Published on *Reviews in History* (http://www.history.ac.uk/reviews)

Sterling : the Rise and Fall of a Currency

Review Number:
123
Publish date:
Saturday, 1 April, 2000
Author:
Nicholas Mayhew
Date of Publication:
1999
Pages:
320pp.
Publisher:
Allen Lane
Place of Publication:
London
Reviewer:
Ranald Michie

Is it possible to write a popular book on the subject of money that is both readable and scholarly? The feat has been accomplished in other areas of history with books on people and battles, written by reputable academics, to be found on best seller lists. However, one of the few I know in financial history is J.K. Galbraith's *The Great Crash* which, despite its age and flaws, remains very popular. Considering the abiding interest in the subject of money surely those who write about its history should meet a ready response among the public if only they can find the trick of combining readability with authority. Clearly, this is the task that Nicholas Mayhew has set himself. With his experience as the curator of the coin room in the Ashmolean he may have more experience than most in trying to persuade people that money can be a fascinating subject. The question then is whether the book succeeds in its objectives.

The structure of the book is a chronological one with eight chapters covering the period from the Domesday book to the present day. In addition there is a price index and a glossary of terms as well as a number of coloured illustrations of coins and notes. In the first four chapters the establishment of sterling as a currency is described and then related to the growing monetisation of the economy as more and more transactions required the use of money. There is some debate whether this monetisation was achieved by an increased quantity of coin being available or an increased velocity of circulation. Whatever the circumstances gold starts to become more important in the 13th century due to a shortage of silver and the need to make payments over longer distances, so favouring gold because of its higher value related to weight. In turn that leads to the growing use of credit instruments, like bills of exchange, in the 14th century. Thus , by the 16th century Britain was already relatively advanced in its use of money involving as it did not only coins but also credit, while transactions were international in scope. Nevertheless, these international payments were routed via Antwerp at that time, as it stood at the centre of the network of payments . What emerges from these early chapters is that government is not to be trusted with control over the monetary system because of its tendency to manipulate the currency to suit its own requirements. My one quibble with these early chapters is the discussion on the velocity of circulation which appears rather confused. Rising or falling velocity of circulation can be related to the supply of currency, the demand for that currency, and the financial sophistication of the economy and thus it is rather dangerous to make judgements on what is taking place and why without fully exploring all these. Part of the confusion is caused by the fact that money remains undefined in these early chapters for that is not tackled until the chapter on the 17th century , when paper money begins to be used. Then in the 18th century paper becomes increasingly common instead of silver, along with copper for small denomination coins and gold for larger value transactions.

The final four chapters deal with the last two centuries with the establishment of sterling on a gold basis in 1816 and the introduction of the sovereign in 1817 to replace the guinea. It does can as something of a surprise to learn how recent were some of the monetary developments that appear to many today to go back into the sands of antiquity. Unfortunately, as the history of sterling becomes more complex and more international the book loses much of its appeal, when it was dealing with an essentially domestic development. Thus the golden age of sterling - 1850-1914 when it played a world role, is treated as a series of financial crises. Similarly, the chapters on the 20th century are really little more of a description of war financing, financial crises, and the views of Keynes. At this stage the book falls apart as it loses the cohesion that was given to it when money was more tangible, in the shape of coins. Instead, in the 19th and 20th centuries money and the financial system become inseparable and the one cannot be understood without the other. However, instead of providing the reader with an overview of the changing financial system and what implications it had for money, these chapters dwell much more on the general economic history of the period.

In the end this book is not a success. In many ways it is an economic history of Britain from 1066 with special reference to the currency. This works reasonably well when the economy is simpler and more insular, for there the references to prices and living standards seem more integrated into the story that is being told. Unfortunately that approach does not work when the economy becomes more complex and more international, with sterling both playing a global role and being exposed to world conditions. Consequently, if the aim of the book is to capitalise on the current debate on the future of Sterling by describing its past, it is the most recent and most relevant part of that past that is the weakest part of this book.

Other reviews:
[2]
