Introduction

On 1 March 1797, Edmund Burke, an aged politician and celebrated writer, sent a letter to his young friend George Canning expressing his concern regarding the ongoing war with France, the stability of government and the tenuous state of public credit.[1] Burke's apprehension was related less to the fragility of the nation's security and more to his fear that the way the government responded to the current financial instability might undermine the foundation of public credit. On the previous Sunday, the Privy Council had ordered the Bank of England to suspend payments in cash in order to fend off a large-scale run on the banks. The measure overturned the long-established rule that paper currency was convertible into precious metals. The idea of Britain's conversion to a paper-based currency system was particularly odious to Burke, whose *Reflections on the Revolution in France* fiercely attacked the French fiat paper currency *assignat* as representative 'not of opulence but of want, the creature not of credit but of power'.[2] It was a manifestation of French monetary despotism, fictitious wealth and an unsound economic idea – all of which were entirely foreign to the English situation, where there was flourishing commerce, solid credit and 'the total exclusion of all idea of power from any part of the transaction'. Burke elaborates on what set apart the paper money in England from that in France:

> They forget that, in England, not one shilling of paper-money of any description is received but of choice; that the whole has had its origin in cash actually deposited; and that it is convertible at pleasure, in an instant, and without the smallest loss, into cash again. Our paper is of value in commerce, because in law it is of none. It is powerful on Change, because in Westminster Hall it is impotent. In payment of a debt of twenty shillings, a creditor may refuse all the

[1] Edmund Burke, *The Correspondence of Edmund Burke*, ix: *May 1796–July 1797*, ed. R. B. McDowell and J. A. Woods (London, 1970), 267–9.
[2] Edmund Burke, *Reflections on the Revolution in France*, ed. J. C. D. Clark (Stanford, CA, 2001), 401.

paper of the bank of England. Nor is there amongst us a single public security, of any quality or nature whatsoever, that is enforced by authority.[3]

In this brief exposition of the two foundations of Britain's paper currency, written with Burke's characteristically lucid style, the convertibility of paper into a precious metal formed only part of the contrast he intended to draw between the British and the French currencies. It was only by detaching it from the idea of 'authority' that Britain's paper currency could be completely set apart from the French currency. The value of Britain's paper did not rest on law or compulsion by political power but on British citizens' voluntary acceptance of it 'of choice'. In an early publication in the 1760s, Burke had already expressed the voluntary nature of credit, which could not be coerced because 'power and credit are things adverse, incompatible'.[4] The idea of voluntary acceptance had a close affinity with the core argument of Burke's condemnation of the French Revolution, which hinged upon his alienation of the French Revolution from the democratic tradition of Britain's Glorious Revolution. Just as the revolution of 1688 had the voluntary support of the nation, Britain's currency value was rooted in the nation's choice. However, what had appeared in 1790 to be an unassailable contrast between English and French national traditions came to be undermined by the suspension of currency convertibility in early 1797. Suspending the Bank of England's cash payments decoupled Britain's paper currency from the metallic standard, and it also threatened the fundamental principle of voluntarism that the nation's monetary and political systems had long upheld. For Burke, the British government was on the verge of following the fatal precedent of the French *assignat* by introducing political authority into the currency system. The subsequent course of events demonstrated that Burke's earlier recognition of British monetary voluntarism held true: the Bank of England note continued to base its value on voluntary acceptance rather than on law.[5]

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What was the nature of the transformation that Britain experienced in the period following the suspension of cash payments in 1797? The era of

[3] Burke, *Reflections on the Revolution in France*, 401.
[4] Edmund Burke, *Observations on a Late State of the Nation* (London, 1769), 401. See also Richard Bourke, *Empire and Revolution: The Political Life of Edmund Burke* (Princeton, NJ, 2015), 348.
[5] In his letter to Canning, Burke stated, 'if you keep the Currency where it is and support it with vigour, necessity will draw out the Gold and silver'. Burke, *Correspondence of Edmund Burke*, ix, 269.

inconvertible paper currency in Britain offers a fascinating insight into a broad economic and social transformation triggered by a monetary regime change. Since its establishment in 1694, the Bank of England's promissory notes had been, in England if not across the British Isles, a widely recognised form of payment, but it was during the Bank Restriction period (1797–1821) that the Bank of England note truly became the nation's foremost currency.[6] At the end of the eighteenth century, money was omnipresent in British society. It was central to economic policy and to commercial transactions. In an industrial and commercial nation like Britain, money was the blood that circulated throughout its public and private spheres. Money was also crucial when a nation was engaged in major military conflicts, as the warring state sucked up a tremendous amount of financial resources. This was indeed the case for Britain at the end of the eighteenth century when it was fighting a war against revolutionary France. Money was equally essential for everyday economic transactions that concerned all sections of society, from wealthy aristocrats and business people to those who were barely making ends meet. In a society where the possession of money increasingly defined one's worth, money constituted a fundamental part of its denizens' world view and social relations. While a drastic change in the monetary order compelled Britons to rethink their ideas of monetary value, the social realities of monetary transaction were reshaped according to the new monetary regime.

Britain's Bank Restriction period and inconvertible paper currency were unique in several respects. First, despite some years of high inflation, especially around 1800 and 1813, Britain's paper currency generally retained its value throughout more than two decades of inconvertibility – over the period, the annual inflation rate was relatively moderate, at around 3 per cent, and the peak years of high inflation did not lead to financial collapse.[7] The relative stability showed that the new monetary regime was successfully operated. In contrast, similar experiments with paper currency in other European countries and in America ended with rampant inflation, or, as in the case of the two French experiments, the Mississippi scheme and the *assignat* led to devastating economic and

[6] In this book, Bank of England notes are referred to as 'Bank notes' to distinguish them from other banks' notes.

[7] Stephen Broadberry, Bruce Campbell, Alexander Klein, et al., *British Economic Growth, 1270–1870* (New York, 2015), 255–6; Youssef Cassis and P. L. Cottrell, *Private Banking in Europe: Rise, Retreat, and Resurgence* (Oxford, 2015), 103. See also Pamfili Antipa, 'How Fiscal Policy Affects Prices: Britain's First Experience with Paper Money', *Journal of Economic History*, 76 (2016), 1044–77.

social consequences.[8] Second, it was during the Bank Restriction period that the foundation of Britain's modern currency and banking systems was laid down, namely the gold standard in both theory and practice. The de facto gold standard, already in operation in England since 1717, came to be institutionalised by the legal recognition of gold as the principal standard of value and by the return to paper currency convertibility in 1821 at the 'ancient standard' gold price of £3 17s 10½d an ounce. Third, and particularly important for this book, Bank Restriction Britain saw a nationwide debate on a number of issues related to paper currency, a social and cultural phenomenon that cut across politics, intellectual controversy, legal courts, the business community, cultural politics and Britain's everyday life. It was the sheer volume and scope of the public discussion that make the Bank Restriction period so fascinating not only to economic and political historians but also to scholars of social and cultural history.

The Nature and Culture of Paper Currency

For the major part of monetary history, money existed in the form of metallic currency, especially gold and silver, and the historical association between money and metal has significantly shaped the way writers in the past understood the nature of money. The classical definition of money's functions – money as a medium of exchange, a unit of account and a store of value – is a description that has a natural affinity with metallic currency. However, since the last decade of the twentieth century, academic interest in inconvertible currency, or fiat money, has significantly intensified. The growing scholarly interest in money can be traced to various sources, from the emergence of supranational currency (the euro), local currency and digital currency to the destabilisation of the financial system culminating in the 2008 global financial crisis. More importantly, money in the contemporary world – especially after the demise of the Breton Woods system – almost without exception consists of inconvertible currency. The recent surge in interest in money has led to a revision of the established understanding of money, often drawing inspiration from historical experiences and ideas. Particularly notable in the rejuvenated discussion on money is the emergence of neo-chartalism or Modern Monetary Theory.[9] An early systematic expression

[8] The classic work is Charles P. Kindleberger, *Manias, Panics, and Crashes: A History of Financial Crises* (London, 1978).

