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Competition Is Not Enough: Hayek's Denationalisation of Money at Fifty

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Research Article

Keywords: Hayek, denationalisation of money, Jevons, Vera Smith, Benjamin Klein, monetary competition

Posted Date: August 28th, 2026

DOI: https://doi.org/10.21203/rs.3.rs-10742357/v1

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Additional Declarations: No competing interests reported.

Abstract

The fiftieth-anniversary year of F. A. Hayek's *The Denationalisation of Money* has so far prompted remarkably little explicit reassessment, including in the journals most closely associated with Austrian economics. This silence contrasts with the publications and conferences surrounding the 250th anniversary of Adam Smith's *The Wealth of Nations*. Rather than asking whether Hayek's essay is a 'good' book, defending or rejecting its politics, counting citations, or testing it against later monetary developments, this article reads the first edition strictly within its 1976 intellectual horizon. It reconstructs three bodies of analysis that Hayek cited but may not have exploited sufficiently to strengthen the institutional side of his proposal. From W. Stanley Jevons he took a celebrated objection to monetary competition but not the institutional history of private clearing. From Vera C. Smith he took a boundary between free banking and rival currencies but not her comparative analysis of entry, convertibility, interbank discipline, and failure. From Benjamin Klein he acknowledged priority and adopted the language of brands, but left underdeveloped the informational and transactional conditions of monetary reputation. Together, these sources mapped an institutional landscape between legal freedom and competitive discipline. Recovering it neither designs a monetary blueprint nor contradicts Hayek's theory of spontaneous order. It shows instead how much more institutionally specific *The Denationalisation of Money* could already have been in 1976.

JEL classification: B25; B31; B53; E42

1. Introduction: the anniversary that was not

In 2026, the 250th anniversary of *The Wealth of Nations* produced what can fairly be called an effervescence (Bee 2026; British Academy 2026; Ostle, Rangeley, and Lawson 2026; University Center for Human Values 2026; Weingast 2026; Ziebarth 2026). Smith's book has been treated as an object worth rereading in its own right: not merely as an ancestor to be cited, but as a text whose arguments, contexts, and afterlives deserve renewed scrutiny.

The calendar has been much kinder to Adam Smith than to F. A. Hayek. The fiftieth-anniversary year of Hayek's *The Denationalisation of Money* has so far generated nothing comparable. This is not a claim derived from citation counts: such counts cannot distinguish ritual invocation from close reading, and early citation trajectories are themselves partly shaped by author reputation (Petersen et al. 2014). The narrower observation is qualitative. As of August 2026, the published issues and online-first contents of the *Review of Austrian Economics*—a leading academic outlet for contemporary Austrian economics—contain monetary papers that draw on Hayek, such as Sinclair Davidson's 'Hayekian Flatcoin', but no symposium or article organised around the book's fiftieth anniversary. The *Quarterly Journal of Austrian Economics* has published a substantial discussion of monetary transition that uses *Denationalisation* (Klein and Vidueira 2026), but again not an anniversary reassessment or a paper dedicated to the book. These are not the only possible venues, but they form a reasonable first population: outlets especially likely to notice the anniversary of a prominent and unusually provocative Austrian text. The contrast is

therefore between use and commemoration, not between presence and oblivion. Nor did Hayek's proposal command anything approaching consensus within Austrian economics. Rothbard's contemporaneous route away from government money ran through a pure gold standard, while Huerta de Soto later criticised Hayek's artificial monetary standard from a Mengerian and anti-constructivist perspective (Rothbard 1997, 315–16; Huerta de Soto 2006, 738–39).

There are rare exceptions to the wider silence surrounding Hayek's monetary legacy. Klausinger's chapter on Hayek and Friedman appears in a 2026 volume marking fifty years since Hayek's Nobel Prize (Klausinger 2026). It is useful precisely because it shows how sparse this literature remains relative to work on Hayek's knowledge problem, political philosophy, law, or theory of spontaneous order. But the object there is Hayek's monetary counterrevolution in a broad sense, not the fiftieth anniversary of *Denationalisation* as a discrete text. The distinction matters. An author's monetary thought and one book within it are not the same object of inquiry.

That absence is mildly surprising. *Denationalisation* was published less than two years after Hayek received the 1974 Nobel Memorial Prize, jointly with Gunnar Myrdal. The prize citation singled out his work on money and economic fluctuations as well as his analysis of the interdependence of economic, social, and institutional phenomena (Nobel Prize 1974). In October 1976, therefore, the *Institute of Economic Affairs* did not issue an obscure tract by a marginal pamphleteer. It published a deliberately provocative proposal by a recent Nobel laureate whose official recognition expressly joined monetary theory to institutional analysis. Accordingly, a fiftieth anniversary might reasonably be expected to reopen the conjunction.

