

history of ideas. Sargent and Velde's book is a contribution to economic history, but it is of interest to the historian of economics, because it demonstrates that economic theory was not a passive onlooker but an essential part of the story.

In deference to the economic style for which Sargent is well-known, the history in the book is buttressed by a formal monetary model characterized by two cash-in-advance constraints—one for goods that can be purchased only with small coins and one for goods that can be purchased with either small or large coins. The chief advantage of the models is that they give results of the right flavor: general price inflation leads to shortage of small coins. The use of cash-in-advance monetary models, however, points to one shortcoming of the book. It is hard to believe that having cash in advance was a barrier to effective transactions. Aside from any particular historical evidence, just the fact that even small coins in the Middle Ages were large, relative to incomes and day-to-day expenditure, suggests that trade credit was common. The failure to locate the monetary system in a larger credit system is a standing problem in monetary economics. With merchants extending credit to regular customers, Sargent and Velde's big problem could easily turn out to be a small one after all.

Coins are beautiful objects that fascinate collectors. Let me end in praise of this volume as one that lives up to the aesthetic standard of its subject. It is printed spaciously, in an attractive font, on a pleasing heavy, buff paper. The wide margins are adorned with notes serving as guideposts to the text in the style familiar from seventeenth and eighteenth century books. There are a number of attractive illustrations. Such books are one of the small pleasures of scholarship. They remind me why the internet is unlikely to drive the book completely away.

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Lawrence H. White, ed., *The History of Gold and Silver* (London: Pickering & Chatto, 2000) 3 vols; Volume 1, pp. xxxiii + 249; volume 2, pp. 1–267; volume 3, pp. 1–231, \$480. ISBN 1-851-196517-3

We live so much in the world of fiat money that it is hard to recall that the gold standard finally ended only in the collapse of the Bretton Woods system just over thirty years ago (the U.S. dollar became inconvertible in 1971). Modern textbooks treat metallic money, implicitly, at least, as the "barbarous relic" that Keynes believed it to be. To be sure, for some—the denizens of right-wing talk radio and some Austrians, among others—*real* money always is, and always was, gold or silver. The age of the gold was the apogee of economic civilization; its death calls for perpetual lamentation, not celebration. The sad history of inflation from WWII through the mid-1980s can be blamed on fiat money. The advocates of gold forget that the age of the classic international gold standard was itself short, really only from the 1870s through 1913, and that the gold standard, in its heyday, was not a purely self-regulating system, but one that required central banks to play by the "rules of the game." Before this period, monetary standards

fluctuated between gold and silver, suffered from problems of debasement, and even periods (as in Britain during the Napoleonic Wars) in which inconvertible paper replaced the metallic circulation. After this period, the gold standard limped from crisis to crisis. In his fine introduction to this anthology, Lawrence White notes the fact that the gold standard had problems does not logically imply that fiat money is better (p. x). But, of course, it does not imply that it is worse either.

White has assembled in three volumes a collection of classic writings on metallic money that is impressive in its range over time and topics. Volume 1 covers the nearly 500 years from the “*De Moneta*” of Nicholas Oresme (c. 1355) through “The Transmission of Precious Metals from Country to Country” of Nassau Senior (1828). The focus of this volume is the various attempts to understand the relationship between money and value and the management of the coinage. Monetary theory tends to take the debates between the quantity theory and various alternatives such as the real-bills doctrine or the Banking School as the key elements of monetary history. While the quantity theory, at least in a rudimentary form, is implicit in some of the authors in Volume 1 (e.g., in Davanzati’s “Discourse on Coins”), White has eschewed classic theoretical statements of the quantity theory, such as that of David Hume, in favor of writings more particularly about the coinage.

In a recent book, Sargent and Velde (2002) present the history of money as an evolution by fits and starts from the idea of money as simply a certain weight of gold or silver ultimately to fiat money. The key conceptual development is the idea that not every coin needs to be valued as its full weight in metal, but that a large monetary unit can set the standard, while inferior coins are mere tokens. Volume 1 can be seen as some of the primary documents in the history of this development. The penultimate chapter by Charles Jenkinson (Lord Liverpool) states clearly Sargent and Velde’s “standard solution”: small token coins convertible into a legal tender large coin.

The first part of Volume 2, with excerpts from both James and John Stuart Mill and Nassau Senior, relates to the problems of embedding a theory of the value of money into classical value theory based on cost of production. The second part concerns the practical applications of these approaches to the inflation of the middle of the nineteenth century and how it relates to the gold discoveries in California and Australia, represented by excerpts from Chevalier, Jevons, Cairnes, and Bagehot.

Volume 3 is devoted to the problems of bimetallism in the writings of Jevons, Giffen, Nicholson, MacLeod, Walker, Laughlin, and Price. The world of metallic money is alien and hard for the benighted inhabitants of the world of fiat money to understand. White provides a wonderfully clear introduction to how metallic money works and the special issues that it raises. I highly recommend *not* skipping the introduction or delaying reading it—as I did—until after reading in the main texts. White’s travel guide enhances the tour.

Some economists partial to the idea of spontaneous order write as if money appeared smoothly and naturally and as if the only problem with the monetary system is unnatural government interference—especially the nearly criminal substitution of paper for metal. Reading these volumes conveys a very different

impression. Money was, perhaps spontaneous (although that is not really established here), but the evolution of money as a social institution, as well as our conceptual understanding of it, was difficult and painful. These volumes reinforce the idea that money was a serious business. William Fleetwood argued in 1694 that the social costs of clipping or otherwise debasing the coinage were dire and must be stopped. "And if nothing less that Death will serve to these good Ends, then putting Men to Death for Clipping and Coining is neither cruel nor Unjust. And tho' more Pity usually attends these Criminals than others, yet the Laws have not therefore less of Reason and Equity, that condemns them . . ." (vol. 1, p. 148). And Fleetwood was an Anglican priest! Golden Age or barbarous past?

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REFERENCE

- Sargent, T. J. & Velde, F. 2002. *The Big Problem of Small Change*. Princeton, NJ: Princeton University Press.

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