Money is not a creature of the state [1]

Written by **Sam Bowman** [2] | Tuesday 28 August 2012

If bread were a state monopoly for long enough, *The Economist* would be aghast at its privatization. That's George Selgin's conclusion [3] after reading the magazine's report on the origins of money [4]. A decent effort, he says, but with a glaring flaw: its claim that coinage, the root of commodity money, was exclusively the preserve of the state:

> *is it true that minting developed, and could only develop, as a government operation? Goodhart's article is supposed to offer proof that this was so, by pointing to two instances in which the collapse or withdrawal of government coinage gave way, not to private coinage but to barter (in the former Roman empire) or to the use of a non-metallic money (rice in 10th-century Japan).*
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> *One needn't be a logician to recognize the inherent shortcomings of such a "proof by example." That the withdrawal of state-run mints has* sometimes *failed to prompt the establishment of private ones hardly establishes that private mints have never existed, much less that they never could exist. One may, on the other hand,* disprove *the claim that private mints have* never *existed by means of a single, contradictory example.*
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> *As a matter of fact, there have been numerous episodes of private coinage, including some very successful ones. What's more, it is far from clear that the very first coins ever made--the famous electrum lumps of Lydia, in Asia Minor--were government products. . . .*
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> *It ought to go without saying that there is no technological reason why coins couldn't have been a private invention, or couldn't have been privately manufactured at any time to the same standards, if not better ones, than their government-made counterparts . "A mint, Sir" Edmund Burke once reminded Parliament, "is a manufacture, and it is nothing else." A factory, we would now say. And since when are governments very good at, let alone uniquely capable of, running factories? As for state-sponsored enterprises generally doing a better job of quality control than their private-sector counterparts, if you believe it I must see about coming up with a few tons of ca. 1958 Chinese steel to sell to you.*
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> *In fact, all of the most significant coinage-related inventions--the manual screw press and its steam-powered counterpart are only the most famous examples--came from the private sector, and most were taken up by governments only reluctantly and after (sometimes deadly) resistance from government mint authorities. How often, on the other hand, have government authorities themselves been responsible for technological breakthroughs? (No, Tang wasn't invented by NASA.) Were it to come to a wager, I for one would much sooner keep a grip on my money than stake it on Croesus or Pheidon or any other ancient king.*

I'm a big fan of Selgin's. He combines rigorous economic theory with a deep appreciation for history, like the two blades of a pair of scissors. When faced with the recieved wisdom-worshipping *Economist*, it's nice to have him on our side. Read the whole thing. [3]

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