This article does so under deliberately restrictive rules. It does not ask whether *Denationalisation* is a 'good', influential, 'seminal', or 'classic' book. Those labels collapse distinct criteria—originality, exposition, political desirability, empirical plausibility, diffusion, and historical influence—into a single verdict. Recent research makes the problem visible from another direction: seminal economics papers can be operationalised by long-run citation rank (Georg and Wu 2025), early citation trajectories partly reflect author reputation (Petersen et al. 2014), and high-impact research tends to combine unusual elements with a strongly conventional core (Uzzi et al. 2013). None of those findings turns citations into a verdict on the quality or historical significance of a monetary essay. *The Denationalisation of Money* is plainly provocative and unusual, but novelty, quality, and later influence are analytically distinct. Nor does the article take a political or normative position on whether money should be supplied publicly or privately. It does not infer quality from citation metrics, and it does not assess Hayek by reference to cryptocurrencies, stablecoins, central-bank digital currencies, or the literature on currency competition written after 1976. Most importantly, it does not examine 'Hayek on monetary competition' as a career-long subject. The revised 1978 edition, 'Toward a Free Market Monetary System', 'The Future Unit of Value', and other later statements fall outside the object. The object is the first edition of *The Denationalisation of Money*, published in 1976.

The method is a source-constrained reconstruction. It asks what institutional analysis Hayek could reasonably have developed from materials that were both available before 1976 and cited in the book itself. This is not a counterfactual claim about what he secretly intended, nor a reproach that every cited work should have been exhaustively mined. Bibliographies are selective instruments, and an author is entitled to cite a source for one purpose only. The value of the exercise is different. It places the omissions inside Hayek's own horizon of knowledge and thereby avoids the easiest form of retrospective criticism: identifying a problem only after later scholarship has supplied the vocabulary for seeing it. The result is a historically bounded textual reconstruction. It recovers questions and argumentative resources available in 1976 without claiming to recover Hayek's unspoken intentions.

Three sources satisfy the test especially well: W. Stanley Jevons's *Money and the Mechanism of Exchange* (1875), Vera C. Smith's *The Rationale of Central Banking* (1936), and Benjamin Klein's 'The Competitive Supply of Money' (1974). Each appears in Hayek's 1976 bibliography. Each is used in the body of the essay. Each also contains an institutional mechanism that bears directly on the passage from legal permission to monetary competition. Jevons supplies the infrastructure of clearing and settlement while Smith supplies the discipline of entry, convertibility, reciprocal note return, bankruptcy, and liquidation. As a forerunner in the analysis of the competitive issuance of private monies, Klein supplies a theory of differentiated monetary brands, costly information, and reputational capital. These are not three ready-made designs for Hayek to copy. Jevons and Smith mostly examined claims denominated in a common standard; Klein's article is a theoretical model rather than a history of monetary organisations. Their relevance lies in the functions they identify.

The more modest argument is that Hayek may not have drawn as much institutional content from these authors as his proposal could have supported. He read Jevons as an opponent to be answered, Smith as a way of distinguishing his proposal from nineteenth-century free banking, and Klein as a precursor whose priority had to be acknowledged. Those uses were legitimate, but they left potentially useful institutional mechanisms in the background. Read together, the same sources mapped the organisations, rules, information, sanctions, and settlement practices through which the legal possibility of competing currencies might become an operating monetary order. Recovering that institutional landscape does not convert Hayek's thought experiment into a blueprint. It reveals, on the contrary, how a Hayekian analysis could have explained the emergence and operation of monetary institutions without pretending to design their final form.

This is deliberately a short article. It does not claim to exhaust the institutional questions raised by a regime of competitive monetary issue; it isolates three sources and a narrow set of mechanisms that were demonstrably within Hayek's reach in 1976.

