

# Island of stone money

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Island of Stone Money The Island of Stone Money focuses on people of the Island of Yap who used stones as their medium of exchange for goods. These stones were referred to as Fei and they consisted of solid, thick, stone wheels varying in diameter and having a hole at the centre. They were made from limestone found on an island 400 meters away (Friedman 2). One of the most notable features of these stones was that they could be kept away from the owner depending on the size of the stone. The use of these stones as a medium of exchange was based more on beliefs than the actual value of the stones.

When the Germans gained possession of the island, they ordered the chiefs of the districts in the island to repair the paths that had been neglected and were in poor condition. When the chiefs declined to administer the repair of the roads, the Germans sought a way of imposing fine on them. A person was sent to each disobedient district to mark the most valuable Fei with a black cross to indicate that the government now owned the stones (Friedman 3). The people then felt impoverished, repaired the roads, and the government then sent its agents to erase the marks. Consequently, the people regained possession of their Fei.

Despite these people's apparent lack of knowledge on how monetary systems work, the article compares their beliefs with an incident in the U. S where the Bank of France requested the Federal Reserve Bank to store its gold in its account. Consequently, the Federal Bank put French gold in separate drawers and put a label to indicate that it belonged to the French. The two incidents illustrate how important myth is to monetary matters. People tend to believe that their own money is more real and rational than

those used by other societies. Because of these myths, people fail to realize that money from other countries may have high purchasing powers than theirs (Friedman 5).

One of the characteristics of Fei that qualified it as money was its use by these people as a medium that could be exchanged for goods and services. The durability of these stones, another characteristic of money, ensured that they performed their duty as a medium of exchange and store of value. Durability as a feature of money is critical since it develops confidence that an item can be exchanged later for other goods.

Fei can be classified as commodity money because its value was independent of regulatory forces but dependent on attached value on its material. Act of the Germans to mark the stones illustrates this because of the adverse effects that it had on the value of the stones. Stability of the value of these stones that resulted from limited supply, 400 meters away from the island, made the stones also illustrate reliance of the value on demand and supply forces and not regulatory measures. In addition, cultural beliefs dictated values of the stones for their value in exchange.

#### Works Cited

Friedman, M. "Island of Stone Money." The Hoover Institution E-91-3 (1991): 1-5. Print.