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2004

Online at <https://mpra.ub.uni-muenchen.de/11516/>  
MPRA Paper No. 11516, posted 12 Nov 2008 09:28 UTC

# Modern Cash Money Issue and National Economy

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*Summary:* On the example of the issue of contemporary coined and paper money, the author observes and proves the possibility to manage this monetary form and to achieve a number of effects such as the issuing profit, numismatic and notaphily benefits as well as promotional effects. By incorporating new approaches in the issuing of contemporary money in cash form proves that these approaches are a part of the financial science, especially the science about the money, and that the contemporary numismatics and notaphily are also its integral part. In this way, the issuing of the contemporary metal and paper money is treated as a part of the national economy.

**Key words:** money, money issue, issuing profit, numismatics, notaphily

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## 1. Introduction

Cash money (both in metal and paper form) is today the object of interest not only of monetary politics but also of numismatics, notaphily and national economy. Management of these sorts of cash money as well as the appreciation of the fact that they can appear in different forms (types) additionally emphasizes their importance. Primary market of the metal and paper money (its issuing, hoarding and selling), and respectively its secondary market (based on numismatic, notaphilist, collecting, tourist and promotional motives) as the needs that result in economic activity – in trade with these artifacts – emphasize:

- the diversity of the functions of these objects and
- the need to create this kind of money according to standards existing in the countries with developed issuing activity.

The existence of a national mint and Croatian ambitions in relation to the admission of Croatia into the European Union and to the introduction of the common monetary unit – the Euro – are the most significant reasons for the need and the necessity of a systematic approach to the issuing and management of this money.

Experiences of particular countries, combined with our tradition and with innovations, artistic solutions, choice of motifs applied to the money, etc. can facilitate these efforts.

## 2. Metal and Paper Money

The subject of the research in this paper is only the materialized form of money (metal and paper money or primary money), which, together with other monetary instruments, derivative of money (different securities), financial instruments and liquidity

financial forms (credit lines) forms the aggregate supply of money in a particular economy.

Of course, these monetary forms also differ in their cash ratio, where the cash ratio marks how quickly a particular monetary form can be used in exchange for some goods or a service with the lowest possible transaction costs.

Coined and paper money belong to the highest category of liquidity means.

Exceptional importance belongs to the fact that the contemporary coined money is created in two different ways; in one, it is created according to the standards of the coin validity (since it is the money of real, material and face value), and the in the other, it is created according to the standards of paper validity (it is the legal means of payment, and fulfills all of the contemporary functions of money). Through the combination of these two approaches, the issuing efficiency of this monetary form becomes exceptionally significant. At the same time, new circumstances such as globalization, monetary integrations, modern numismatics, innovations, etc. provide an additional incentive for the development of this monetary form. Functions fulfilled by the contemporary coined money emphasize this as well. Of the classic monetary functions from the period of coin validity (the period of the complete value of money with real - material and face value) metal money today still fulfills the function of the means of transaction and means of payment (particular forms), the function of the measure of value and prices, the function of saving and, in one part, the function of world money.

At the same time this monetary form today also fulfills some functions related to and typical for the period of paper money (money with the compulsory rate) so that it is the legal tender and final means of payment (some exceptions are related to certain kinds of modern metal money but they are not their representatives) in a country or in a union of countries (without any or with some limitations)<sup>1</sup>, means of transaction, means of accumulation of value, world money (in the largest part) and numismatic money in the modern sense.

Modern paper money today fulfills the role of the legal tender and the final means of payment (everyone must accept it for the settling of his claims in the country issuing the money or in the union of countries where it is the common currency), this money is the means of transaction, the means of preservation of value (because of the relative or very high stability of its course, i.e. because of its purchasing power in particular countries), world money (because of the reasons mentioned above, but also because of the globalization of the world money flows)<sup>2</sup> and the notaphily function.

Banknotes are today issued as circulatory, commemorative circulatory and commemorative money. Circulatory and commemorative banknotes are primarily

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<sup>1</sup> Solitary power – as a form of protection of the users of coins in circulation against unpleasant situations. Some states limit the reception of the amounts of money denominated in coins in the daily monetary traffic, except on public cash desks (as, for example, in Hungary).