2. An emergency pamphlet in the age of inflation

The form and context of *The Denationalisation of Money* are essential to a fair reading. The first edition appeared amid the collapse of Bretton Woods, the inflation of the 1970s, the expansion of public

expenditure and welfare commitments, and the apparent inability of prevailing policy regimes to reconcile price stability with employment. Hayek's return to monetary questions was not an abstract comparison of alternative arrangements. Inflation was, for him, both a monetary disorder and a political incentive problem. Governments exposed to organised demands for expenditure, cheap credit, and short-run employment gains could not be relied upon to preserve the purchasing power of a monopoly currency. The book's decisive move was therefore to change the level at which the monetary problem was posed. Instead of searching for a superior rule—constitutional or otherwise—for a public monopolist, Hayek asked why the monopoly itself was treated as indispensable.

The resulting proposal was more specific than the slogan of private money suggests. Hayek imagined distinguishable currencies issued by private institutions, with variable exchange rates and separate denominations. Issuers would announce a standard of approximately stable purchasing power, regulate the quantity of their currencies to meet changes in demand, and lose customers if they departed from the promise. Government currency need not be prohibited. What would disappear was the exclusive privilege that prevented other issuers and users from testing alternatives. The mechanism of discipline was exit: users could shift balances, contracts, and accounts toward currencies whose managers performed more credibly.

Hayek also placed clear limits on the authority of his sketch. He described the book as a 'first survey' and conceded that he had only 'scratched the surface' of the questions created by concurrent currencies (Hayek 1976, 13). The disclaimers matter because they identify the genre. The first edition was a short, urgent research intervention, not a comprehensive treatise. But modesty about completeness does not prevent historical analysis of the direction in which the survey looked. A first map can be judged without demanding that it contain every later road: one may ask whether it used the landmarks already in view.

This is why the restriction to the first edition is substantive rather than merely bibliographical. The 1978 revision refined the argument, and Hayek's later essays continued to modify his account. Bringing those texts back into the analysis would change the question from what the 1976 essay did to how Hayek's programme evolved in response to (sometimes harsh but often pertinent) criticism. It would also allow later elaborations to repair or obscure choices made in the original intervention. All references to *Denationalisation* below therefore refer to the October 1976 edition. Later versions are neither evidence for nor evidence against the claims advanced here.

The selection of Jevons, Smith, and Klein follows four criteria. First, each source predates the book. Second, each was demonstrably known to Hayek because the 1976 essay explicitly cites it. Third, each bears directly on concurrent monetary provision rather than merely on inflation or central banking in general. Fourth, the three sources are analytically complementary. Jevons describes a privately organised payment infrastructure; Smith reconstructs the rules and sanctions of competitive note issue; Klein models the credibility of a non-redeemable monetary producer. They therefore permit a bounded inquiry into infrastructure, discipline, and credibility using only materials within Hayek's reach in 1976.

The comparison is summarised in Table 1. It is not intended to rank the three authors or to grade Hayek's performance. It distinguishes Hayek's explicit use of each source from additional institutional mechanisms available in the same text. That difference—not an overall verdict on the book—is the article's object.

Table 1
Three cited sources and additional institutional mechanisms available in 1976

Source	Use in the 1976 essay	Additional institutional mechanisms available
Jevons (1875)	Objection to competition via Gresham's law; relational definition of value.	Private clearing associations; net settlement; membership and return rules; spontaneously evolved but governed infrastructure.
Vera Smith (1936)	Boundary marker: free banking issued notes in the inherited standard; survey of the controversy.	Entry under company law; convertibility; adverse clearings; mutual control; bankruptcy, liquidation, and responsibility.
Benjamin Klein (1974)	Priority acknowledged; names and trademarks assumed in Hayek's model.	Brand-name capital; costly information; product differentiation; start-up credibility; transaction costs of multiple monies.

Source: author's reconstruction from Hayek (1976*)*, Jevons (1875), Smith (1936*), and* Klein (1974*).*

3. Jevons: the objection Hayek answered, the infrastructure he left aside

Jevons enters *Denationalisation* as the author of perhaps the sharpest nineteenth-century sentence against the project: 'there is nothing less fit to be left to the action of competition than money' (Jevons 1875, 64; Hayek 1976, 33). Hayek treats the sentence as the culmination of a mistaken application of Gresham's law. Jevons (and, in Hayek's discussion, Herbert Spencer) contemplated rival producers of gold and silver coins that were legally exchangeable at fixed rates. Under those conditions, inferior coins would indeed be paid away while superior coins were retained or melted. The error was to generalise from legally fixed equivalence to genuinely different currencies whose exchange rates could vary. Once the inferior money falls in price, Hayek contends, users have an incentive to avoid rather than hoard it. Competition can then reverse the familiar slogan: better-managed money may displace worse.

