The Many Kinds of Money in Mediaeval Europe

Ælfred se leof

The business and computer news have recently had a lot to say about "alternative currencies", most notably in the form of so-called "crypto-currencies" like Bitcoin and Ethereum. Prior to the crypto-currencies, the same outlets ran stories about "virtual currencies" used in online worlds like *Second Life* and *World of Warcraft*.

Several scholars argue that folks of the SCA period had their own sort of alternative currency, and a good one, too. According to Douglas Rushkoff (2011), "from the tenth through the thirteenth century … most of Europe enjoyed two main kinds of currency: centralized money, used for long-distance transactions, and local currency for daily transactions … because of the peculiar bias of this money, the people who used it were the most prosperous working class ever" (p. 164).

Rushkoff does not cite any references in support of his story, so I set out to write my own story of alternative currencies in the Middle Ages (with citations). This turned out to be harder than I expected, even without trying to answer the question of whether or not the working class of the tenth to thirteenth centuries really was the most prosperous one ever.

Museums are full of coins, and mammoth books have been published full of photographs and the names of kings responsible for issuing them; I often referred to the one edited by Martin Jessop Price (1980) in writing this article. But these tend to focus on the metallurgical and artistic qualities of the coins themselves rather than their use as money. Even Peter Spufford's *Money and Its Use on Medieval Europe* (1988), which explicitly sets out to write about money rather than coins, tends towards paragraph after paragraph describing how King So-and-So issued the Silver Doodad in the Year Such-and-Such. For this article, I want to focus on the more abstract concept of a *currency*, being a unit of measure of economic value as distinct from its physical representation, and the characteristics of the currencies that existed in mediaeval Europe.

Pennies, Shillings, and Pounds

A convenient point at which to start a story of currencies in mediaeval Europe is Charlemagne's introduction of the "penny" (or *denier*, derived from the Roman *denarius*, in Continental languages) in the eighth century. Most or all historians agree that the penny formed the basis of all conventional currency in Western Europe until well past the end of the SCA period – all the way into the middle of the twentieth century in the UK, Australia and New Zealand. Some historians relate that Charlemagne also introduced the concepts of "shillings" (20 pennies) and "pounds" (12 shillings) even though no actual coins having these value existed until much later.

Figure 1 Silver denier minted by Charlemagne, c. 793-81, obverse (left) and reverse. Image courtesy the American Numismatic Society, http://numismatics.org/collection/1961.144.1, licensed under a Creative Commons Attribution Non-Commercial Licence.

Charlemagne's empire was broken up after his death, and by the end of the tenth century various independent jurisdictions ranging from towns to kingdoms were minting their own coins. These were still called pennies or deniers, with multiples known as shillings and pounds, but they no longer had a common value fixed by Charlemagne's central mint. Consequently a penny issued by one political unit might have a different value to a penny issued by another political unit, just as modern countries like the Australia and New Zealand have their own measure of a "dollar".

Most historians agree that the amount of metal in pennies declined over time, for reasons summarised by Luca Fantacci (2004) as "consumption, clipping, counterfeit, imperfections in production – these sometimes deliberate on the part of the state authority" (p. 6). I take the latter comment to refer to the practice of *seigniorage*, through which a sovereign replaced existing coins with new coins of the same face value but lower metal content. Seigniorage allowed the sovereign to create more coins using the same amount of metal, returning coins of the same face value to the citizenry while keeping the extra coins to pay his or her own bills.

By the thirteenth century, the value of the metal in a penny was much less than the face value of a penny. Everyone seems to agree that some new type of coin was needed, but historians give a number of different motivations – not necessarily mutually exclusive – for this.

For Fantacci, as well as Roger Svensson (2013), the increasing size of transactions in commercial centres like Milan and Genoa required larger-value coins containing metal with higher value. For Hallsmith and Lietaer (2011), re-issuing coins became increasingly impractical as the size of political units grew. For Felix Martin (2015), seigniorage was open to abuse and unpopular amongst the increasingly-important moneyed classes whose coins it devalued (or 'debased'). For these classes, the value of the metal in a coin guaranteed that the coin was actually worth something.

