

THE SILVER QUESTION

AND

THE GOLD QUESTION.

BY

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INTRODUCTION.

THE silver question and the gold question as monetary questions cannot be separated.

When the disturbance of the old relative value of the two precious metals began to show itself, it was the fall in silver only that at first engaged attention ; but it soon became apparent that while silver had fallen, gold had at the same time become appreciated in its purchasing power, and evidence to this effect has of late years become overwhelming. Is this rise in the value of gold connected with the fall in the value of silver? How much also of the apparent fall in silver is due to the enhanced value of the gold standard in which we measure it? These are questions not of mere curiosity, but of great practical import, for this disturbance in the relative value of these two monetary metals is interfering with commerce everywhere, and it behoves us to inquire

into the causes to which this disturbance has been due. Are they simply natural causes which cannot safely be meddled with, or are they, on the other hand, causes under human control—the result of legislative action, or of the want of it? A belief in the former of these views, that nothing can be done to remedy the present state of matters, has been at the root of the apathy with which so many have regarded this question. They admitted the evil, but believing that only the stern law of supply and demand was involved, they gave the matter no serious consideration, and regarded the opinions of those who took a different view almost with contempt. I think, however, that a better disposition as regards the investigation of the subject now prevails. In the difficulties with which we are now face to face we have the fulfilment of the predictions of such men as M. Wolwoski and Mr. Ernest Seyd,* and surely when actual experience is corroborating those predictions it is well to examine the arguments on which they were based, and the proposals to remedy the anticipated evils which they so earnestly urged.

* Appendix P.

How also are the opinions of those who opposed them standing this same test of experience? I select two who in the early days of the controversy were most prominent and influential in their opposition. In his book on "Money and the Mechanism of Exchange," published in 1875, Professor Stanley Jevons wrote :

"Within the last year or two the predictions of M. Wolwoski may seem to have been verified in some degree. The price of standard silver, which was at one time 62½d. per ounce, has already fallen as low as 57¾d., while the demonetisation of silver in Germany is only partially accomplished. . . . but it is by no means certain that it will fall further than it has already done. That a great rise will really take place in the purchasing power of gold is wholly a matter of speculation. We cannot do more than make random guesses on the subject, and as a mere guess, I should say it is not likely to rise. Gold has since 1851 been falling in value, and the increased demand for gold is not likely to do more than slacken, or, at the most, arrest the progress of depreciation."

In the preface to a collection of his articles on the silver question, published in the *Economist*, Mr. Walter Bagehot wrote, in February, 1877, just a few weeks before his death:—

“I consider that the rise in the price of silver from 47d. last summer to 55½d. now, shows the preceding great fall from 54⅞d. last February to be only a momentary accident in a new and weak market, and not the permanent effect of lasting causes. . . . As yet no one can prove that the permanent value of silver, whether in its relation to gold or to commodities at large, will change so much as to render any alteration necessary.”

These authorities, as well as the two on the other side whom I have named, have passed into the silent land, and while reverently recalling the words in which they ventured to forecast the issue of the question, we cannot fail to see in the light of the experience which we have since gained, that on the point referred to the two first named were right, and the other two wrong. Wolwoski and Seyd stood at first almost alone in raising the voice of warning against the propaganda in favour

of gold mono-metallism which resulted from the Monetary Conference of 1867.* We catch a glimpse of the spirit of the former from a few prefatory words of M. Emile de Laveleye, in an address read before the French Institute in Paris on 10th May, 1881, in which he says: "If I undertake within these walls to speak of money, it is to obey the wish of my distinguished and regretted master, Wolwoski, who in his last illness wrote me in a hand already enfeebled—'My strength is forsaking me; but do you continue to defend our cause, which is the truth.'" Of Seyd's earnestness his writings testify, and the circumstances of his end show how much his heart was in the cause he so earnestly advocated. He died in a hotel in Paris in April, 1881, whither he had gone for the purpose of watching the proceedings of the Monetary Conference, which was held that year, and which was then beginning its sittings. Of the two others we must speak in similar terms of respect and reverence. Bagehot's influence on those with whom he came in contact seems to have been unique in the loving sympathy and

* Appendix D.

esteem for his genius which he inspired, and perhaps reverence for his opinions still dominates the journal with which he was identified, and influences its attitude towards this question. Nor was the influence which Jevons exercised less remarkable, as was shown by the thrill of sorrow which was everywhere felt, when on that summer day twelve years ago his body was found in the water near the shore where he had gone to bathe. Though opposing the views which it is the object of these pages to advocate, his writings have done much to establish them, more especially the demonstration he has made as to the smaller variation in the value of money in relation to commodities under a double standard of gold and silver than of gold alone.

Time, I believe, with him might have wrought further change, for we must bear in mind that the idea that gold was the only standard which civilised nations should have, was, seventeen or eighteen years ago, almost universally entertained. It was a cherished dream of perfection in money which the economists of that time held dear. Jevons was one of those who saw all the possibili-

ties as to universal money which the idea involved; and it is not wonderful that he clung to it. Most of those now known as bi-metallists at one time shared the same views, and I think it is not assuming too much to believe that the waiting attitude, as "of travellers lost in a fog waiting till the air becomes clear," which Jevons advocated in one of his latest papers on the subject might, in the fuller light which experience is throwing upon this question, have resulted in his making a further advance towards what Wolwoski, with his clearer perception, so early discerned as "the truth."

What we have to recognise is, that the world's money consists of silver and gold, and that the aggregate volume of both these precious metals, in their monetary uses, is a common possession of the nations on which the standard of value actually rests. It is now seen that silver cannot be displaced without affecting the value of gold, and that individual nations cannot make fundamental changes in their monetary laws without the consequences being felt in the monetary exchanges of all the capitals of the world.

The remedy proposed by bi-metallists is as de-

finite and clear as the facts to be recognised, viz., that this common possession of metallic money for standard and exchange purposes should be dealt with in concert by the nations, and that they should agree upon a common ratio at which the two metals should be coined. This would secure a steady equivalence between them such as formerly practically existed. Concerted action of this nature would not affect the volume of money. The precious metals are in the world now as nature yields them to us, doing their monetary work; they would be there still in unchanged volume; but instead of conflict and discord between the two valuations, there would be harmony, and a rupee or a silver dollar at their par value would always mean definite amounts in English money.

The idea of acting independently of other nations in these matters, by which England has been so long dominated, must be abandoned. She of all nations is most interested in the free flow of international trade, and the removal of all barriers, such as this, which hinder it, should be her first concern.

In revising these pages and adding what has

been necessary to make them a faithful representation of the controversy at the present day, it has been interesting to note the great advance which Bi-metallic views have made, and the new phases of the question that have been developed.

At first we had to accept the fact that the then leaders of the science of political economy were opposed to bi-metallic views: the professors were all against us. But to-day the leading authorities, whose teachings are moulding the thought of England on economic questions at our Universities, and also in America and on the Continent of Europe, are nearly all with us.* It is not, therefore, the opinion of the scientists that we have now to fear, but the *non possumus* of those who are living under the shadow of the old ideas regarding money, and who will not carefully examine the question because they believe that they have nothing new to learn. The chief stronghold of this opposition is in that vague yet formidable thing known as City opinion, which dominates banking circles and influences the monetary writers of the press of the metropolis, and which even

* Appendix Q.

statesmen who know better, and are favourable to our views, say they cannot go against. City opinion, however, may not prove so unchangeable as many think. Formerly it was strong because it was backed up by the opinions of the older economists whose views then prevailed, but now that old things in this respect are passing away, and all things are becoming new, this source of strength is failing, and like a fortress that has lost the outside supports on which it relied, it may suddenly collapse.

The serious position in which the Indian government at present finds itself in consequence of the action that was taken in closing the Indian mints, is forcing the general monetary question upon the attention of our rulers, and I cannot help thinking that ere long the only true solution of all these difficulties by International Bi-metallism will be accepted.

March, 1894.

CHAPTER I.

BI-METALLISM.

GENERAL VIEW OF THE QUESTION.

MANY people suppose that bi-metallism is something new. The name may be new, but what it serves to indicate, viz., the use of gold and silver as money, is nearly as old as the history of man. The advocates of bi-metallism do not propose anything of a revolutionary character; on the contrary, their action is conservative, and their aim is to resist what has been leading to, and must ultimately end in, a disastrous revolution in the world of money.

For seventy years prior to 1874 (and for an indefinite time also before the beginning of that period, though less perfectly) bi-metallism was practically in force for all the purposes of international commerce. Individual nations had different standards—some had gold alone, some silver alone, and others gold and silver; but, owing to the uniform relative value of the two metals, silver and gold throughout the world formed practically one mass of metallic money, and the par of exchange between a gold country and a silver country, or between either of these and a gold and

silver or bi-metallic country, was, for all practical purposes, a fixed value; varying almost as little as if all the nations of the world had been mono-metallic—that is, had had one metal only as the standard of value.

How this uniformity in the relative value of gold and silver was maintained did not engage the attention of economists. The fact was accepted, and it seemed almost an arrangement of nature which the most violent variations in the relative supplies of the two metals could not disturb. But a day came when the true cause of this uniformity was revealed. The promulgation of a new monetary law at Berlin, and the decision of France and the Latin Union* to suspend the coinage of silver, showed the world that this uniformity of the two metals had been dependent on the action of the bi-metallic system of France, backed by the equilibrium which was maintained by the counteracting influence of silver mono-metallic countries such as Germany, as against gold mono-metallic countries such as England. With the French law† in abeyance, and the general equilibrium disturbed, the world quickly saw that it was human law acting on, and through, the natural law of supply and demand that had linked the two metals so effectually and so beneficially together.

While silver was always sold in London as a

* Appendix F. † Appendix A.

commodity, the coinage ratio of France ($15\frac{1}{2}$ to 1 of gold) necessarily ruled the price in London. As long as free mintage was maintained in Paris, no one would sell silver in London at a less price than would result from sending it to Paris and getting it turned into francs at the legal rate; nor would anyone buy silver in London at a higher price than would result from sending gold to Paris and getting francs for it.

The following table shows the ratio of price between gold and silver from the year 1801 to 1889; also the annual production of each metal as far as I have been able to obtain them, with further columns showing the proportion which the supply of gold bore to that of silver, and the total supplies of both metals. The earlier figures are mainly taken from the report of the Silver Committee of 1876. For recent years, the figures indicating supplies are from the statistics compiled by the United States Mint authorities. I give two columns for silver from 1873, one showing the nominal or coining value on the basis of the American Bland dollars of 16 to 1 of gold, or say 59d. per ounce, and the other the commercial value, based on the average price of silver for each year.

DATE.	RATIO.	PRODUCTION MILLIONS.			Proportion of Gold to Silver 1 to	Total of Gold and Silver.
		Gold.	SILVER.			
			Coining Value.	Commercial Value.		
1801—1810	15·61	£2·6	£7·7	..	2·97	£10·3
1811—1820	15·51	1·6	3·6	..	2·25	5·2
1821—1830	15·80					
1831—1840	15·67	..	..	..	..	..
1841—1850	15·83	..	..	..	..	..
1849	15·80	5·4	7·8	..	1·44	13·2
1850	15·83	8·9	7·8	..	0·88	16·7
1851	15·46	13·5	8·0	..	0·59	21·5
1852	15·57	36·6	8·1	..	0·22	44·7
1853	15·33	31·1	8·1	..	0·26	39·2
1854	15·33	25·5	8·1	..	0·32	33·6
1855	15·36	27·0	8·1	..	0·30	35·1
1856	15·23	29·5	8·2	..	0·28	37·7
1857	15·27	26·7	8·1	..	0·30	34·8
1858	15·36	24·9	8·1	..	0·32	33·0
1859	15·21	25·0	8·2	..	0·33	33·2
1860	15·30	23·9	8·2	..	0·34	32·1
1861	15·47	22·8	8·5	..	0·37	31·3
1862	15·36	21·6	9·0	..	0·42	30·6
1863	15·38	21·4	9·8	..	0·46	31·2
1864	15·40	22·6	10·3	..	0·45	32·9
1865	15·33	24·0	10·4	..	0·43	34·4
1866	15·44	24·2	10·1	..	0·42	34·3
1867	15·57	22·8	10·8	..	0·48	33·6
1868	15·60	22·0	10·0	..	0·45	32·0
1869	15·60	21·2	9·5	..	0·45	30·7
1870	15·60	21·4	10·3	..	0·46	31·7
1871	15·59	21·4	12·2	..	0·57	33·6
1872	15·63	19·9	13·1	..	0·66	33·0
1873	15·93	19·2	16·3	16·4	0·85	35·6
1874	16·18	18·1	14·3	14·1	0·78	32·2
1875	16·59	19·5	16·1	15·5	0·79	35·0
1876	17·89	20·7	17·5	15·6	0·75	36·3
1877	17·21	22·8	16·2	15·0	0·66	37·8
1878	17·95	23·8	19·0	16·9	0·71	40·7
1879	18·41	21·8	19·2	16·6	0·76	38·4
1880	18·06	21·3	19·3	17·1	0·80	38·4
1881	18·25	20·6	20·4	17·9	0·87	38·5
1882	18·28	20·4	22·3	19·6	0·96	40·0
1883	18·66	19·0	23·0	19·7	1·04	38·7
1884	18·64	20·3	21·1	18·1	0·89	38·4
1885	19·40	21·6	23·7	19·5	0·90	41·1
1886	20·81	21·2	24·1	18·5	0·87	39·7
1887	21·15	21·0	24·8	18·8	0·89	39·8
1888	21·99	21·9	28·4	20·6	0·94	42·5
1889	22·09	24·6	32·4	23·4	0·95	48·0
1890	19·76	24·0	34·7	28·2	1·17	52·2
1891	20·93	25·0	37·2	28·3	1·13	53·3
1892	23·14	26·1	39·3	26·5	1·01	52·6
1893						

See further Table, Appendix S.

A glance at the ratio column will show how small were the variations up to 1874, and how violent they became after that date. In 1876, the action of the German Government in selling their demonetised silver began to tell with full force, and the price was run down to 46½d. per ounce in the month of July in that year; by the month of January, 1877, the price had rebounded to 58½d. In March, 1879, it stood at 49d.; in May, 1882, at 52d. From that time, with variations, the tendency continued downwards till February, 1890, when 42½d. was reached. The movement which carried the Sherman Act in America then began to tell, and when that Act was signed by the President in July, 1890, the price was quoted at 54d. Very shortly afterwards, however, the price again began to give way, and gradually declined, until, upon the closing of the Indian Mints in June last, it fell to 30d. It rebounded to 31d. and now stands at 28d. Everyone knows that the exchanges of silver countries on England have had to follow these violent fluctuations, and the losses and disorganisation of business which have resulted therefrom are also well known.

