

Notes on British Money of Adam Smith's Time

The official British monetary unit in Adam Smith's time, as today, is the *pound sterling*. As its name implies it was originally a silver currency, but by the 1750s, Britain had adopted the gold standard. Until 1971, the pound was divided into 20 *shillings*, and each shilling was worth 12 *pence*, so that the pound was worth 240 pence. The standard symbol for pounds is £, usually written *before* the numerals (e.g., £130). Frequently, when subparts of pounds are included, pounds/shillings/pence are written l/s/d, usually written *after* the numerals (e.g., 4 pounds, 7 shillings, and 9 pence is written 4 l. 7s. 9d). While this seems like a complicated system to us who are used to the decimal system, it was a commonplace system in early modern Europe. Decimalization began with the French Revolution. Britain had little use for France, and so resisted longer than most other countries. In fact, the prime factors of 12 and 20 are more numerous than those of 10, so that, once one is used to it, the old system is not so hard for mental arithmetic.

In Smith's time and through most of the 19th century, the pound sterling was defined by its gold value: 1 Troy ounce of gold = 3 l. 17s 10½d (the most common way of stating it) or, put inversely, £1 = 0.2242 (i.e., 1 pound was worth between 1/5 and 1/4) Troy ounce of gold.

The common coins under the predecimal money were:

- the gold *guinea* = 1 l. 1s. (Prices for some products – race horses, Oxford college ball tickets, goods sold at some high-end auctions – are still sometimes quoted in guineas, even though no guinea coin has been in circulation for some time.) Under decimalized currency the 1 guinea = £1.05
- the silver *sovereign* = £1
- the *half-sovereign* = 10s.
- the *crown* = 5s.
- the *half-crown* = 2s. 6d.
- the *florin* = 2s.
- the *shilling* = 1s.
- the *six pence* = 6d.
- the copper *three pence* (often spoken “thrupence”) = 3d.
- the *two pence* (often spoken “tuppence”) = 2d.
- the *penny* = 1d.
- the *halfpenny* (often spoken “ha’penny”) = ½d.
- the *farthing* = ¼d.

It is often hard to get a feel for the value of money from a distant time, given the significant inflation in the meantime. A useful website, <https://www.measuringworth.com/>, provides a converter for both dollars and pounds sterling between different years. Based on that, the table below shows the value of some units of British concurrency using three methods of conversion. While the numbers are variable, it is clear that £1 (or even 1d.) was worth a lot.

The Value of the British Money of 1776 in Today's Money

Converted using:						
1776 value	Retail Price Index		Average Worker's Wage		GDP per Capita	
	2019 pounds	2019 dollars	2019 pounds	2019 dollars	2019 pounds	2019 dollars
£1	135.70	170.98	1,644.00	2,071.44	2,015.00	2,538.90
1s.	6.78	8.54	82.19	103.56	100.70	126.88
1d.	0.54	0.68	6.58	8.29	59.57	59.57

Notes: Conversions using:

- *Retail Price Index* measure how much 2019 money you would have today to have to buy the goods and services that the 1776 value would buy in 1776;
- *Average Worker Wage* measure how much you would have to pay a worker in 2019 for the same labor-time that the 1776 money would buy in 1776;
- *GDP per Capita* measure how much money you would have to receive in 2019 to have the same share of GDP per capita as represented by the 1776 value.

Paper money was also in circulation in Britain in 1776 – mostly in the form of banknotes of private banks. There were many, many banks; and many of them issued their own bank notes. At the time, even the Bank of England, which chartered by the government and largely managed the funds of the British Treasury was nonetheless a private bank (and remained so until 1946, when it was nationalized). In Smith's time, paper money was not legal tender, but banks promised to redeem their notes either in coin or in Bank of England notes. (Private banks still issue paper notes and they still pass as common currency in Scotland and Northern Ireland, where they circulate side by side with English currency. They are now required by law to exchange one-for-one with Bank of England notes. People in Scotland are generally happy to accept English notes, but people in England often look askance at Bank of Scotland, Royal Bank of Scotland, or Clydesdale Bank notes (“Is it *Monopoly* money, you are trying to give me?”).