

The Making of National Money: Territorial Currencies in Historical Perspective. *By Eric Helleiner*. Ithaca: Cornell University Press, 2003. xii + 277 pp. Figures, notes, bibliography, index. Cloth, \$32.50. ISBN 0-801-44049-1.

Reviewed by Stephen Mihm

As Eric Helleiner writes, it was until recently “seen to be quite natural for each country to maintain its own territorially exclusive and homogenous currency” (p. 1). Currencies and nations went hand and hand, and few scholars, historians included, examined the reason for this state of affairs. Helleiner’s provocative history of modern monetary systems puts the rise of what he calls “territorial currencies” into proper perspective, and points the way toward new avenues of research into the history of money.

Prior to the nineteenth century, Helleiner explains, every nation, territory, empire, and colony in the world depended on multiple, overlapping monetary systems that seem, by today’s standards, baffling in their complexity. Much of the money that circulated consisted of “commodity money”—coins or some other medium of exchange that had an intrinsic value. Because such money could command value independent of national borders, it tended to circulate accordingly. Spanish gold and silver was perhaps the most famous. It became the hard currency of choice in North America, among other places in the “Atlantic World.” Cowrie shells served a similar function throughout much of the Pacific.

These cosmopolitan currencies coexisted with a multitude of local forms of money issued by private mints, banks, merchants, and local governments. Helleiner cites the example of England, where private banks issued paper money in the eighteenth and early nineteenth centuries at the same time as merchants issued countless copper tokens. Equally if not more heterogeneous monetary systems emerged in the United States, Japan, China, and most of continental Europe, all of which carried on commerce with thousands of different kinds of coins, tokens, bills, and commodity monies.

But, by the twentieth century, little remained of this system. Helleiner attributes this monetary revolution to several interrelated developments. First, he contends, the rise of individual nation states encouraged governments to monopolize and control currencies

within their boundaries. Many nascent nations abolished privately issued currencies that competed with new, “national” money issued by state-run mints. Simultaneously, many national governments began issuing fiduciary money—coins and bills that had no intrinsic value save the faith that the government would be able to redeem them for a stated amount of gold and silver.

Britain pioneered this transition. In the opening decades of the nineteenth century, it outlawed privately produced coins and notes issued by banks and transferred those responsibilities to the Royal Mint and the Bank of England. Many countries throughout the world followed suit in the nineteenth century. The United States did so in stages beginning in 1853, when it issued a fiduciary silver coinage; it subsequently issued a federal paper currency during the Civil War and taxed private bank notes out of existence. Almost every other country in the world pursued a similar policy, issuing a fiduciary coinage and monopolizing the issue of money, whether coins or bills. Many countries also took steps to remove foreign money from circulation.

Nationalism, Helleiner argues, helped spur these reforms. Money came to be seen as a means of cultivating national cohesion and inculcating loyalty among citizens. No surprise, then, that many of the new national currencies born at this time displayed imagery that evoked a common past, present, and future. The United States printed notes depicting turning points in the nation’s history. Helleiner, who teaches in Canada, jokingly laments that his own country had more modest ambitions. One of its first national notes depicted “an image of an allegorical figure pointing to the country’s place on a map of the world, as if to remind recent immigrants where on the globe their new country could be found” (p. 103).

While the rise of nations and nationalism fueled the rise of territorial currencies, Helleiner believes such consolidation would not have been possible without the rise of industrial methods of money manufacture. Once again, Britain led the way. Matthew Boulton invented a machine that harnessed steam power in order to mint unlimited quantities of identical coins bearing elaborate designs. Unlike the crude coins of previous centuries, these proved almost impossible to counterfeit, further cementing the authority of the emergent nation states that began issuing fiduciary coinage. Related developments

in engraving and printing technologies led to the creation of uniform paper currency as well, lending further credibility to these new territorial currencies.

Helleiner argues that more abstract economic factors fostered the embrace of territorial currencies as well. While the prospect of seigniorage (the profit a government makes by issuing currency) may have played a part, he argues that the desire to create new national markets did more to spur these reforms. Helleiner rightly observes that such reforms also had another significant benefit: they reduced transaction costs and increased the efficiency of government taxation, budgeting, and accounting.

Much of the rest of Helleiner's book focuses on subsequent challenges to this emergent order. In the mid-nineteenth century, for example, the idea of a world monetary union garnered widespread support, before foundering on the shoals of nationalism. On the other end of the spectrum, economic liberals, particularly "free bankers," who defended private currency creation, attempted to blunt the popularity of the new territorial currencies. Though unsuccessful in the nineteenth century, their criticisms continue to resonate today in libertarian circles and in scholarship on the history of banks and banking in the antebellum United States.

Historians reading Helleiner's book should recognize that its true value lies less in its historical detail (there is very little new primary research cited in the book) than in its remarkable synthesis of a global phenomenon. The argument necessarily rests on broad generalizations, and historians would do well to use it as a guide to future research. Indeed, this overview should spark renewed interest in the history of money, particularly the relation between political and monetary systems. As a field, it is wide open for inquiry, and should it ever get the attention it deserves, Helleiner will deserve no small share of the credit.

Stephen Mihm is the Harvard Newcomen Postdoctoral Fellow for the 2003–04 academic year. He is currently completing a book on counterfeiting in the United States in the nineteenth century.