Let us look back for a moment at the causes which led to the action of Germany in demonetising her silver. In the year 1867 a conference was held in Paris with the idea of discussing some system of universal currency by which the coins of all nations might be harmonised. A very laudable

object, no doubt. These reformers, however, found that a serious obstacle to the realisation of their schemes existed in the different standards of value which the leading nations had adopted, and from that time there began a propaganda in favour of gold mono-metallism. The English system was regarded as the best, and England's commercial prosperity was supposed to have resulted largely from her monetary system. The idea was that gold should become the standard of all the richer, while silver might remain the standard of the poorer nations. These ideas had made considerable progress in France when the Franco-German war commenced. Had it gone differently, perhaps France would have parted with her silver as Germany has done; but we all know the issue of that war and its consequences. France lay at the feet of her conqueror, and with the indemnity money in hand, Germany thought she had the power of gaining a further victory over her rival by getting ahead of her in her monetary system. The currency of the German empire sadly needed reform, but more than this was decided upon. Led away by the views of the panegyrists of gold mono-metallism, she decided to change her standard from silver to gold,* and thus put herself in line with England. The operation of trying to get rid of her silver, and of replacing it with gold, proved

* Appendix E.

a costly and difficult one for Germany, and after continuing her sales of silver for four years, she had to suspend them. A large amount of legal tender silver is still circulating in certain denominations of coins, and as these are on the basis of $15\frac{1}{2}$ to 1 of gold she is, so far, practically in the same position as France. It is quite understood that Germany now doubts the wisdom of the move she made. Will she stop short, or go forward in completing the change? That question has at different times agitated Germany. Her Government sees the difficulties on both sides, and it is believed that, in view of these, there is a better disposition on her part towards international agreement as to the best solution of the difficulty.

The economist who urged the adoption of gold mono-metallism seemed to think that gold and silver would always continue, as they had done, about the same relative value. They did not foresee the effect of their propaganda on the value of silver. It required, however, only one nation to become a convert to their views, and to carry them out practically, to bring about all the disastrous consequences we have seen, and already the principle of gold mono-metallism is self-condemned. The world sees that it cannot be extended without entailing untold evil, and all monetary authorities—those who rank themselves as the opponents of bi-metallism, as well as those who favour it—are

now equally opposed to the extension of gold mono-metallism. All equally wish to see silver as well as gold maintained as money. But how is it to be done, if not in the way that bi-metallists advocate? Their opponents do not say. They only say—"England must do nothing in the matter." Such a course is not only selfish, but illogical. If nothing is done, nation after nation must give up silver as its standard, and it is only the magnitude of the danger that makes them pause to see if nothing will be done by the leading nations in the direction of bi-metallism. France still waits, but she cannot wait indefinitely. Her currency laws are founded on bi-metallism, and must ere long be repealed if they cannot be put in force. At present they are simply in abeyance as regards the free coinage of silver. Throughout France, purchases to any extent can be made with coined silver on as good terms as with coined gold, but nothing fresh can be coined. Her bi-metallic system, with its free coinage of silver for all comers, had, as we have seen, linked gold and silver together, not for France only, but for the world; but, like some grand old bridge of solid masonry held together more by the cohesion of its materials than by its structural form, it gave way, after resisting many a strain, under a pressure it was never intended to bear. It can never again be restored on the same lines; a new bridge must be constructed, resting

on the broad basis of the general accord of nations. France and the United States would willingly join in such an accord, but the co-operation of one other power is necessary to initiate bi-metallism. That power is England, and whenever she can be induced to lay aside old prejudices, and join in a convention, the whole thing will be accomplished, and gold and silver will be again practically regarded as one metal for all the purposes of international trade.

I have referred to the equilibrium formerly maintained between silver countries and gold countries, and will now indicate more fully what I mean by this.

The gold and silver money existing in the world in the year 1870 was estimated by Mr. Ernest Seyd to amount to about 1,850 millions sterling, consisting of 700 millions gold, and 650 millions silver. The distribution of this amount was as follows:—

	GOLD.		SILVER.	
	Coin & Bullion. Full Value.		Coin & Bullion. Full Value.	Subsidiary Coinage. Debased value.
England.....	£130 millions		£.. millions	£15 millions
France	260 „		70 „	14 „
Germany	30 „		60 „	16 „
Belgium, Holland, Portugal, Denmark, Sweden, & Switzer- land	40 „		45 „	10 „
The rest of Europe..	60 „		30 „	25 „
Total in Europe	£520 millions		£205 millions	£80 millions.

	GOLD.		SILVER.	
	Coin & Bullion. Full value.		Coin & Bullion. Full value.	Subsidiary Coinage. Debased value.
United States	30 millions		.. millions	5 millions
Other States in America, the Colonies, and generally distributed.....	140 ,,	'	50 ,,	10 ,,
India, and China, the East	10 ,,		250 ,,	40 ,,
	<u>£700 millions</u>		<u>£505 millions</u>	<u>£145 millions</u>

Mr. Seyd divides the countries here embraced into *four* groups, the first three having metallic currencies and the fourth having no metallic currency. The first group consisting of—

England, Portugal, }
Chill, and Aus- } Under the gold valuation.
tralia

The second group consisting of—

France, Belgium, }
Switzerland, Spain, } Under the gold and silver valuation.
New Granada, Ec-
usador, and Peru.. }

The third group consisting of—

Germany, Holland, }
Sweden, Norway, } Under the silver valuation.
Denmark, Mexico,
Central America,
India, and China. }

The fourth group consisting of—

Turkey, Brazils, }
United States, } Having an inconvertible paper valuation.
Italy, Greece, Aus-
tria, and Russia. }

Mr. Seyd further estimates that under the gold valuation there are in a country—

88 per cent. Gold coin, legal tender.
10 ,, Silver coin }
2 ,, Copper coin } Token money.

Under the gold and silver valuation—

60 per cent.	Gold coin	} Legal Tender.
28	„ Silver coin	
10	„ Silver depreciated	} Token money.
2	„ Copper „	

Under the silver valuation—

75 per cent.	Silver coin, legal tender.	
13	„ Gold coin, current, but not legal tender.	
10	„ Silver coin, depreciated	} Token money.
2	„ Copper coin „	

In 1870 there was therefore the bi-metallic group forming a centre, and on either side the gold and silver groups; the former, with its 88 per cent. gold, forming a counterpoise to the latter, with its 75 per cent. silver.

Keeping this arrangement in view, one can understand how it was that no undue strain came upon the mints of France and the other States of the Latin Union* which held to the bi-metallic system. Gold and silver alike passed freely through their mints, and, as a rule, there was no undue accumulation of either metal. The gold which they could spare found its way to the gold States, and the silver to the silver States. But when Germany and the smaller States which she influenced retired from the silver group and joined the gold group, this equilibrium was destroyed. Germany had 60 millions in silver to dispose of, and she required 60 millions in gold to take its place. In alarm, as we have seen, and afraid that she might be deprived of her gold as well as inundated with silver, France

* Appendix C.

closed her mints, and the system which had secured the uniform relative value and free use of silver and gold throughout the world collapsed. Silver, thenceforward, for *international* purposes, became nothing more than a commodity, while gold asserted itself as the only and supreme standard throughout the world, "*el Rey de todos los Reyes,*" in the empire of money.

It is just possible that if France and the other bi-metallic countries had held boldly to their system the danger might have passed, and that the excessive supplies of silver sent from Germany to her mint might have found their way, as they had done formerly, to other countries where they were required. But why should France be exposed to such a risk? It was right also that the world should recognise the beneficent services she had been rendering, and that other nations, such as England, which had benefited so largely by her action, should see the necessity of also bearing their part in maintaining the proper relation of the two metals as money.

The world was staggered by the consequences which ensued upon the closing of the French mint. There was the grossest ignorance prevailing everywhere regarding the matter; and, to intensify the difficulty, the rich results which were reported as being obtained from the working of the new silver mines in Nevada and California, especially from

the Comstock lode, for a while caused the greatest alarm lest silver might become as cheap and plentiful as copper or tin. This, however, proved only a short-lived scare, and the output of new silver actually kept comparatively steady.

The theorists who opposed bi-metallism pointed to this increase in the supply, and ascribed the whole disturbance in the price of silver to the natural law of supply and demand. They overlooked or shut their eyes to the fact that equally sudden, and far greater, variations in the supplies of the two metals had frequently occurred during the previous seventy years without disturbing their relative value. The table to which I have already referred also shows this.* In the parallel column against each year will be found the relative supply of the two metals, from which it will be seen that while the ratio in price of the two metals kept almost uniform, the proportionate supply had varied from 2.97 of silver to 1 of gold, to .22 of silver to 1 of gold.

In the early years of the century there had been a great increase in the relative supply of silver. Again, on the discovery of the gold mines of California and Australia, the supplies of gold sprang from 5 millions in 1849 to 36 millions in 1852, without any corresponding increase in the supply of silver. Yet the price of silver remained the

* See page 14.

same. These facts effectually dispose of the idea that it was the supplies of silver from Nevada and California that led to its depreciation. Under the breakdown of the old system they intensified the difficulty, but apart from this they might have had no effect.

I will now notice briefly a few of the practical effects of the disturbance in the relative value of gold and silver. I have shown that prior to 1874 the two metals were practically one in constituting the metallic money of the world. When economists spoke or wrote of money in connection with international trade, they meant the precious metals—silver and gold, not one of these metals only*—and the two together in their aggregate volume formed the metallic basis of exchange by which the trade of the world was carried on. Economists justly assert that, while metallic money is a standard of value in relation to other commodities, it is also itself a commodity; and, as such, is subject to the laws which rule the value of all other commodities. Scarcity must enhance its value, and abundance must diminish its value. If the quantity is increased, its value in relation to all other commodities must fall; if it is reduced, its value in relation to these must increase. Now take, for illustration, the estimated figure of £1,350 millions,

* John Stuart Mill's "Political Economy," Book III., chapters 19 and 21.

or say £1,400 millions, as the value of the metallic money of the world—half this amount being gold and the other half silver. Suppose that amount were rapidly diminished, values of commodities everywhere would fall; suppose it were increased, values would be augmented. If silver were everywhere effectually demonetised, this would reduce the metallic money in the world to £700 millions of gold, and, as this £700 millions would have to do the exchange work which is at present done by £1,400 millions of the two metals, its value would be correspondingly increased. One sovereign would have the same purchasing power as two sovereigns now have, prices of commodities would seem to fall to this extent in relation to money, but in reality it would be that money had become enhanced in value owing to its scarcity.

It requires little demonstration to prove that this would be an immense evil. The whole balance of values would everywhere be disturbed. Not to speak of the immediate loss to the holders of silver, every debtor who owed gold would have, practically, to pay double the amount which he owed. National loans, contracted in gold, could not be discharged without the surrender of double the property which these loans, when made, could have bought. In fact, everywhere the debtor would suffer and the creditor gain. Of course, this is putting the thing in an extreme light, but it serves to show how it

must work. With the partial demonetisation of silver and the old equilibrium destroyed, we have already seen a great depreciation in its relative value, accompanied by a great appreciation in the value of gold; and, as the process of demonetising silver goes on, as go on it must, unless effectually arrested by the adoption of bi-metallism, this divergence must increase, affecting money values and all debts, including our own National Debt, in the manner I have indicated.

With regard to the National Debt also it is necessary to remember that the £850 millions, which existed when the legislation of 1816 establishing the gold standard came into force, had all been contracted on a silver or on a bi-metallic basis; that is, the nation had received from the bondholders money based on silver or on silver and gold, and, in equity, the nation had the right of repaying what it had borrowed on the same basis; but the law of 1816* stepped in between the bondholders and the nation, and said that this debt must be recognised as a gold debt. As we have seen, owing to the general action of the bi-metallic system over the world in maintaining the old ratio of value between the two metals, no practical injustice ensued, though it might have been otherwise. Now, however, if the demonetisation of silver is allowed to go on increasing the weight of

* Appendix N.

all gold obligations, this question may become important, and the British taxpayer feel that he is suffering under an arrangement which, in this phase of it, was morally wrong.*

In speaking of money, it is too often regarded only as the medium of exchange. Its functions, as one writer asserts, being merely "to express by a kind of shorthand the relative value of one commodity as compared with another." This is so far true, but it is far short of all the truth. Besides, the attribution to the precious metals of these functions of exchange gives them, as we have seen, their substantial value as wealth, and it is in this capacity that they become our standard of value. Who doubts that the gold in the vaults of the Bank, and circulating throughout England, constitutes so much real wealth? So with silver money also where it exists. No doubt, anyone who has looked into the matter knows that, in relation to the immense settlements which are made without the intervention of metallic money (say by bills, clearing-houses, &c.), the extent of the transactions in which it is used appears trifling. Nevertheless, metallic money is the basis on which these credit documents rest, and the pivot on which all these settlements turn. We know that the reserves in the Bank of England cannot decline

* See for a full reference to this aspect of the question "The Standard of Value," by Mr. Leighton Jordan. (London: David Bogue.)

a few millions without affecting commerce everywhere. And the contraction from the depreciation of silver must have had its effect in other countries as surely, though not so visibly. There is a mysterious power which the monetary reserves of the world possess, and writers on all sides of the question have shown that the periods when the largest increase of the precious metals took place, were those marked by the greatest advances in commerce. The period succeeding the conquests in South America by Spain, with the large influx of gold and silver into Europe which resulted, witnessed such an advance; and, after the gold discoveries of California and Australia, we know that a long period of prosperity followed, during which commerce everywhere advanced. No doubt other causes also were at work, but I believe that the increase in the money basis of trade was the most potent. A relatively increasing supply of metallic money is necessary for the growing trade of the world, and the contraction of that supply, in whatever way, must be adverse.

The effect of the disturbance in the relative value of silver and gold on Exchange transactions is the most apparent of the evils to which it has given rise, though it may not be so fully understood by those who are not trading with foreign countries. It may be well, therefore, to explain

that what is known as par value is the exact equivalent of the coins of one country measured in the currency of another; that is, reducing both to their exact value as metals. If the course of trade requires the money of England to be sent to any foreign country, it will be worth there its par value *plus* the cost of transmission of specie; if, on the other hand, the balance of trade is against that country, and specie has to be sent to England, then the money of England will only be worth there its par value *minus* the cost of transmission.

There are other minor causes, such as rates of interest, usance, &c., that affect the rates, but, in the main, the figures which indicate par value *plus* the cost of transmission of specie, and par value *minus* that cost, are the two points which mark the limits of variation beyond which quotations cannot go far. Par value is like the polar centre of the compass over which the needle point of Exchange quotation oscillates, and towards which centre it will always tend to return. In the case of silver countries prior to 1874, say for instance India and England, the par value of the rupee was almost as steady as if both had been gold countries. The sterling value of the rupee varied under the conditions as to the balance of trade which I have described, but the variations in the relative prices of gold and silver were so small that there was hardly any perceptible variation from this cause,

and, in all average adjustments throughout India, 2s. per rupee was the recognised average of the relation of the two currencies.

After 1874, however, the matter became very different, and we have seen the exchange value of the rupee following all the violent fluctuations that have taken place in the price of silver up to 26th June last, when the Indian Government closed its mints for the coinage of silver, and entered upon the dubious experiment of attempting to give the rupee an exchange value apart from the price of that metal. Silver, however, still remains the money of India; and cannot be long independent of its outside value. In China, and all the other Eastern countries where the silver dollar is used, the exchange continues necessarily to follow the value of silver.

