Europe. The-Guswentah wampum, also known as the Two Row Treaty Wampum, has the capacity to secure trade, alliances and goodwill and to offer “tribal approaches to the problems of achieving law and peace through a multicultural world” (Haas, 2007). As we know, it is regrettable that Western European settlers often did not live up to the treaties made in good faith by the Native Americans (Haas, 2007). Nichols (2014) has written that there were moments of displayed humanness between Native Americans and settlers and more often great friction between the settlers and Native Americans. Overall, settlers did not respect treaties that they had made with the Native Americans. The American government has a sad legacy of mostly lying to the Native Americans in regard to most treaties (Nichols, 2014). Native Americans also used wampum to record tribal histories and to read them (Haas, 2007).

Articles made of wampum sometimes were used to communicate between different tribes of Native Americans and to communicate between different groups, within a tribe (Jacobs, 1949). Wampum was valued in Native American diplomacy due to its “mystic qualities” and potential use as a medium of exchange (Jacobs, 1949). Some scholars believe wampum was not used for money until there was contact between the Native Americans and Western European settlers (Wampum, 2016). The use of wampum by Native Americans in some way definitely occurred before there was interaction between Native Americans and the settlers from Europe (Slotkin and Schmidt, 1949). Snyderman (1954, 1961) explains the way wampum may fit into the social and political affairs of Native Americans. For example, to help to heal the wounds caused by a death in the family, this wampum was a way of offering condolences from the kinship groups and, perhaps, from the tribe. Wampum was also used in diplomatic ceremonies to establish peace treaties between groups and tribes. Often, the details of these treaties were explained in the design patterns of beads in the wampum (Snyderman, 1954, 1961).

### **3. A word about economics versus anthropology**

Perhaps, it is best to point out at this time that some scholars may think that in some cases, economists have simplistic views about money and markets (Herskovits, 1965; Ensminger, 2002; Werner and Bell, 2004; Wilk and Cliggett, 2007). However,

economists state that most markets are imperfect (Carlton and Perloff, 2005). In the next section of this paper, economists’ criteria for something being money is discussed. Economists recognize barter and the use of unconventional objects, such as wampum, being money. Herskovits (1965) states that economists use data from different countries and different time periods. However, anthropology has an array of cultures to look at, including those that are non-literate world, with little data, as well as those cultures that are literate. Herskovits (1965) states that economists are most concerned with the causes of material welfare. Anthropologists also study that, but more in the context of how people relate to each other (Herskovits, 1965).

For example, when Bronislaw Malinowski (1922) went to study the Trobriand islanders in 1915, one of his goals was to find people who were thoroughly “unlike the civilized Europeans of his time”. On the one hand, he discussed what is commonly called economic man, who in the eyes of anthropologists, is obsessed with individualism, self-interest, money and efficiency in obtaining his own satisfaction (Wilk and Cliggett, 2007). Even many economists do not hold to the “economics man” thesis. They realize that people are motivated by more factors and that these factors are not always explained well by the “economics man” idea. Economists have many ideas that conflict with one another. Economists disagree a lot. Anthropology type economics emphasizes that choices are enmeshed in the much larger context of relationships, based on tradition duties and obligations that may not be efficient in the modern economics sense (Herskovits, 1965; Wilk and Cliggett, 2007). Even in the West, explanations of “values, emotions, and beliefs” are not always developed by economists to a level satisfactory to anthropologists (Wilk and Cliggett, 2007). Yet, motives, including those of tradition and relationships, are often examined by economists.

In addition, both Marx and Mises are viewed as economists. There are many economists that would be on the spectrum between Marx and Mises (Ensminger, 2002; Wilk and Cliggett, 2007). For example, New Classical, New Keynesian, Monetarists, Public Finance and Real Business Cycle adherents and many others all have different beliefs from either Mises or Marx. One could say that Mises of the Austrian school and Marx are very incompatible and so that is why those two names are mentioned. The idea that all economists think the same or anthropologists think the same is silly (Gordon, 2009; Gentle and Thornton, 2014).

Some anthropologists state that sometimes economists are focused on promoting capitalist values; however, many economists are not advocating pure

capitalism<sup>1</sup> (He'bert and Ekelund, 2013; Gentle and Thornton, 2014). At the same time, scholars' views of the work in disciplines other than their own are often inaccurate to some degree. Anthropologist Weil (2004) maintains that Thorstein Veblen, a famous economist who brought up the idea of conspicuous consumption, is admired by anthropologists. He is also different from some other economists. But when someone says economists think this one certain way, they are showing their ignorance of the large body of knowledge that economists of different persuasions have created. Likewise, trying to pigeon hole all anthropologists as socialists is also the product of simpleton thinking. Anthropology is a broad field with scholars often specializing in a certain area of this study of humans.

