

Le frottole sulla moneta del Guernsey

Chi racconta la frottola della moneta-debito, dice che esiste una moneta priva di debito, la sterlina delle isole del Guernsey.

Nelle isole del Guernsey, nel canale della Manica, all'inizio del XIX secolo, mancavano i capitali e servivano opere pubbliche. Il Governatore decide di stampare moneta, tutelandosi in vario modo contro il rischio di un aumento dei prezzi, ovvero decidendo che, se fosse stato necessario, avrebbe introdotto imposte e diminuito la quantità di moneta. L'abbondanza di risorse inutilizzate invece ha garantito la costruzione delle opere pubbliche e una discreta crescita in assenza di incrementi dell'inflazione.

Oggi la sterlina delle Isole è una moneta identica a qualsiasi altra moneta, ma la leggenda continua e c'è chi sostiene che nelle isole del Guernsey si stampa moneta liberamente e per questo non esisterebbe debito pubblico né imposte. Da me contattato via email, l'ufficio studi del governo locale mi ha inviato quattro documenti che smentiscono le leggende sul Guernsey.

La stampa di moneta per finanziare la spesa pubblica è avvenuta solo per pochi anni all'inizio del XIX secolo e le isole oggi emettono moneta e hanno una imposizione fiscale come tutti gli Stati moderni.

A seguire i documenti ricevuti dal Guernsey

1 - It would be quite wrong to suggest that Guernsey's currently favourable economic position is in any way as a direct result of the Guernsey note issue. I estimate that the value of the note issue to the Exchequer is of the order of £1.5 million per annum which equates to about 1% of States Revenues, the main source of revenue being income tax levied on earnings of individuals and companies.

The benefit of the note issue is that the value of the total amount in circulation amounts, in effect, to an interest free loan from the holders of banknotes to the Exchequer. The value to the Guernsey Exchequer is therefore no different from the benefit derived by any other independent note issuing authority.

It is essential to understand that Guernsey does not have its own monetary system but is part of the United Kingdom system. Bank of England notes are legal tender in Guernsey and circulate alongside Guernsey notes. The total withdrawal of Guernsey notes would not have any economic effect on the Island as they would simply be replaced by Bank of England notes. The local Exchequer would however lose about 1% of its income which would either mean that less public expenditure could be afforded, or a relatively small increase in taxation would be required.

The circulation of Guernsey notes does not affect inflation because Guernsey does not have a monetary system of its own. The existence of Guernsey notes therefore means that less Bank of England notes circulate in the Island than would otherwise be necessary.

One of the main reasons for Guernsey's current ability to have relatively low rates of indirect taxation is that as a matter of policy the Government (The States of Guernsey) does not borrow for public purposes (other than in respect of self financing activities, ie electricity, etc). This policy means that all taxes raised are available for public purposes and interest receipts augment taxation receipts.

There are currently many desirable projects for capital expenditure within the Island that cannot be afforded if our policy of not borrowing is to be upheld. If the States of Guernsey were to decide that those projects should go ahead, and were also unwilling to raise taxes

by the level necessary, then Guernsey would have no alternative but to borrow with a consequent future liability to repay both interest and principal on the debt. In such circumstances the Guernsey note issue would certainly not provide any additional income to that currently available.”

Extract from correspondence on “Value of Guernsey note issue”

2 - Options may differ as to the exact legal status of Guernsey’s currency but for all practical purpose it can be regarded as sterling. Thus:

- “ Bank of England notes and coins are legal tender here and are accepted by all businesses and banks alongside our own issue:
- “ our note issue is the debt of the States of Guernsey denominated in sterling, and;
- “ in accounting for and recording transactions, assets and liabilities, no distinction is made between UK currency and Guernsey currency (except, of course, where businesses such as clearing banks may need to keep a separate record for their own internal purposes of States of Guernsey notes and Bank of England notes held).

