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C O N T E N T S.

- Report on Empire Monetary and Financial Policy by a Joint Committee of the Federation of British Industries and the Empire Economic Union. 1931. X6.1-3.N3 G1 pp. 1- 25.
- In-Flation, De-Flation, Re-Flation: Their Effect on the Commodity Price Level. By Waldron Smithers. (The Problem of To-day.) X9(JB). 760 X61:74 G2 pp. 26- 34.
- Currency and Credit on a Metallic Basis. Their Effect on Trade and on the Commodity Price Level of the World. By H.E.Moon. 1932. X61:1 G2 pp. 35- 51.
- A New British Financial Policy. Industry's Plan. 1932. X7.3.N3 G2 pp. 52- 64.
- K.J.Back's Financial System. 1931. X61:1 G1 pp. 65- 89.
- Debts and Reparations. By Waldron Smithers. 1932. X755:576 G2 pp. 90- 99.
- Proposed Banking Act of 1935. By Winthrop W. Aldrich. 1935. X62:(Z73).N35 G5 pp.100-125.
- Suggestions for Improving the Banking System. By Winthrop W. Aldrich. 1933. X62.73.N3 G3 pp.126-141.
- The Present and Future Development of Public Utility Finance. Address by Harry M. Addinsell.

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- 18. A Practical Monetary Policy for the Ottawa Conference. By E. Beddington Behrens. 1932. X6.1-3.N3 G2 pp.324-333.
- 19. 21st Annual Report of the Federal Reserve Board, Washington. 1934. X6212:734 G4 pp.334-481.
- 20. Currency, Banking and Finance. (The Labour Party Policy Report No.1, London.) 1932. X6.3.N3 G2 pp.482-487.
- 21. On Money. By Lord Desborough. X61 G3 pp.488-502.

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REP

Empire Monetary and Financial Policy

by a Joint Committee

of the

FEDERATION OF BRITISH INDUSTRIES
and the EMPIRE ECONOMIC UNION



Accepted by the GRAND COUNCIL of the
FEDERATION OF BRITISH INDUSTRIES,
October 14th, 1931.



Copies can be obtained from the
Federation of British Industries,
21 Tothill Street, London, S.W.1.

Price 1s. 0d.

7th October, 1931.

The following Report is that of a Joint Committee set up by the Federation of British Industries and the Empire Economic Union to examine and report to both organisations upon the subject of Empire Currency and Financial Policy.

The Committee is much indebted to Sir Frederick Williams-Taylor for the Appendix on the "Monetary Systems of Great Britain, the United States and Canada."

The following were members of the Committee :—

Rt. Hon. L. S. AMERY, M.P.	} For the Empire Economic Union.
Rt. Hon. SIR ROBERT HORNE, P.C., G.B.E., K.C., M.P.	
SIR BASIL BLACKETT, K.C.B., K.C.S.I.	
MR. H. G. WILLIAMS, M.Sc., M.I.C.E.	
SIR FREDERICK WILLIAMS-TAYLOR	} For the Federation of British Industries.
SIR WILLIAM LARKE, K.B.E.	
SIR ROLAND NUGENT.	
MR. R. G. GLENDAY.	

APPENDICES.

APPENDIX A.—Consists of extracts from the final report of the Royal Commission on Gold and Silver, and deals with the practicability of a ratio between silver and gold.

APPENDIX B.—Shows that in the period 1849-72, which included the gold discoveries in California and Australia, production increased very rapidly, and prices rose considerably, while in the years 1872-1894, which included the demonetisation of silver, prices fell off very sharply while production diminished. Prices continued to fall till the great influx took place of gold from South Africa.

APPENDIX C.—Shows the ratio between silver and gold from the year 1687 to the demonetisation of silver, when silver fell sharply, and the fall has been continued.

APPENDIX D.—Is a remarkable prediction by Mr. Ernest Seyd in 1871.

APPENDIX E.—Shows the production of gold and silver in the world since 1895 in fine ounces.