[9] L. Randall Wray, *Understanding Modern Money: The Key to Full Employment and Price Stability* (Cheltenham, 1998).

of the idea of chartalism was offered by Georg Friedrich Knapp, who in his *The State Theory of Money* (originally published in 1905) argued that money was fundamentally a ticket or token (the term chartal is derived from the Latin word *charta*).[10] Knapp identified the source of monetary value in the political authority's power to enforce certain means of payment. The state was able to determine what materials were acceptable as a legitimate payment method, thereby giving a chosen medium a privileged status in public transactions. Such a de jure form of money was enforced when public offices only accepted a designated means of payment for taxes and made payments to subjects in the same manner. Following Knapp, the idea of money as a 'creation of the state' has been discussed by Mitchell Innes, Joseph A. Schumpeter, John Maynard Keynes, Hyman Minsky and Abba Learner, constituting an alternative theory to metal-based monetary theory.[11]

According to chartalism, the central role of currency is being 'a unit of account' because what matters to the stability of a monetary system is to have a stable unit – such as the pound sterling or the dollar – rather than what material constitutes money.[12] By serving as a unit of account, money mediates credit and debt relations as fiat currency is 'nothing more than debt' and its function is that 'it can be used to retire liabilities to the government – such as tax liabilities'.[13] For the modern proponents of the chartalist view of money, the dominance of fiat currency since the late twentieth century offers a demonstration that money is fundamentally credit money.

The neo-chartalist view of currency offers an opportunity to reconsider the historical development of modern currency. Notably, the economic sociologist Geoffrey Ingham has applied a neo-chartalist perspective in his explanation of the creation of modern capitalist currency.[14] According to Ingham, the historical currency system, which first emerged as a unit of account imposed by a political authority, grew into a capitalist monetary system through the fusing of public money and private credit. In eighteenth-century Europe, as the volume of commercial operations grew, public monetary transactions were no longer the dominant domain of monetary space. Large banks that operated at the

[10] Georg Friedrich Knapp, *The State Theory of Money*, abridged edition, ed. J. Bonar (London, 1924); Wray, *Understanding Modern Money*, 23–9.

[11] Wray, *Understanding Modern Money*, chs. 2–3. See also Joseph A. Schumpeter, *History of Economic Analysis* (London, 1954), 717.

[12] Geoffrey Ingham, 'Money Is a Social Relation', *Review of Social Economy*, 54.4 (1996), 517.

[13] Wray, *Understanding Modern Money*, 12.

[14] Geoffrey Ingham, *The Nature of Money* (Cambridge, 2004).

national and international scale served to mediate between public and private monetary transactions, thereby creating 'a wider and more abstract monetary space based on impersonal trust and legitimacy'.[15] Thus capitalist money was characterised as the hybridisation of public currency and mercantile credit, in which the security of private transactions was ultimately guaranteed by the state.

While neo-chartalist reinterpretation of the history of modern money gives a proper place to the tremendous growth of credit currency in early capitalistic developments, it provides relatively less attention to historical variations and fluctuations. Why is it that modern monetary order has not always been stable? How did monetary regimes change and from what causes, and how were new monetary regimes naturalised? In particular, the fact that historical changes in monetary order often took place outside the control of monetary authorities warrants a study of money that gives equal attention to the monetary system and to the substantive level of money, that is how money has been used.[16] Viviana Zelizer's work on currency differentiation remains the best scholarly work highlighting the significance of monetary practice.[17] Zelizer argues that money users appropriated and modified money, attaching 'social meaning' to it, and that this currency appropriation could be observed even when a homogenous currency had been established. Zelizer discusses several strategies used to personalise currency, from mental accounting and 'earmarking' (separating money according to its origins and purposes) to physically altering notes and coins (adding personal marks and writings to them). While Zelizer stresses the personal nature of these practices, the appropriation of money through use could occur collectively. Alongside rules enforced by political authorities, users themselves may establish their own rules through everyday practice and social customs, creating a distinctive culture of money.

What Zelizer's study on the substantive level of money suggests is that money users can create and modify a monetary order. Nigel Dodd further investigated money users' constitutive role: he identified many instances 'in which money *already is* actively created by ordinary users – even those

[15] Ingham, *Nature of Money*, 126–31.

[16] Political scientist Eric Helleiner has discussed the creation of territorial currencies by investigating how the creation of the nation state and the dual growth of the state's financial operations and its disciplinary power, along with the advancement of technology to produce homogeneous currency, contributed to a situation that resulted in a nation having a single national currency. These factors, which Helleiner sees as the condition for the 'birth' of national currency, were more concerned with the consolidation of national currency, as his main example – Britain in the early nineteenth century – was antecedent to the establishment of the nation's money of account, the pound sterling. Eric Helleiner, *The Making of National Money: Territorial Currencies in Historical Perspective* (Ithaca, NY, 2003).

[17] Viviana Zelizer, *The Social Meaning of Money* (New York, 1994).

monies that states and banks produce'.[18] Money therefore is highly malleable and capable of reinvention. While the malleability of money has created distinctive monetary cultures and economic realities in different nations, communities and groups, money's capacity for reinvention provides a strong rationale for tracing the history of money. As Dodd rightly points out, to recognise money users' ability to mould and reinvent money is not to 'dispense with the need to understand the broader structural conditions of production of particular monies'.[19] Indeed, as much as money users are not entirely hedged in by rules set by the monetary authority (the state or banks), their use of money is not entirely free from certain sets of rules and structures that existed in moments in history.

A historical study of the substantive level of money can draw useful insights from how commodities were used in the past. In his influential essay in *The Social Life of Things*, Arjun Appadurai argues that studies of the circulation of commodities or things need to pay attention to a particular cultural and historical setting – what he calls the 'regime of value' – in which things were used.[20] The use of things is deeply connected to how they were designed, manufactured and distributed. Commodity use also includes both legitimate and illegitimate uses because users of things have not been entirely bound by the rules set by the commodities' makers. Such an insight perfectly applies to the history of the use of money. Like other things, money has an impassioned history of manufacture, including design, printing and counterfeiting. Money has been used, abused, stolen, lost, destroyed, prized, coveted and despised. There were material dimensions to the use of credit money, and, around its use, distinctive material cultures were formed. As will be discussed in this book, makers and users of paper currency equally took part in shaping the course of Britain's monetary history.

The history of money is also about culture. The use of money involves economic value and a shared belief regarding how such a value was generated. The foundation of monetary value was extensively discussed during the Bank Restriction period, and such discussions drove policy and everyday practice as they came to be widely accepted and formed part of contemporary culture. Money constituted a part of a broad cultural process, especially so during the Bank Restriction period because, at the time, there was a strong cultural tradition of seeing money

[18] Nigel Dodd, *The Social Life of Money* (Princeton, NJ, 2014), 272.
[19] Dodd, *Social Life of Money*, 306.
[20] Arjun Appadurai, 'Introduction: Commodities and the Politics of Value', in Arjun Appadurai, ed., *The Social Life of Things: Commodities in Cultural Perspective* (Cambridge, 1986), 15.

as a model of linguistic and visual representation. The monetary analogy of representation was founded on the idea of the intrinsic value of metallic currency. While the value of precious metal was thought to be the source of monetary value, metallic value and monetary value were supposed to have perfect correspondence. Before the Bank Restriction, the convertibility of paper currency into metallic currency guaranteed this correspondence. Once paper currency's convertibility was lost, the relationship no longer existed. Cultural historian Marc Shell found that the diffusion of paper currency foregrounded the issue of representative value in linguistics, aesthetics, literature and visual art, especially when paper wealth demonstrated its susceptibility to value fluctuation.[21] Inconvertible paper currency, by severing the bond between the representational medium of paper currency and what it purported to represent (gold and silver), posed a serious challenge to the traditional understanding of representation. This 'problematic of representation' concerning the epistemology and social existence of money had a profound impact on British culture.[22] The paper currency that appeared in James Gillray's caricatures, Samuel Taylor Coleridge's lectures, Percy Bysshe Shelley's poetry and Thomas De Quincey's prose was symptomatic of contemporary preoccupation with the question of the new relations between representation and value.[23]

Turning attention to everyday monetary operations, one could employ the concept of culture for heuristic purposes, as a way of identifying a set of beliefs and attitudes that shaped the ways the economic system operated on the ground. The research on the history of private credit serves as a case in point. Craig Muldrew's study of the English provincial economy demonstrates that ordinary economic transactions in the early modern period depended heavily on personal credit transactions that were grounded in a distinctive set of cultural norms and social expectations.[24] As purchases of daily necessities and household goods were conducted mostly on informal credit rather than cash, early modern consumers were entangled in a continuous credit relationship that formed the 'serial

[21] Marc Shell, *Art & Money* (Chicago, IL, 1995); Marc Shell, *Money, Language and Thought: Literary and Philosophical Economies from the Medieval to the Modern Era* (Berkeley, CA, 1982).