It is true that economists consider diet restrictions due to a particular religion, when they look at the markets for certain foods. Also, parents saving money for college tuition is a traditional relationship that some economists study. Sometimes people wish to help with such collective actions and sometimes they do not, when people pay taxes. And a complete overview of what anthropologists study is broad and not discussed in any detail in this article. Rather, this section is merely to show that economics cannot be summarized in neat little descriptions by anthropologists or anyone else. In Percy S. Cohen (1967), it is stated that the use of the analysis of both economists and anthropologists is necessary in order to get the truest possible picture of a social science phenomena. When anthropologists and economists work together there will be less chance of either group of scholars trying to denigrate each other's discipline. In regard to this article, the works of both anthropologists and economists are used to analyze how wampum has been used.

#### 4. Wampum as a form of money

This article focuses on how economists view matters. Some scholars may emphasize the non-monetary use of wampum. That non-monetary use was surely present; however, the use of wampum as money cannot be denied. Price (1996) states that wampum was ceremonial and later used as money, when the Western European settlers arrived. Whether or not there was some infrequent use of wampum as money by the Native Americans, one matter is for sure. That is, wampum took on more traits for being

used as money after the arrival of the Western European settlers. Mario Schmidt (2014) maintains that some scholars' view that the opinion that wampum cannot be compared to today's money used in market capitalist economies is not always correct. As any economist knows, the degree to which something can qualify as money varies. According to economist Frederic Mishkin (2006), there are three traits of money. First off, money is a medium of exchange, which lessens any barter system in the economy. In lieu of bartering, money is used to pay for goods and services. Secondly, money serves as a unit of account in records concerning debts and loans, as well as a unit of account in measuring the value of goods and services. An example would be the cost of one unit of X costs Y dollars or other type of money. Thirdly, money has to have some ability as a store of value. This refers to the potential purchasing power of the money. Inflation may chip away at this store of value and reduce it to a degree, depending on the degree of inflation. (Mishkin, 2006). If counterfeiting is successful in a particular instance, then, it may also lead to devalued money, if trust in a currency has lessened. Slotkin and Schmidt (1949) state that wampum was definitely in use by the Native Americans before the Western Europeans had made contact with the Native Americans. Though the wampum pre-dating the Western Europeans' arrival met Mishkin's (2006) criteria of money being a store of value, the wampum was not frequently used as a medium of exchange, with a unit of account until the Western Europeans arrived.

Starting with the arrival of the Western European settlers, the first ones brought them to North America a meager supply of tools, supplies, and seeds. To pay back those in Western Europe who had outfitted the trips to the New World, the settlers sent back local products to Western Europe. Within what would become the United States, "domestic trade was carried on by barter and by the use of shell bead currency" of the Native Americans (Myers, 1970). According to a written account by Governor Bradford of Plymouth colony, the Dutch settlers were the first settlers to adopt the use of wampum (Myers, 1970). Herman (1956) states that in both the English and the Dutch colonies in the seventeenth century, the "shell beads of the Indians (Native Americans) became a universal medium of exchange," sometimes related to the value of a particular type of European coin. In addition some Swedish and French colonists were known to use wampum in some of their trade transactions (Herman, 1956; Hoeffecker et al., 1995). Beads of wampum could have a value in terms of beaver belts and deerskins. Interestingly, there was a time when some shells were sent to the Netherlands in order to manufacture wampum. However, that particular manufactured

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<sup>1</sup> Research in this area reminds me of my many years in China. That country has its particular form of mixed economy. Almost all countries lean heavily on both the private and public sectors. That is why they have mixed economies. Foreigners in China must observe Confucian traditions if they wish to understand the economy and interacting in relationships with the Chinese. Once an ex-pat understands enough Confucianism, life is much easier in China.

wampum did not meet the fine craftsmanship that Native Americans expected in wampum for their use (Herman, 1956). There are records of Western European settlers manufacturing wampum extend through the mid-eighteenth century. The exchange values often changed and there was not a universal system of exchange rate values for all of colonial America.

