Foreword

This book details the fascinating history of the development, production, and use by the private sector of token copper coins during the early years of the Industrial Revolution, 1787–1817. The Industrial Revolution moved workers off the land into factories and thereby greatly increased the demand for small-value transactions money, to pay the wages and to allow the workers some choice in their use of their wage receipts to buy food, drink, and other goods. For a variety of reasons, nicely described by George Selgin, neither the Royal Mint nor commercial banks were willing or able to provide such small-value currency. There was a dearth of small change available to pay wages. The shortage was so severe that it was proving a serious hindrance to the industrial development of Great Britain.

Where there is a shortage, there is also a profitable opportunity to satisfy that demand. Selgin tells the story of how the private sector, led by Anglesey copper mine owner Thomas Williams and by James Watt’s partner Matthew Boulton, started to strike its own token copper coins. As part of his effort, Boulton built the world’s first steam-powered mint. The enthusiastic public reception of Williams’s and Boulton’s prototype coins led to the opening of numerous other private mints, which eventually supplied Great Britain with hundreds of tons of copper pennies, halfpennies, and farthings.

Since these copper coins were neither full weight nor legal tender (e.g., for the payment of taxes), what made them (locally) acceptable? There were, I believe, three criteria for this. First, the suppliers of the coins promised to make them redeemable (convertible), on demand, either into gold or silver coin produced by the Royal Mint or into Bank of
England notes. Second, that promise was credible because the supplier was often a rich, established, well-known local industrialist or merchant. Third, the coins were well made by innovative and complex techniques that were difficult to counterfeit. Indeed, so successful and acceptable were some of these coins that they were at times preferred to the scarce and often badly worn (and easily counterfeited) regal copper coins that had been previously coined by the Royal Mint.

Nevertheless, despite the success of such coins in filling a vacuum, the authorities were far from happy with having part of their nation’s coinage privately produced. This concern was aggravated when private producers moved on from the issue of copper tokens to the issue of silver tokens and even to the issue of gold tokens, as was done by Reading’s John Berkeley Monck in 1812 (see chap. 6). Of course, any suggestion that the authorities might make such private coining illegal would make holders tend to take up their redemption option (i.e., to run from the currency), thereby making complaints against private currencies self-validating. Anyhow, goaded by Monck’s threat to create a private gold standard, the government under Spencer Perceval moved to make private coins illegal. The government was prevented from doing so immediately because of the lack of alternative (small-value) coinage, but eventually, on New Year’s Day, 1818, the passing of almost all private coins became illegal. Only tokens issued by the Sheffield and Birmingham workhouses were temporarily exempted.

The story that Selgin has to tell is nowadays largely unknown and is both important and gripping. There are many interdisciplinary facets to this book. It throws light on, among other things, major chapters in the histories of coinage and numismatics, of the industrial revolution and engineering developments, and particularly of Birmingham and the manufacturers of that great city.

But Selgin and I are both monetary economists (and monetary historians). The main lesson of this book for him is that the private sector can produce and provide good money (hence the book’s title) that may in some (technical) respects be better than the government’s own money. I certainly agree that when the government fails to provide a satisfactory money, substitutes will be forthcoming, whether foreign money (e.g., U.S. dollars) or private tokens. But to me, the main lesson of this book is not so much about whether money should be produced by the public or private sector but the support the book gives, in my view, to the Cartalist theory of the essence of money. In effect, the balance between the metallic content and the face value of a coin represented the credible com-
mitment of the issuer. Local confidence that an IOU could and would be honored meant that coins could generally be accepted and used in exchange. The better the credit of the issuer, the wider the circulation, and the less need for intrinsic value of the money object.

Selgin, I would guess, sees the almost universal provision of currency by the state as an unnecessary and undesirable consequence of coercion to protect a profitable monopoly (seigniorage). In contrast, I see the state’s role in this respect as the almost inevitable consequence of the fact that the state is—admittedly in large part because of its coercive and tax powers—the most creditworthy institution in the country. Whichever of us may be correct, it makes no difference to the fact that this is an excellent and fascinating book.

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