Whatever the reason for the new coins, Fantacci argues that their introduction resulted in a dual currency system in which "small currency" (pennies) was used within local markets, where community agreement on the value of a coin was more important than its metal content, and "large currency" was used in long-distance markets, where the amount of silver in a coin stabilised its value across political divisions. The new coins were known as *groats* in English (related to 'great' in the sense of 'large') and similar names in other languages.

Svensson makes a similar division of coins into "short-lived" and "long-lived" though his timeline is somewhat different to what I've described above: he has England and western Europe converting to long-lived currencies around the twelfth century, while central Europe and Scandinavia continued to use short-lived currencies into the fourteenth century.

The “peculiar bias” of short-lived coins that Rushkoff refers to is that they tend to lose their value over time, due to periodic re-issuing and debasement. This should encourage possessors of short-lived coins to spend or invest them, rather than stash them under the proverbial mattress. This should in turn increase the *velocity of circulation* (as Hallsmith and Lietaer term it), encouraging economic activity. (Contrast this with Bitcoin, which got people excited in part because the value of a bitcoin *increased* between the time of its issue and the time this article was written.)

Bezants, Ducats, and Dinars

The astute reader may notice that Rushkoff’s words at the beginning of this article have dual currencies appearing by the tenth century, a few hundred years before the appearance of groats and their Continental equivalents. He (as do Lietaer and Dunne (2013)) explicitly refers to a coin known as the *bezant* playing the role of large currency during this period.

Figure 2 Gold solidus minted by Constantine VII, AD 921, obverse (left) and reverse. Image courtesy the American Numismatic Society, http://numismatics.org/collection/1966.169.12, licensed under a Creative Commons Attribution Non-Commercial Licence.

Bezant is a popular name for a gold coin introduced into the Roman Empire by Constantine in the fourth century, and by him called the *solidus*. Nicephorus II changed the name to *nomisma* in the tenth century. Unlike pennies, the bezant maintained more or less the same value and metal content from its introduction until the eleventh century, when an economic collapse led to the bezant becoming debased and eventually being replaced by new coins in the twelfth century.

Roberto Sabatino Lopez (1951), and others following him, refer to the bezant as “the dollar of the Middle Ages”, meaning it had something like the role of the US dollar in the twentieth century as the currency accepted more or less everywhere. After the bezant’s demise, Jere Bacharach (1973) applies the same phrase to the *ducat*. This was a gold coin introduced in Venice at the end of the fourteenth century, and from there used as an international currency as had the bezant before it.

Another option for international traders was the *gold dinar* (also discussed in detail by Bacharach), introduced in the Islamic world by Caliph Abd al-Malik ibn Marwan at end of the seventh century. The dinar was itself modelled on the Byzantine solidus, and, like the *denier*, takes its name from the Roman *denarius*. Dinars appear at various places and times in Europe – Offa, king of Mercia, made a particularly famous copy of one of Abd al-Malik’s dinars in the eighth century – and were minted in Europe itself by Muslim rulers of Andalusia, but seem to have had little influence on scholars of alternative currencies.

Spufford actually has *three* sorts of money existing in Europe by the beginning of the fifteenth century: gold money such as the ducat used for international trade and large transactions within a country; “white” money (groats) made from silver for use in ordinary transactions within a single country; and semi-official “black” money (debased pennies) containing little or no valuable metal, and eventually made entirely of copper. Black money was used as small change when there was either not enough white money in circulation, or where the value of a transaction was too small for the available white money. He doesn’t offer an opinion on what economic consequences this might have had.