This is a serious answer to the objection as framed. It also shows that Hayek knew Jevons's monetary book closely enough to reconstruct the context of the remark. *Denationalisation* cites the same work again when defining value as a relation rather than an intrinsic magnitude (Hayek 1976, 58). The engagement was not isolated from Hayek's wider reading. His 1931 essay on Cantillon credited Jevons's rediscovery of the *Essai*, and his 1971 'Principles or Expediency?' used Jevons as a marker in the history of liberal argument. Hayek's familiarity with Jevons extended well beyond monetary theory. In *The Pure Theory of Capital*, he named Jevons, Böhm-Bawerk, and Wicksell as 'praiseworthy exceptions' to treatments of capital as a homogeneous factor because they began from the process of production

(Hayek 1941, 5). He also credited Jevons with first introducing the time dimension through an input function (113) and devoted a sustained discussion to the ‘Jevonian investment figure’ and its limits (135–37). Jevons was therefore a familiar and substantial interlocutor, not a stray quotation discovered for the occasion.

Yet *Money and the Mechanism of Exchange* contained more than the anti-competition sentence. Its Chapter XXI, *The Clearing-House System*, offered a remarkably concrete account of the London Clearing House and related arrangements in Manchester, New York, Paris, the railways, the Stock Exchange, and the cotton trade. Jevons traced the London institution to a room hired by a few bankers around 1775 so that their clerks could exchange claims and settle reciprocal debts. More banks joined as the convenience became apparent; a committee and rules emerged; balances were netted and ultimately settled through accounts at the Bank of England. The organisation remained private, voluntary, and unchartered. Jevons emphasised that the clearing system had grown spontaneously and had acquired legal recognition only after becoming established as commercial custom (Jevons 1875, chap. XXI).

For a Hayekian inquiry, this history is unusually fertile. It shows a payment institution emerging without a comprehensive public design. It also shows that spontaneous emergence does not mean institutional emptiness. The clearing house required membership rules, standard forms, timetables, procedures for returning dishonoured instruments, a committee, an inspector, and an agreed settlement practice. It economised on reserves by replacing gross payment with net balances, reduced the physical risks of moving cash, and generated information about reciprocal positions. In modern terminology it performed both infrastructural and self-regulatory functions, although it would be anachronistic to impose the later label ‘self-regulatory organisation’ on Jevons’s actors themselves.

The same history exposes tensions within private ordering. Admission to the London clearing circle was initially restricted. Joint-stock banks were excluded for years, and smaller banks had to clear through members acting as agents. Jevons questioned whether such a narrow private monopoly could be maintained. The point is not that a clearing house was secretly a central bank or that private governance necessarily becomes exclusionary. It is that a coordination mechanism can be at once privately created, socially valuable, and a potential bottleneck. Competition among monetary issuers may generate demand for a common institution whose membership decisions influence the contestability of the market.

None of this supplies a direct solution for Hayek’s rival units. Jevons’s bankers ordinarily cleared claims denominated in a common unit and settled residual balances in a common asset. Hayek’s issuing banks would offer distinct denominations with fluctuating exchange rates. Multicurrency clearing would require additional acts of valuation: agreement on exchange quotations, haircuts, timing, default procedures, and the asset in which residual positions were finally discharged, to name a few. The clearing house is therefore an institutional analogy, not a model ready for transplantation to a competitive monetary regime.

That limitation is exactly what makes it useful. Had Hayek followed Jevons beyond Gresham's law, he could have separated at least four questions that *Denationalisation* tends to compress. Will rival issuers create a common clearing arrangement? In which unit or asset will net obligations be settled? Who will determine admission and technical standards? Will clearing make entry easier by lowering payment costs, or harder by empowering incumbent members? These are questions about the spontaneous formation of a monetary ecosystem, not instructions for a planner; one might call the exercise a historically enriched thought experiment. Jevons demonstrated that such institutions could emerge incrementally from repeated exchange while still deserving analysis of their governance—an account of institutional emergence remarkably consonant with Hayek's own conception.

Hayek thus answered Jevons as a theorist of bad money without using him as a historian of financial infrastructure. The selective reading matters because the omitted content was not hostile to Hayek's method. On the contrary, Jevons's clearing house was an empirical example of the kind of undesigned order Hayek elsewhere taught economists to notice. Jevons described debts averaging nearly £20 million per day as being liquidated 'without the use of a single coin or bank-note' (Jevons 1875, 263). That economising result depended on an organisation that arose from bankers' practice, accumulated rules, and only later received legal recognition. In later Hayekian language, the clearing house can be read as a result of human action rather than human design—but that formulation is our reconstruction, not Jevons's.