The inconvenience of this state of matters is evident, and in the presence of such uncertainty the merchant is face to face with a danger that well-nigh appals him. He can calculate and arrange for the ordinary risks of exchange; but, besides this, to gauge the probable prospective price of silver, is both beyond his province as a merchant trading with a particular market, and beyond his power. The Manchester market is fully conscious of this danger, and the market reports concerning cotton goods and yarns give full prominence to these variations in silver, know-

ing that the operations of buyers for India and other silver countries must be at once affected by any sudden change. Would not the course of commerce with silver-standard countries be much more safe and clear if this danger could be obviated?

But, further, let us see for a moment how the present system works. The London market rules the price of silver. It is sent to London, not to be stored and dealt with as any other commodity, but it is remitted as money, and the shippers wish it permuted at once into sterling. A number of shipments arrive together at a moment when there is no demand, and the supply dams up at once as against a dead wall, until it forces an outlet at a reduced price. A fortnight later there may be no stock in the market, and some petty demand is able to drive up the price again one or two per cent. Meantime all the silver exchanges of the world are affected by these comparatively unimportant transactions. But why should this intolerable evil continue? Short of the cutting out of silver altogether as money, with all the consequences which this would involve, there can be no remedy but in the general adoption of bi-metallism. Bi-metallism once established, the two metals would be virtually one, each being equally convertible into money at the fixed ratio, and the sale price of silver would be on the same basis as that of gold ingots is now. Silver would not then find

its way into the monetary mass only through the narrow defiles of the London market, requiring to go there to have its value determined; but in many gentle streams it would quietly come in, not to disturb, as at present, but to add, with its allied metal, gold, to the general prosperity of the world.

I will now glance at the chief objections urged against bi-metallism. Some persist in regarding the thing as meaning two standards, and, under this view, say it is incompatible with that unity which the idea of a standard implies. They say that the standard of value must be a unit, and, therefore, that gold and silver cannot both be one standard. They cannot see, in regard to these two metals, that a thing may be duplex in its nature and yet one in relation to the purposes for which it is used.

For clearness of argument I state the matter thus:—

1. "The standard of value must be a unit."
2. Gold by itself can be thus used, and forms a unit.
3. Silver by itself can be thus used, and forms a unit.
4. Gold is an indestructible metal, and the world's stock is the accumulation of ages, not materially affected by the supply from year to year.
5. Silver is an indestructible metal, and the

world's stock is the accumulation of ages, not materially affected by the supply from year to year.

6. The value of gold mainly results from its being used as money.

7. The value of silver mainly results from its being used as money.

8. Suppose an area where gold was the standard of value, and silver was never seen; and suppose another area adjoining where silver was the standard of value, and gold was never seen.

9. Suppose that the value or purchasing power of each metal in its respective area was found to be at the ratio of $15\frac{1}{2}$ of silver, in the silver area, to 1 of gold, in the gold area.

10. Suppose now that the barrier between the two areas was removed, and that the gold which had circulated in the one, and the silver which had circulated in the other, were each to have free circulation over the combined area.

11. Before this was done an arrangement would be made that the two metals should pass current, say at the ratio of $15\frac{1}{2}$ to 1; in other words be freely coined at this ratio for the use of the whole area, it being immaterial now how the two metals distributed themselves.

12. This would be in accordance with their already existing relative value, and, while being confirmed by law, it would rest on those natural conditions which fit both gold and silver for being

money, give them value, and mark out the respective ratio of the one to the other, as seen in 4 to 7.

13. We thus arrive at money, dual in its nature, but one in relation to all other commodities, and practically a unit.

14. The combined area which I have supposed is the world. International law would secure all that I have described. It is not a creation of law that would be seen, but the regulative power of law keeping order, and giving harmony to the forces it controlled.

I would ask attention to the foregoing illustration, for not only does it meet the supposed difficulty as to the unity of the standard, but it also illustrates what bi-metallic law has done in former times, and can as readily do again. The fixing of a ratio is not the fixing of the price of silver any more than it is the fixing of the price of gold, but simply the fixing of the relation of the two metals so that they may do their work in harmony. The two metals form the money of the world, and if we conceive a ratio fixed under the simple conditions I have supposed, it will help to clear away the haze of difficulty on this point which is so apt to discourage inquirers.

In spite of the prevalence of what I consider false views, and even when the preference of some nations for a single gold standard has been working mischief, the two metals in their aggregate

have always been practically one as the basis of money. Neither can have an independent value apart from the other; and it is as vain to think that England can have an independent standard in one metal, unaffected by the value of the other, as that the British Islands could have an independent atmosphere. A thin india-rubber ball filled with air will expand when the air surrounding it becomes rarefied; and it will collapse if the surrounding air becomes compressed. So with our fancied perfect gold standard; its affinity to the general volume of money outside cannot be restrained, and its quality as a measure must be affected by outside influences.

It is often asserted also that, under bi-metallism, the cheap metal would drive out the dear. There is no meaning in this. The fact is that those who make this assertion are living in the past, and using the language of the earlier economists, who, in the infancy of international commerce, necessarily only viewed the matter from an insular standpoint. They are thinking of particular bi-metallism, that is, individual nations adopting it, and the undoubted evils to which this would be subject. I am no advocate of any one nation becoming bi-metallic. It is international bi-metallism that is wanted; though, to secure this, it is not necessary that every State should first

sign a convention. As I have said before, two or three of the leading nations could at once bring it into play, and give it all the force of universal law. The advantage would be so manifest, however, that every other nation which coined silver would also quickly fall in with the general arrangement. In the first seventy years of this century, the system that then existed, as we have seen, practically secured the free passage of gold and silver, and universal bi-metallism would effectually do so. If all nations, or only the leading nations, agreed to freely coin silver and gold at a fixed ratio, there would be no undue pressure on either metal. There would be no cheap or dear market for the one as compared with the other; and, therefore, the supposed evils to which I have referred could not arise.*

It is urged as a further objection that bi-metallism would cause great change, and lead to great confusion in England. This is altogether a mistake. There would be no change evident to the great mass of her people. Instead of all her silver coins being simply token money, as at present, she would have one genuine silver coin—say a double-florin or four shilling silver piece, as the French, in their system, have their pure silver five-franc piece. The small silver of England could

* Vide page 49

remain as at present. The only difference would be that the reserve in the Bank of England would be partly silver and partly gold. There might be ten millions silver and twenty millions gold, fifteen millions silver and fifteen millions gold, or twenty millions silver and ten gold. Whatever the proportion, the metallic reserve would be there, just as effective as if all were gold; though I believe the actual distribution of the metals over the world would continue to be much as it is at present.

It may be well also to notice an objection that has recently been urged against bi-metallism, or rather, a charge that has been made against Bi-metallists, viz., that they seek to raise the price of silver with the view of raising the price of Indian wheat, and thus protecting the British farmer.

In making this charge, our opponents do not see that they practically concede one of the main positions of the bi-metallic argument, viz., that while silver has fallen in Europe, it has retained its old purchasing power in the East, for it is only in virtue of this fact that the Indian grain grower has an advantage, in cheap silver, over the English farmer. If gold were the only real standard everywhere, as the mono-metallic theory implies, then silver money, like inconvertible paper money, would quickly adapt itself in its purchasing power to its altered equivalence to gold money, and there

could be no permanent advantage favouring the Indian grain-grower.

In the early days of the controversy, no charge of Protectionism such as this was ever made, and had bi-metallism been adopted when the evil results of closing the French mints were first seen, the fall in silver would at once have been arrested, and no advantage to the Indian, or disadvantage to the British, farmer would have resulted. Bi-metallists raised the alarm when they saw the evils that were flowing from the demonetisation of silver in Europe, but their counsels were derided, and they were assured that there would be no permanent change in the relation of silver to gold—that what was happening “was only a momentary accident, and not the permanent effect of lasting causes.” Now that silver has fallen, and the evils which they predicted have been realised, they are told that they must do nothing to undo these evils, because, silver having fallen, any improvement in its value must lessen the power of India to compete, and thus enable the British farmer to get better prices for his produce. He has, admittedly, suffered from the fall in silver stimulating Indian competition, but nothing must be done to check that fall because it would interfere with Indian competition. Is this a fair argument? If the ghost of Protection is present in this silver question, why was it not discovered while, all these years,

through the depression of silver, it was helping and protecting the Indian producer ?

Has it not often been a matter of congratulation as regards India that the depreciation of silver was helping her in this way ? It is only when the British farmer seems likely to benefit by the re-appreciation of silver that the phantom is discovered, and held forth as a bogey before the eyes of the British consumer.

It is admitted on all hands that differences from variations in silver values are in a different category from the ordinary factors that regulate prices. They come in to perplex the producer and the trader, and are due to defective monetary arrangements. It is in the high interests of all nations that there should be a reliable standard on which international transactions can be based, and to establish, or rather re-establish, such a basis, is the aim and object of bi-metallism. Silver having fallen since the upsetting of the old arrangements, a just settlement of the question may have the effect of restoring, more or less, what has been lost; but this is incidental, and it may come about, as is happening to-day, from the individual action of other nations. Sudden advances, however, are only less hurtful to trade than sudden falls, and bi-metallists wish to obviate both.

I have thus tried to give, briefly, a general idea

of the question. Now it is a silver question affecting exchange; now a gold question affecting values. We see it interfering with the movements of capital. We see it causing a scramble for gold, always and everywhere making itself felt, touching all interests and affecting every class. The remedy proposed is a simple one, and even our opponents do not deny that it would be efficacious if carried out. They can only rail at the proposal. "Who is to draw the treaty?" "What power of persuasion will induce all countries and Governments to accept this gospel?" I would reply, nations know their true interests, and can combine for a common purpose as loyally as individuals; and if France, England, America, and Germany were to adopt a common ratio, all the nations of the world would necessarily and gladly accept it; and I can conceive of no reason, nor any probable circumstance of war or civil commotion, that would lead to its being disturbed. Every year it existed it would become more firmly fixed. It would be a common blessing, equally cherished by all, and any single nation attempting to be hostile—supposing that possible—could only show its hostility at great cost to itself, without the likelihood of doing much harm. There would be no difficulty with the other nations if England consented. All the difficulty lies in getting England to take her proper part in the work. The sup-

porters of bi-metallism, however, are rapidly increasing, and a more correct appreciation of the whole question is steadily growing. To many, light on the subject often comes suddenly. In looking through a stereoscope, we sometimes at first see two confused pictures; but we continue to look and, gradually, our eyes adjust themselves to the focus when, all at once, not two, but one beautiful picture stands out boldly before our eyes. So I trust it may be with many who will read these pages. From regarding bi-metallism as a double and confused standard, they will, I hope, come to see that it brings into their proper bearings the two sides of the picture—"money"—and unites them in one harmonious whole.

-I have not referred directly to the ratio of relative value which should be fixed, contenting myself with asserting the necessity and practicality of the principle of bi-metallism. The actual rate would have to be settled by an International Conference, in view of all the interests that would be affected by the adjustment.

CHAPTER II.

THE NATURE OF MONEY.

THE object sought by bi-metallists, viz., the promotion of stability of values, is generally admitted to be a good one. Why, then, does not bi-metallism commend itself to all interested in commercial enterprise, and to all students of Monetary Science? I answer, because of the prevalence of false ideas as to the nature of money, and inadequate conceptions as to its functions. Certain axioms regarding money which have been received as true, and as embodying the whole truth, block the way for many minds to the investigation of the subject.

“Money,” say our opponents, “whether gold or silver, or any other commodity, is a natural product and subject to fluctuation, in accordance with the law of supply and demand.”

“Any endeavour to equalise the exchangeable value of two or more commodities, being unscientific, must result in loss, be fruitful of injustice, and is therefore to be deprecated.”

My first object will be to examine these statements and see where the errors which they cover lie, and then to indicate the more general scope of the functions of money, which I think are too much overlooked in the discussion of this subject. I

begin with the oft-repeated question: "What is Money"? Without tracing the history of money from its earliest forms as a substitute for barter, it will be sufficient for my purpose to take it up at the point where National Law, formulating and making obligatory what usage had already practically established, intervenes for the regulation of money. And in examining the subject at this point it will be useful to separate, for the purpose of investigation, the nomenclature by which money is known from the thing itself; the name—or rather the idea—from the substance. The famous question, asked by Sir Robert Peel in discussion, "What is a pound?" implies a distinction of this kind, for it supposes an abstract idea, and its embodiment in a material substance. The legislation of 1816 might have fixed differently what the latter should be. It might have fixed a few grains more or less of gold than it actually did. It might have fixed it to mean the silver pound of the days of Elizabeth, or it might have restored, or rather continued, the bi-metallic pound sterling of the previous century. In every other country, also, we find a unit of money corresponding to that which we have in the pound sterling here. It may be a dollar, a franc, or a mark, and in each case we may also distinguish between the abstract idea which such units implies, and the amount of gold or silver which they at present denote, for these too

have been altered just as our pound sterling has been. There is, therefore, the pre-existing abstract idea of the unit in the first place, and in the second the legislative act which determines definitely of what substance, and of how much, that unit shall consist. We see here, therefore, the full action of Law. It singles out gold or silver, or both, to be used as money, and gives them special functions which it confers on no other commodity. In virtue of this selection, the demand for these metals is greatly increased, and as they are only of limited production, their value is increased accordingly. They are natural products, and as such are commodities. When coined into money, this money as an article of value is also a commodity, subject, like all other commodities, to variation in value, according to the law of Supply and Demand. I can, therefore, accept the first of the two propositions I have quoted as far as it goes, but I must also give full prominence to Monetary Law as an important factor affecting the demand for gold and silver, both as metals and as coined money, and I must further recognise the special functions which these metals as money perform.

I am not speaking abstractly of what law can do, or may attempt to do, in the matter of money; I am referring simply to what law actually does in a country such as our own. It is something more than a mere impressing of a certificate of weight

and fineness. The thing thus stamped as coin becomes legal tender, and the measure of all other commodities—attributes which other commodities do not possess—and the selection of the precious metals for these uses gives them a position which dominates all other commodities. “Money,” as has been said, “is wealth raised to its highest power. He who has it in his hands can buy everything. He who has only commodities has first to sell them and obtain money.” One service which Lord Sherbrooke rendered in his cynical attack on bi-metallism, was to show the power and the action of law in this matter ; and although he made the quotation for a purpose of his own, he re-quoted the words of Aristotle, so often quoted by bi-metallists, “that money is so called because it exists, not by nature, but by law, and it is in our power to change it, and make it useless for this purpose.”