Banking

Notes and coins actually make up only a relatively small part of the money supply in a modern economy: most of it exists as balances in bank accounts. Though banks of sorts existed at least as far back as the Roman Empire, they only become interesting for the history of mediaeval currencies in the thirteenth century. At this time, banks began offering so-called *bills of exchange* that allowed merchants to draw money on their bank accounts (something like a cheque) rather than carry large amounts of coin or metal from one place to another in order to settle payments.

Spufford credits the introduction of bills of exchange with an increase in productive investment, since bills of exchange allowed people to move or loan their money where it could be put to the best use, instead of having to defend a hoard of coins or ingots lest they be stolen. In his view, this change had much greater effects than the introduction of ducats and the like at around the same time.

Martin tells how this introduced yet another currency into Europe: the bills of exchange were written in *écu de marc*, a kind of international currency defined by the brokers of such exchanges (an *écu* was a French coin of the period). A merchant in one country could purchase a bill of exchange for some number of *écu de marc* using his or her local currency, and have this bill converted to another local currency at the other end of the transaction. For Martin, this was “the harbinger of an epochal political change […] one that would change the face of finance forever”: money could be created by private entities and not just by sovereign governments (meaning Bitcoin is far from the first to do this). Following this thread, however, this would take us beyond the end of the SCA period so I will end the story here.

Necessity coinages

Finally, Edward Besley’s chapter in Martin Price’s book notes that extreme circumstances might lead to the creation of another kind of local currency, called a “siege coinage” or “necessity coinage”. The former term refers to currencies issued by the administrators of cities under siege, to be used while the siege prevented access to the currency normally in use. Other “necessity coinages” were minted to pay soldiers on campaign. In both cases, the temporary currency was intended to be redeemable with the normal currency when conditions returned to normal.

Conclusion

The history of money is a complicated business. Various historians have between one and four currencies co-existing in any one place at any one time, each one used for a different kind of transaction, even without considering the number of jurisdictions minting their own sorts of “pennies”, “groats” and other things.

Several differing views exist on the importance and effect of each kind of currency. For some, the use of local currencies such as the penny was a boon to the local economy, while for others the debasement associated with them was all but criminal. Technologies that one might think to be at the opposite ends of the scale – low-value local currencies and international bills of exchange – are both credited with encouraging their owners to engage in economic activity rather than hoard valuable metals.

Either way, I hope this article has shown that there's more to money than "King So-and-So issued the Silver Doodad in the Year Such-and-Such."

References

Bacharach, Jere L. 1973. "The Dinar Versus the Ducat." *International Journal of Middle East Studies* 4 (1): 77-96.

Fantacci, Luca. 2004. "Complementary Currencies: a Prospect on Money from a Retrospect on Premodern Practices." ISE Working Paper, Bocconi University.

Hallsmith, Gwendolyn, and Bernard Lietaer. 2011. *Creating Wealth: Growing Local Economies with Local Currencies.* Gabriola Island, BC: New Society Publishers.

Lietaer, Bernard, and Jacqui Dunne. 2013. *Rethinking Money: How New Currencies Turn Scarcity in Prosperity.* San Francisco: Berrett-Koehler.

Lopez, Roberto Sabatino. 1951. "The Dollar of the Middle Ages." *The Journal of Economic History* 11 (3): 209-234.

Martin, Felix. 2015. *Money: the Unauthorized Biography from Coinage to Cryptocurrencies.* New York: Vintage Book.

Price, Martin Jessop, ed. 1980. *Coins: An Illustrated Survey: 650 BC to the Present Day.* London: Hamlyn.

Rushkoff, Douglas. 2011. *Life Inc: How Corporatism Conquered the World, and How We Can Take It Back .* New York: Random House.

Spufford, Peter. 1988. *Money and Its Use in Medieval Europe.* Cambridge: Cambridge University Press.

Svensson, Roger. 2013. *The Bracteate as Economic Idea and Monetary Instrument.* IFN Working Paper, Stockholm: Research Institute of Industrial Economics.