It follows that there is no “exchange rate” between Guernsey currency and sterling; they are the same currency. Similarly, mechanisms to maintain parity are not needed. However, it should be said the Guernsey notes are neither legal tender in the UK nor are they generally acceptable. Furthermore, UK banks may make a charge for changing Guernsey notes for Bank of England notes, although this represents the cost incurred by the bank in returning the notes to Guernsey to obtain value, rather than an exchange rate.

Extract from correspondence on “Legal Tender Status”

3 - GUERNSEY CURRENCY ISSUE

Guernsey uses sterling as its currency and issues its own notes and coins denominated in sterling. The issue is a debt of the States of Guernsey and is backed by the General Revenue investments of the States.

Guernsey notes and coins are legal tender in the Island but not outside, where their acceptability is limited. Bank of England notes and UK Treasury coins are also legal tender in Guernsey and circulate alongside the Guernsey issue.

In common with other currency issues, the value of the total amount of Guernsey notes and coins in circulation is, in effect, an interest free loan from the holders, which may be invested for the benefit of the exchequer, the income being known as seigniorage. The circulation of Guernsey notes and coins is approximately £30 million, currently earning around £1 million per annum.

The first issue of Guernsey notes was in 1816 and was of considerable benefit to the Island by helping to finance large States projects. However, the States of Guernsey currency is now issued to local banks on demand in the conventional manner, for which the banks pay face value.

4 - STATES OF GUERNSEY NOTE ISSUE

The Markets were the first public work of any magnitude to be financed by means of a note issue, though States’ notes had been issued for other purposes at an earlier date. The issue of States’ notes was first mooted some years before the acquisition and improvement of the Markets was first thought of, for on 24 May 1811 the States were invited to appoint a

Committee to consider, inter alia, the advisability of issuing States' notes; but this met with little encouragement, for on 14 November 1811 the Committee reported that they were unanimously of the opinion that the proposal was of doubtful propriety, and as a result the States decided "d'abandonner entierement le projet d'emettre des dires billets."

In 1815 the need for improving the Public Market (at that time an open one) was beginning to be felt, and the States appointed a Committee to consider the matter. This Committee reported on 29 October 1816, making recommendations for the acquisition of property and the erection of a covered Market, and recommended as a means of furnishing the wherewithal to carry out this project, the issue of States' notes to the value of £6,000.

The arguments put forward at this time in favour of States' issue are interesting, and the following is a rough translation of an extract from the Committee's report: -

"The Committee recommends that the expense should be met by the issue of States' notes of £1 sterling to the value of £6,000, of which the issue will be simple, and will not offer the least difficulty when the expenditure and receipts are taken into consideration, and that these notes will be available not only for the payment of the New Market, but also of Torteval Church, roads to construct, and other expenses of the States, and above all when one considers that the banks already have their notes in circulation for more than £50,000, whereas it is now proposed to restrict the States' issue to £6,000. The notes to be printed on the best paper, expressly manufactured with the word 'States' in the paper (watermark?), and from a plate engraved by the best artist, each note numbered and bearing the signature of three men well known to the Island; the risk of forgery is nothing to fear, as no one would go to the expense and risk of counterfeiting with so little hope of success.

In this manner it appears easy to provide a permanent revenue to the States, sufficient not only to provide for the purchase and erection of the Market, but also to create an amortisation fund to extinguish the debt of the States".

The proposal was, however, rejected, not apparently on account of objection to the financial policy proposed, but because the acquisition of the Markets was not deemed desirable.

The First Issue

On 17 October 1816, the first issue of States' notes was authorised, for a sum of £4,000, for coast preservation works, Torteval Church, and Jerbourg Monument. These notes were issued subject to redemption, in three stages, on 15 April 1817, and every Saturday thereafter; 15 October 1817, and 15 April 1818, and not for reissue.

The Committee's report recommending this issue states: "In this manner, without increasing the debt of the States, it will be possible to finish these works, leaving sufficient money in the exchequer for other needs".

It is also interesting to note that at that time the Supervisor must have been a very much occupied person, as the Bailiff in his remark says ... "The Supervisor and the members of the Court generally have already too much to do to impose upon them the work of issue", and it was recommended and adopted that this be entrusted to a Committee, of three 'personnes de confiance' exclusively charged with this duty who will pay on the order of the Supervisor, and receive them back, when paid in, from the Receiver of Impot, for cancellation.

