



*Econ Journal Watch,  
Volume 3, Number 3,  
September 2006, pp 603-604.*

## CORRESPONDENCE

Editors,

I was interested in the rather tense exchange on money in colonial America in the January issue of this journal.

To master their primary material, historians have no choice but to specialize in time and place. When it comes to interpreting their material, however, this specialization can be a handicap. Economic behavior tends to find much the same solutions to the same problems. So when practice in a particular case is obscure, light may be shed by practice in similar circumstances in other times and places.

I have studied money in pre-industrial Europe where a similar monetary chaos was endemic (<http://www.dartmouth.edu/~mkohn/>, Ch. 7). People in Europe found various ways to adapt to this situation. First, they denominated contractual payments in a money of account that was of relatively stable value. Second, they did their best to avoid the need for settlement by offsetting one debt against another, sometimes assigning third-party debt for this purpose. Third, when settlement was unavoidable, they did not generally settle in the money of account. Indeed, in some cases, as with the Florentine *lira affiorino*, this was impossible, since the money of account was entirely imaginary. The *lira affiorino* had no physical existence, but its value was defined as 20/29 of a florin—an actual gold coin. Settlement was made in whatever coin was available, valued at a varying—often negotiated—rates of exchange against the money of account. For example, a debt of 8 *lira affiorino* might be settled with a combination of 70 *grossi* (a large silver coin valued at, say 14 to the florin) and 116 *quattrini* (a copper-alloy coin valued at, say 16, to the *grosso*).

Moreover, as it happens, I have recently been studying China. There too, in the 12<sup>th</sup> through 14<sup>th</sup> centuries, monetary chaos ruled (von Glahn, 1996).

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Not surprisingly, people responded in much the same way. They denominated debts and prices in a money of account—copper cash—the traditional form of money. However, copper cash was no longer generally available as a means of settlement. Instead, people settled amounts denominated in cash in varying combinations of paper money, unminted silver, silk cloth, rice, and whatever else was agreeable to the parties.

It seems to me plausible that practice must have been much the same in the colonies.

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Reference

von Glahn, R. 1996. *Fountain of fortune: money and monetary policy in China, fourteenth to seventeenth centuries*. Berkeley: University of California Press.

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