Besides this distinction there is another equally important, which must be kept in view—viz., the indestructible nature of the precious metals. The cost of production, which is so potent an element in determining and equalising the value of other commodities, is slow and imperceptible in its action as affecting these metals. Price, Jevons, and other mono-metallists all admit this to a degree which I think quite inconsistent with the place they assign to the cost of production as affecting money. Cost of production is an element in the value of com-

modities which acts in inverse ratio to the duration of any given article. In the case of other articles, the stock may be no more than a year's or a couple of years' production; but the stock of the precious metals is an abiding quantity, and instead of fresh production having to renew the stock, as in the case of other commodities, it simply, after deducting what is consumed in gilding, electro-plating, abrasion of coin, &c., adds from year to year a small percentage to the stock already existing.

John Stuart Mill clearly perceived the force of this fact when he said, "From the durability of gold and silver, the total quantity in existence is at all times so great, in proportion to the annual supply, that the effect on value, even with a change in the cost in production is not sudden, a very long time being required to diminish materially the quantity in existence, and even to increase it very greatly being no rapid process."*

While, therefore, regarding metallic money as a commodity, there are thus two most important elements of the question which must be kept in view. *First*—The influence of Monetary Law; and *Second*—The abiding nature of the precious metals, resulting from the fact that they are practically indestructible. Any deductive reasoning which ignores these facts cannot be expected to arrive at the

* "J. S. Mill's Principles of Political Economy," Book III., chapter 7.

truth. The second proposition, or statement, which I have quoted at the beginning of this chapter, does ignore them, therefore it cannot be true as applied to money. It is true as regards other commodities, but these are not already interfered with by law, nor are they indestructible like silver and gold; and what would be unscientific and impossible in the one case, becomes quite possible and the only truly scientific course in the other. True science is not blind to facts, and it must recognise these facts, and also the further fact, that gold and silver already unitedly constitute the money of the world; that they are interdependent, and act and react upon each other. Their fitness for money has been recognised in all ages and by all peoples, and has constituted them, whether coined or uncoined, the potential money of the world. But even when we recognise the due position of law in the doctrine of money, we must not exaggerate that position. It simply selects metals already precious, and confers upon them the attributes of money. In doing so, however, and in making them legal tender, it gives them, as we have seen, a position distinct from that of all other commodities, and their natural qualities and durability lend themselves to their being dealt with in this way by law for the purposes of money as no other commodity could. If this money of the world formed one metallic mass instead of being comprised of two metals, the

present difficulty would not, of course, exist. As matters stand, however, we must either put both under the ægis of law, on which their use as money depends, or see one of them gradually disappear as money, to the enhancement of the value of the other.

Law, which can make one metal legal tender, can also make both silver and gold legal tender at a fixed ratio. It did so in our own country for a hundred and fifty years. It did so in France, with absolutely free coinage of both metals for seventy years, and bi-metallic law is still in force there, and throughout the Latin Union, for all coined money.

Let us suppose, therefore, that the object proposed by bi-metallists was attained, and that all the leading countries of the world agreed to coin gold and silver at a fixed ratio. What forces could neutralise the effect of this fixation? This supposition assumes that both metals would become money everywhere, and could be equally tendered for any just debt. Where, then, could the inequality of demand for the one metal rather than the other come from? Or how could inequality of supply of the one metal or the other have any effect, if both practically lose their identity in the thing called money? Where would there be room for bullion speculators moving either gold or silver from one country to another for the sake of making

a profit in the exchange of the one metal for the other? Is it not as clear as any demonstration can be, that if one ounce of gold is equal to 15½ ounces of silver in one country, which we will call A, and exchangeable at exactly the same proportionate value in another country, which we will call B, there can be no inducement in arbitrage differences to cause either the one metal or the other to be moved from A to B, or *vice versa*? On the contrary, there would be an absolute barrier in the cost of transit to such operations. The only movement of metallic money from one country to another would be for the legitimate purposes of trade in the adjustment of international balances. The demand would be for money, and money, whether gold or silver, would satisfy that demand. This would not prevent the question, "How will you have it?" being put, just as it is put every day over a banker's counter, or the convenience of the country, demanding payment, being as fully considered and accommodated as that of the bank's customer. The general convenience and preferences of different nations would, I think, practically result in the distribution of the precious metals over the world continuing to be much the same as it is now. There would probably be no change visible to the general public, either in the general movements of bullion, or in the use of coin as we at present see it, except that all movement of the

metals for purely arbitrage purposes would be paralysed. The effect, I think, would be to stereotype the existing distribution, for I hold that it has been the absence of international agreement, and the force of circumstances through the action of individual nations in self-defence against the monetary legislation of other countries, that has led to the changes we have seen. These causes, and not any preference for the one metal as compared with the other, have led to change of standards.

I think that much that has been written and said as to the tendency towards a gold standard being a result of advancing civilisation, is very wide of the mark. Chevalier certainly had no idea, when he recommended a silver standard, that he was advocating something that would be regarded as a mark of retrogression. There are rich and poor in all nations, and the preference of the rich for gold will assert itself independently of standard, even in those nations which, under this view, would be classified as barbarous. Indeed, a universal bi-metallic standard, if there is anything at all in this preference of the rich for gold rather than silver, as affecting the distribution of the two metals, would give fuller scope to its free and legitimate play than any other arrangement.

Of course this argument is based upon the supposition of a general bi-metallic arrangement being fully carried out. Is that possible? I say most

distinctly, Yes, and if the *way how* were the only difficulty, it would very quickly be solved. If there were a desire on the part of England to see it carried out, and if she sent representatives free to do so, they would not be long in reporting that the way was clear. Unfortunately, the present position of England is expressed by the words "*We sha'n't move,*" and this is the difficulty that has to be overcome.

As regards the varying supplies of the two metals having any effect on the fixation, we may also feel perfectly at rest. The demand being for money, the aggregate production of the two metals would go together to form the supply of fresh money. During the *régime* of the French Bi-metallic Law, as already pointed out, the important variations in relative supply which resulted from the Californian and Australian gold discoveries had practically no effect on the ratio, and if this were the case in the past we may feel assured that under more perfect bi-metallism no probable variation in the future would be likely to tell. The table which I have already given (page 14) shows the separate and aggregate supplies of the two metals. There is no reason to expect greater fluctuation in the future than in the past, and keeping in view what I have said as to the durability of silver and gold, and the proportion that these supplies bear to the existing stock, there is nothing to fear.

CHAPTER III.

THE FUNCTIONS OF MONEY.

PROFESSOR JEVONS, in his book, entitled "Money and the Mechanism of Exchange," already referred to, indicates the functions of money as follows:—

1. A medium of exchange.
2. A common measure of value.
3. A standard of value.
4. A store of value.

In discussions regarding money, I think it is all important to keep fully in view these several functions which money performs. It is very common to regard money simply as a medium of exchange and common measure of value, and absorbed in this view of it, to say, as Lord Sherbrooke has done, that "however the currency of a country may be appreciated, it will always be able to perform what has been shown to be its leading function, the regulation of prices." Jevons also, forgetting the other functions of money, as he himself has described them, has said, "So long as sudden changes of supply and demand can be avoided, it is almost a matter of indifference, within certain limits, whether there is much gold or little; prices having once settled themselves, it is only a question of

carrying a little more gold or a little less in our pockets." Now, if we had to regard money simply as a medium of exchange and common measure of value, all this might be admitted. The value of money might vary without much inconvenience if all transactions were immediate exchanges in which money simply prevented a resort to barter. But, as we know, the whole structure of trade is based on credit and time contracts, and in view of this the medium of exchange, which is also a standard of value, cannot vary without inflicting serious injury either upon debtor or creditor. Stability of value in our money standard, as these writers otherwise clearly show, is an all-important element of money, and it is strange to find Professor Jevons, in the very same article* from which I have already quoted, after estimating that bi-metallism, by approximating the value of silver and gold, would be equal to a reduction in the value of money of 6 per cent., saying that "the adoption of the bi-metallic régime would be a *coup d'état* affecting the value of all past monetary contracts in a degree incapable of estimation." Look on this picture and look on that! In the one case the Professor can calmly contemplate the disappearance of silver as money, meaning a difference in the value of money of perhaps 50 per cent., but when it is a question of restoring silver, meaning only a difference of 6 per

* *Contemporary Review*, May, 1881.

cent., he shrinks back from it as a revolutionary *coup d'état!* We do not disguise the fact that the application of the remedy will have its disadvantages; but what of the injury that has been done by the lowering of silver, and would we not be exposed to the same drawbacks if silver without bi-metallic agreement were to rise to the old level? We saw it rise in 1876-7 from 46½d. to 58d. in six months, and in 1890 it rose from 42½ to 54 in a still shorter period, and we may see variations as violent again if nothing is done internationally. The surgeon's probe may be painful, but it is necessary to the cure.

Nor is the fourth function of money, viz., its being a store of value, less important than the others. In theoretic discussion it is too often overlooked, but in practical life there is no function of money that is more fully recognised. What do our bankers mean when they speak of the necessity of keeping up their reserve? Is this metallic reserve a myth? Is it not real wealth, a store of value which enables them to meet all demands that may be made upon them? Bi-metallists do not believe, as Lord Sherbrooke insinuated, that money and wealth are identical. Wealth may exist in a thousand different forms; of these money is but one, but it is the most potent, and the simple hind who hoards his two or three gold sovereigns, and knows that they will always

be available as wealth wherever he goes, has perhaps a juster conception of this function of money as a store of value than the noble and learned lord who tells us "that there is nothing more certain than that the existence of these two phenomena (money and wealth) is separated by an indefinable period"(!), language which I must confess puzzles me, unless it be given to supply an illustration of his phrase an "empty nothing that it jerks one to kick at it."

It might be well here to look for a moment at this cognate question, "What is wealth"? Without going into it fully, we know that utility is a main element of wealth in any article. Now, if we regard money even only as a tool, a go-between, or medium of-exchange, it serves a useful purpose, just as a steamboat or railway does; and as these are things in which wealth resides in virtue of their utility, so also is money. It is altogether fallacious to argue, that because money simply obviates barter it in itself is nothing, and that real wealth only dwells in the articles exchanged through the medium of money. The world doubtless could get on, in a way, without metallic money, just as it did get on, and could still get on, without railways and steamboats; but it has found out the convenience and utility of money in the one case, no less than of railways and steamboats in the other. We do not eat money, nor can it of itself clothe us or carry

us, but in civilised society it has become a necessity for its uses as a medium of exchange in procuring what we require, and as an available store of value which is easily movable. Besides, it provides a stable basis for the great structure of credit, which commerce has reared—a basis as necessary as the foundation of any building, and which must, like the foundation, be adequate in proportion to the size of the structure reared upon it.

We see here, therefore, the relation that money bears to wealth in general. That it is a component part of the world's wealth no one can doubt. An excess of gold or silver, however, forced into the currencies of the world, I readily admit, would not mean more wealth to the world, if it were more than these currencies could readily absorb in the growing wants of trade—just as the constructing of a new line of railway to run alongside of an existing line, which was amply sufficient to convey all the traffic, would not mean in reality an increase of railway wealth. But railways are not so placed; on the contrary, there is room sufficient in the world for fresh railways, which will prove to be an increase of marketable railway wealth, and which will develop by their creation the general wealth around them. And so with money; the increase of gold or silver brought to the mints of the world does not necessarily force itself into the active circulating currencies of the world beyond what

these can readily absorb. It may pass through the mints, but it is simply, in the first place, to enter the world's great storehouses of value, in bank reserves and private hoards, and it may either remain in these, giving fresh basis to the increased credit it would create, or issue forth into new fields. In either case it would become a creator of fresh wealth in other things as well, and so make for itself a counterpoise, which would maintain the equilibrium of value between these other things and money itself. This characteristic of money in its relation to general wealth has never been clearly defined, but as to the fact of its having this characteristic there can be no doubt. In his essay on the "Battle of the Standards," M. de Laveleye says:—

"Every atom of precious metal which issues from the mine makes an opening for itself, stimulating along its course fresh activities. The proof of these curious phenomena will be found in the very complete chapter devoted by Tooke and Newmarch, in their 'History of Prices,' to the influence of Australian and Californian gold on social progress. . . . After 1850 M. Michel Chevalier predicted that gold would fall 50 per cent. Newmarch insisted that the new gold would find employment, if only in the construction of railways, and would consequently lose none of its value. Newmarch has proved to be right."

Some people call this vivifying power of money inflation, and shake their heads over it as something to be deplored, but this is mere cant. It is no more inflation than the bounteous harvest, which results from seed thrown into the ground. Money is like seed, which must fructify. No one is content to let money lie idle. If you cannot employ it suitably yourself, you can lend it, and get interest for it from some one who can, and this general confidence that money direct from the mine or otherwise must always command interest is a confirmation of its wealth-creating power, which the facts given by Newmarch attest.

It is, I think, in this aspect of money in its relation to general wealth that the professors who at first opposed bi-metallism went wrong. They had been so impressed with the reasoning of Adam Smith and those who followed him in demonstrating the falseness of the theories regarding money, embodied in the mercantile system which he overturned, that from regarding money as the only permanent embodiment of wealth they went to the opposite extreme, and in theory robbed it of the attributes of wealth altogether. Smith's illustration comparing the relations of money and wealth to a road in the one case and houses at either end in the other, powerful as it was for the purpose for which he used it, means more than Smith intended, if you take it literally as implying

that roads were not part of a nation's wealth. We know that they are, and we know also that the humble labourer breaking stones by the roadside is a real contributor to the common weal, just as the banker who takes toll on the monetary highway performs a useful part in seeing that the way is properly maintained.

Far be it from me to underestimate in the slightest degree the great service which Adam Smith rendered in freeing the world from the false views which prevailed in his days, but the blaze of light which he threw on the intermediary functions of money must not be allowed to hide from our view its other functions, and the practical bearing of these on the great questions of our day, which an altogether new era of international commerce has raised.

Money is not simply a "tool" or medium of exchange, but also a standard of value and a store of value, and it is in the two latter aspects chiefly that the question of bi-metallism becomes important; for we say that this standard of value must be a stable one, and uniform in all trading nations, and that this store of value must be free to move from country to country, as it may be required.

In the earlier years of this century, when Lord Liverpool wrote, and when Sir Robert Peel legislated, international commerce was a comparatively insignificant thing, and the idea of international

commercial legislation was never thought of. The individuality of each nation was the dominant idea in all law making, and except in the way of "Holy Alliances," for purposes of war, combined action was never taken. The foreign commerce of England in the period from 1816 to 1820 averaged—

Imports£20,660,000,

Exports£40,310,000,

and the foreign commerce of other nations was even more insignificant. We know what the figures of British commerce now amount to, and all nations have shared in this progressive expansion of foreign trade. There are also wheels within wheels intertwining the interests of different countries, one country becoming the paymaster of another, or the pivot on which many others adjust their exchanges, and in all this ramified movement of commodities, and adjusting of interests, money has the chief part to perform. The importance, therefore, of unity in the standard of value, so that this movement may be unhindered, becomes all the more apparent. The legislator who, in 1820, scarcely required to look beyond his own country in guiding its commercial interests, and who, even when he did so, never thought of the possibility of co-operative action with other countries, has now a wider field to survey. He has become accustomed to international action in a variety of ways, and never doubts the validity and force of agreements made

in this way when once entered into. The great men of the past had not to deal with the question as it presents itself to us now, and I think that Mr. Grenfell was perfectly justified in saying he believed "that if Sir Robert Peel and Lord Liverpool were living at this moment, and were as keenly alive as they were in their own days to all the events passing around them, they would have come to the conclusion that this question (of standard) must be reconsidered."