The Supervisor of that time with this revenue and expenditure of £14,000 odd was too busy to issue and to attend to the cancellation of £4,000 worth of notes. The Supervisor of today, however, with a revenue and expenditure for which he is responsible amounting to

millions, as well as a multitude of other things besides, has to find time for an issue of some £300,000.

In October 1918, a further attempt was made to acquire the site and to construct the Markets to be financed by means of a note issue, but again with failure, and it was not until May 1920, that the Committee, faint yet pursuing, met with success, and were authorised to issue States' notes to the value of £4,500 for the markets, redeemable in 10 years, out of Impot duties and the revenue butchers' shops.

Increase to £10,000

This issue was quickly followed by others, and in September 1821, the Finance Committee reported that there were, other than notes for the markets, £5,300 notes in circulation, and the States accepted the recommendation of that Committee that this number could be increased to £10,000 without danger, as the most advantageous method of meeting the debt, both to the States finance and the public, who, far from being adverse to taking such notes, seek them eagerly.

The Markets were opened in October 1822, and there is a legend that in the course of the ceremony the Bailiff, Mr Daniel de Lisle Brock – destroyed by fire a number of cancelled notes which had served in its erection. Reference, however, to three newspapers – the “Star”, the “Gazette”, and the “Mercure” made no reference to this ritual which, therefore, I think, must be regarded legendary.

In 1824 a further £5,000 was authorised for the Markets, and in March 1826, the Finance Committee was authorised to increase the issue up to a total of £20,000, so to enable the erection of Elizabeth College and certain parochial schools to be carried out.

In May 1826, the issue of a series of £5 notes was authorised.

In every case the States were most careful in the issue, signature and cancellation of notes, and the impot of wines and spirits was there guarantee.

By 1829 the States' note issue in circulation exceeded £48,000 and in 1837 over £55,000 were in circulation, and in the Billets d'Etats frequent references are made by eminent men of those times that had it not been for the issue of the States' notes important public works, such as roads and buildings, could not have been carried out, and this was done without interest costs to the Island, the result being that the influx of visitors was increased, commerce was stimulated, and the prosperity of the Island vastly improved.

For the first ten years or so after the first notes were issued, no opposition seems to have been encountered, but in 1826 certain members of the States, some of them members of the Finance Committee, considered that the consent of the King in Council should be obtained for capital works, contending that the financing of such works by note issue was contrary to the Order in Council of 1819...”that the States' should not exceed the amount of their annual income without Royal Consent.”

That fine patriot, Daniel de Lisle Brock, spiritedly contested this opposition in his comments published in the Billet d'État for 22 November 1826, with the result that the proposition to refer the matter to Council was defeated.

Three years later, the same opponents to the note issue receiving no support from the States, laid their complaint before Privy Council, which, in turn, was referred by the Privy Council to the States, asking for an explanation. The States appointed the Finance Committee to draft a reply, and there answer is published in the Billet for 23 December 1829, a masterpiece worthy of study, and this seems to be the last heard of the matter.

In 1827 the Old Bank was founded, followed by the Commercial Bank in 1830, and both Banks circulated their own notes, and the Island seems to have been flooded with paper money, so much that in September 1836, the matter was submitted to the consideration of

the States, and again the Bailiff – Daniel de Lisle Brock – makes a strong appeal to the States in Favour of the right of the States to issue notes being supreme to that of the Banks, and a Committee was noted to confer with the Banks and to defend the rights and interests of the States and the community, so that the circulation of States' notes shall not be prejudiced.

From the reports of the debate one would have imagined that the result would have been that the private issue of the Bank would have been withdrawn; but the truth was stranger than fiction, for the result was an agreement between the States and the Banks that the former should withdraw £15,000 worth of their notes and that in future their issue should not exceed £40,000.

This agreement remained in force up till the outbreak of war in 1914, when the States' notes in circulation valued £41,206.