[22] Mary Poovey, *Genres of the Credit Economy: Mediating Value in Eighteenth- and Nineteenth-Century Britain* (Chicago, IL, 2008), 6, 16.

[23] Alexander Dick, *Romanticism and the Gold Standard: Money, Literature, and Economic Debate in Britain 1790–1830* (Basingstoke, 2013); Matthew Rowlinson, *Real Money and Romanticism* (Cambridge, 2010).

[24] Craig Muldrew, *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England* (Basingstoke, 1998).

sociability of the culture of credit'.[25] At a time when long chains of credit relations connected households, contemporary culture had a strong emphasis on trust in one another. The local community closely monitored and communicated the state of personal credit that was built, demonstrated and maintained by individuals and households. Interpersonal trust, constant bargaining, reciprocity and leniency characterised the operation of what Muldrew calls the economy of obligation, in which, in its early phase, moral and economic obligations were intertwined.[26]

Historians of England's long nineteenth century have discovered the continued relevance of the traditional forms of personal credit operations. As Paul Johnson and Margot Finn demonstrate, consumer credit and credit-related litigations (as well as imprisonment for debt) were a part of everyday life in nineteenth-century England, existing alongside, on the one hand, non-monetary and non-contractual exchanges such as gift giving and, on the other, dry calculation-based economic transactions.[27] Finn, extending the chronology of the personalised economic relationship, has unearthed a wealth of personal experiences and literary depictions of consumer debt in her historical account of the piecemeal changes in debt-enforcing institutions. The mechanism for debt recovery in Victorian Britain still strongly featured personal bargaining and moral obligation, the operation of which was mediated and often defined by the equity tradition, extralegal obligations, negotiations and concessions, which worked in complicity with the cultural and social constraints of class and gender. As Finn writes, 'the enforcement of credit contracts was repeatedly mitigated in the practice of everyday life by contemporaries' reluctance to countenance notions of strict contract and individual liability'.[28]

What is at issue in the recent historiography of personal credit is the historical trajectory of the development of modern economic relations. Famously, Georg Simmel characterised modern money for its 'anonymity and colourlessness', qualities that detached it from money users'

[25] Muldrew, *Economy of Obligation*, 150–1.

[26] Muldrew observes an increasing dominance of institutionalised and centralised credit, such as the national financial market, the Bank of England and other joint-stock companies, which to some extent absorbed credit that previously circulated only in the local community. What Muldrew recognises as the growth of institutionalised credit corroborates Ingham's thesis of the historical hybridisation of public and private credit under the national monetary order. Muldrew, *Economy of Obligation*, 116.

[27] Margot C. Finn, *The Character of Credit: Personal Debt in English Culture, 1740–1914* (Cambridge, 2003); Paul Johnson, *Saving and Spending: The Working-Class Economy in Britain 1870–1939* (Oxford, 1985).

[28] Finn, *Character of Credit*, 98.

identity and personality.[29] After Simmel's seminal work, it became commonplace to assume depersonalisation in modern monetary relations – a separation between economic and social relationships – as a historical fact. However, credit currency has never existed entirely independent of social relations. Political power, communal practices and social networks remained factors that determined the circulation of credit currency. The assumption that modern money brought with it anonymous economic transactions is also questionable when it is tested against what we know about everyday life in nineteenth-century Britain, where face-to-face transactions remained the norm.

The continued relevance of personal credit relations points to a historiographical blind spot that exists between institutional provision and economic practices in terms of how they interacted in the past. Institutional credit provision involving the state and the Bank of England – on which the chartalist account of monetary history is grounded – was constantly subject to challenges and modifications. Among eighteenth-century authors, opinion was divided about the meaning of 'money of account' when the value of the Bank note and metallic currency diverged. The suspension of cash payments in 1797 shook the very foundation of monetary value, and such a systemic shock solicited a societal response from money users. Ultimately, interactions between the system, money users and their practices shaped a distinctive monetary landscape for Britain. Writing a history of money without money users is to miss a crucial component of the dynamics of the monetary regime and a driving force of regime change. Proper attention to money users is also indispensable when studying a period in which the constituency of money users saw a dramatic expansion – Britain's late eighteenth century being one such period. In particular, the Bank Restriction period saw the user-base of paper currency expand on an unprecedented scale. The introduction of small denomination notes in 1797 extended the reach of Bank notes to those who had previously not been accustomed to using paper currency in everyday transactions. As an increasing number of new members expanded the note-user community, the entire system of monetary circulation was restructured to accommodate them. In the resulting dense network of credit-money exchange, money users' practice transformed institutional provision. In other words, the institutionalised credit-money system was not entirely a product of deliberate policy or design, but it emerged at the juncture between institutional structure and note users' agency.

[29] Georg Simmel, *The Philosophy of Money*, ed. David Frisby (London, 1990 [1978]), 385.

This book draws upon the structural approach of neo-chartalism and the investigation into the substantive dimension of the use of money and its users. Rather than focusing on the genesis of credit money, its main interest lies in the dynamic process of credit money's evolution in one of the most turbulent eras of Britain's history. In particular, the book sheds light on the voluntarist and communal tradition in the history of credit money, though it by no means excludes other key forms of social entity, namely the state and nation. As Dodd argues, the three concepts – state, nation and community – offer alternative perspectives on the social aspects of money, which 'are not mutually exclusive and should not be run together'.[30] This book aims to describe how state, nation and community played their respective roles in shaping the history of Britain's paper currency.

Ideas of Paper Money and the Bank Restriction

Frank Fetter, who wrote extensively about the Bank Restriction period, notes that 'The two decades before 1797, despite the economic growth of the country and the expansion of banking, had been almost devoid of any fundamental analysis of the monetary standard, of banking theory, or of the position of the Bank of England'.[31] In terms of the development of monetary theory in Britain, the eighteenth century was only sparsely populated by major publications. One may even argue that the most fertile period of monetary debate prior to the Bank Restriction period was the 1690s, when the Great Recoinage debate produced numerous tracts that presented what became orthodox and heterodox theories of money. Monetary orthodoxy came to be represented by John Locke, whose claim that currency had an immutable metallic standard had subsequently been entrenched by the adoption of the de facto gold standard in 1717 by the Royal Mint under Isaac Newton's mastership.[32] On the other hand, the idea of flexible monetary standards, advocated by Locke's rival William Lowndes and the followers of Samuel

[30] Dodd, *Social Life of Money*, 8, 309. In contrast, Knapp distinguished between private and public 'pay communities'. Wray, *Understanding Modern Money*, 27.
[31] Frank W. Fetter, *Development of British Monetary Orthodoxy, 1797–1875* (Cambridge, MA, 1965), 1.
[32] Joyce Appleby, *Economic Thought and Ideology in Seventeenth-Century England* (Princeton, NJ, 1978); Joyce Appleby, 'Locke, Liberalism and the Natural Law of Money', *Past & Present*, 71 (1976), 43–69; John Locke, *Locke on Money*, ed. Patrick Hyde Kelly (Oxford, 1991); Kepa Ormazabal, 'Lowndes and Locke on the Value of Money', *History of Political Economy*, 44 (2012), 157–80.