It was only through the action of the French Bi-metallic Law, practically conferring upon England and the world the advantages of bi-metallism, that the want of general agreement was not felt earlier. When France ceased to do this work, under circumstances with which all are familiar, the anomaly of present arrangements quickly showed itself, and I cannot but think, that notwithstanding the present apathy of England, her opposition to an agreement will ere long disappear, and be as much a matter of wonder to all, as it now is of regret to those who see the mischief it is working.

Commercial England is the centre of a circle whose circumference embraces the globe, and to her of all others this question, involving as it does the free circulation of capital and commodities, is a matter of the first importance. Much of her capital, to be suitably employed, must go abroad, and devoted as she is to the doctrines of Free

Trade, she would allow nothing to stand in the way of their full development. Linked also to India with her silver standard, England forms with her a vast confederacy united by the strongest political and commercial ties, but with the anomaly of what has been called bi-monometallism prevailing in the Empire, which should be one in its money standard if the highest advantages of imperial unity are to be attained.

“Why limit ourselves to bi-metallism?” asks Lord Sherbrooke, showing that with all his professed attempt to understand it, he is utterly ignorant of what it means. Why Bi? Simply because we are dealing with a Bi. The world’s money consists of two metals, and we simply want to regulate existing money, not to create anything new.

“The essence of bi-metallism,” says Lord Sherbrooke, “is not plurality but inequality.” The essence of bi-metallism is neither plurality nor inequality, but unity. The world’s commerce, in regard to its monetary power, is at present like a twin screw steamer driven by two engines working separately, swaying from side to side, and losing force from the necessary effect of the helm trying to keep it straight. Lock the two engines together, and all this irregularity and retarding will cease. So with the gold and silver money of the world; link the two together by the tie of a fixed ratio,

and you will have unity of action, and all the advantages which must result therefrom.

I sometimes think that it is the very simplicity of the bi-metallic proposal that excites the disdain of so many of our supposed authorities, and leads them to turn away from it, Naaman-like, "in a rage." "Are not the great teachings of the past on which their theories rest better than the modern ideas which are now promulgated?" Reverence for the great names of the past, however, should never lead us to stand still at the point where their teachings left us. Truth at all times is like a living germ working ever onward and upward in the progressive development of human thought, and the true use for us of the great teachings of the past is not to bring them forward as fossils incrusting in former surroundings, but to take the essence of these teachings in its bearing on the questions which we in our age have to deal with, and to let it have its due effect.

Locke, Newton, and Adam Smith, with his followers, have all differed from each other on many points; but through their writings truth has been gradually evolved and economic science advanced, which, dealing with the questions of their days, has in our time to grapple with the fresh practical problems that extended commerce and multiplied communications have raised.

We are, indeed, forced to adapt ourselves to the

changes ever occurring around us. No one, for instance, in the earlier years of this century, would have thought of proposing that the true time of each locality as marked by the sun-dial should be interfered with; but no sooner had railways and telegraphs begun to be developed, than the necessity of one uniform standard of time throughout Great Britain became apparent, and Greenwich time forthwith was adopted. Local time did well enough in the days of stage-coaches, but the era of railways required an artificial adjustment of time to be made for the general convenience, which has never since been objected to.

The Great Western Railway Company, backing up the opinion of its great engineer, determined to have its own way in the matter of gauge as against what was otherwise being adopted throughout the kingdom. All know what has been the result on the fortunes of that railway. It was compelled in a most complicated and expensive way, to put itself in harmony with the general gauge of the other railways of the kingdom, and its separate broad gauge is now altogether abolished. I think this experience should teach a salutary lesson, as bearing on the present attitude of England towards other nations in their attempts to solve the present difficulty as to the monetary standard. Brunel at first believed that there was no system like his own, and that it must prevail, and even when

actual facts in the general adoption of Stephenson's gauge were against him, he still persevered. "What have we to do with other nations in the matter of standard? Let us hold to our own system, which suits us so well," say those whose voice still prevails. Apart from the question whether it does so or not, this attitude, besides being a selfish one, is a dangerous one, in view of unexpected developments and changes in commerce, which are always taking place. Our only safety is to keep well in the general running, unembarrassed by any difficulties of standard, if we are to maintain our place in the great race of competition with other nations, which is becoming every day more keen.

England is generous in the matter of Free Trade, and anxious to see other nations appreciating the advantages which it brings, and thinks they are selfishly blind in not following her example. But how does she treat them in the matter of monetary standard, which they are so anxious to see settled? In the one case she is all for the common good; in the other she is all for herself. The question, however, in all phases, I believe, affects England quite as much as, if not more than any other nation, and I fear we shall see no sustained revival of trade until it is settled. The only hope of dealing with the matter effectively is by international agreement. If all hope of this were lost, the other nations must steadily set their faces towards a

single gold standard. There could be no alternative but the gradual elimination of silver as money, with the necessary enhancement of gold, leading to a protracted fall in prices, when stagnation in trade would become more and more intense. For when prices are continuously falling from the enhancement in the value of money, enterprise becomes impossible from the certainty of loss in every investment, and the best thing for the capitalist is to hold money, as its purchasing power is always increasing. The continuous fall in prices in the early years of the century, which resulted from the enhancement in the value of money, due mainly to the legislation of 1816 to 1819, furnishes a parallel to what we have lately seen, and may further realise if nothing be done. It is also a description of present times to read in the pages of Sismondi, published in 1827, the following :—

“A cry of distress is raised from all the manufacturing towns of the Old World, and all the fields of the New World re-echo it. Everywhere commerce is struck with the same languor; everywhere it encounters the same impossibility of selling. It is five years at least since the suffering began; far from being allayed, it seems increasing with time. The distress of the manufacturers is the most severe, because, unlike agriculturists, their

entire livelihood depends on exchanges. . .

At the same time farmers and landlords complain of being ruined. They loudly cry for protective laws, for monopolies; they declare they cannot stand foreign competition."*

I would recommend the perusal of this pamphlet. Readers will find in it a clear and philosophical exposition of bi-metallism, and will also learn how much commercial difficulties, and the great decline in prices, which followed the resumption of specie payments in England, were aggravated by the decision to make gold alone the basis of our currency.

* "International Bi-metallism, and the Battle of the Standards," by M. Emile de Laveleye. London: P. S. King.

CHAPTER IV.

THE VALUE OF MONEY.

THE lending of money, and the parting with money in exchange for commodities or property, are very distinct operations, and the value of money for the one purpose in discount rates or interest is no measure of its value for the other. A man lends his money because he does not wish to part with it, and he does not wish to part with it because he finds that its value in relation to commodities is appreciating. The higgling process which determines value goes on between the holders of money on the one hand and the holders of commodities on the other, and in depressed times the advantage is all on the side of the former, tending to their making the best bargain. The potentiality of money thus becomes intensified when prices are falling, and apart from its use as a medium of exchange, the desire to hold it as the most available form of wealth becomes stronger. The holders of it, however, do not wish to let it lie idle, and while retaining their hold upon it are anxious to lend it, so that in the meantime they may gain interest.

There is another feature of the case which, from

a banker's point of view, also comes into play. The banker can only lend upon ample security, and when values are declining, and wealth where it once existed is slipping away, he finds his area for lending circumscribed, and this, it may be, at a time when deposits are being poured in upon him more freely. Causes adverse to trade may therefore tend to low rates for loans, while at the same time the exchangeable value of money as against commodities may be appreciating.

These remarks may appear to be mere truisms, but it is well to mark fully the distinction between these two senses in which the terms "value of money" are employed, and it may help to a clearer understanding of the subject. Money is not simply a tool, as some economists would have us believe, but a tangible something desired by all, not merely for immediate use, but also to retain for prospective use. What, then, is money? Is it simply the coin and bullion which make up the currencies of the world? No, and yes. None of the fiduciary money of the world in bank notes and other credit documents can stand alone. Apart from convertibility, these are simply shadows without substance; only metallic money can stand by itself as money. Given the condition of convertibility, however, fiduciary money is to the holder of it as real as metallic money. But though by the intervention of credit documents the power of the world's money

for exchange purposes may thus be increased a hundredfold, the metallic basis is after all the main determining element in the value of money. This basis is the only real store of value in money, and it is on this that all the holders of fiduciary money believe that they have an ultimate and absolute lien. It bears a mathematical relation to the vast superstructure of fiduciary money resting on it, and to the exchange work it has to do. If this work increases, and there is no corresponding increase in the mass of the metallic basis, the value of the basis—its purchasing power—must increase. If, on the other hand, the mass of metallic money increases in relation to the exchange work, then it falls in value, that is, its purchasing power decreases. It is to be noted, however, that in both cases a concurrent modifying action comes into operation. In the former, the fall in prices of commodities from the increased value of money, checks commercial transactions; and in the latter, from the stimulus to trade which advancing prices give, commercial transactions increase. The one process means decaying trade; the other, prosperous times such as were experienced, with only slight interruptions, during the long spell of expanding commerce which followed the gold discoveries. The process of adjustment is more rapid in the latter case than in the former, and some maintain that the value of money did not—in the period that

followed the gold discoveries—materially decline owing to the greater amount of exchange work which from the expansion of commerce had to be done.*

Prior to 1874 the world's metallic money in silver and gold practically formed one metallic mass. Now, however, the two have become disjoined, and gold is now more fully the supreme standard. When Germany and other nations discarded silver, an increased demand for gold naturally set in, and there has since been a greater scramble for it. A given supply and stock of gold has now to do a larger amount of exchange work for the nations, and can only do so by an alteration of its value, hence the appreciation of gold.

Let us now follow out the effect of this change on the prices of commodities. Take the total money of the world at the figures given in 1870, say £1,400,000,000, £700,000,000 of which was gold and £700,000,000 silver. Let us represent these two amounts by the figures 7 and 7, and let these figures also represent the then purchasing power of each. Owing to the demonetisation of silver, the purchasing power of the world's money in that metal fell, say to 6, while the purchasing power of gold advanced in equal proportion, say to 8. Our coin, however, remains the same, and we still regard 7 sovereigns as equal to 140s., but

* See Annual Commercial Review in *Economist*, March, 1872.

the purchasing power of these sovereigns is now as 8 to 7, and the power of each shilling is likewise increased, so that 17s. 6d. is equal in purchasing power to 20s. formerly ($8 : 7 :: 20s. : 17s. 6d.$). Take now 8s. as the value formerly of a given article under the old level; the price from enhancement of the value of gold, under the same proportions, will run out at 7s. ($8 : 7 :: 8s. : 7s.$). While I give these figures for illustration, I would not dogmatise as to the extent of the appreciation of gold. The fact that it has appreciated to an important extent, and that this is due to the causes I have pointed out, are, I think, sufficiently obvious. It is very obvious also that if silver were further or altogether demonetised as a standard, the appreciation of gold would be greatly intensified.

Property as well as commodities must, of course, be affected to the extent to which the appreciation of gold has actually taken place, and this is seen everywhere. The decline is intensified, however, as regards property in many localities from local causes, and cannot in these cases be taken as a measure of the appreciation of gold. Everywhere, however, there is a shrinkage in value from this cause, making the weight of charges in ground rents and mortgages much heavier. Mills and machinery have been affected in the same way. A new mill also can be built to-day much cheaper than formerly, and its existence at once depreciates

the value of existing mills equally good in quality. This fact of the newest always being cheapest furnishes a lever to promoters in floating new concerns for which, in view of the actual condition of the given trade, there may be no need. Everywhere we have evidence, in these and similar things, that the value of money has undergone an important change, and is still becoming appreciated.

While money, as identified with gold, and as the international measure of commodities, has thus undoubtedly advanced in value, the question arises whether silver, as the internal measure of value where it alone is the standard, has fallen in relation to general commodities. Has it not, owing to the general decline in prices, practically conserved nearly all its old purchasing power for every purpose except the purchase of gold ?

The experience of India, to which I refer further on, points conclusively to this ; and it is now evident that the enhancement of the value of gold rather than the depreciation of silver has mainly resulted, thus far, from what has taken place. The gold-miner, with an ounce of gold can, to-day, command much more of everything, including silver, than he could fifteen years ago. The silver-miner, with an ounce of silver can, to-day, command perhaps about as much of all commodities, except gold, as he did formerly.

As long as silver maintains its position as the money of the East, it may be that the process of demonetising silver in Europe and America will always tend more to appreciate gold than to depreciate silver.

It is evident, however, that this divergence cannot go on indefinitely, and the present action of India, in trying to give the Rupee an exchange value apart from the value of silver, shows the difficulties which the present situation is creating. If India, however, in common with the other Eastern countries, will not and cannot have gold for its internal circulation, as the best authorities declare, silver must hold its old place there and the present experiment ere long prove abortive, showing afresh that there can be no effective settlement of the difficulties but by International Bi-metallism.

CHAPTER V.

INTERNATIONAL TRADE.

FOREIGN commerce, viewed from the English standpoint, embraces three main classes of transactions—the importing of foreign products, the exporting of English manufactures and products, and the lending of English money. Foreign merchants are often both importers and exporters. Formerly they nearly always combined both classes of business, but of late years there has been an increasing tendency to separate the two. To the importer, the matter of exchange variations wears a different aspect from what it does to the exporter. The former, we will say, is a merchant importing tea from China, or cotton from India. In going into any transaction, the rate of exchange enters into his estimate as an element of cost, but he is in a sense indifferent to what the rate may be, as it affects him and all his competitors alike; and the simple question he has to decide is whether he can buy the produce he has in view, at a price that will run out in sterling—either on board or delivered in England—at the figure he has prescribed to him, or fixed for himself, as his limit. The same merchant, however, or another, selling English

goods, is in a different position. He sells them in the currency of the foreign country where he is trading, and prices there are regulated by demand and supply, not by the cost price in currency, whether as affected by home cost or by difference of exchange rate, until these have gradually affected the supply. His selling price therefore does not move with the fluctuations of exchange, and when he sells on credit he is exposed to further loss from any fall in exchange which might take place before his sales mature. In consequence of the disturbance of exchange with silver countries, when the matter first became acute, instructions were everywhere sent to foreign correspondents, "Sell on prompt terms, or, if you must give credit, discount sales and remit proceeds, so as to avoid risks of exchange."

The effect of this, in another view of the matter, was to restrict the facilities of our foreign customers, and this is one of the many ways in which they were crippled by the withdrawal of English capital from foreign enterprise.

