



THE CONCEPT OF MONEY: HISTORICAL EVOLUTION, FUNCTIONAL DYNAMICS, CONTEMPORARY INNOVATIONS AND THE VETHATHIRIAN PHILOSOPHICAL PERSPECTIVE

Naresh Babu D R* Dr Vijayalakshmi C**

**Ph.D Research Scholar, Yoga for Human Excellence, WCSC - VISION SKY Research Centre, Bharathiar University, Coimbatore Tamilnadu, India.*

***Associate Professor, Yoga for Human Excellence, WCSC - VISION SKY Research Centre, Bharathiar University, Coimbatore, Tamilnadu, India.*

Abstract

Money is a foundational element of economic systems, serving as a medium of exchange, a store of value, a unit of account, and a standard of deferred payment. This article explores the historical evolution of money, its theoretical underpinnings, and its changing role in modern economies. Drawing from historical records and contemporary research, the study examines how money has transitioned from barter and commodity forms to fiat and digital currencies and discusses the implications of emerging technologies like blockchain. Vethathiri Maharishi, founder of World Community Service Centre, has dedicated himself to work for the welfare of mankind. His primary aim is a peaceful world with economic equality where individuals, families, and countries are no longer polarised along lines based on language, caste, race or religion. As per Vethathiri Maharishi, materials are never scarce in the World, what is lacking is appropriate knowledge. To overcome this, spiritual knowledge is important, for which the practice of 'Simplified Kundalini Yoga' was designed and propagated by him, by establishing the World Community Service Centre. Vethathiri Maharishi's perspective on the concept of money is quite different to the current economic principles. This article explores the concept of money, its historical evolution, functional dynamics, contemporary innovations, and Vethathiri Maharishi's perspective on money.

Keywords: Money, Economic System, Value of currency, Banking and Credit system, Digital currency, Monetary policy, Economic Equality, Vethathiri Maharishi.

Introduction

Money is a social construct that facilitates economic transactions and reflects the values and structures of the societies that use it. It is not merely a physical object or digital entry, but a shared belief system that enables individuals and institutions to coordinate economic activity. The value of money arises not from its intrinsic properties, but from collective trust and mutual agreement within a community or nation. This trust is often reinforced by legal frameworks, cultural norms, and institutional credibility, such as that of central banks or governments.

Its evolution is not merely a technical development but a reflection of human ingenuity, trust, and institutional design. From the earliest forms of barter and commodity exchange to the emergence of coinage, paper currency, and now digital assets, each stage in the history of money represents a leap in human capacity to abstract value, manage resources, and build complex economic systems. The design of monetary systems—how money is created, distributed, and regulated—mirrors the political and ethical priorities of a society, whether it be centralized control, market freedom, or technological innovation.



Understanding the concept of money is essential for analyzing economic behavior, policy-making, and financial innovation. Economists study money to understand inflation, interest rates, and consumer behavior. Policymakers rely on monetary theory to craft fiscal strategies and stabilize economies. Meanwhile, innovators in fintech and blockchain are redefining what money can be, challenging traditional notions of value, ownership, and exchange. In this way, money is not static—it is a living institution that evolves alongside human civilization, shaped by our needs, aspirations, and collective imagination.

Historical Evolution of Money

The concept of money has undergone a profound transformation over the course of human history, evolving from rudimentary exchange systems to sophisticated financial instruments. This evolution reflects not only technological advancements but also shifts in societal organization, governance, and economic thought.

Barter and Commodity Money

In prehistoric societies, economic transactions were conducted through barter—the direct exchange of goods and services. While functional in small communities, barter was inherently inefficient due to the “double coincidence of wants,” where both parties needed to desire what the other offered. This limitation underscored the need for a common medium of exchange.

Early human societies relied on barter systems, which required a mutual coincidence of wants. This inefficiency led to the adoption of commodity money—items with intrinsic value such as salt, cattle, and metals (*Weatherford, 1997*).

Commodity Money: Intrinsic Value as Currency

To overcome the constraints of barter, early civilizations adopted commodity money—items with inherent value that were widely accepted in trade. Examples include salt, cattle, grain, and cowrie shells. These commodities were durable, divisible, and portable, making them suitable for facilitating transactions across larger and more complex societies.

Metal Coinage: Standardization and Sovereignty

Around 600 BCE, the Lydians introduced the first standardized coins made from electrum, a naturally occurring alloy of gold and silver. Coinage revolutionized trade by providing uniformity in value and authenticity, often backed by state authority. This innovation spread rapidly across the Mediterranean and Near Eastern regions, laying the groundwork for monetary economies.

The first coins were minted in Lydia around 600 BCE, marking the beginning of state-backed currency. These coins standardized value and facilitated trade across regions (*Davies, 2002*).

Paper Money: Trust and Representation

The Tang Dynasty in China pioneered the use of paper money in the 7th century CE, with widespread adoption under the Song Dynasty. Unlike coins, paper currency represented value rather than containing it, relying on institutional trust. Europe later adopted paper money through promissory notes and bank-issued currency, further expanding the reach and flexibility of monetary systems. China introduced paper money during the Tang Dynasty, which later spread to Europe. The rise of banking institutions enabled the issuance of promissory notes and credit systems, transforming money into a tool for economic expansion (*Ferguson, 2008*).