Hartlieb – such as Cheney Culpeper and William Potter – fell into obscurity in the early eighteenth century.[33]

Eighteenth-century advocates of the paper-based currency system were generally discredited by its poor record of implementation. John Law, a Scotsman who contended that paper currency linked to the value of land was more stable than metallic currency, was to be remembered for his role in bringing about a devastating financial crash in France, where he put his idea into practice.[34] Mainstream economic writers in England and Scotland largely shied away from embracing paper currency that was not based on the metallic standard, with some exceptions, such as James Steuart and Bishop Berkeley, whose practical influence hardly matched that of their contemporary metallists, such as Joseph Harris, the Master of the Mint.[35] The Scottish thinker David Hume had a profound impact on the contemporary conception of money, though not because of his ideas about fiduciary money but because of his consolidation of the classical quantity theory of money.[36] As expressed by Hume, quantity theory saw a direct linkage between the quantity of money and the price level in a nation. When money was in excess of the volume required for a

[33] C. R. Fay, 'Locke versus Lowndes', *Historical Journal*, 4 (1933), 143–55; Carl Wennerlind, *Casualties of Credit: The English Financial Revolution, 1620–1720* (Cambridge, MA, 2011), 76, 129, 239; Carl Wennerlind, 'Money: Hartlibian Political Economy and the New Culture of Credit', in Philip Stern and Carl Wennerlind, eds., *Mercantilism Reimagined: Political Economy in Early Modern Britain and Its Empire* (New York, 2013), 81–5.

[34] Fetter, *British Monetary Orthodoxy*, 7–8.

[35] Schumpeter, *History of Economic Analysis*, 288–91. On Steuart, see Noboru Kobayashi, 'The First System of Political Economy', in Hiroshi Mizuta, Noboru Kobayashi and Andrew S. Skinner, eds., *An Inquiry into the Principles of Political Œconomy* (London, 1998), pp. lxxix–lxxxiii; Maria Luisa Pesante, 'Steuart's Theory of Money and Sovereignty', in Ramón Tortajada, ed., *The Economics of James Steuart* (New York, 1999), 186–200. On Berkeley, see Joseph Johnston, 'A Synopsis of Berkeley's Monetary Philosophy', *Hermathena*, 30 (1940), 73–86; Douglas Vickers, *Studies in the Theory of Money, 1690–1776* (London, 1960). Much less has been written on Harris, despite Schumpeter's comment that his work on money 'has some claim to being considered one of the best eighteenth century performances in the field of monetary analysis'. Schumpeter, *History of Economic Analysis*, 291.

[36] David Hume, 'Of Money', in Eugene F. Miller, ed., *Essays, Moral, Political, and Literary* (Indianapolis, 1985), 281–94; David Hume, 'Of the Balance of Trade', in Eugene F. Miller, ed., *Essays, Moral, Political, and Literary* (Indianapolis, 1985), 308–26. There has been a re-evaluation of Hume's monetary thought by scholars who interpret Hume's writings as being much more open to fiat currency than previous historians have acknowledged. Skaggs claims that 'Hume accepted the concept of fiduciary money to at least a limited extent'. Neil T. Skaggs, 'Credit Where Credit Is Due: Henry Thornton and the Evolution of the Theory of Fiduciary Money', *History of Political Economy*, 44 (2012), 451–69. Schabas and Wennerlind go further to suggest that Hume saw money's essence as trust and confidence. Margaret Schabas and Carl Wennerlind, 'Retrospectives: Hume on Money, Commerce, and the Science of Economics', *Journal of Economic Perspectives*, 25 (2011), 217–30; Wennerlind, 'Money', 86.

nation's trade, it would cause a general price increase, and, as high domestic prices deterred exports and attracted goods from abroad, the international payment medium, metallic currency, would be drawn out of the nation. This automatic mechanism of international adjustments – or the specie flow mechanism – would eventually settle the amount of domestic currency at a 'right' level.[37] Given the role of metallic currency in acting as the primary adjustment medium, quantity theory was firmly grounded in the metallic standard.

Like his contemporaries, Adam Smith based his views on paper currency on the metallist tradition, which is evident in his famous statement that compared the 'highway' of gold and silver money with 'the Daedalian wings of paper money'.[38] While admitting that the use of a paper medium would improve economic production, Smith saw convertibility as the necessary condition to guarantee the natural operation of the commodity money system.[39] Smith's attachment to convertibility as the precondition for secure paper currency was accompanied by a somewhat abstract notion of 'real transactions'.[40] Based on his observation of contemporary events, in particular the collapse of the Ayr Bank in 1772, Smith maintained that secure forms of paper instruments were based on concrete economic transactions as opposed to 'fictitious' or 'accommodation' bills that were created solely to supply credit. The real bills doctrine was to be reiterated during the Bank Restriction period, often being paired with the idea that excess credit currency would return to the issuers – which was called the law of reflux.[41] In hindsight, one may identify some embryonic ideas among British and other European writers concerning how credit currency operated. As yet, however, those early ideas had not grown into a coherent theory on inconvertible paper.[42]

The absence of a dominant orthodoxy in monetary theory, especially regarding inconvertible paper currency, resulted in an intense debate on currency and finance during the Bank Restriction period. Indeed, the period produced one of the most extensive debates on monetary issues in

[37] Fetter, *British Monetary Orthodoxy*, 4–5; D. P. O'Brien, *The Classical Economists Revisited* (Princeton, NJ, 2004), 169–75.

[38] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. R. H. Campbell, A. S. Skinner and W. B. Todd (Oxford, 1976), 321.

[39] Arie Arnon, *Monetary Theory and Policy from Hume and Smith to Wicksell: Money, Credit, and the Economy* (Cambridge, 2011), 38–44. See also Wray, *Understanding Modern Money*, 21–2.

[40] Smith, *Wealth of Nations*, 304.

[41] Fetter, *British Monetary Orthodoxy*, 10.

[42] The important contributions to currency theory by Ferdinand Galliani and Richard Cantillon were largely unknown in Britain; so were the previous Swedish debates on inconvertibility. Schumpeter, *History of Economic Analysis*, 706.

British history, known as the Bullionist Controversy, which culminated in 1809–11 with the publication of a parliamentary report on the high price of gold. Essentially, the debate revolved around the propriety of continuing with inconvertibility by inquiring whether the inflation experienced at the time could be attributed to the excessive issue of Bank notes. Those who took part in the debate often turned to Locke, Hume, Steuart and Smith, but these authorities from previous generations offered little direct insight on inconvertible currency, giving commentators on monetary issues in Bank Restriction Britain considerable room for theoretical latitude.[43]

Historians have traditionally depicted the development of monetary theory during the Bank Restriction by identifying two opposing camps: bullionists and anti-bullionists. According to this scheme, bullionists were adherents to the metallic standard, and they believed that money was an exogenous factor to the economy; that is, an increase in the volume of money did not affect the scale of economic activity.[44] Following quantity theory, they argued that when a greater amount of money was thrown into circulation, the excess money would raise the domestic price level, the principal indicator of which was the market price of bullion, until international specie flow eventually adjusted the price level, cancelling out the effect of excess currency. According to bullionists, the international distribution of the precious metal predetermined the amount of money that a nation could accommodate; hence issuing excess currency beyond the metallic reserve would harm the economy by causing inflation.[45] In contrast, anti-bullionists did not recognise the inflationary effect of excess currency, as they believed that additional money would stimulate economic activity – money as an endogenous factor – and that a nation's metallic reserve did not constrain the volume of money.[46] They claimed that the market price of bullion was primarily determined by its supply and demand rather than by the amount of circulating media. While bullionists regarded the metallic standard as an indispensable mechanism to rein in excessive currency

[43] Jacob H. Hollander, 'The Development of the Theory of Money from Adam Smith to David Ricardo', *Quarterly Journal of Economics*, 25 (1911), 429–70.