APPENDIX F.—Is an extract from a speech of the late Lord Balfour, the wisest man I have known.

APPENDIX A.

EXTRACTS FROM THE FINAL REPORT OF THE ROYAL
COMMISSION ON GOLD AND SILVER, 1888:—

FROM PART I.

Sec. 192.—“ Now, undoubtedly, the date which forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver and one of marked instability, is the year when the Bimetallic system, which had previously been in force in the Latin Union, ceased to be in full operation; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals.

“ So long as that system was in force, we think that, notwithstanding the changes in the production and the use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely, $15\frac{1}{2}$ to 1.

Sec. 193.—“ Nor does it appear to us *a priori* unreasonable to suppose that the existence in the Latin Union of a Bimetallic system, with a ratio of $15\frac{1}{2}$ to 1 fixed between the two metals, should have been capable of keeping the market price of silver steady at approximately that ratio.

“ The view that it could only affect the market price to the extent to which there was a demand for it for currency purposes in the Latin Union, or to which it was actually taken to the mints of those countries, is, we think, fallacious.

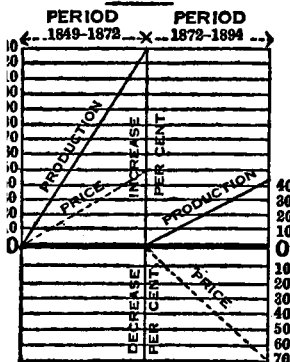
“ The fact that the owner of silver could, in the last resort, take it to those mints and have it converted into coin which would purchase commodities at the ratio of $15\frac{1}{2}$ of silver to one of gold, would, in our opinion, be likely to affect the price of silver in the market generally, whoever the purchaser and for whatever country it was destined. It would enable the seller to stand out for a price approximately to the legal ratio, and would tend to keep the market steady at about that point.”

APPENDIX B.

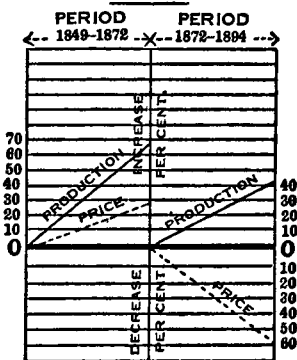
"PRICES AND PRODUCTION," BY SIR GUILDFORD
MOLESWORTH, K.C.I.E.

It is said that the fall in prices since 1872 is mainly due to increased production, but if that is the case how is it that in a corresponding period of time previous to 1872 a much greater increase in production did not only not produce a fall in prices but was actually accompanied with a rise in prices? The answer to this question is to be found in the fact that "during the first period there was a large expansion in the volume of the metallic basis of international money tending to raise prices, while during the latter period there was a great contraction of it, consequent on the closing of the mints in Europe to the free coinage of Silver in 1873."

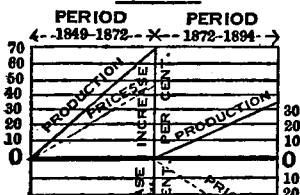
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APPENDIX C.

COMMERCIAL RATIO OF SILVER TO GOLD EACH YEAR FROM 1687 TO 1894, BASED UPON THE PRICE OF SILVER IN THE LONDON MARKET.

(From 1687 to 1833 the ratios are taken from Dr. A. Seeböer; from 1833 to 1878 from Pizley and Abell's tables; and from 1878 to 1894 from daily cablegrams from London to the Bureau of the United States Mint.)