Only Attempt at Forgery

As far as I'm aware, only one attempt at forgery was made, namely in 1895. The forgery, however, was very crude and soon to be discovered by Mr Le Messurier, of the Old Bank. As a result, however, the whole note issue was withdrawn and replaced by a new issue, which we used to know as "greenbacks".

Immediately following the outbreak of war, the demand for money was such that the Royal Court passed an Ordinance making the States' notes and those of the Banks legal tender, and limiting the issues of the Banks to that at the moment in circulation, the result being that the States then got their own back on the banks as their issue was unlimited, and the demand was so great that the notes had to be printed in Guernsey to keep things going, and both the Star Company and the Guernsey Press Company did remarkably good work in turning out at very short service and very notice very serviceable 5/- and 10/- notes respectively; and I well remember the hectic time that we had at the Office in keeping pace with the demand. As supplies of special watermarked paper could be obtained in England, these temporary notes were withdrawn and replaced. The note issue of the States rose to £142,000 at 31st December 1918.

The next event of importance was in 1921, when the currency was changed to British Sterling, and as new notes could be obtained in time existing issues were over-printed with the word "British".

Advantage was taken of this change of currency necessitating a new note to make same of more convenient size; but it is interesting to note that the same firm that printed the first issues is still today supplying us with our requirements, viz.- Messrs Perkins, Bacon and Co.

It will have been noticed that at first States' notes were signed by "three gentlemen of the repute", later reduced to two. Subsequently two Jurats of the Royal Court were authorised to sign. In January 1921, these signatures were dispensed with and a facsimile of the Supervisor's signature was authorised with the actual signature of either the States Accountant or the States Cashier.

Later the States decided that, with other safeguards, which, for obvious reasons, cannot be made public, the printed facsimile of the signature of the Treasurer of the States would suffice.

From 1918 onwards the States' note issue continued to increase until at the time of the Occupation there were in circulation £249,478.

Now comes a most interesting feature of our note issue. The Germans arrived and one of their first acts was to declare that German paper money would have legal tender, but strangely enough they took no steps to interfere with our note issue.

Resulting from lack of confidence in German money, coupled with the fact that the public feared that the Banks might be taken over by the Germans, the demand for States' of Guernsey notes was continuous. So much so that we were placing into the Banks regularly further supplies of new notes, of which, fortunately, there was a large supply in the States coffers. This went on until the end of 1942, and to a very small extent during 1943, until our stock of new notes was exhausted, when the amount of States' notes in the hands of the public amounted to £433,626. These notes, however, were not actually circulating and it was a rarity to see a States' note at all. What happened was that the lack of confidence in foreign money had driven our good money underground, and that people were keeping this in their homes rather than entrusting it to the Banks.

In 1941 most of the British Silver which was in circulation had, for the same reason, disappeared, as had also Guernsey and British Copper, and there was an acute shortage of small change. To meet this, authority was sought from the Germans to issue small denomination notes of the values of 6d., 1s.3d., 2s.6d. and 5/-. The first issue amounted to £5,000 but the Germans would only agreed to this issue being put into circulation against the withdrawal of £5,000 worth of Guernsey £1 notes, which had to be handed to them. We did not, however, withdraw these 5,000 notes from actual circulation but we took from our safes notes to this value which were awaiting destruction as being too soiled for further use, and we also took the precaution of having these passed through a printing press printing front and back "withdrawn from circulation", with the date.

Subsequently, the issue of these small denomination notes was found to be too small as they also, to some extent, were going underground, and authority was obtained for a further issue of 5,000 of these denominations but this time the Germans ordered that we should withdraw from the Banks 5,000 British notes. These, of course, the States had to buy, but again we took the precaution of recording the numbers of all these notes and again over-printing them with the words "withdrawn from circulation".

Recently, since the Liberation, 2,000 of these 5,000 British Notes have been discovered in Jersey and returned to us, and these will, in due course, be sent to the Bank of England for cancellation.

Incidentally, I might record that the Bank of England has expressed its appreciation of our caution in recording the numbers and over-printing them as we did.

Actually, we did not stick to the strict order of the Germans limiting the issue of these small denomination notes to £10,000, for we actually issued £11,767.

