



Selling England by the pound



123RF/lightbox

Remember the good old days before contactless payments, when people still used notes and coins to pay for stuff?

Cast your mind back far enough, and there was a time when the coin in one's pocket actually had intrinsic value equivalent to that of the bullion used in minting it. This inevitably led to abuse: people would shave metal from the coin's circumference while continuing to circulate it at face value (an act known as clipping).

In response to this, in the mid-17th century the Royal Mint in London started producing machine-struck coins with edges that were engraved and decorated. This put an end to clipping, which could now be easily identified; instead, people started forging coins using moulds.

Towards the end of the 17th century, sterling had fallen into a state of emergency as a result, with counterfeit coins constituting more than 10% of the nation's currency by some estimates.

It was against this background that the so-called Great Recoinage of 1696 took place. The public was told to return all their old coins, whether clipped,

forged or otherwise, and these were eventually replaced with freshly minted ones that were substantially more difficult to forge. The exercise took a lot of time, cost the country a fortune and led to substantial unease among the population, who were literally left out of pocket for extended periods before receiving their new money.

A new emerging-market currency

You may not find this obscure piece of history particularly interesting, but the UK's now former chancellor of the exchequer, Kwasi Kwarteng, certainly did. So much so that he wrote a whole PhD thesis about it at the University of Cambridge, exactly 300 years after the original crisis.

You can request a copy from the university, but it will only be sent if the author gives his permission. I submitted a request online a few weeks ago, but I've still not heard back.

I guess our right honourable friend had other things on his mind while in the process of being fired, just as we're about to deal with another recoinage in the UK (the new monarch's headshot is about to adorn all notes and coins in circulation).

Has any chancellor had a worse ten-

ure than Kwarteng? He barely lasted longer than Des van Rooyen did in SA a few years ago.

Not only was Kwarteng forced to retract some of his commitments about tax cuts within days, but he and new Prime Minister Liz Truss also had to face up to the fallout in financial markets, with the cost of government debt rocketing as the value of the pound collapsed. The one aborted change that dominated headlines was the proposed abolition of the 45% tax rate paid by the UK's highest earners. This single measure would purportedly have saved the average Premier League player as much as £250,000 a year. How would this ever contribute to economic growth?

When Truss and Kwarteng took over at the beginning of September, the pound was trading at £1.16/\$; by the time they announced their mini-budget a couple of weeks later, it had depreciated by more than 10%.

Such ignominious moves are usually reserved for emerging-market currencies. But perhaps that is what sterling is turning into, with economic growth in the UK grinding to a halt and faith in political leadership plummeting to unprecedented lows.

Less than a month into Truss's tenure, YouGov, an independent public opinion and data analytics firm, published a poll on voting intentions.

The numbers shocked the Tory faithful; the party won only 21% support, miles behind the Labour Party, which registered 54%.

There has not been such a gulf between the two main parties in generations. With the next UK election due within a couple of years, it seems like a fait accompli that Labour will soon be in charge again, which is perhaps another reason the pound has been under pressure.

I wouldn't be surprised if somebody writes a PhD thesis one day about the sterling crisis caused by the chancellor in 2022. We may not even have to wait 300 years. ✕

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