Year.	Ratio.	Year.	Ratio.	Year.	Ratio.	Year.	Ratio.
1687	14.94	1739	14.91	1791	15.05	1843	15.93
1688	14.94	1740	14.94	1792	15.17	1844	15.85
1689	15.02	1741	14.92	1793	15.00	1845	15.92
1690	15.02	1742	14.85	1794	16.37	1846	15.90
1691	14.96	1743	14.85	1795	15.55	1847	15.80
1692	14.92	1744	14.87	1796	15.65	1848	15.85
1693	14.83	1745	14.98	1797	15.41	1849	15.78
1694	14.87	1746	15.13	1798	15.59	1850	15.70
1695	15.02	1747	15.26	1799	15.74	1851	15.46
1696	15.00	1748	15.11	1800	15.68	1852	15.59
1697	15.20	1749	14.80	1801	15.46	1853	15.33
1698	15.07	1750	14.52	1802	15.26	1854	15.33
1699	14.94	1751	14.39	1803	15.41	1855	15.38
1700	14.81	1752	14.54	1804	15.41	1856	15.38
1701	15.07	1753	14.54	1805	15.79	1857	15.27
1702	15.52	1754	14.48	1806	15.52	1858	15.38
1703	15.17	1755	14.68	1807	15.43	1859	15.19
1704	15.22	1756	14.94	1808	15.08	1860	15.29
1705	15.11	1757	14.87	1809	15.96	1861	15.50
1706	15.27	1758	14.85	1810	15.77	1862	15.35
1707	15.44	1759	14.15	1811	15.53	1863	15.37
1708	15.41	1760	14.14	1812	16.11	1864	15.37
1709	15.31	1761	14.54	1813	16.25	1865	15.44
1710	15.22	1762	15.27	1814	15.04	1866	15.43
1711	15.29	1763	14.99	1815	15.28	1867	15.57
1712	15.31	1764	14.70	1816	15.28	1868	15.59
1713	15.24	1765	14.93	1817	15.11	1869	15.90
1714	15.13	1766	14.80	1818	15.35	1870	15.57
1715	15.11	1767	14.85	1819	15.33	1871	15.57
1716	15.09	1768	14.80	1820	15.62	1872	15.63
1717	15.13	1769	14.72	1821	15.95	1873	15.9
1718	15.11	1770	14.62	1822	15.80	1874	15.17
1719	15.09	1771	14.66	1823	15.84	1875	15.59
1720	15.04	1772	14.52	1824	15.82	1876	17.88
1721	15.05	1773	14.62	1825	15.79	1877	17.52
1722	15.17	1774	14.62	1826	15.76	1878	17.54
1723	15.20	1775	14.72	1827	15.74	1879	18.40
1724	15.11	1776	14.55	1828	15.78	1880	18.05
1725	15.11	1777	14.54	1829	15.78	1881	18.16
1726	15.15	1778	14.68	1830	15.82	1882	18.19
1727	15.24	1779	14.80	1831	15.72	1883	18.64
1728	15.11	1780	14.72	1832	15.73	1884	18.57
1729	14.92	1781	14.78	1833	15.98	1885	18.41
1730	14.81	1782	14.42	1834	15.73	1886	20.78
1731	14.94	1783	14.48	1835	15.80	1887	21.13
1732	15.09	1784	14.70	1836	15.72	1888	21.99
1733	15.18	1785	14.82	1837	15.83	1889	22.10
1734	15.39	1786	14.96	1838	15.85	1890	19.76
1735	15.41	1787	14.92	1839	15.82	1891	20.32
1736	15.18	1788	14.65	1840	15.62	1892	23.72
1737	15.02	1789	14.75	1841	15.70	1893	25.49
1738	14.91	1790	15.04	1842	15.87	1894	32.56

DEMONETISATION
 Western Mints closed to free coinage of silver and bimetallicism abandoned for the first time in the history of the World.

APPENDIX D.

The evils which have followed the closing of the Mints to Silver in Christendom were foretold in the following remarkable prediction by the late Mr. Ernest Seyd in 1871 :—

“ It is a great mistake to suppose that the adoption of the gold valuation by other States besides England will be beneficial. It will only lead to the destruction of the monetary equilibrium hitherto existing, and cause a fall in the value of Silver, from which England's trade and the Indian Silver valuation will suffer more than all other interests, grievous as the general decline of prosperity all over the world will be.”