[44] Arnon, *Monetary Theory and Policy*, ch. 8; Edwin Cannan, 'Introduction', in Edwin Cannan, ed., *The Paper Pound of 1797–1821: A Reprint of the Bullion Report* (London, 1919), pp. vii–xlvi.

[45] Classic explanations are James W. Angell, *The Theory of International Prices: History, Criticism and Restatement* (Cambridge, 1926); D. P. O'Brien, ed., *Foundations of Monetary Economics*, ii: *The Bullionists* (London, 1994); Jacob Viner, *Studies in the Theory of International Trade* (New York, 1937).

[46] D. P. O'Brien, ed., *Foundations of Monetary Economics*, iii: *The Anti-Bullionists* (London, 1994).

creation, anti-bullionists did not see the need to link metallic and non-metallic currency, thereby advocating a paper-based monetary system. This schematic understanding of rival monetary theories, however, glosses over the wide spectrum of opinions and, at the same time, obscures some shared assumptions.[47] Dividing bullionists into 'rigid' and 'moderate' groups, as D. P. O'Brien has done, is one way to introduce a more nuanced understanding, but one should not assume that contemporary views always allow a neat categorisation.[48]

Arguably, we can set an earlier starting point for the British debate on inconvertible paper currency – in the early 1790s; by doing so, we begin to understand the political nature of the early debate and how the politics of the paper currency debate generated some shared understandings about paper currency among British writers prior to the Bank Restriction. What defined this early debate, and was the principal reference point for British writers, was the French experience of fiat currency during the French Revolution. As Linda Colley has argued, Britain's national identity between 1688 and 1815 was consolidated by envisaging the French nation as 'the Other', the plainest marker of which was the two nations' religious affiliation: Protestant Britain pitted against Catholic France.[49] The contrast did not stop there, and in the final phase of the 'protracted duel' between the two nations, beginning with the French Revolution and ending in the Battle of Waterloo, British society produced expressions of the French *otherness* in political, cultural and monetary terms. In this process, the British nation rediscovered their constitutional tradition, their cultural uniqueness and their economic system that owed much to robust industrial activity, the free market and a dependable currency.[50] Given the symbolic role that national currencies played in consolidating the collective consciousness of modern nation states across the world, the idea that there was a monetary dimension in the debate on British national identity formation was hardly far-fetched.[51] To British writers and politicians, the French paper currency *assignat* was a powerful symbol of the otherness of the French polity, which came to wield authoritarian power over the nation's economy. The *assignats*, originally issued in 1789 as a form of government

[47] Anna Gambles, *Protection and Politics: Conservative Economic Discourse, 1815–1852* (London, 1999), 90.
[48] O'Brien, *Classical Economists Revisited*, 176–7.
[49] Linda Colley, *Britons: Forging the Nation, 1707–1837* (New Haven, CT, 1992), 5–7, 18, 322.
[50] Colley, *Britons*, 24.
[51] For currency and national identity, see, for example, Eric Helleiner, ed., *Nation-States and Money: The Past, Present and Future of National Currencies* (London, 1999).

bond to cover state expenditure and reduce national debt, were backed by confiscated church estates.[52] Its creators originally envisaged that the holders of *assignats*, which bore 5 per cent interest, would use the bonds – amounting to 400 million francs – to purchase the confiscated land. When they exchanged the bonds for land, the *assignats* were supposed to be cancelled and burnt. However, not only did *assignats* remain in circulation after land purchases were completed, but the state's need for financial resources led to a prodigious further issue, or over-issue of the bonds, which then circulated as currency. Eventually, in April 1790, the French government decreed that *assignats* were legal tender and enshrined their place by printing small-denomination notes. Far from being the representation of secure property, the French paper currency became a medium for speculation and a major cause of inflation. The discussion on *assignats* served as a dress rehearsal for the subsequent British debate on inconvertible paper currency. William Huskisson, a young British expat in Paris with ambitions towards a political career – who would later become a leading authority in currency matters in his own country – made his name by applying Humean quantity theory to the *assignat* in his speech at the Societe de 1789 in Paris in August 1790. He told his French audience that, with the enormous amount of paper money in France, 'your prices in *paper* will go to any amount: your gold and silver will rise in *paper* price, like all other things'.[53]

Edmund Burke, whose animosity towards the revolution was fuelled by the way *assignats* were created, voiced the most celebrated critique against the French paper currency. As the intellectual historian J. G. A. Pocock astutely observed, Burke regarded the financial operation that gave birth to the *assignat* 'the central, the absolute and the unforgivable crime of the Revolutionaries'.[54] Burke's animadversion of the French currency was rooted in his rejection of any analogy between the English Revolution in 1688 and the French one in 1789. While the credit of the Bank of England, established as part of the Glorious Revolution, was supported by investments and deposits coming from citizens' voluntary

[52] Michael Bordo and Eugene White, 'A Tale of Two Currencies: British and French Finance during the Napoleonic Wars', *Journal of Economic History*, 51 (1991), 303–16; Jagjit S. Chadha and Elisa Newby, 'Midas, Transmuting All, into Paper: The Bank of England and the Banque de France during the Revolutionary and Napoleonic Wars' (Bank of Finland Research Discussion Papers 20/2013, 2013), 27–9; Eugene N. White, 'The French Revolution and the Politics of Government Finance, 1770–1815', *Journal of Economic History*, 55 (1995), 227–55.

[53] John Wright, *A Biographical Memoir of the Right Honourable William Huskisson* (London, 1831), 14.

[54] J. G. A. Pocock, 'The Political Economy of Burke's Analysis of the French Revolution', *Historical Journal*, 25 (1982), 334.

contribution, the French system was based on confiscation and forced-currency circulation, which amounted to the denunciation of private property.[55] Burke laid out the historical foundation of English public credit, centred around two pillars or conditions. The first pillar was the convertibility of Bank notes into precious metal, the core component of the Bank note as a 'promise to pay'. The second pillar was the principle that Bank notes were accepted only *by choice*. The credit of the Bank was ultimately guaranteed by its treasures, but acceptance of its notes was not compulsory but voluntary. No law, but custom enforced convertibility and voluntary acceptance. In England, papers issued by banks had no value 'in law', Burke explains, 'Nor is there amongst us a single public security of any quality or nature whatsoever, that is enforced by authority'.[56] It was this very denial of despotic power in the monetary order that safeguarded the English monetary system from degenerating into a system of forced monetary circulation like that which was emerging in France.[57] Burke drew a line between money that was 'enforced by authority' and money that was received voluntarily. The distinction between 'money by authority' and what his contemporaries called money of confidence was not Burke's invention, but political discussion of paper currency was most powerfully expressed in Burke's writing in the contrast between Britain's democratic money and the 'paper-money despotism' in France.[58]

Britain's early discussion on paper currency was not without division of opinion. A young medical student from Scotland, James Mackintosh, made an impassioned defence of the French Revolution against Burke's diatribe, in which he strove to cast a positive light on the new French system of finance.[59] Mackintosh argued that the National Assembly revived, rather than destroyed, public credit in France after the *Ancien Régime* had debilitated the French nation politically and financially.[60] Mackintosh's case for the regeneration of public credit soon lost ground as the continental wars put pressure on French finances, leading to a greater reliance on paper money, which was issued much beyond the

55 Pocock, 'Burke's Analysis of the French Revolution', 347.

56 Burke, *Reflections on the Revolution in France*, 401.

57 On the forced circulation of the *assignat* in contrast to other voluntary currencies in France, see Rebecca L. Spang, *Stuff and Money in the Time of the French Revolution* (Cambridge, MA, 2015), 8–9.

58 Pocock, 'Burke's Analysis of the French Revolution', 338.

59 James Mackintosh, *Vindiciae Gallicae: Defence of the French Revolution, and Its English Admirers, against the Accusations of the Right Hon. E. Burke* (London, 1791).

