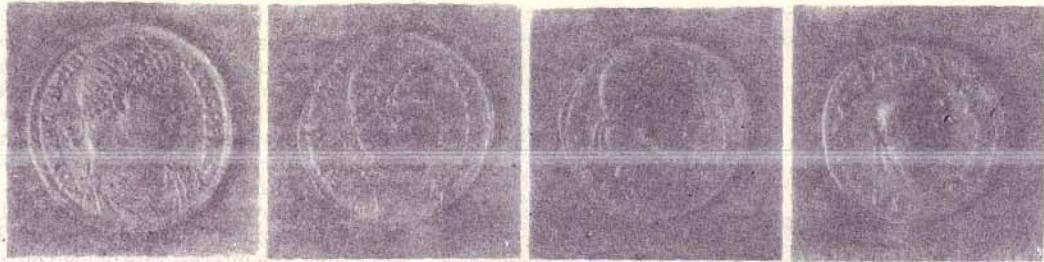


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## NEED FOR COINS IN MONEY CIRCULATION

by PHẠM VĂN NẮNG

In the primitive society, the period during which production was poor and self-supplied, barter was made incidentally was called commodity exchange times, e.g. rice exchanged for salt, fabric for cow. Such a barter was only suitable to people living separately in small area, contacting and knowing easily one another. But when production and labor division were improved and the exchange is more and more expanded between localities, a certain commodity was agreed to use as money.

Gold and silver are precious metal. They gradually replaced other commodity money in every country.

### WHEN DID GOLD AND SILVER BECOME MONEY?

Of so many commodity money used in former times, coin is particular one because it has been used so far.

No one knows exactly when gold and silver coins came into existence but the Old Testament Bible said once Saint Abraham used 400 coins to repay debt.

In Asia Minor and Greek maybe the first coins were minted in Century VII BC. In India the square-shaped silver thin pieces were used at the same time.

In Roman history, King César issued silver coins with his face on the coin. Jesus Christ also advised his followers to pay taxes as others, so "Return to César what belongs to César".

Greek's ancient monetary tradition spread everywhere. Where King Alexandre set his conquering foot on, there all of the metal treasure was appropriated and used to coin. Greek coins were widely circulated throughout Mediterranean area.



Up to Century III BC, under the influence of Greek, South Italy produced its first coins. Then, Roman colonization made coinage spread all over their colonized Europe.

The same thing also proceeded in India where Greek put its direct or indirect influence on through successive times, from the invasion of Alexandre and the contact with Roman monarchy to the Islamic and European colonization.

In the money history, coin was not a paying means more eminent than others, but it existed lastingly along with others. Metal pieces with various shapes, carvings were used for many different aims: trade, gift, tribute, offering...

Therefore, the first Greek coins not only meet commercial requirements but also had political and religious sense by bearing pictures of

deities and kings. To date the worshipful and ceremonial function of coins remained because they were buried under the building foundation, thrown down water wells as offerings to pray for blessings, given as symbol of deep attachment, put in mouth, hand of the dead as a means of paying in the other world.

In Europe, by Century IX AD, there were 400 various kinds of gold coin and 1000 of silver. By late Century XIX, most of the countries used gold or silver coins as primary currency and cheap metal (nickel, copper, zinc) as secondary one.

Gold and silver coins forced commodity production to improve, planted the seed for banking birth and its development.

However, due to increasing trade with a mass of products, it was inconvenient to bring a large quantity of coins. Thus, banknotes came into being, replaced metal money. Otherwise, World War II resulted in collapse of the gold standard in countries and step by step coins (gold, silver) got out of circulation, only coins made in cheap metal (nickel, copper, zinc) stayed as change, secondary currency.

### COIN HISTORY IN VIETNAM

In our country in 541 AD, after defeating Chinese aggressors, King Lý Nam Dé permitted to make copper coins, bearing the name of Thiên Đức (name of the reign's years), but then Lý Nam Dé was overthrown, Chinese re-ruled over our country, so Thiên Đức currency was banned to circulate in four centuries.

Upto the year 968 Vietnam secured its independence and issued its copper coins. Copper was used to coin until Century XX, except some periods during which copper was used for making weapons against the enemy

and replaced with nickel, zinc, tin...in coinage.

Each king of a dynasty minted new coins and banned circulation of former currency. After gaining a victory over Chinese invaders, King Lê Lợi withdrew coins of Lý and Trần Dynasties and replaced them with "Thuận Thiên Thông Bảo" currency. The next dynasties had various currencies such as Hồng Đức, Cảnh Hưng, Thái Đức, Quang Trung, Cảnh Thịnh, Thái Bình.

By early Century XIX King Gia Long allow circulation of gold and silver coins. Besides there were also copper and zinc coins used for making small payment.

When France dominated our country, the following silver coins were brought into circulation: Mexican coin, American trade dollar, French Franc.

Since 1903 the silver standard was not applied to our currency and notes gradually substituted for coins in circulation except metal change.

#### NEED FOR COINS IN CIRCULATION

Today banking is increasingly expanded together with the boom of informatics, communication, payment by cash also give way to payment through banking, payment by using substitute money consisting of bank deposits and credits transferrable by cheques, bills of exchange, credit cards, master cards,...However, coins minted in copper, nickel, silver, zinc as change, secondary currency is still necessary

for socio-economic living.

Even in developing countries, non-cash payment modes are enlarged to full extend but there is also metal money of low value used in services and automatic trading.

As for our country, because inflation lasted for many years, price boom made various kinds of change (under VND 50) worthless. Nevertheless, from 1990 till now, inflation has been curbed and driven back, price increase rate is acceptable, the value of VN currency is fairly stable. Thus, the Government can issue coins valued at VND 2000, 1000, 500, 200, 100 used for change and secondary currency.

Circulation of coins will bring about the following results.

- Saving the cost from printing bank notes because notes will be easily torn after two years' circulation.

In the US, monetary experts said that if all of US\$ 1 notes were replaced with coins, US\$ 862 million is saved from printing notes per year.

Although the cost of minting coins is much higher than that of printing notes, but coin life will be 20, 30 years.

Since the Government changed currency in May, 1978, to date it hasn't issued coin whereas demand for change is great, especially in the cities. Lack of change will give bad results to prices, production and goods circulation (lessons from change fever in 1985-1986).

According to banking officials, change of hundred of billion đồng is needed in money circulation.

- Coin utilization will keep more sanitary than note. Change of low value was transferred from hand to hand therefore it is very dirty.

- Coin is difficult to forge and because the cost of coining is too big, forgers will find no benefit in forgery. There wasn't yet a remarkable coin forgery in most of the countries.

- Coins are convenient for making payment to automatic selling machine because the machine can reject wrinkled - up, dirty notes, but it always accept coins owing to checking easily.

- Coins can be counted easily by heaping them up, so much time is saved.

- Coins occupy more space than notes in our wallets and are heavy. They should be minted in small size and light metal and be neat and handy for use.

- It's easy to make a mistake about the coin value. Thus, they should be made in different shapes and colour so as to be easily distinguished, even in the dark.

- We should form token coinage in order to keep coins within circulation.

From the above analysis, coin will be of use to consumers. I think monetary experts and the State Bank should study and propose the Government to issue coins and bring them into circulation ♣

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