4. Vera Smith: free banking as boundary rather than resource

Vera C. Smith occupies a different position in Hayek's intellectual world. *The Rationale of Central Banking* was not simply a book he happened to know. Smith wrote it as a doctoral thesis at the *London School of Economics*. In the foreword to the original edition she thanked Hayek for first suggesting the topic and for advising her on many occasions (Smith 1936, xxix). The fact should not be inflated into co-authorship or presumed agreement. A supervisor can propose a question without endorsing every argument or retaining every detail four decades later. It nevertheless establishes an unusually strong relation between Hayek and the study's comparative institutional problem: why note issue became an exception to laissez-faire and why central banking prevailed over competition.

In the first edition of *Denationalisation*, Smith is used three times. The most important use appears early. Hayek distinguishes his proposal from nineteenth-century free banking on the ground that the movement sought only the right to issue notes 'in terms of the standard currency' (Hayek 1976, 26 n.3). Smith is the authority cited for that boundary. Later she is described as providing a good survey of the free-banking controversy, and she is cited alongside Mises for Cernuschi's remark that freedom of issue might suppress bank notes rather than multiply them (Hayek 1976, 71–72). These references are accurate. Smith's banks issued redeemable promises denominated in a monetary standard they did not themselves define. Hayek's banks would issue distinct, managed units whose exchange values floated.

The distinction is analytically essential. It prevents the history of free banking from being passed off as direct evidence for a regime of competing non-redeemable currencies. Convertibility into gold gives note holders and rival banks a contractual test that has no exact counterpart when each issuer manages purchasing power against a basket of commodities. Smith's adverse clearings drain the overexpanding bank's gold reserve. Hayek's issuer instead confronts a fall in the exchange value and acceptability of its own currency. The mechanisms cannot simply be equated.

But Hayek makes the difference perform too much work. Smith's book is used mainly to say what *Denationalisation* is not. That boundary leaves aside the institutional functions her history analyses. Smith defined free banking as entry under general company law rather than special authorisation. A prospective bank had to raise capital and gain public confidence; all issuers possessed equal rights and bore ordinary commercial responsibilities. Notes were promises that had to be redeemed on demand. A bank that suspended payment could be declared bankrupt and liquidated, with shareholders bearing the consequences. There was no right to special assistance and no automatic legal transformation of an issuer's liabilities into forced currency (Smith 1936, chap. XII). Competition here was not merely the absence of a statutory monopoly. It was a regime of entry, liability, redemption, and exit.

Smith's most important mechanism was reciprocal discipline through clearing—the same core financial function that Jevons had examined from the standpoint of payment infrastructure. Banks would receive rival notes from customers and had no reason to reissue them instead of their own. They therefore returned those notes to their issuers through the clearing process. If one bank expanded out of step with the rest, adverse balances arose quickly and had to be settled in gold. The drain operated earlier than a general external loss of specie and did not depend on every member of the public becoming an expert evaluator of bank quality. Other banks, acting in their own interest, monitored and presented claims against the expanding issuer. Smith described this as a possibility of mutual control among banks (Smith 1936, 73–74, 174–85).

This mechanism is institutionally richer than a generic appeal to reputation. It identifies who observes imbalance, what claim they possess, how that claim is presented, which asset settles it, and what sanction follows. It also shows why convertibility and clearing are complements. A promise to redeem matters only if some party can efficiently return liabilities to the issuer; a clearing arrangement disciplines only if residual balances must be discharged in an asset the issuer cannot create. Smith further examined objections: banks might expand together, conservative banks might bear part of a system-wide drain, small note holders might be unable to discriminate, and crisis support might be underprovided. Her book is valuable not because it proves free banking stable but because it turns 'discipline' into a set of contestable mechanisms. For the present inquiry, indeed, the book's most valuable contribution lies less in its general defence of free banking than in its detailed analysis of interbank discipline and settlement.

The historical range of the study widened the menu. Scotland illustrated branch banking, reciprocal note exchange, and private arrangements among issuers. The United States supplied both unstable unit-

banking episodes and organised clearing associations. England, France, and Germany showed how privileges, fiscal needs, legal restrictions, and theoretical doctrines interacted in the emergence of central banks. Smith repeatedly separated the banking-school controversy from the institutional question of free versus central banking. This prevented a defence of competitive issue from depending on the inflationary proposition that notes issued against short-term commercial paper could never be excessive. Institutional rivalry and a sound theory of money were analytically separable.