60 Steven Blakemore, *Intertextual War: Edmund Burke and the French Revolution in the Writings of Mary Wollstonecraft, Thomas Paine and James Mackintosh* (Madison, NJ, 1997), 204–7; Mackintosh, *Vindiciae Gallicae*, 22–35, 146–61.

estimated value of the confiscated property.[61] Private commercial transactions in France, including those involving specie, were severely restricted, and prices and wages came to be controlled by the Laws of the Maximum.[62] Legal sanctions, with the threat of the death penalty, were the principal tool to maintain the value of the currency, which proved to be ineffective against the rapid depreciation. In 1793, William Playfair estimated that the value of the *assignat* was more than half its previous level.[63] By 1796, the *assignat* had become practically worthless.

In the run-up to the French Revolutionary War, Burke's rhetorical assault on French paper money led to a practical rejection of its circulation in Britain. During most of the eighteenth century, payments in foreign paper currency between private individuals on British soil were valid with the agreement of the concerned parties.[64] The legality, or indeed the propriety of such practice came into question when John Wilkinson, who was a successful industrialist and brother-in-law to the radical thinker Joseph Priestley, circulated small-denomination *assignats* among workers and tradespeople at Bersham near Wrexham, Wales, where Wilkinson operated an ironworks.[65] The local circulation of French paper money came to the notice of Lord Chief Justice Kenyon, and subsequently parliament discussed the issue in December 1792.[66] The leading supporter of the bill to prevent the circulation of the *assignat* was Edmund Burke, who declared that its circulation was a 'treasonable fraud' that would serve 'no other purpose than that of assisting the

[61] Blakemore, *Intertextual War*, 205.

[62] Thomas J. Sargent and François R. Velde, *The Big Problem of Small Change* (Princeton, NJ, 2002), 505.

[63] William Playfair, *A General View of the Actual Force and Resources of France* (London, 1793), 52–3. Echoing Burke, Playfair later condemned the despotism of the Jacobins, who '[rule the nation] by means of a printing press and reams of assignats, pillage the nation, and excite massacre and bloodshed'. William Playfair, *The History of Jacobinism, Its Crimes, Cruelties and Perfidies* (London, 1795), 730.

[64] *Jordan's Parliamentary Journal* (1793), i, 186.

[65] W. H. Chaloner, *Industry and Innovation: Selected Essays*, ed. W. O. Henderson (London, 1990), 46; George Selgin, *Good Money: Birmingham Button Makers, the Royal Mint, and the Beginnings of Modern Coinage, 1775–1821* (Ann Arbor, MI, 2008), 57–8.

[66] R. H. Thompson, 'French Assignats Current in Britain: The Parliamentary Debate', *British Numismatic Journal*, 51 (1981), 200. Original papers: Letter from Peter Whitehall Davies to Lord Kenyon, 19 Dec. 1792, Lancashire Record Office (hereafter RO), DDKE/HMC/1373; Letter from Thomas Griffith to Lord Grenville, 7 Dec. 1792, The National Archives, Kew (hereafter, TNA), HO 42/23/98, fols. 226–8; Copy Out-letter to Thomas Griffith of Rhual from the Home Secretary, 10 Dec. 1792, TNA, HO 42/23/99, fols. 229–30; Letter from Thomas Griffith, 20 Dec. 1792, TNA, HO 42/23/100, fols. 231–2; Letter from Alexander Trotter, 29 Dec. 1792, TNA, HO 42/23/275, fols. 599–600; Letter from Thomas Griffith, 7 Jan. 1793, TNA, HO 42/24/22, fols. 48–9.

circulation of French principles'.[67] At the beginning of 1793, an act prohibiting the circulation of French-issued promissory notes was proclaimed, making French papers 'utterly void and of no effect in any payment within this realm'.[68] Offenders were to be fined five to twenty pounds for each note used.[69]

Burke, who died in July 1797, did not live to see how the new monetary regime of inconvertible paper unfolded – he only had a short glimpse of it from his death bed.[70] Nor is he remembered for his contribution to how his compatriots saw and understood the nature of paper currency that was no longer convertible to coins.[71] Burke's view on money was essentially political, and his inclination was closer to metallism than to nominalism, but he needed more than convertibility to set English paper currency apart from its French counterpart, which was, when Burke wrote his *Reflections* in 1790, still convertible into lands. The voluntarist basis of currency acceptance, rather than convertibility – which hardly distinguished Britain's paper currency from other convertible notes – was what made Burke's monetary contrast truly compelling and, at the same time, gave Burke's discussion of currency a logical coherence, especially by aligning it with his understanding of the English constitution. By introducing the voluntarist view of democratic money into his discussion, Burke practically resurrected the heterodox tradition in monetary theory, that is a credit-based theory of money. Equally importantly, Burke's discussion pointed to the distinctive way in which the contemporary discussion about paper currency was formulated. In addition to the rival theories of metallism and non-metallism, there was also a division within the latter. There were two forms of non-metallist view, or credit theory of money: one entailed an authority-based currency like the *assignat*, and the other a trust-based currency that was – as appeared in Burke's forceful discussion on Anglo-French monetary contrast – accepted voluntarily. That there were two sources of credit was a widely shared understanding of credit currency during the Bank Restriction period, an understanding that was reinforced by leading authorities in monetary discussion such as Henry Thornton and William Huskisson,

[67] *Jordan's Parliamentary Journal*, i, 186–8. [68] 33 Geo III, c. 1 (1793).

[69] 33 Geo III, c. 1, s. 2.

[70] It is noteworthy, however, that Burke reiterated the voluntary and communal nature of Britain's public finance in 1797. Edmund Burke, *A Third Letter to a Member of the Present Parliament, on the Proposals for Peace with the Regicide Directory of France* (London, 1797), 102. See also, Robert Mitchell, *Sympathy and the State in the Romantic Era: Systems, State Finance, and the Shadows of Futurity* (London, 2007), 131–2.

[71] For example, Adam Smith denounced American colonies' enforcement of paper currency by legal tender laws. Wray, *Understanding Modern Money*, 21–2.

while rigid bullionists such as Walter Boyd and David Ricardo strove to diminish, though they found it difficult to repudiate in toto, the theoretical importance of the distinction within credit currency.

In terms of the history of monetary theory, what is significant is that the majority of British commentators on money did not attribute the value of paper currency to the state. Indeed, those who refused to associate Bank notes with any authoritative power of the state largely dominated the debate on inconvertible paper currency up to 1810. Of the two rival concepts of money in the tradition of monetary theory, which were identified by Charles Goodhart as metallism and chartalism, the latter was anathema to most monetary commentators in Bank Restriction Britain.[72] It was not that chartalism, the state theory of money, did not exist in Britain; it was avoided and marginalised in theory and policy because the majority view at the time deemed it incompatible with the nation's democratic society and their liberal economic creed.[73] As the following chapters will elaborate, the voluntarist idea of money had a profound impact on British society as Britons acted on the belief that their voluntary acceptance was the source of monetary value.

Communal Currency in Britain's Past

Throughout this book, the term *communal currency* is employed as a generic description of a dynamically evolving idea and practice concerning currency that manifested in writings and actions of Britons during the Bank Restriction period. It is an arbitrary term compared to currency voluntarism, which was more explicitly articulated by Burke and many of those who contemplated the nature of inconvertible currency in the period of our study. Still, such a historiographical intervention is warranted for capturing, in a proximate form, a strand of belief and practice in a coherent manner, while avoiding the distinctive connotations with which the term 'confidence' came to be associated. Economic writers during the Bank Restriction period frequently referred to confidence

72 Charles Goodhart, 'The Two Concepts of Money: Implications for the Analysis of Optimal Currency Areas', *European Journal of Political Economy*, 14 (1998), 407–32. For the distinction between metallism and chartalism, see Schumpeter, *History of Economic Analysis*, 288–9.