### 5. Inflation and counterfeiting

Inflation, brought on by the increased manufacture of wampum, can be inflationary. The ability of the Western European settlers to manufacture wampum in a more efficient way caused an increase in the amount of wampum that was used for money (Slotkin and Schmidt, 1949; Herman, 1956; Peña, 2001; Wampum, 2016). The quantity of wampum beads increased “rapidly” when the Dutch and English began to manufacture them (Herman, 1956). Based on the equation:  $MV = PQ$ , an increase in  $M$ , the money supply, in this case, beads, would result in an increase in  $P$ , the price level, if  $V$  (velocity) was constant and  $Q$  was constant. Estimates of all four variables in the Equation of Exchange, for the time period that wampum was used as a type of money, would certainly greatly fall short of the present abilities of countries to do relevant estimates for modern forms of money (Gentle et al, 2015). Dalton (1965) states that some modern “governmental authorities control the quantity of money, but rarely is this so in primitive economies”. If the percentage increase in the quantity of wampum outstripped the quantity of goods and services it could buy, there would be the potential of inflation. Both Western European settlers and Native Americans “accused each other of dyeing the white wampum to make it pass for the more valuable black” (Myers, 1970). Using dishonest means to try to make white bead more valuable by dyeing it black can be likened to counterfeiting black beads from dyed white beads. Like inflation, counterfeiting strikes at the “store of value” trait so necessary for something to be considered money. Often, the black beads were worth two or three times the value of the white beads (Jacobs, 1949).

The Reverend Andrew Burnaby reports that he saw wampum being made by Native Americans on Staten Island as late as 1760. However, wampum as a monetary system was seldom mentioned after that date (Myers, 1970). Also, receipts for staple commodities such as wheat, peas, flax, wool, corn, codfish, beef, and pork served as money. Many of these items are perishables. Beaver skins and receipts for drying tobacco in warehouses also served as money (Myers, 1970). Sylla (1982) confirms how money can have many innovations in American economic history, based on both the availability of any certain type of money and the amount of units of that type. Eventually, coins and paper currencies came more into being and, in some cases, though not always,

they were better than wampum at fulfilling the three requirements of money, discussed by Mishkin (2006) for something to be considered money (Myers, 1970). There was a large variety of coins, including some that were Dutch, Spanish, Portuguese and British. Furthermore, most of the British colonies had been given the right to mint their own coins. In addition, various programs in different colonies pursued paper money (Myers, 1970).

For comparison purposes, it may help the reader to examine the case of stone money at Yap, an island in Micronesia. This stone money consists of stones measuring up to four meters in diameter. United States dollars have also been used as money on Yap in recent years (ABC News, 2016). There are holes in this stone money that facilitate the carrying of the stones by use of a long and strong pole. Sometimes the stone is not moved when the stone is transferred in ownership. Instead, the island natives will agree that someone else owns that stone, which designates a certain amount of money (Friedman, 1994; Frangos, 2013). This Yap example may prove to be more easily understood, since these stones were specifically created to be used as money by the native people of Yap before any contact with outside civilizations took place. That is a big difference between Yap stone money and Native American wampum. This is in contrast the Native American’s wampum, which was mostly used for money, once the Native Americans had contact with European settlers. The function of Native American wampum for highly developed artistic, ceremonial, gift exchange, treaty making and the recording of Native American history were there prior to and after the advent of the European settlers. The use of wampum as a means of money came about after the Native Americans had contact with the European settlers.

### 6. Drawings of wampum and Yap stone money

Figure 1 illustrates Native American wampum. Figure 2 show Stone money.

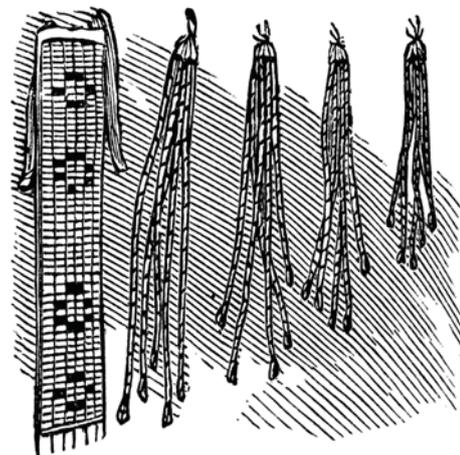


Fig. 1. Native American wampum

Source: Scott (1884).



Fig. 2. Yap stone money

Source: Maxrules (2016).

### Summary and conclusion

Also, economists examine money in early times, as well as in modern times. How money is viewed changes over time. It is not surprising that, for a time, wampum served as money for the Native Americans, along with the settlers they encoun-

tered. That type of money was available. Gold and silver seem to be universal as one of the ways to use money. The ability to find and refine these metals is necessary for that to be true (Sylla, 1982; Gentle, 2016). This article uses Mishkin's (2006) criteria for saying something is money and examines the case of wampum. To some degree, wampum did meet all three criteria – medium of exchange, unit of account, store of value. Different commodities and their receipts served as money for a time. For example, receipts for tobacco in warehouses were used as money. Eventually, the coins and paper money receipts for commodities did a better job in creating money that met all three of the requirements that Mishkin (2006) states are necessary for something to be considered money. In order to gain the most possible accurate picture of wampum or any other topic, the scholar must be willing to look beyond his or her primary, particular discipline. Both the wisdom of economics and wisdom of anthropology type economics contribute to how wampum was used by the Native Americans.

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