In more recent years the whole system of our business with foreign countries has been undergoing a change, under the pressure of this exchange difficulty. Merchants now try, as far as they can, to throw the risk upon the native dealers, by selling to them in sterling; and Exchange banks or other intermediaries are availed of for forward exchange

contracts, as an insurance against the risk. But, however the thing may be guarded against, when a sudden drop occurs, a real loss is usually made in some quarter. If the merchant escapes, the native dealer, who cannot safeguard his interests so well as the merchant can, looks aghast when he has to pay for sterling invoices with rupees at a lower sterling value than he had calculated upon; while perhaps his competing neighbour, by buying in rupees, is free from this loss. The banks also, which must look after their own interests, may at the most critical moment refuse to contract, from inability to make *contra* contracts, and so leave the merchant in the lurch. Even the produce buyer (the importer from the English standpoint), who has contracted for the sale of his exchange at a less favourable rate for him than he could have secured if he had kept the matter open, cannot feel comfortable under the knowledge that competitors who have acted differently will have the pull over him in the lower sterling cost of their produce. He is rightly judged to have acted more prudently than they, but the operation of securing by forward contract is scarcely less speculative than leaving the matter open, and the risks of importing are no doubt also greatly increased by this exchange difficulty, no matter how it may be met.

As regards the lenders of money, they simply decline to have anything to do with silver exchange,

and will only lend in gold, making it impossible for India and other silver countries to borrow to any extent in their own currency. Nor have English banking companies established in silver countries any freedom in lending money. In discharging this function of banking, they must act simply as native bankers, that is, they can only lend money which they hold on loan locally; for English shareholders will not permit their capital to be exposed to the risks of loss which lending it in silver currency would involve.

I have referred to these different aspects of this exchange matter for the sake of those not engaged in foreign commerce, so that they may see that there are different standpoints from which even foreign merchants may regard it. They will thus understand how it is that Manchester, which sees the difficulty mainly from the exporter's point of view, is much more alive to it than London, where the importer's view of the matter is perhaps more generally before the commercial mind, where also the money-lending interests feel assured that they can make their own terms in gold, and be independent of silver currency risks. Some among this last class also may take the selfish, if not immoral view, that it does not matter though debtors may lose from the rise in gold, seeing that they, as creditors, will make a gain from this.

Theorists of the old school look complacently on

these difficulties, assuring us that "international trade (importing and exporting) is simply an exchange of commodities, and that alterations in the value of money do not permanently affect the commercial intercourse of nations." That alterations in the value of money may temporarily affect the commercial intercourse of nations, they inferentially admit. That we have had such changes, the temporary effect of which, at least, has been injurious, no one who has watched our Eastern trade of late years will deny. Now, an effect which in its nature should only be temporary, if it occurs frequently, may become practically as bad as if it were permanent, and this, I hold, is what has actually been the case. If it were only one change in the value of money that we had to deal with, the above statement could be accepted, for money, in international trade, is simply the measure of commodities, and prices once adjusted to the altered measure, trade would go on without interruption. But if the measure is constantly changing, and fresh interruption to trade ever and anon occurring, the effect must be in the highest degree injurious. The scales, so to speak, are out of order, and the trader has no certainty that just weight will be meted out to him, and this uncertainty is no doubt seriously affecting international trade, and spoiling results which the trader has a fair right to expect.

Some mono-metallists make light of the difficulty

arising from these exchange variations, and one who has been prominent in his opposition to bi-metallism has committed himself to the following statements regarding the matter.

“The benefits of great facility of exchange may themselves be readily exaggerated.

“Even serious evils may have to be endured, because, relatively, they are unimportant compared with the great objects proposed in a sound currency. Moreover, the question of exchange concerns only the foreign trade of the countries affected; that trade being, at most, a fraction of their whole trade. Whatever injury great fluctuations of exchange may inflict, they can only do so by hindering the development of a part of the whole trade of the country—even in this country, perhaps, only a sixth or an eighth part of its whole trade. .

“Thus, fluctuations in change are neither so formidable to trade as they are frequently represented, nor are the exchanges so likely to be unsteady, as a rule, without bi-metallism, as its advocates have been in the fashion of maintaining.”*

The mere recital of these statements is, I think, sufficient to condemn them, and I question whether the writer of them would repeat them now. Practical merchants know better than the mere

* The case against Bi-metallism: “Essays in Finance,” by R. Giffen, pp. 294, 295.

statistician what these violent fluctuations of exchange have meant; and few Englishmen will admit that the foreign commerce of their country is of so little importance as the estimate here given of its relative extent would imply. I think we all realise that it is a much more important matter. Suppose Lancashire, for instance, deprived of her foreign commerce, which takes off at least three-fourths of the products of her staple industry, where would her trade be? and it is not only the direct foreign trade that would be affected, but also our home trade to the extent to which it depends upon the spending of wages and profits derived from foreign trade. Cut off the foreign trade of England, and I believe one-half of the people would require to emigrate, while the remaining half would require to redistribute their occupations so as to provide by tillage for the bare necessaries of life and other things which they could not import from abroad. It is indeed surprising that such a line of argument should be adopted in trying to minimise the difficulties of exchange with silver countries. We all know that England's foreign trade is of the highest importance to the great mass of her people, and not only so, but we also know that her wealth has resulted largely from the fruitful employment of her capital in foreign enterprise. She cannot live within herself, and if she attempts to hoard her capital,

or employ it unduly in home enterprise, it will disappear as effectually as if lent to rotten Governments. The revulsion against foreign enterprise which set in some years ago, supplied the capital and gave the power to promoters of manufacturing and mining companies, which resulted in the unwise and undue expansion of so many industries which we see overdone and prostrate to-day. Foreign commerce, like mercy, is "twice blessed." It has blessed England, and it blesses those countries with which England has traded. Her capital has permanently developed their productive powers, and enabled them to pay for English manufactures, and this not only by public enterprises, but also, and far more largely, by the individual action of British merchants scattered over the globe. We have established ourselves often where there seemed, at first, nothing to pay for what we could supply; but, by patient and kindly aid, we have seen industries grow apace which, ere long, gave a rich reward for our prudent outlay. England cannot remain indifferent to the prosperity of her foreign commerce, nor to the removal of the hindrances which, in the difficulties of this monetary question, at present exist, to the free circulation of her capital and its investment in silver countries, such as India, where it is so much needed.

It is usual for those who oppose bi-metallism to

argue against the ratio of $15\frac{1}{2}$ to 1. But the principle of bi-metallism is *the fixing of a ratio*. Bi-metallists would be perfectly content to leave what that ratio should be to a conference, in which all interests affected by the matter were duly represented. The purely silver interests are little compared with the far mightier interests of international trade which the question involves. When we think of it, indeed, is it not an anomaly that these comparatively petty movements of silver, indicating little or no change in supply, should tell so disastrously upon commerce and the welfare of nations everywhere? I make bold to say that whenever England wakes up to the importance of the subject, and shows a real desire for an international agreement, all difficulty as to what the ratio should be will disappear. The prospect of England taking a due part in the arrangement would immediately affect the price of silver, and make it tend towards the rate which investigation would prove to be the just one; and, I believe, that even before the necessary laws could be passed, bi-metallism on the accepted basis would practically be in force.

Manchester industries perhaps, at first, suffered more than any others by these disturbances; but now, all the industries are feeling them. Bankers looked on complacently, under the belief that they were able to keep themselves right whatever hap-

pened, though they, also, are beginning to realise that there is danger for them too. Merchants tried, as far as they could, to secure themselves by their contracts. But manufacturers and producers, from the necessity they are under to keep their works going, have had less freedom; and when merchants, from a sudden drop in exchange, cannot continue to pay old rates, they have to accept lower prices, whether they can afford to do so or not. All are, however, really in the same boat; and the anxieties of the banker, as well as those of the merchant and manufacturer, would be greatly lessened were these difficulties to disappear.

CHAPTER VI.

FOREIGN COMPETITION.

FOREIGN competition is often referred to in connection with the depression of the cotton trade. Some people are impressed with its importance, while others are inclined to make light of it, pointing to the gigantic strides which have been made in our cotton industries during the last thirty years, and asking "What reason have we to fear? May we not expect that our present difficulties will ere long pass away, as those of previous periods of depression have done?"

It is matter for hopefulness that the energy and enterprise of those engaged in the cotton trade have fully kept pace with all the improvements in cotton manufacturing which recent years have witnessed, and that our mills, in effective and economical out-turn, both of goods and yarns, are second to none in the world, and in the struggle with competing nations there should be no reason to fear. There is no doubt, however, that we have recently seen a check to the expansion of our trade, and, though a comparison of thirty years shows an immense advance, recent years show greatly diminished progress in our foreign trade.

It is the contrast between these years, and the rapid progress in the long series of years preceding, that demands attention.

Whatever the cause or causes, we must all admit that trade everywhere has lost much of the elasticity of former times. Continental nations have suffered from this as much as, if not more than, England has done; and, mainly to protect themselves against the competition of England, they have, one by one, imposed restrictive tariffs. Whether or not they will benefit much by this course of procedure remains to be seen, for the higher level of prices in those countries—which must necessarily result—will disable them more and more from competing with us in neutral markets, for any nation, to have the fullest power in competing as a seller, must have the fullest freedom in buying. As regards Continental nations, therefore, in relation to the staple industry of the Manchester district, there is not much to fear. We shall still, in spite of tariffs, do an important amount of business with them, and, perhaps, regain more than we lose in other quarters where we compete with them. The necessities, also, of their own export trades will drive some of them ere long to modify their tariffs.

As regards the United States of America, there was a time, well within the memory of the present generation, when the trade in cotton staples with

that country was a thing of great importance. All this, however, has for some time been a matter of the past; and, whilst some in this country may be hoping for the advance of Free Trade doctrines in America, I fear that neither the actual course of opinion there, nor the policy and plans of her statesmen, really warrant any great advance in this direction. The Great Republic is a world within herself, and until the distant time when the crowding of population upon her territories will lead her to care more for foreign trade, there is, I fear, little hope of any complete modifications being made in her present policy. My chief reason for referring to the United States, however, is to note the influence which her example may have upon our own colonies—such as Canada and Australia—where the same desire of promoting local industries by protective duties is already in full play. No doubt, as in Canada, this policy has led (as it must always do periodically) to glut and over-production. Such has often been the case in the United States; but, though these periodic crises occur, the mills, once erected, remain. Times change, trade again improves, and on they go again in a new period of expansion, displacing foreign goods more and more. As regards our own colonies, therefore, whatever our views may be as to the wisdom or unwisdom of the economic theories by which they are guided, as a matter of fact with

our older colonies, such as Canada, we must be prepared to lose more and more of our trade with them.

We come now to the great Eastern markets, which take off such a large proportion of the production of our Lancashire mills. These markets, as also a portion of those in South America, have all a currency based on silver. Before examining the exact relation which this fact has to the matter under consideration, I would first glance at the position which our great dependency, India, is beginning to occupy as a producer of cotton goods. Hitherto our trade with her has been one of continued progress, and her resources as a country in which all kinds of tropical produce can, with the aid of her teeming population, be almost indefinitely expanded, marks her out as a field where our trade, in supplying manufactured cotton goods in return for her produce, may be equally expanded. With all the great yardage of cotton goods which we already supply, a division of the same by the figures denoting the millions of her population will show what a large margin there is still to be supplied before, according to the most moderate estimate, what is needful for adequate human clothing can be overtaken. There is, therefore, in India, I think, still wide room for a larger consumption of cotton manufactures; and, in spite of what the cotton mills in Bombay are doing, or may

yet do, unless they continue to be stimulated in a way which I will presently point out, there is every reason to believe that the prosperity of India will continue to be, as it has been, a great factor in determining the prosperity of Lancashire. As regards these Bombay mills, it should perhaps be borne in mind that India was the birthplace of the cotton manufactures, and that for ages the spinning and weaving of cotton have formed a part of the industry of her population, and that against foreign competition, in rough and heavy goods, native production has always held a place. It was natural, therefore, that the power loom should follow in the wake of the hand loom, and in this department there is a fair field for the increase of cotton mills, which might not for many years materially interfere with our trade. The import duty on cotton goods from England, which was abolished some years ago, no doubt acted as a stimulus to the increase of these mills, but I think a stronger element has been, and is still, at work in giving to them what amounts practically to Protection, both as regards the supply for India herself, and in conferring special advantages in competing with England for the supply of adjacent countries. I refer to the special position in this respect which the unsatisfactory state of the silver question has produced.

India, China, Japan, and other Eastern countries

have a silver standard, the variations of which, in relation to our own gold standard, have in recent years been very violent. While the value of silver, however, has fallen, and the rupee, in its exchange value with England, has also fallen, the currency of India for internal purposes has not materially changed, it being generally asserted by those acquainted with India that the rupee, as regards the necessaries of life, has not yet lost much of its old buying power; and the Government of India, we know, still clings to the old average rate of 2s. per rupee as a basis for the adjustment of its accounts. Such being the case, looking at the matter from the Indian standpoint, the fall in silver affected only the external value of the rupee, leading to the increased cost in rupees of all imported articles. To illustrate what would take place when the fall first began, and what is frequently happening, let us take, for example, an article which cost 100 rupees on the old basis, and suppose that a dealer in India has the option of importing the article from England or of buying it from a Bombay mill. While he is debating where he should purchase, a sudden fall in silver takes place, say of 3 per cent. This would make it impossible for him to bring the article from England without a payment of 103 rupees, while for the payment of 100 rupees he could still buy it from the Bombay mill. Take now the further

example of a dealer in Japan who is in the habit of importing yarn from India or from England, as the price in silver dollars laid down in Japan may suit him best. For 100 dollars he can command a certain quantity of yarn from either place, but a fall of say 3 per cent. in exchange intervenes, and, while the cost in silver from India remains unchanged, he must now pay 103 dollars if he brings the yarn from England. There is no doubt, under these circumstances, to which country the order would go. The fact, therefore, of Japan and India both being silver countries, practically gives India an advantage in dealing with the former similar to what would result from a differential duty being in force in Japan in favour of India as against England; for in Japan and China the buying power of the silver dollar, like the rupee in India, has remained unchanged for internal purposes; while for importing from England it has lost about 25 per cent. of its old purchasing power, the rupee having lost in this respect to a similar extent. I by no means say that all this remains in favour of the Bombay millowner, but a considerable part of it does; and when sudden changes take place, such as I have indicated, the immediate effect upon existing stock is nearly altogether to the extent of such change in his favour.

As regards cotton, we know that the competition of Europe will raise its price in rupees in proportion

to any fall in exchange, and the machinery, which has to be imported for new mills, will also be enhanced in its rupee value, but wages and other elements of production will remain unchanged, and when the levelling up, as regards cotton and other imported articles which the millowner requires, is completed, there still remains a considerable difference in his favour owing to the fall in silver from its old value. Besides this, also, the comparative steadiness of his price, both as a seller in India and an exporter to China or Japan, gives him a great advantage as against his English competitor, who is continually hampered by the fear of sudden fluctuations in exchange—not the simple fluctuations which are common between all trading nations from the swaying tendency of the balance of trade, but from the varying relations of the metals upon which the exchange is based. Between India and China the basis is upon one common metal—silver. Between England and India or China the par of exchange itself is variable, from the varying relation of *silver*, the standard of India and China, to *gold*, the standard of England.