73 Neo-chartalists, following Knapp, do not see legal tender as a particularly important factor. Wray, *Understanding Modern Money*, 11, 26. For its rejection of legal tender and state power, Britain's communal trust theory should be distinguished from the romantic economic theory of Adam Müller, who, according to Schumpeter, 'confus[ed] the State with Society'. Schumpeter, *History of Economic Analysis*, 428.

when they described interpersonal trust in the monetary community.[74] Confidence is central to Thornton's historical and theoretical account of paper circulation in his *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain* (1802) as he delineates a conjectural historical evolution of paper-based credit from personal trust among 'commercial men' to a more general trust. Commercial papers, he explains, first circulated based on 'confidence placed by each receiver in the last indorser [on the paper]'.[75] It is only when 'confidence rises to a certain height in a country' that paper instruments begin to circulate more widely and served as a common currency.[76] For Thornton, the British public's universal esteem of the Bank of England was the embodiment of this historical process. While Thornton's use of the language of confidence was hardly exceptional at the time, his analysis went beyond his contemporaries' largely static view of confidence. Thornton identified a dynamic level of confidence that modulated the velocity of paper circulation – a high degree of confidence would, for instance, increase the velocity of circulation, creating the multiplier effect of monetary circulation. Like his contemporaries, Thornton believed the confidence-based monetary order was what distinguished British paper currency from other, 'forced' currencies because, under the forced-currency system, there was a strong temptation for the state to manipulate the monetary value, and such political meddling did little to solicit general confidence, making the value of forced currency inherently unstable.[77] This was exactly the point Burke made in his contrast between the French *assignat*, which was circulated by authority, and the Bank of England note, which was accepted by choice. From the 1790s until the 1830s, various writers reiterated the idea of confidence as the basis of currency circulation, such as Thomas Attwood, who stated that any payment medium was 'created by confidence, supported by confidence, and discharged by

[74] On the proponents of the confidence theory in the 1790s, see Daniele Besomi, 'Paper Money and National Distress: William Huskisson and the Early Theories of Credit, Speculation and Crises', *European Journal of the History of Economic Thought*, 17 (2010), 64–5.

[75] Henry Thornton, *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain* (London, 1802), 40. See also Arnon, *Monetary Theory and Policy*, 53; Friedrich A. von Hayek, 'Introduction', in Friedrich A. von Hayek, ed., *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain (1802)* (London, 1939), 46–7; Neil T. Skaggs, 'Henry Thornton and the Development of Classical Monetary Economics', *Canadian Journal of Economics*, 28 (1995), 1214–15; Neil T. Skaggs, 'Thomas Tooke, Henry Thornton, and the Development of British Monetary Orthodoxy', *Journal of the History of Economic Thought*, 25 (2003), 183–4; Thornton, *Paper Credit*, 13–14.

[76] Thornton, *Paper Credit*, 37. [77] Thornton, *Paper Credit*, 61–7.

confidence'.[78] The idea also manifested in money users' actions in Bank Restriction Britain. When money users held a strong belief that their voluntary acceptance was crucial in maintaining monetary value, their actions, especially at a moment of crisis, took a distinctively participatory form – there are examples throughout this book. Communal currency was not merely an idea, but something that guided the actions of Britain's money users and was embedded in the nation's monetary institutions.[79]

Our consideration of the money users' community begs the question about the constitution of such a community. For much of the eighteenth century, most Britons had only a limited experience of paper currency in their everyday life. With the suspension of cash payments in 1797 and the subsequent introduction of small-denomination notes, which substituted metallic currency to a significant extent, the notes issued by the Bank of England and other banking houses became familiar objects to an increasing proportion of the British population. In 1770, Thomas Bridge's humorous parable *Adventures of a Bank Note* described the Bank note as a status symbol, the possession of which made a humble poet into 'a Bank-dubb'd esquire'.[80] By 1805, when John Bounden, a shipwright at Plymouth dockyard, received his wages in Bank notes, being a note user had ceased to be a marker of aspirational economic status.[81] In the last decades of the eighteenth century, there was a dynamic development in Britain's credit currency, and the suspension of cash payments was undoubtedly the most important factor driving that development. In the new monetary landscape, in which Bank notes passed through the hands of diverse users from provincial shipwrights to wealthy bankers in the metropolis, the money users' community was reconstituted and had to be reimagined.

The exuberance of paper credit was a blessing and a curse for British society. From the 1770s onwards, the expansion of currency circulation by speculative bankers with weak or dubious credit had caused high-profile business failures such as the collapse of the Ayr Bank in the 1770s and that of the Manchester bank of Allen & Co. in the 1780s.[82] In 1793,

[78] Thomas Attwood, *Prosperity Restored; or, Reflections on the Cause of the Public Distresses, and on the Only Means of Relieving Them* (London, 1817), 30. See also David J. Moss, *Thomas Attwood: The Biography of a Radical* (Montreal, 1990), 58–9. Moss calls Attwood 'a student of Thornton' (p. 60).

[79] For discussion on the social aspects of state, nation and community, see Dodd, *Social Life of Money*, 8, 309. Compare Wray, *Understanding Modern Money*, 27.

[80] Thomas Bridges, *The Adventures of a Bank-Note* (London, 1770), i, 15. See also Poovey, *Genres of the Credit Economy*, 144–52.

[81] On this episode, see Chapter 3.

[82] On the Ayr Bank affair, see Tyler Beck Goodspeed, *Legislating Instability: Adam Smith, Free Banking, and the Financial Crisis of 1772* (Cambridge, MA, 2016); Henry Hamilton,

when Britain was witnessing another bout of business failures, an anonymous writer with the pseudonym of Colbert Jr attributed it, in a pamphlet entitled *The Age of Paper*, to the great increase of 'fictitious capital' that had proliferated in England. While being intended as a warning against the unbridled expansion of paper credit, the pamphlet was written when the memory of the French *assignat* was still fresh and contrasting the French and the English currencies was the foremost preoccupation of British writers on currency issues. Tellingly, the author dedicated the pamphlet to Edmund Burke, who sounded an alarm regarding the danger of the French Revolution and 'denounced the *despotism of capital*, which enchained arts, sciences, and industry itself'.[83] The pamphlet, which drew upon Burke's authority on financial matters, is just one example of the way British writers discussed monetary issues at the junction of political, literary and economic thought in pre-1797 Britain. After the suspension of cash payments in 1797, which heralded a new era in the monetary order, British writers became increasingly conscious of the social dimension of inconvertible currency, which was a dominant feature of paper credit in post-1797 Britain. Thornton and his contemporaries did not fail to notice the redistributional effect that the fluctuation of currency value produced, and they discussed, for instance, how the stickiness of wages made labourers' lives difficult during an inflationary period.[84] They discussed such topics primarily as problems associated with inconvertible paper currency, and their recognition that paper currency was creating new social relations and inequities was peculiar to this time, when a greater part of the British population – including an increasing number of wage labourers – had come to be caught in the web of paper credit. The anti-paper controversialist William Cobbett was acutely aware of social inequity, a prevailing feature of the age of paper currency, as he stated, 'Not such a creation as that of paper money, which only takes the dinner from one man and gives

'The Failure of the Ayr Bank, 1772', *Economic History Review*, 8 (1956), 405–17; Paul Kosmetatos, 'The Winding-Up of the Ayr Bank, 1772–1827', *Financial History Review*, 21 (2014), 165–90; Hugh Rockoff, 'Upon Daedalian Wings of Paper Money: Adam Smith and the Crisis of 1772', in Fonna Forman-Barzilai, ed., *Adam Smith Review*, iv (London, 2011), 237–68. On the episode of the failure of Allen & Co., see T. S. Ashton, 'The Bill of Exchange and Private Banks in Lancashire, 1790–1830', *Economic History Review*, 15 (1945), 28–9; Leo H. Grindon, *Manchester Banks and Bankers: Historical, Biographical, and Anecdotal* (Manchester, 1877), 45–6; Frank Stuart Jones, 'The Development of Banking Institutions in Manchester, 1770–1850' (unpublished PhD thesis, University of British Columbia, 1975), 31; L. S. Pressnell, *Country Banking in the Industrial Revolution* (Oxford, 1956), 455.