<sup>2</sup> Primarily Euro and the American Dollar, but also all other hard currencies in the modern sense of convertibility, British Pound, Swedish Crown, Danish Crown, Swiss Franc, Australian Dollar, Canadian Dollar, Japanese Yen, etc.

intended for monetary circulation, while all other functions fulfilled by these monetary forms are of secondary character. Accordingly, commemorative banknotes, regardless whether they are legal tenders or not, do not fulfill the function of the means of payment.

Today, paper is no longer the only material used for the making of this kind of money. There is more and more frequent use of the polymer (plastic substance) as the medium for the making of this money, regardless of its manifestation.

At the same time, primarily for the purposes of protection, but also for aesthetic reasons, there is an increasing number of banknotes with various applications made of special metallic stickers or threads.

## **2.1. Numismatic and Notaphily Effects of Modern Metal and Paper Money Issuing**

Numismatic and notaphily effects of the issuing of modern metal and paper money are the result of the monetary policy of the country issuing this money and of the development of contemporary numismatics and notaphily.

On a wider scale, these effects of the issuing of metal and paper money have to be considered in the context of globalization (including all aspects of this phenomenon) and computerization.

The mentioned circumstances together with some other, such as culturological and technological, open the possibility for a systematic approach to this activity with the aim of managing cash money.

Here, it is possible to distinguish two groups of countries: those that independently regulate these issues, and those that are members of different monetary unions so that must accept certain limitations in this sphere.

Common starting points in the issuing politics in both of these groups of countries, nevertheless, include mainly the same conditions, and these are:

- a relatively large number of different forms of metal and paper money<sup>3</sup>
- the way in which this money is put on the market (different kinds of packaging, combined packages of money of different states, packing of money related to particular occasions, packing of money supplemented with medals – most frequently with the medals of the mints, packaging in the form start kits, packaging of money containing the denomination or denominations that have not been put in circulation, packaging of test coins, numismatic letters, numismatic postcards, etc.)<sup>4</sup>

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<sup>3</sup> Metal money: circulatory, commemorative circulatory, commemorative, money outside of the existing monetary system, bullion coins (silver, gold, platinum, palladium), test coins of any of the previously mentioned types of money, additionally minted coins of historical money, etc.

Paper money: temporary circulatory, circulatory, commemorative circulatory, commemoratives, samples (specimens) of earlier types of banknotes.

<sup>4</sup> Issues of circulatory metal money denominated in Euros and Eurocents of all states of the European Union; test coins denominated in Euros and Eurocents of the countries that have not introduced the common currency (for example Great Britain, Denmark); numismatic letters: editions of Austria, Portugal and other states; numismatic postcards: editions issued in Hungary.

- the issuing of the contemporary metal and paper money also offers the possibility for disintermediation of cash assets (there is the possibility to invest into contemporary numismatic money and contemporary notaphily as a manner of preservation of value).<sup>5</sup>

- innovation. Development of technology combined with an inventive approach offers practically unlimited possibilities in the issuing of the contemporary metal and paper money. This, partially, refers to the use of metals that have not been used as monetary material until now (e.g., titanium, niobium)<sup>6</sup>; to a new approach to the form of money (e.g., dividing coins into two equal or unequal parts, removal of the centre of the coin<sup>7</sup> unsymmetrical form of the coin plate<sup>8</sup>, etc.); to combinations of different materials (a part of the surface or the whole surfaces of the coin coated in platinum)<sup>9</sup>; to addition of other materials such as glass, semi-precious and precious stones, amber, ceramics and other to the minting plate<sup>10</sup>, hologram effect (giving the impression of a moving picture produced either by engraving technique or by application of a special film on the coin); to the coloring of money (either by direct coloring of the coins or by the special color medium application)<sup>11</sup>; to minted photo

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<sup>5</sup> There are exceptionally many examples: the commemorative coin with the face value of 1 DM from 1990, Germany, minted in the gold; some coin sets of Euros and Eurocents (the Vatican, San Marino, Monaco, Finland,...); the coins set of Germany from 1995; investment in bullion coins because of the rising prices of precious metals (especially of gold) on the world market, particularly in investments into certain issues of this money dating from the years in which a smaller number of coins has been minted (e.g., Austria, 500 Shillings, gold, issues from the years 1991 and 2001-The Viennese Philharmonic).