What could *Denationalisation* have taken from this without pretending that Smith had already solved the problem of rival fiat currencies? First, a functional account of entry. Hayek assumed that major banks could introduce named currencies, but Smith suggests questions about capital requirements, corporate form, branching, and the credibility needed before issue becomes profitable. Second, a theory of routine discipline. In Hayek, users punish a depreciating issuer by selling its currency. Smith asks which specialised institutions return claims, settle imbalances, and make discipline rapid rather than episodic. Third, a law of failure. Hayek briefly noted that a failed private currency might become valueless and that courts would have to interpret third-party contracts. Smith makes bankruptcy, liquidation, priority, shareholder loss, and the denial of special assistance central features of the competitive regime. Fourth, a distributional problem of information. Not all note recipients are equally able to reject doubtful money, so market discipline may rely on intermediaries that concentrate expertise.

The translation from Smith to Hayek would, of course, require modifications. Because Hayek's units float against one another, an adverse clearing balance would first have to be valued in an agreed numeraire and then settled in an asset accepted across issuers—perhaps a reserve currency, a commodity claim, or a composite settlement asset. Redemption might serve only as an introductory floor rather than a permanent promise. Bankruptcy rules would have to distinguish the failure of an issuer from ordinary fluctuations in the exchange value of its unit. A clearing association might demand collateral, impose haircuts, or exclude a currency whose management became opaque. None of these arrangements can be inferred mechanically from Smith. They are examples of questions her analysis enables Hayek to formulate.

The missed opportunity is therefore more precise than the basic statement 'Hayek disliked free banking'. He had good reason to insist that his project was not the old free-banking programme. But he treated a difference in monetary standard as if it made the institutional history largely irrelevant. Smith's contribution was not only a proposal to issue redeemable notes in an inherited unit. It was a comparative analysis of how competitive monetary liabilities were governed, monitored, cleared, and terminated. Hayek used her to police the boundary of his novelty when he could also have used her to populate the institutional space inside it.

5. Klein: priority acknowledged, mechanism underused

Benjamin Klein is the closest of the three sources to Hayek's own proposal. 'The Competitive Supply of Money' was published in November 1974, based on work written in 1970. In a footnote to the first

edition, Hayek conceded Klein's intellectual priority and stated that the article had explained the chief advantage of currency competition (Hayek 1976, 21 n.1). The bibliography dates the publication to 1975. That error is consistent with Hayek's statement that the article had been unknown to him until recently, but it does not show that he failed to understand it. The relevant question is what entered the argument after recognition.

Klein began from a standard objection to competitive fiat money. If nominal units are homogeneous, indistinguishable, and produced at negligible marginal cost, each supplier benefits from issuing more while part of the resulting depreciation is borne by holders of money supplied by others. Under those assumptions, ordinary competitive pressure appears unable to preserve monetary quality: the value of money is driven toward marginal production cost. Klein's response was differentiation. Issuers must supply recognisable monetary products protected by names or trademarks. Demand then attaches to a particular issuer's money, and unexpected expansion depreciates that brand rather than an undifferentiated pool. A producer that cheats sacrifices future business and the capitalised value of expected profits. Reputation becomes a privately held asset that can discipline present conduct (Klein 1974).

Hayek visibly incorporated this architecture. Chapter VIII assumes that each bank's denomination will receive the same protection as a brand name or trademark and that forgery will be prohibited (Hayek 1976, 38). His hypothetical Swiss 'ducat' is issued by a recognisable institution that promises to regulate quantity so as to preserve purchasing power. Its continued circulation depends on the belief that the issuer will honour that announcement. Hayek therefore did more than acknowledge priority: he placed branded differentiation and future custom near the centre of his thought experiment.

Yet Klein's mechanism is underused because its conditions are treated as assumptions rather than developed as institutions. A trademark is not merely a label. It presupposes a legal rule that identifies authorised issue, distinguishes imitation from competition, and supplies remedies against counterfeiting or passing off. Reputation also requires observable performance. Users must know which price index or commodity basket operationalises the promise, how actual purchasing power is measured, which deviations count as failure, and whether a change reflects issuer policy or movements outside its control. Klein explicitly introduced information costs concerning changes in supply and examined the transaction-information costs of multiple-money exchange arrangements. The credibility mechanism therefore depended on an information environment, not just on the issuer's desire for repeat business.