Banking and Credit Systems: Institutional Expansion

The Renaissance period marked a transformative era in the evolution of banking and credit systems. Banking institutions such as the Medici Bank in Italy pioneered modern financial practices by issuing credit and managing deposits, laying the foundation for commercial banking (*Big Site of History, n.d.*). These institutions facilitated trade and investment, enabling merchants and governments to engage in larger and more complex economic activities.

A pivotal development in the institutionalization of banking occurred with the establishment of central banks, most notably the Bank of England in 1694. This institution was created to stabilize the British economy, manage public debt, and regulate currency issuance (*Goodhart, 2018*). The Bank of England introduced mechanisms for formal monetary policy, including interest rate control and reserve management, which became models for central banking worldwide (*O'Brien & Palma, 2020*).

These innovations contributed significantly to the expansion of financial markets, allowing for the creation of stock exchanges, bond markets, and international trade networks. The institutionalization of credit and monetary regulation not only enhanced economic efficiency but also laid the groundwork for the global financial system that emerged in the centuries that followed.

Gold Standard: Stability and Constraint

In the 19th century, many nations adopted the gold standard, linking currency value to gold reserves. This system provided international stability and fixed exchange rates but limited monetary flexibility. The economic turmoil of the Great Depression and the World Wars exposed its weaknesses, leading to its eventual abandonment. The gold standard was a monetary system widely adopted in the 19th century, wherein the value of a nation's currency was directly tied to its gold reserves. This linkage provided a framework for fixed exchange rates, which facilitated international trade and investment by reducing currency risk and inflation volatility. Nations adhering to the gold standard committed to converting paper money into a fixed quantity of gold, thereby enhancing public trust in monetary systems, and promoting long-term economic stability.

Fiat Money: Trust in Governance

Fiat money, which is not backed by physical commodities, derives its value from government decree and public confidence. Most modern economies operate on fiat systems, allowing central banks to manage inflation, stimulate growth, and respond to economic crises with greater agility.

Digital Money and Cryptocurrencies: The Technological Frontier

The latest phase in monetary evolution centers on digital currencies, underpinned by blockchain technology — a decentralized, immutable ledger system that ensures transparency and security. Cryptocurrencies such as Bitcoin and Ethereum introduced peer-to-peer financial models that eliminate intermediaries, reduce transaction costs, and empower users with enhanced control over assets. Beyond cryptocurrencies, central bank digital currencies (CBDCs) are being actively developed worldwide to modernize payment systems and reinforce monetary sovereignty.

Blockchain's application extends beyond currency issuance, enabling smart contracts, decentralized finance (DeFi), and tokenization of assets. These innovations challenge traditional banking models and hold promise for inclusive financial services, particularly in underbanked regions. One such popular digital currency, Bitcoin, introduced in 2009, represents a decentralized alternative to



traditional currency, based on blockchain technology. These innovations challenge conventional monetary systems and raise questions about regulation, security, and the future of financial sovereignty.

Theoretical Perspectives on Money

Money is not perceived as same in various economic systems. Some brief description view on money by various systems is listed here.

Classical and Neoclassical Views

Classical economists viewed money primarily as a medium of exchange. Neoclassical models incorporated money into utility-based frameworks, emphasizing its role in reducing transaction costs. (Chavas & Bromley, 2004).

Institutional and Behavioural Approaches

Modern theories recognize money as an institution that coordinates economic activity and reflects collective trust. Behavioural economics adds that perceptions and psychological factors influence monetary behaviour.

Fiat Money and Monetary Policy

Fiat money, not backed by physical commodities, derives its value from government decree and public trust. Fiat money represents a foundational shift in the evolution of monetary systems. Unlike commodity-backed currencies, fiat money derives its value not from physical assets such as gold or silver, but from government decree and public trust in the stability and authority of the issuing institution (Hermele, K.,2014). This transformation reflects a broader redefinition of money as a social contract, where institutional legitimacy and economic governance replace intrinsic value.

Central banks regulate its supply to manage inflation, employment, and economic stability. The transition to fiat systems allowed greater flexibility but introduced risks of inflation and currency devaluation (Eichengreen, 2008).

Digital Money and Cryptocurrencies

The digital era has revolutionized the concept of money, transforming it from physical currency into electronic formats that enable faster, more secure, and more efficient transactions. Digital payment systems, including mobile wallets and online banking platforms, have become integral to modern economies, streamlining commerce, and reducing transaction costs. The digital era has transformed money into electronic formats, enabling faster and more secure transactions. Cryptocurrencies like Bitcoin challenge traditional monetary systems by offering decentralized, transparent alternatives. Blockchain technology underpins these currencies, promising innovations in finance and governance (Nakamoto, 2008).