<sup>6</sup> Austria – money made of a bimetal alloy/combination (silver, copper/titanium) with the face value of 100 Shillings, issued in the years 2000 and 2001; British Virgin Islands have issued a titanium coin with the face value of 5 Dollars in 2004, but in red color; In 2003, Austria issued a coin made of a bimetal alloy/combination (silver, copper/niobium) with the nominal value of 25 Euros (the niobium is in blue color); Austria, the 2004 issue of a 25 Euro coin made of the same alloy/metal combination (here, niobium is of green color due to the processing technology applied on this metal).

<sup>7</sup> In recent years, there is a growing number of coins that can be classified into this group: In the year 2000, Hungary has issued a coin consisting of two equal parts with the face value of 2 X 2000 Florins in silver; In 2000, Kiribati and Samoa issued a common silver coin consisting of two unequal parts with the face value of 5 +5 Dollars; In 1997, Australia has issued a number of silver coins with the face value of 1 + 0.25 Dollars (Holley dollar and Dump).

<sup>8</sup> Nauru, 2001, 10 Dollars in silver

<sup>9</sup> Coating parts of the coins in platinum (platinum plated parts may be round, in the shape of the quadrangle, or oval - cameo), coins with platinum plated obverse or reverse of the coin (or both), most frequently in gold, is present in a number of countries (e.g. Canada, Australia, Andorra,...)

<sup>10</sup> Some examples of adding of other materials (non-metals) to coined money: Liberia, 10 Dollars, 2004, silver with the inlay of colored glass; Poland, 20 Zlotys, 2001, silver withirconia; Poland, 20 Zlotys, 2001, silver with inlaid amber; Poland, 20 Zlotys, 2002, silver with the inlay of ceramics (also, all three Polish coins are specially technologically treated – oxidized silver).

<sup>11</sup> Coins made by means of the technology of engraving the mold (the tool): Hungary, coins with the face value of 200 and 2000 Florins, 1999, non-precious alloy, respectively silver with the hologram effect; money made by applying a special foil with the hologram on the coin with the face value of 3000 Florins, issued in the year 2000, silver, Hungary; Direct application of color on the coin, Cuba, 1 Peso, 1994 non-precious alloy; colored foil applied on the coin, Palau, 5 Dollars, 1995, silver.

image technology<sup>12</sup>; to coins with movable parts<sup>13</sup>, to coins with inlays<sup>14</sup>; to money made of the acrylic<sup>15</sup>, etc.

## **2.2. The Issuing Profit**

Specially important for the realization of issuing profit as non-fiscal income are not only the "classical" preconditions such as the purchasing power of the money, its denomination structure, material of which it is made, the quantity of issued coins, habit and tradition, but also a systematic numismatic and notaphily approach to the making of cash.

Through the interfusion of these two approaches, states that apply them can achieve significant economic effects.

## **3. Conclusion**

Integral processes in which Croatia is participating impose the need and necessity for a modern approach towards the issuing of metal and paper money. This approach includes the study and the treatment of the cash money as an integral part of the financial science that – combined with the implementation of new achievements in this sphere, with innovation and with respect for some traditional experiences from the rich Croatian inheritance – can guarantee our country significant advantages. In this way, issues of recent cash money at the same time become parts of the contemporary numismatics and notaphily.

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<sup>12</sup> Minted photo image technology: Mongolia, 500 Tugrik, 2004, silver.

<sup>13</sup> Money with movable parts: Island of Man, 60 Pennies, 2002, non-precious alloy (central part of the coin is movable).

<sup>14</sup> Coins with supplements: Congo, 10 Francs, 2004, silver (compass), Liberia, 10 Dollars, 2004, silver (sundial).

<sup>15</sup> Congo, 10 Francs, 2004.