Brand-name capital also complicates entry. Reputation disciplines because it is valuable to preserve. For the same reason it cannot be created instantaneously. An entrant must finance the period during which its promise is untested, its circulation is narrow, and users incur switching and learning costs. Hayek's initial redemption floor can be read as a bridge across this interval, but the book does not ask how large the commitment must be, which assets make it credible, or how it ends without causing holders to reassess the unit. Once credibility is understood as capital, the competitive market is not automatically

contestable. Incumbents possess an asset accumulated through time, and the sunk investment that deters their opportunism also differentiates them from newcomers.

Klein's emphasis on transaction and information costs further weakens the intuitive picture of many currencies competing symmetrically. Klein did not formulate a theory of 'network effects' in the later terminology. His analysis nevertheless identifies a closely related source of incumbent advantage: a widely accepted unit economises on the transaction-information costs generated by multiple-money exchange, while entrants must persuade users to bear switching, quotation, and learning costs. Acceptance therefore has a social dimension. Each additional unit requires quotations, accounting conventions, portfolio decisions, and exchange, while the usefulness of a denomination depends partly on whether others quote prices and write contracts in it. These economies do not disprove competition. They change its likely form. Rivalry may occur among a small number of standards, among issuers operating on a shared standard, or for the right to become the common unit used by a network. The market process may select concentration as well as monetary quality.

This does not mean that Klein refuted Hayek in advance. Klein's paper was itself exploratory and did not deliver a determinate institutional optimum. Nor should every implication of costly information be attributed to him in fully developed form. The narrower claim is that his framework makes three questions unavoidable. What legally constitutes a monetary brand? What investments and information allow users to distinguish performance from promise? How do the same investments that discipline an incumbent affect entry and market structure? Hayek adopts the answer 'reputation' before sufficiently specifying these prior questions.

The relation between the two authors is therefore more interesting than a priority dispute. Klein supplied a microeconomic mechanism through which competitive non-redeemable money might avoid destructive overissue. Hayek supplied a broader challenge to the political monopoly of currency and connected the mechanism to a theory of discovery and institutional rivalry. But the transfer was incomplete. By turning Klein's costly apparatus into a relatively frictionless premise, *Denationalisation* could move quickly from branded issue to competitive discipline. A fuller use of the article would have forced the intermediary steps—law, measurement, disclosure, start-up finance, and switching costs—into the centre of the proposal.

6. Between entry and discipline

The three readings converge on a common gap. *Denationalisation* is strongest at two ends of the argument. At one end—what might be called the 'depolitisation of money'—lies the constitutional opening: remove the exclusive privilege of national currency and permit issuers and users to experiment. At the other—market discipline—lies the expected sanction: a producer that depreciates its unit will lose demand, profits, and ultimately its monetary business. Between permission and punishment, however, lies the institutional landscape through which competition operates. Currencies must be made comparable, exchanged, cleared, monitored, and terminated. Contracts must survive the disappearance

of an issuer. New entrants must acquire credibility before they possess a circulation large enough to make reputation valuable. Competition requires organisations and rules that make exit both intelligible and executable.

Jevons, Smith, and Klein illuminate complementary parts of this landscape. Jevons shows how repeated private exchange can endogenously generate shared infrastructure: netting, settlement, rules, membership, and return procedures. Smith shows how a regime of competitive liabilities links rights to responsibilities: free entry, reciprocal presentation, reserve loss, bankruptcy, and liquidation. Klein shows how distinguishable monetary promises are disciplined when quality is costly to observe: legal identity, information, future rents, and brand capital. Put schematically, Jevons explains how claims meet, Smith how issuers constrain one another, and Klein why an issuer may prefer future trust to present overissue.

Their combination also shows why 'competition' cannot do analytical work by itself. Competition is not a single force that descends once a prohibition is removed. Its effects depend on the object of rivalry and the institutions that transmit sanctions. If settlement is costly or membership restricted, a clearing association may protect incumbents. If balances are not redeemable in an outside asset, the discipline of adverse clearings changes character. If monetary quality is hard to observe, users may follow a certifier or a dominant index provider rather than compare issuers directly. If reputation is expensive to build, a market may be disciplined yet concentrated and hardly contestable. The relevant question is not simply whether there is competition, but how competitive feedback is produced.