These notes were printed locally by the Guernsey Press Company, to a design prepared by one of their employees – Mr E W Vaudin – in the first instance on paper bearing the States of Guernsey watermarked which was normally used for States Bonds and Dividend Warrants, and subsequently, when the stock of this paper was exhausted, on a watermarked paper obtained from France.

Later, it was a distinct rarity to find in one's purse a States of Guernsey note of any denomination at all and German money was practically the sole currency in circulation, though the amount issued by the States was then £433,626.

When the invasion of France occurred we began to visualise the day when we should be relieved, and German currency would no longer be wanted and we should revert to sterling. We then began to wonder as to how we could quickly get rid of the German money and how we would replace it with sterling. This matter was discussed with Mr Le Moal, of the Guernsey Press Company (whose premises, incidentally were then occupied by the Germans) and we went carefully into the stock of French watermarked paper which still existed, and we came to the conclusion that we could print 35, £1 and 10/-d. notes which would give us a sum sufficient to convert what we estimated to be the amount of German

currency in circulation. Designs were prepared by Mr Vaudin and there were printed 88,000 10/-d. notes; 171,000 £1 notes and 30,000 £5 notes making a total value of £413,300. These were printed under the very noses of the Germans by the "Press" staff, working at all sorts of odd hours when the Germans were not about, and the Germans remained in total ignorance of this printing. For this the "Press" staff, working at all sorts of odd hours when the Germans were not about, and the Germans remained in total ignorance of this printing. For this the "Press" staff deserve the highest commendation.

We also had prepared the Orders for the "call in" of the German currency, ready for publication in the local papers immediately the Liberation took place, so that when it was announced on May 9th that we were to be liberated everything was prepared, depots had been arranged in the country and the Banks primed, so that immediately Liberation occurred we were able to proceed with the conversion of German Notes into sterling. This came as a matter of extreme surprise to our British Liberation Force and I well remember about half past ten in the morning of our Liberation Force and I well remember about half past ten in the morning of our Liberation, Colonel Power telling us that the Liberating Force had brought with them a large sum of British Notes as they were anxious that the German Notes should be taken out of circulation at the earliest possible moment. The surprise he evinced on hearing that the conversion had actually commenced half-an-hour previously was worth seeing, and further when he heard how we had printed these notes under the noses of the Germans, so as to be ready for this eventuality. I may say that in this matter our action received the highest commendation from the British Authorities.

The amount of Reichsmarks which were converted in that very short time amounted to 3,224,729, equalling in sterling £344,522.6s.6d. As those of you who were here at the time will remember this conversation went off very smoothly and very rapidly, and it was indeed a great pleasure to have sterling again in our purses in place of the filthy German paper to which we had perforce become accustomed. With this conversion issue, together with what was already out, our note issue then amount to £778,148.

Early this year it became apparent that these small denomination notes had served their purpose as the influx of British Silver had taken their place, and consequently these issues were withdrawn from circulation, as were also the notes of £1 and 10/-d. denomination issued prior to 1940, and substituted by our new issues which are now in circulation.

As a result of this calling in and also the fact that confidence in our money and the Banks was again restored, Guernsey notes were returned in fairly big volume, so that the amount of our note issue on the 1st June had been reduced to £256,644 actually in circulation.

To keep a circulation of this amount in being involves a great deal of work, as when notes become dirty or torn they have to be withdrawn from circulation and replaced by others, and cancellation and destruction of the old ones has to be effected. This keeps a small staff engaged wholly on this work all the year round, but the cost of printing new notes for replacement purposes and that of cancellation and destruction amount to less than 1% of the total issue. It will therefore be seen that for the States to maintain their note issue is of great economic value, as were it not for this issue a C Capital Loan of like amount would be required, which could not be raised at anything like such favourable to the States why the issue is not further increased. The answer, of course, is that we cannot put into circulation more money than is demanded by the public. If we were to put out any sum above the public demand this would of course, simply be returned to us through the Banks and we should be no better off.

States Office GUERNSEY 5th June 1946