Some people, looking at these matters theoretically, and regarding foreign trade as simply an exchange of commodities, are apt to sink the individual who must depend on money as the medium of his business, but in practical operations

the individual cannot sink himself. It is no consolation to the Lancashire manufacturer, upon whom falls the necessity of accepting 3 per cent. less for his shirtings, in consequence of a drop in exchange, to be told that the cost of tea imported to this country will be 3 per cent. cheaper, or that the importer of indigo, or any other class of Indian produce, will get the benefit of what he is losing. Money is the measure of his commodities, and the article in which *he* gets his returns, and it is purely a loss from the international scales being out of order, and not a necessary condition of business, from which he suffers.

What is the meaning of the cry that we now so frequently hear from India, "The Indian Government must buy all its stores as far as possible in India!" The object is to avoid loss in exchange; and if there is a saving to India from buying in India, and if there is a desire on the part of the Indian officials to give the preference to articles manufactured there, what is this but *Protection*, brought about by the necessity of avoiding loss from the ever-increasing difficulties of this silver question?

I think this fact alone is conclusive, and completely proves the statement I have made; but I can also appeal to official figures, the inference to be drawn from which cannot be mistaken. There is little direct data obtainable showing the dis-

placement of British manufactures in India itself by the Bombay mills. As negative evidence, however, the almost stationary figures of the imports from England, as shown in the Indian statistics, which give fuller details than our own Board of Trade Returns, are very suggestive. For the last thirteen years, the quantities imported from the United Kingdom were as shown on the opposite page.

THE DECLARED VALUES OF THESE IMPORTS WERE AS FOLLOWS, SHOWING IN THIS RESPECT A HEAVY DECLINE :—

	GOODS. Rupees. 000 omitted.	YARNS. Rupees. 000 omitted	Average Exchange for year.	STERLING VALUES.	
				GOODS. £	YARNS. £
1880-81	22,09,34	3,62,09	1/7.96	18,374,356	3,011,413
1881-82	20,22,36	3,15,02	1/7.90	16,768,785	2,612,045
1882-83	20,74,92	3,30,86	1/7.53	16,884,717	2,692,410
1883-84	20,95,63	3,38,76	1/7.54	17,061,988	2,758,084
1884-85	20,48,40	3,27,23	1/7.31	16,481,154	2,632,851
1885-86	20,37,90	3,11,41	1/6.25	15,496,565	2,368,034
1886-87	25,10,02	3,25,19	1/5.44	18,239,545	2,363,079
1887-88	22,96,06	3,51,67	1/4.90	16,168,101	2,476,364
1888-89	26,79,92	3,68,85	1/4.38	18,290,476	2,517,406
1889-90	25,44,78	3,41,78	1/4.57	17,569,634	2,359,756
1890-91	26,26,07	3,68,12	1/6.09	19,794,060	2,774,736
1891-92	24,10,73	3,43,20	1/4.74	16,814,854	2,393,876
1892-93	21,84,81	2,60,64	1/3	13,655,077	1,629,051

Imports into India of Cotton piece goods, also of Cotton Twist and Yarn from the United Kingdom.

(From Indian Trade and Navigation Returns). Twelve Months, 1st April to 31st March.

	1880-1	1881-2	1882-3	1883-4	1884-5	1885-6	1886-7	1887-8	1888-9	1889-90	1890-91	1891-92	1892-3
	Yards.	Yards.	Yards.	Yards.	Yards.	Yards.	Yards.	Yards.	Yards.	Yards.	Yards.	Yards.	Yards.
	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.
Manufactured GREY piece goods	1,170	1,093	1,079	1,076	1,134	1,104	1,354	1,178	1,343	1,253	1,277	1,169	1,090
Manufactured BLEACHED piece goods.	285	267	231	339	274	275	384	315	402	335	370	357	374
Manufactured COLORED, PRINTED, OR DYED goods	318	251	318	296	312	351	406	332	366	393	352	337	328
Totals of piece goods	1,773	1,612	1,630	1,712	1,721	1,731	2,145	1,827	2,111	1,982	2,000	1,864	1,793
	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.
Cotton Twist and Yarn ..	45	40	44	45	45	45	48	51	52	46	50	49	37

As regards the increase of exports from India, the following figures speak for themselves:—

EXPORTS OF YARNS FROM INDIA TO CHINA, JAPAN, &c.
(From *Indian Trade and Navigation Returns*.)

YEAR.	QUANTITY. lbs.	VALUE. Rupees. 000 omitted.	Average	STERLING VALUE. £
			Exchange for year.	
			s. d.	
1876-77	7,926,710	36,73	1/8.51	313,891
1877-78	15,600,201	68,20	1/8.79	590,833
1878-79	21,333,508	88,64	1/7.79	730,972
1879-80	25,862,474	1,10,92	1/7.96	922,512
1880-81	26,901,346	1,28,25	1/7.96	1,066,675
1881-82	30,786,304	1,36,88	1/7.90	1,134,993
1882-83	45,223,000	1,81,68	1/7.53	1,478,435
1883-84	49,876,606	1,92,61	1/7.54	1,568,216
1884-85	65,897,183	2,44,11	1/7.31	1,964,068
1885-86	78,241,721	2,75,52	1/6.25	2,095,139
1886-87	91,803,444	3,33,68	1/5.44	2,424,766
1887-88	113,451,375	4,07,73	1/4.90	2,871,158
1888-89	128,906,764	5,20,70	1/4.38	3,553,845
1889-90	141,962,242	5,74,92	1/4.57	3,969,382
1890-91	169,275,304	6,54,33	1/6.09	4,932,060
1891-92	161,253,234	5,77,10	1/4.74	4,025,295
1892-93	189,174,726	6,77,34	1/3	4,233,392

EXPORTS OF PIECE GOODS FROM INDIA TO CHINA,
JAPAN, &c.

YEAR.	YARDS.	VALUE. Rupees. 000 omitted.	Average	STERLING VALUE. £
			Exchange for year.	
			s. d.	
1876-77	15,544,168	37,36	1/8.51	319,165
1877-78	17,545,464	37,23	1/8.79	322,508
1878-79	22,661,231	42,01	1/7.79	346,448
1879-80	25,800,501	44,43	1/7.96	369,516
1880-81	30,424,032	54,07	1/7.96	449,691
1881-82	29,911,017	55,64	1/7.90	461,355
1882-83	41,563,000	68,63	1/7.53	558,206
1883-84	55,613,763	86,19	1/7.54	701,758
1884-85	47,968,017	81,86	1/7.31	658,685
1885-86	51,577,727	81,34	1/6.25	618,589
1886-87	53,416,097	88,21	1/5.44	641,008
1887-88	69,485,747	1,06,74	1/4.90	751,656
1888-89	70,265,379	1,08,48	1/4.38	740,384
1889-90	59,496,551	90,45	1/4.57	624,529
1890-91	67,665,939	1,04,20	1/6.09	785,448
1891-92	73,383,941	1,13,42	1/4.74	791,110
1892-93	79,791,494	1,22,58	1/3	766,175

It will be noticed that this increase has been developed during the period of the silver difficulty, 1876 having been the year when it began to tell with full force upon exchange rates.

When we talk of developing the resources of India as tending to increase our trade relations with that country, it is, of course, agricultural development that is mainly thought of; but with this element favouring the native manufacture of articles she is now getting from England, is there not danger that the development may also take a form very different from what we are thinking of? Anyone who has looked over the Indian census list of occupations must have been struck with the vast number of artisans, workers in every department of human industry, which that list gives. There the workers are to be found in millions. On the other hand, of what is the soil of India not capable? Hitherto it has only produced short staple cotton, and even this, we know, has been gradually improving; but will it stop there? Is it not probable that ere long the finer and longer grades of cotton will also be produced? And then we must look for further advance in the competition of her mills with ours. The initiating of the native population into factory work has, no doubt, been difficult, but already a large nucleus has been formed, and is rapidly growing. Private capital also, which cannot be got to aid agriculture or for public works,

comes forth readily for these mills, so that there are all the elements for a wide and rapid development of a trade which must compete keenly with Manchester, and, if we allow the special advantage which I have been pointing out to continue, it must go on developing. So far as we have seen, it is chiefly in coarse goods and yarns that she has become our competitor, and in these her natural advantages and position must in any case favour her. But why, to our own disadvantage, should we allow a state of matters to continue which is giving her practically all the advantages of Protection within her own borders, and conferring a preferential position, as against us, in competing for the trade of adjacent countries?

I am not unmindful that this depreciation of the currency for outside purposes, whilst retaining its old internal value, stimulates agriculture as well as manufactures. In recent years we have seen that grain has been exported much more freely from India in consequence of the low exchange rates at which it can be shipped. No doubt there is a real and immediate advantage in this to the grain grower, and India may gain from the false basis thus created; but would she not gain something that would be of far more permanent value, even to the grain grower, if English capital could be freely employed in developing the resources of India, and in improving facilities for communica-

tion in roads and railways, which are so much needed? Besides, we do not wish to see the Indian agriculturist practically protected as against the British agriculturist, any more than we wish to see Indian manufactures practically protected as against British manufactures.

This is only one phase of a question that has been working mischief all these years; and while placing it side by side with the prohibitive tariffs of foreign countries, which were avowedly enacted to shut out British manufactures, we have only been noting one of the evils with which it is chargeable. I believe the unsettled relation of silver and gold is at the root of the general contraction, or want of elasticity, from which trade everywhere has been suffering. It is stifling Free Trade, not merely in becoming the ally of Protection, in the way I have pointed out, but also as an element which is adversely affecting trade on the Continent, and leading Continental nations to adopt protective duties. Besides, it is hindering the free movement of money and capital, which is as necessary for the general well-being as the free movement of commodities.

The foregoing remarks bearing on the trade with China and Japan are given just as they appeared in the third edition. Now, owing to the closing of the Indian mints, and the creation of an artificial value for the rupee apart from silver, while the

dollar in China and Japan is still based upon the price of that metal, India is in turn handicapped in her trade with these countries. The export trade in cotton yarns and piece goods from Bombay has been checked, and an impetus given to the establishment of new mills in China and Japan. There is, therefore, now, the same thing coming into play against the Bombay mills as Manchester felt from the former stimulus given to these in consequence of exchange differences.

In former editions I did not refer to the development of Jute manufacturing which has also been stimulated in India as against Dundee by the silver difficulty. The following table will show the advance in this respect that has been made :—

EXPORTS OF JUTE MANUFACTURES FROM INDIA TO ALL
PARTS.

Twelve months, 1st April to 31st March.

Year.	GUNNY CLOTH. YARDS.	GUNNY BAGS. NUMBER.	VALU. Rupees. 000 omitted.	Average Exchange for year.	STERLING VALUE. £
1881-82	988,796	42,072,819	1,09,60	s. d. 1/7.90	908,788
1882-83	4,601,247	60,737,651	1,48,59	1/7.53	1,209,199
1883-84	7,049,165	63,645,984	1,33,16	1/7.54	1,084,189
1884-85	15,344,279	82,779,207	1,54,03	1/7.31	1,239,365
1885-86	20,154,251	63,760,546	1,12,82	1/6.25	857,937
1886-87	12,799,225	64,574,657	1,14,93	1/5.44	835,217
1887-88	13,682,912	74,367,620	1,74,09	1/4.90	1,225,833
1888-89	15,160,592	99,790,587	2,56,01	1/4.38	1,747,305
1889-90	37,144,007	97,415,895	2,76,04	1/4.57	1,905,828
1890-91	29,854,029	98,749,416	2,46,28	1/6.09	1,856,352
1891-92	37,289,300	106,250,612	2,50,90	1/4.74	1,750,065
1892-93	40,060,110	123,974,986	3,23,18	1/3	2,019,927

CHAPTER VII.

THE PERVERSE RUPEE.

IN replying to an address from the bi-metallists of Manchester, Mr. Goschen said :

“ One of the most extraordinary points of the whole of this case is that the rupee in India has not acted as according to the laws of political economy the rupee ought to have acted. It has remained stationary while it ought to have followed the prices of silver in other countries, and it is the perverseness of the rupee in India which has caused so much of this difficulty.”

To appreciate fully the delicate irony of these remarks, and the direction in which they were meant to tell, it is necessary also to quote the following words from the same speech :

“ Now, for my part, I have held—and on

NOTE.—In this chapter I have also thought it well to make no change from what appeared in the third edition as published in 1890, the entire argument being based upon the conditions in India as they existed prior to the closing of the mints on 26th June last. In the following chapter the new condition of affairs as regards India is fully dealt with.

that point I have understood I am on the side of bi-metallists—that the question of the value of silver and gold was not a simple question of natural supply and demand, and that position on my part, I dare say, is looked upon as a heresy by the extreme disciples of the mono-metallic school.”

I proceed to examine this perverseness. Is the rupee simply sulking, and like some rebel local authority, defying for the time the general laws to which it must ultimately submit ; or is there some error regarding these so-called laws of political economy, and their application to the case in question ?

In pursuing this inquiry it is well, first of all, to define the standpoint from which this perverseness is determined—How are we measuring the rupee ? It has no independence as a coin apart from the metal of which it is composed, and is in no sense a token as our English shilling is. You may take any quantity of silver to the mints of India, and get it turned into rupees, or you may melt these rupees and still be no loser from holding bars of silver in place of rupees. It is certainly, therefore, not in relation to silver that the rupee is perverse. Is it, then, in relation to general commodities ? Here, also, the answer is, No. For the rupee to-day, in common with silver everywhere, remains

practically unchanged in its purchasing power as regards general commodities, and keeps in line with these. There is only one thing towards which its relation is changed, and that is gold; and it is in looking at the rupee from the gold standpoint alone, and measuring it with gold, that it is pronounced perverse.

I will now enquire further. What are the specific laws of political economy that are set at nought by this perverse action of the rupee? Mr. Goschen's remarks, in the second quotation from his speech, dispose of the idea that the natural laws of supply and demand are the only operating force here, so that the laws which the rupee ought to obey, and does not obey, must be something besides these. I find it difficult to make out what the laws are to which he refers. I presume that all that is meant is, that gold being now the supreme standard of value in Europe and America, the power of silver should everywhere conform to the altered relation of the two metals there. This, however, is simply an assumption, not a law, and the admitted fact that the rupee maintains an independent course, shows that the assumption is not a correct one. It points, moreover, to the probability of there being some misunderstanding as to the facts by which the matter is governed.

Let us examine these facts. It seems to me that the way in which the two monetary metals are

actually distributed over the world is an important factor in the case, and one which requires full consideration.

If gold and silver were equally distributed over all the nations of the world, and amongst all the trading classes of these nations, the ideas of the European nations as to their relative value would, no doubt, more readily make themselves felt over the whole area; but the precious metals are not equally distributed in this way, the actual fact being that the nations of the world are practically divided into two classes in this respect, one of which has silver money, and knows little or nothing of gold, and the other gold money with little silver, or practically gold money only. While in Europe, therefore, we may regard silver as the inferior metal, and think of gold in the monetary system as an element whose superior gravity, so to speak, should necessarily control the power of silver, we are overlooking the fact that gold and silver are still to a very large extent co-ordinate powers.