A significant innovation within this transformation is the rise of cryptocurrencies, such as Bitcoin, which challenge traditional monetary systems by offering decentralized and transparent alternatives. Unlike fiat currencies, cryptocurrencies are not issued by central authorities but are maintained through distributed networks using blockchain technology (Guo.X,2022).This decentralized structure reduces reliance on intermediaries and enhances security, transparency, and traceability in financial transactions.



Vethathiri Maharishi's Perspective on Money

Vethathiri Maharishi, affectionately known as 'Common man's philosopher' hails from Guduvanchery, a village in southern India. He dedicated his life for the welfare of mankind, established the 'World Community Service Centre', simplified the way of kundalini meditation, simplified the physical exercises from the classic asanas, designed the personality development techniques by self-introspection techniques, gave a plan for 'World Peace'. He has authored several books in Tamil & English. His suggestions are practical oriented, easy for anyone to understand and adopt in his day-to-day life. He has drawn 14 principles to achieve a peaceful World, which is known as 'Vethathiriam'. Vethathiri Maharishi advocates that by adopting these 14 principles only, peace can be achieved and sustained in the World. Of these 14 principles, 'Economic Equality' details the current economic systems, challenges and the ways to overcome them.

Vethathiri Maharishi defines 'Money' as a 'Token of Labour'. The value of any item can be attributed to the contribution of labour. All human beings have equal rights on the resources of nature. No one individual or group of individuals can claim their ownership on any item given by nature. From that perspective, value needs to be derived by the amount of labour in that product or service.

Vethathiri Maharishi's views on money are intricately connected to his overarching spiritual philosophy, which emphasizes ethical conduct, social responsibility, and the pursuit of inner peace. He recognized money as a fundamental necessity for sustaining life and fulfilling one's duties. However, he cautioned against excessive attachment to wealth, asserting that greed and materialism can lead to personal and societal imbalance (*Vethathiri Maharishi, 1997*).

Central to Maharishi's teachings is the principle of ethical earning. He advocated that financial gain should be achieved through honest, moral, and socially constructive means. Practices such as exploitation, corruption, and unethical business operations were strongly condemned. In his own entrepreneurial endeavours, Maharishi implemented profit-sharing models, ensuring equitable distribution of wealth among workers. He viewed economic equality as a cornerstone of social harmony (*Vethathiri Maharishi, n.d.-Story of My Life*). Furthermore, Maharishi considered charity a moral imperative rather than a discretionary act. He believed that wealth should be utilized to uplift the underprivileged and support essential services such as education, healthcare, and community development. While acknowledging the practical importance of money, he emphasized the need for emotional detachment from material possessions. According to Maharishi, genuine happiness arises from inner tranquillity and self-realization, not from the accumulation of wealth (*Vethathiri Maharishi, n.d.-Value Education*).

Importantly, Maharishi did not advocate for the renunciation of material life. Instead, he promoted a balanced approach, wherein material pursuits are harmonized with spiritual values. This integration, he argued, is essential for leading a fulfilling and socially responsible life (*Vethathiri Maharishi, 1997*).

Future Directions

Money continues to evolve with technological advancements. Central Bank Digital Currencies (CBDCs), AI-driven financial systems, and global digital platforms are reshaping how money is created, distributed, and regulated. The future of money lies in balancing innovation with stability, privacy, and inclusivity.



Vethathiri Maharishi's economic philosophy presents a profound alternative to contemporary wealth models, which often prioritize individual gain over collective well-being. By emphasizing the ethical underpinnings of economic activity and integrating spiritual knowledge with material pursuits, he offers a framework for sustainable prosperity and a more equitable society. His advocacy for economic equality and the responsible use of natural resources resonates with growing concerns about environmental sustainability and social justice. The integration of spiritual practices, such as Simplified Kundalini Yoga and introspection, within his teachings aims to cultivate the inner discipline and wisdom necessary for individuals to navigate economic choices responsibly and contribute to a peaceful and prosperous world.

Conclusion

From this perspective, the article argues that economic systems cannot be sustainably designed around accumulation and competition alone; they must be anchored in principles of justice, cooperation, and shared access to nature's resources. Maharishi's insistence that all human beings have equal rights over natural endowments and that value should be attributed to the quantum of human effort challenges conventional ownership and rent-seeking logics, suggesting an alternative framework in which policy, taxation, and welfare interventions consciously move societies toward economic equality rather than merely managing its deficits. His emphasis on ethical entrepreneurship, profit-sharing, and charity as moral imperatives provides actionable guidance for firms and individuals seeking to align financial practice with social responsibility and inner well-being. Crucially, the integration of Simplified Kundalini Yoga and Introspection techniques into his economic worldview underscores that enduring reform in the domain of money requires inner transformation as much as institutional redesign. For research and policy, the Vethathirian perspective opens several promising directions. Ultimately, by reframing money as a socially embedded, morally conditioned tool for the exchange of labour and service, rather than an end in itself, Maharishi's philosophy contributes a nuanced, human-centered paradigm that can inform the design of more just, balanced, and compassionate economic systems in the decades ahead.

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