“ The strong doctrinism existing in England as regards the gold valuation is so blind that, when the time of depression sets in, there will be this special feature :—The economical authorities of the country will refuse to listen to the cause here fore-shadowed ; every possible attempt will be made to prove that the decline of commerce is due to all sorts of causes and irreconcilable matters. The workman and his strikes will be the first convenient target ; then speculation and over-trading will have their turn. Later on, when foreign nations, unable to pay in silver, have recourse to protection, when a number of other secondary causes develop themselves ; then many would-be wise men will have the opportunity of pointing to specific reasons which in their eyes account for the falling off in every branch of trade. Many other allegations will be made totally irrelevant to the real issue, but satisfactory to the moralising tendency of financial writers. The great danger of the time will then be that, among all this confusion and strife, England's supremacy in commerce and manufactures may go backwards to an extent which cannot be redressed, when the real cause becomes recognized, and the natural remedy is applied.”

APPENDIX E.

PRODUCTION OF GOLD AND SILVER IN THE WORLD SINCE 1895.

(The estimates are those of the Bureau of the Mint.)

Calendar Year.	GOLD. Fine Ounces.	SILVER. Fine Ounces.	Ratio of Silver production (weight) to Gold production (weight).
1895	9,615,190	167,500,960	17.4
1896	9,783,914	157,081,370	16.1
1897	11,420,068	160,421,082	14.0
1898	13,877,806	169,055,253	12.2
1899	14,837,775	166,337,452	11.3
1900	12,315,135	173,591,364	14.1
1901	12,625,527	173,011,283	13.7
1902	14,354,680	162,763,483	11.3
1903	15,852,620	167,689,322	10.6
1904	16,804,372	164,195,266	9.8
1905	18,396,451	172,317,688	9.4
1906	19,471,080	165,054,497	8.5
1907	19,977,260	184,206,984	9.2
1908	21,422,244	203,131,404	9.5
1909	21,965,111	212,146,023	9.7
1910	22,022,180	221,715,673	10.1
1911	22,397,136	226,192,923	10.1
1912	22,605,068	230,904,241	10.2
1913	22,254,983	210,013,423	9.4
1914	21,301,836	172,263,596	8.1
1915	22,737,520	173,000,507	7.6
1916	22,031,094	160,801,919	8.2
1917	20,345,528	186,125,017	9.1
1918	18,614,039	203,159,431	10.9
1919	17,698,184	179,849,940	10.2
1920	16,130,110	173,296,382	10.7
1921	15,974,962	171,285,542	10.7
1922	15,451,945	209,815,448	13.9
1923	17,790,597	246,009,534	13.8
1924	19,031,001	239,484,703	12.6
1925	19,025,942	245,213,993	12.9
1926	19,349,118	253,795,166	13.1
1927	19,431,194	253,981,085	13.1
1928	19,765,622	267,925,154	13.1
1929	19,496,721	261,716,021	13.4

APPENDIX F.

INTERNATIONAL BIMETALLISM POSSIBLE AND ADEQUATE.

The Right Hon. A. J. Balfour concluded his speech at the Town Hall, Manchester, on October 27th, 1892, with these words:—"But while I hold all these convictions I also believe that the bimetallic solution is possible and is adequate. (Applause.) I don't give it you as a cure for every industrial evil. I don't come forward as a quack with a universal remedy. I don't tell you that it will drive bad trade for ever from these shores and give every man who desires to work a chance of working for a good day's wages, and every man who desires to invest the certainty of a profitable investment. (Hear, hear.) I paint no such visions before you. I put no such promise before your gaze. But I do say that for a great commercial country a sound instrument of exchange is a matter of the first necessity. (Applause.) I do say that the instrument of exchange which you actually have is a bad instrument, and I offer you for your acceptance an instrument which, if not perfect, is at all events practicable, and is incomparably better than any which you are likely to obtain by any other means of which I have any knowledge." (Loud applause.)