This conclusion does not contradict Hayek's account of spontaneous order or his critique of constructivism. To analyse a clearing house, a bankruptcy practice, or a reputational mechanism is not to design it from above. Jevons's history makes the point with unusual clarity: the London Clearing House arose from private convenience, accumulated rules, and only later acquired legal recognition. Its spontaneous origin did not make its committee, membership restrictions, or settlement procedures theoretically unimportant. An institution may be the unintended product of action and still possess an internal governance structure that shapes subsequent action.

Nor is the argument answered by the Mengerian account of the origin of money. Menger explained how a generally accepted medium could emerge from individual attempts to overcome the difficulties of barter without a collective act of invention (Menger 1892). Hayek drew deeply on that tradition. But the emergence of a medium of exchange and the organisation of competition among established issuers are different explananda. Once monetary liabilities are produced by firms, traded at variable rates, and used in long-term contracts, the analysis must account for settlement, information, default, and organisational authority. A theory of how money first becomes money does not by itself explain how a multicurrency payments system governs itself.

A more institutionally specific *Denationalisation* could therefore have remained thoroughly Hayekian. It need not have prescribed a unique clearing technology, index, reserve asset, or bankruptcy code. It could have identified functional problems and used historical variation to show several ways in which market participants had addressed them. It could also have treated the institutional forms as objects of

discovery: competing clearing associations, alternative certification arrangements, contractual standards, and forms of mutual surveillance. The difference between a blueprint and an institutional analysis is not the presence or absence of institutions. It is whether their precise form is imposed in advance or studied as an evolving response to recurrent problems.

Read in this way, the limitation of the first edition is not lack of imagination about technologies that appeared decades later. That would be anachronistic. It is a narrower lack of institutional imagination relative to sources Hayek already possessed. He had before him a spontaneous private clearing house, a comparative history written on a topic he had suggested, and a recent theory of branded competitive money. Yet the book uses them episodically rather than cumulatively. The result is a powerful statement of the principle of monetary competition without an equally powerful account of the institutional processes that would give that principle effect.

This finding also clarifies what an anniversary reassessment can contribute. It need not decide whether Hayek was politically right, whether later private monies vindicated him, or whether the book belongs in a citation-based canon. It can recover the unrealised analytical possibilities of the text's own moment. On that criterion, *Denationalisation* is historically interesting not only for the questions it asked but for the adjacent questions its bibliography made available and its argument left open.

7. Conclusion: an anniversary from Hayek's own library

The quiet fiftieth-anniversary year of *The Denationalisation of Money* contrasts sharply with the scholarly activity surrounding the 250th anniversary of *The Wealth of Nations*. The contrast is not evidence that Hayek's essay should receive the same attention as Smith's book, and this article has not tried to manufacture commemoration by declaring a neglected classic. It has used the silence as an occasion for a bounded historical question: what could Hayek have done, in 1976, with sources he explicitly cited?

The answer is not that Jevons, Vera Smith, or Benjamin Klein contained a hidden blueprint for competitive currencies. Jevons's clearing houses operated mainly within a common unit. Smith's free banks issued redeemable liabilities in an inherited standard. Klein's model abstracted from much of the organisational detail that historical systems would require. Their value lies in the functions they made visible. Jevons supplied infrastructure and private rule formation; Smith supplied reciprocal discipline and a law of failure; Klein supplied the costly production of monetary credibility.

Hayek used each source selectively. He rebutted Jevons's case against monetary competition, invoked Smith to distinguish rival currencies from old free banking, and acknowledged Klein's priority while adopting the language of brand and trademark. Those moves strengthened the polemic but left the institutional landscape between entry and discipline underdeveloped. Legal entry does not itself create comparability, clearing, informed exit, or continuity after default. Reputation does not operate independently of law, measurement, and accumulated capital. Spontaneous order does not mean an order without organisations and rules.

The claim of the paper is deliberately limited to the first edition. It says nothing about whether Hayek repaired these gaps later, whether subsequent critics supplied better answers, or whether contemporary monetary experiments confirm the proposal. Nor does this deliberately short article pretend to exhaust the institutional questions raised by competitive monetary issue. Those limitations are an advantage. They allow the book to be read without retrospective triumphalism or retrospective condescension. Fifty years on, the most productive return to *Denationalisation* may begin not with its descendants, but with the authors already sitting in its bibliography.

Declarations

Funding: No funding was received for this research.

Competing interests: The author has no relevant financial or non-financial interests to disclose.

Data availability: No datasets were generated or analysed for this article.

Use of generative AI: OpenAI's ChatGPT was used during manuscript preparation to assist with language, structure, and editorial refinement. The author verified all sources and claims and takes full responsibility for the final manuscript.

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