83 Colbert Jr, *The Age of Paper; or, an Essay on Banks and Banking* (London, 1793), p. v.

84 See Chapter 5.

it to another, which only gives an unnatural swell to a city or a watering place by beggaring a thousand villages'.[85] One thing historians have hitherto failed to appreciate is the extent to which the paper currency debate during the Bank Restriction period contributed to nurturing a new sensitivity to monetised social relations, which would later be called the 'cash nexus'. The idea of the cash nexus, as a fundamental critique on capitalistic, money-oriented social relations, would have been developed by Thomas Carlyle, Friedrich Engels, Karl Marx and John Ruskin in the Victorian period; but when these Victorian writers denounced society as being connected only by the cold chains or shackles of the monetised exchange of labour, they stood on the societal experience of over two decades of inconvertible paper currency.[86] It is worth noting that Carlyle, who called the era of the French Revolution the 'Age of Paper, and of the Burning of Paper', with a distinctive echo of Burke, belonged to the generation of Britons who were growing up when Britain departed from the metallic monetary standard and were probably the first generation that regarded paper currency as *cash*.[87]

Notwithstanding its contribution to the lineage of anti-capitalistic discourse, communal currency in the early part of the Bank Restriction was, in the main, a description of sanguine social relations mediated by monetary exchange. Jeremy Bentham, who, as an admirer of Thornton, was well versed in the contemporary idea of communal currency, pithily remarked,

> The credit of paper is a disposition of public opinion, which is strengthened by general example and habit to such a degree that a time arrives when nobody thinks of converting it into cash: abstractly speaking, every body may know that the existing mass has no solid base, but this ideal reflection does not intrude into the ordinary transactions of life, and distrust does not attach to this or that individual piece of the paper. It is received as it is given. Others have trusted it, we can trust it as well.[88]

According to Bentham's account, note users based their decision to accept a note on the trust that had been shown by note users before then,

[85] William Cobbett, *Rural Rides*, ed. Ian Dyck (London, 2001), 256.
[86] On the cash nexus, see, for example, Niall Ferguson, *The Cash Nexus: Money and Power in the Modern World, 1700–2000* (London, 2001).
[87] Thomas Carlyle, *The French Revolution: A History*, ed. David Sorensen (Oxford, 1989), 154; Simon Heffer, *Moral Desperado: A Life of Thomas Carlyle* (London, 1995), 169–70; John B. Lamb, 'The Paper Age: Currency, Crisis, and Carlyle', *Prose Studies*, 30 (2008), 27–44; B. W. Young, *The Victorian Eighteenth Century: An Intellectual History* (Oxford, 2007), 33–4.
[88] Jeremy Bentham, 'The True Alarm', in *Jeremy Bentham's Economic Writings*, ed. Werner Stark (London, 1954), iii, 105–6.

and this decision was equally, though implicitly, based on the expectation that others in the future would judge the value of the note in exactly the same manner and accept it.[89] In such a way, personal trust is accumulated and shared among note users and therefore becomes *interpersonal* trust, while individual users perceive this interpersonal trust by identifying with other subjects.[90] The money users' community is a space in which interpersonal trust gives general currency to a payment medium. To be sure, this community has, for the most part, an abstract and notional existence; it is an 'imagined community' that is hardly visible in normal times.[91] Nor is the coherence and stability of such a community always guaranteed on account of social divisions by class, gender, geography and politics. It is all the more remarkable, however, that the obvious social divisions in eighteenth-century British society did not hinder contemporaries from embracing a community-based understanding of currency. Equally importantly, the decline of communal currency in the 1810s was not the result of teleological development of modern monies since historical contingency operated powerfully in discrediting communal currency and bringing about its eventual demise.

In its attempt to rediscover Britain's communal currency, this book departs from the conventional chronology of the Bank Restriction period, which starts in 1797 with the suspension of the Bank of England's cash payments and ends in 1821 when convertibility was restored. Instead, this book's narrative starts in the early 1790s, when the British had an initial engagement with inconvertible paper currency through their observation of the French monetary experiment. By contrasting the French *assignat* with their own paper currency, some British writers had early inklings that they were entering an age of paper, which turned into a conviction with the introduction of inconvertible paper currency in 1797. The choice of 1833 as the book's terminus ad quem defies the conventional narrative, which concludes with the resumption of cash payments in 1821 – the year when Britain's paper-based currency system came to an end. The early gold standard was hardly a stable system, and, for a study of Britain's communal currency tradition, 1833 is far more symbolic because, in that year, with the Bank note becoming the legal tender of the land, the voluntary foundation of the nation's currency was ultimately lost. The book's daring claim that

89 This is unless the latest owner of the note decides to become the note's final user by bringing it to the original issuer for payment.
90 Helleiner, *Making of National Money*, 45–6; Rowlinson, *Real Money and Romanticism*, 5.
91 Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism* (London, 1983).

the Bank of England note was a *British* currency in the early nineteenth century may sound anachronistic. Admittedly, most of the events that the book narrates took place in England, but the fact remains that the notes issued by a bank based in London, without branches for most of the period of our study, were at the heart of contemporary discussion and imagination across the British Isles. And, as the following chapters strive to demonstrate, the English bank's notes did find a way to various parts of England, Wales, Scotland, Ireland and beyond.

This book's thematic chapters do not follow a strict chronological order, yet they are divided into two parts that correspond to the two distinctive stages of Britain's monetary regime that were dominated by paper currency. In the first part, Chapters 1–3, the book's discussion focuses on the early part of the Bank Restriction period, when communal currency and currency voluntarism became predominant features of Britain's monetary landscape. Chapter 4 serves as the bridge between the book's two parts by illuminating a number of events that occurred in the early 1810s that collectively constituted a turning point, in terms of theory, policy and institutional arrangements, in the fortunes of Britain's inconvertible currency system. The second part of the book, Chapters 5 and 6, describes how public hostility against the Bank and the 'forced' circulation of the Bank note undermined currency voluntarism, causing disenchantment among note users about communal currency, which was accompanied by radicalisation of the communal currency idea. Disenchantment and the disintegration of the money users' community, as it will be argued, were the main drivers that consolidated support for terminating the inconvertible currency system in 1821, and the same disenchantment eventually wiped away the remnants of voluntarist and communal features from Britain's currency in 1833. The Conclusion briefly summarises the book's main discussions. The demise of Britain's communal currency in early nineteenth-century Britain was largely forgotten by later monetary economists and historians of money. This remains the case in the early twenty-first century, but this book has benefited from substantial advancement in the historical approach to finance and money. Once neglected, financial and monetary history has been reinvigorated as some serious questions have been posed to the neoclassical and neoliberal world views and their ability to explain the humane, impassioned and often unpredictable nature of capital markets and the floating monetary standard, a recent notable manifestation of which was the 2008 international financial crisis.

The rise of new types of communal currency, from local currencies to the digital cryptocurrency, has tested established understandings of money and currency, and, at the same time, the intensifying critiques of neoliberal markets and capitalism appear as direct assaults on Wall Street and the banking system.[92] History shows us that what appear to be unassailable institutions and scientific truths have often emerged as a product of intense negotiation, struggles and historical contingencies, including the suppression of rival ideas, and this book aims to shed light on such historical contingencies in the emergence of Britain's modern currency order and in the way monetary transactions in capitalist society have been organised and imagined in British society. The very historicity of the modern monetary landscape makes it legitimate to question what appear to be entrenched and immutable social institutions by appreciating the human agency that moulded and sustained them. In the following chapters, my hope is to capture the social life of Britain's paper currency as much as that of the money users who took part in the making of a modern monetary system.

[92] See, for instance, Nigel Dodd, 'The Social Life of Bitcoin', *Theory, Culture & Society*, 35 (2017), 35–56.