The demonetisation of silver in Europe, while it has led to the alteration of the relation of the two metals there and where they come into contact, has not affected the power of silver money over the enormous areas and among the vast populations of the East, where silver alone is the sole standard of value, and where there is no contact with gold valuations.

The two monetary metals are like two orbs moving in different planes. While the rending of the tie of the bi-metallic ratio, which France maintained, and which kept their relative power in Europe steady, has led to the divergence of the two valuations there, silver in its own sphere, where it alone is supreme as money, remains unaffected by what has happened. The Eastern races in their internal transactions, in all the small channels of trade, and in the numerous bazaars throughout the East, know nothing of gold as money. The East also is always absorbing silver money, never requiring to export it. What it receives is no more than is required for its expanding trade, and for hoarding. Every ounce of fresh silver imported by the East has the same purchasing power as any other ounce of the existing monetary mass, and nothing happens to shake the confidence which the hundreds of millions of the world's population there, who still use silver, have in its power as money. The quantity of silver also in use throughout the East is immense, say, at least equal to £400,000,000, and the fact that this silver money, and the silver ornaments which the people possess, and which are akin to it, are actually in the hands of the people, gives a potentiality to silver valuations there, which enables them to hold their own against gold valuations. The ideas which may prevail in Europe regarding silver

count for nothing in the matter, so long, at least, as Eastern Governments do nothing in attempting to interfere with existing laws, or existing usages with regard to it.

I believe that in these facts we have the explanation of what Mr. Goschen has styled "the perverseness of the rupee;" and if so, what an uncomfortable prospect of continued disorganisation of the money of the world does the consideration of them present!

When this monetary difficulty first began to perplex merchants, the mono-metallic school to which Mr. Goschen refers, as I have indicated in the Introduction, was unanimous in assuring us that if left alone matters would right themselves; but experience has proved that these assurances were wrong, and when fully analysed it is seen that the conditions are such that the disorganisation arising from the conflict of the two valuations must inevitably continue, and become more aggravated unless something is done to put the matter right.

The central idea of what is known as the bi-metallic movement is to restore the unity of money; to re-establish unity between the two centres of valuation—the gold valuation and the silver valuation—so that they may again do their work in harmony.

Unfortunately, the name "Bi-metallic" does

not clearly convey this idea, and instead of seeking restoration and unity, the movement is too often supposed to be one for the initiation of something new, and an attempt to create an impossible duality.

It is necessary, therefore, to question history regarding the matter; and when this is done, it is found that it is gold mono-metallism, and the ideas regarding money which are identified with it, that are the novelties. The dual basis of money in gold and silver always existed, and still exists. Formerly, the two metals were linked together, and formed practically one thing for the purposes of money. The triumph of mono-metallic ideas has brought with it the duality of money from which we are now suffering. The overthrow of these ideas will lead to the restoration of the unity and harmony which formerly existed.

When England first adopted gold mono-metallism, in 1816, it was a new departure in the history of money—a distinct innovation made on former usage. In her early history, England's standard was silver, and for 150 years prior to 1816 she had had a bi-metallic standard, both metals being freely coined, and their relative value legally declared. The coinage of silver was suspended in 1797, as it is suspended in France at the present moment, but this did not affect existing coin and its legal relation of twenty-one shillings to the gold guinea, say, equal to a ratio of 15·21.

Other nations were bi-metallic at the same time that England was under bi-metallic law, and continued to be so after England made the innovation of adopting gold mono-metallism. Owing to this, and to these nations keeping their mints open to all the world for the free coinage of gold and silver at the fixed ratio of $15\frac{1}{2}$ to 1, the parity of value between the two metals was still everywhere maintained.

The mono-metallic school, all unconscious of the lateral support which the English gold standard was thus receiving, preached up the example of England, until other nations began to follow it, vainly imagining that gold might be the supreme standard for all nations, and that silver, in a subordinate position, would still maintain its old relative value. Experience has proved how fallacious these views were. The old parity was maintained solely by the action of France and the Latin Union, and as soon as the support which their free coinage laws gave was withdrawn, the two valuations began to diverge. The gold standard never was, and never can be, an independent standard of value, unless in the now admittedly impossible case of silver being everywhere abolished as legal tender. Short of this, the presence, and in a large degree the independence of silver must always be counted upon, and whether we will or no, must make itself felt.

In seeking unity of standard in one metal, the mono-metallic school has, in effect, brought about the destruction of the unity of money. It ignored the actual conditions of money throughout the world, and overlooked the inter-dependence which must necessarily exist between the gold money and the silver money of the world. These form in their aggregate, whether working together or separately, the basis of monetary valuations, and although to a large extent, as we have seen, moving in different orbits, they act and react upon each other. When silver is demonetised, gold must take its place, and more work must consequently be thrown upon gold. This leads to the appreciation of gold, and creates the conflict of valuations now going on between Europe and the East.

Here, then, is the true position of this monetary question. The mono-metallist is the partisan of a school of innovators, whose idea of setting up a standard of value in one metal which would be a true measure of value has lamentably failed, and has resulted in the monetary confusion which we see to-day. The bi-metallist, on the other hand, seeks to arrest this confusion by returning to the old paths, and restoring the unity of money by again linking gold and silver together, and making them virtually one by the tie of a fixed ratio.

I would not, for a moment, charge the mono-metallic school with any intentional purpose of

bringing about the results which we see to-day, even though some of the interested partisans of that school regard the injustice as between debtor and creditor, which this confusion is causing, with indifference, if not with satisfaction, because the money-lending interests of England are identified with gold, and are benefited by the changes. The mono-metallic school, however, whose theories regarding money brought about these changes, had no ideas of this kind when they were carrying on their propaganda. Their aim was pure and high. They had in view the need which the world has of a true standard of value, which will measure always and everywhere the same. Their object was to make more perfect the unity of money, and they thought that by having one metal only as the standard of value in all nations, this object would be secured.

The mono-metallic school, though basing its ideas on what England had done in 1816, and justifying its agitation by the apparent success of the English system, had, by the middle of the century, formulated ideas regarding money and the single gold standard far in advance of anything entertained by the statesmen under whose auspices the gold standard was established in England. These statesmen had no intention of virtually outlawing silver by the measures which they adopted. The Act of 1816 itself is described as "An Act to

provide a new silver coinage, and to regulate the currency of gold and silver coins;" and the message of the Prince Regent referring to it speaks of it as "a measure to remedy the defective state and inadequate amount of the silver coinage of the realm."

The anti-silver views, and the idea that the advance of civilisation required that all civilised nations should have the unit of value fixed in gold alone, culminated in the Conference of 1867, and a reference to the proceedings of that Conference will show how a metrical uniformity of the unit of value, and an exact mathematical definition of it, were the prevailing ideas of that Conference; as if it could be defined for all the world on the same lines as a measure of length or as a measure of quantity. The Latin Union, instituted two years before, had been a success, and this success had been secured by taking into account the actual conditions of the money of the contracting powers, and basing the agreement upon the existing ratio of value for the two metals forming their currencies; but in suggesting monetary uniformity for the whole world, the conditions of money over the world-wide area that was contemplated were ignored, and the fallacy that a true unit of value could be found in one metal alone was endorsed and recommended by the representatives of all the Powers of Europe. This in due time, as we know,

resulted in Germany decreeing a gold currency. The consequent sales of German silver money in turn led first to the restriction and, finally, to the closure of the French mints for the coinage of silver, and to the destruction, in this way, of the parity of value which was thereby maintained between the two monetary metals which the world uses.

The mono-metallic school believed that the unit of value could be fixed in one metal, and be independent of all national law beyond that which fixed the fineness and weight of the coin identified with that unit: They thought that the relative values of silver and gold were affected solely by the laws of supply and demand, in the same way as ordinary commodities were, and they did not contemplate divergence of value between the two metals in Europe or anywhere else from other causes. They seem further to have believed that if the relative value of the two metals did diverge to any extent, silver as money, in all lands where it was used, would conform, in its purchasing power, to its altered relation in Europe to gold, just as inconvertible paper money everywhere does.

Now, the perverse rupee is the witness that comes into court to show the fallacy of these views. Its reduced value in Europe in relation to gold shows the effect which the demonetisation of silver has had in producing a wide divergence from its

old relation to gold, and its unimpaired purchasing power in the East shows that it has maintained its independence in its own sphere, and remains unaffected by these changes.

Our mono-metallic friends cannot, surely, be content with the present position of affairs. Their dearest aim was to secure the perfect unity of money in the high interests of trade and commerce everywhere, and surely when their schemes have failed, and only confusion and greater difficulty in trading have resulted from the attempt to realise their ideal, the time has come when they must either show how their cherished ideal of the unity of money is now to be secured, or stand aside and cease to obstruct the efforts of those who seek for the restoration of the monetary unit in the two metals, with a fixed parity of value between them.

I have so far, in this chapter, referred chiefly to the evils resulting from the want of parity between the two monetary metals, and to the varying divergence that now exists. In forming a judgment on the general question, it is necessary also to ascertain clearly whether this divergence marks an appreciation of gold or a depreciation of silver. It is a self-evident fact to many minds, and, I think, should be to all, that if the general level of prices in Europe has fallen—a thing now universally admitted—the medium in which they are measured, *i.e.*, gold, must have acquired greater purchasing

power. Commodities measure money, just as money measures commodities, and if it requires the surrender of a larger quantity of commodities to obtain a given amount of money, it is evident that the relation that formerly existed between them has become altered, and this is just another way of saying that gold has become appreciated. If it be said that improved appliances and new discoveries have led to cheaper production, you have to admit that these improvements and discoveries have not equally affected gold; so that, even in view of this exception, you are forced to the conclusion that gold has become appreciated in value.

The fall in the value of commodities in relation to gold, and what we call the fall of silver in relation to gold, have been about equal. Silver now being ranked as simply a commodity in Europe, it keeps in line with commodities, and, though its relation to gold has altered, its relation to commodities remains the same as formerly. Its purchasing power where it is money, and its value against other commodities where it is not, continue practically unchanged. In this we have further conclusive proof that the divergence between the two metals results in the main from the appreciation of gold, and that silver has not so far in any real sense fallen in value.

In his speech Mr. Goschen said that there were

still some who disputed the appreciation of gold. We know that he does not do so, and he has given us, on former occasions, good reasons for its appreciation in showing the greater work that gold has now to perform as money in consequence of the demonetisation of silver. I have already incidentally referred to this, but there are also other ways, not so obvious, in which matters have been working to bring about this result; and these, though more subtle and more difficult to trace, are perhaps even more powerful as effective causes in the matter.

To find the exact value of an article at any given moment, the process of higgling between buyer and seller has to be gone through. Apart from actual transactions made in this way, all declared values are only estimates based on experience of what has formerly been done. When general business is flowing smoothly, the record of actual sales forms the basis of what is called market price, and becomes the guide for fresh transactions, but it is simply a guide, for values may be upset at any moment, and the past is no certain guarantee of what the next sale may be. Commercial men all know—say, for instance, in the stock market—that, when something unusual has happened, business is, for the moment, interrupted, until a price is made by an actual transaction taking place, which immediately forms the basis of other transactions.

The forces that come into play in making a price in this way, cannot be definitely gauged. They include all the motives by which man is swayed—prejudice, and vague hope or fear, as well as logical reasons, not infrequently influencing his action. Though not generally so observable as in the case instanced, this process is always going on. It is fully at work when prices with the East are unsettled by a sudden fall in silver, and a new price has to be made in consequence of the altered relation of the currencies for the articles which the East requires, and a new price has also to be made in the produce markets, where Eastern produce can from the same cause be offered more cheaply.

Over the entire area of commerce the repeated unsettlement of values from these silver variations, and the necessary effort to bring buyer and seller again to a point, are constantly tending, by the cutting down of price, to the enhancement of the metal (gold) in which European prices are measured. The disfavour also with which silver, as money, is now regarded, makes itself felt by causing everyone to look more and more to gold as the only monetary equivalent in which security against depreciation can be found, and all the ups and downs of silver throw it more completely into the line of ordinary commodities, making the possession of gold more desired.

Even, therefore, though there may be no great

quantitative difference in the relative amounts of gold and silver money still in use in the world, these disturbances in the relation they bear to each other all tend to the enhancement of gold. It is the one exception to the general fall in value that is going on, and beyond this, from carrying in itself the premium of continual appreciation, which is now generally recognised, it is the more eagerly coveted. Not that people take to hoarding, for so long as there are securities, such as Consols, that are practically equal to gold, they do not need to do so; but everybody wishes that someone else should take the risk of commercial and industrial undertakings, or if money is lent for these, care is taken that it is secured by a large margin of capital, which must first disappear before the loan can be imperilled.

One of the fundamental propositions of political economy is that "capital is kept up not by preservation, but by perpetual reproduction,* and if this perpetual reproduction, through industrial enterprise, cannot be safely pursued, what becomes of the capital which these industrial enterprises represent? Silent mills are of no value, and concerns that are yielding no adequate return upon the capital invested in them must quickly come into the same category; and if we add the fact that

* "J. S. Mill's Principles of Political Economy," Book I., chap. 5, sec. 6.

land is going out of cultivation, because in some cases, even without rent, it cannot now be cultivated profitably, surely we have a state of matters that ought to give rise to the deepest concern, and which cries loudly for the fullest investigation by our statesmen. They must not be misled by the abundance of capital seeking for safe investment. This is not altogether the result of increased accumulation. It means the desire to avoid commercial risks, and is a direct result of the appreciation of gold that is now going on.

It is well for the Chancellor of the Exchequer to avail of these circumstances to reduce the burden of interest which our National Debt entails; but it would be more satisfactory for the nation if they did not exist; and the necessary tendency to effect re-arrangements of this kind shows how every interest in turn, even those supposed to be most secure, must suffer from the present monetary confusion unless it is brought to an end.

In the speech to which I have been referring, Mr. Goschen, in the character of candid friend of the bi-metallists, pointed out that when dealing with the fall in prices, and referring to the evils resulting therefrom, there was danger of the bi-metallic movement being regarded as an advocacy of Protection. We have to thank Mr. Goschen for giving this warning; but did he or any other person ever hear of a movement touching the per-

sonal interests of men, where it could not be plausibly shown that some individuals or classes would be protected in this sense to the disadvantage of others? The repeal of the Corn Laws was avowedly for the purpose of protecting the consumer against the landlord interests of the country, and every reform has to fight against vested interests that would be affected by it. Common sense, however, will not long sit on the rail and remain inactive because such things can be urged. It will examine them, and give due weight to all that can be said; but if the movement be necessary for the vital interests of the country and for the true interests of trade everywhere, and moreover is based on justice and equity, such objections will not long prevail.

The mere assumption that prices will be affected by the restoration of the parity of value between gold and silver is a practical admission that prices have been affected and have fallen through want of that parity; but to raise prices is not the objective aim of the bi-metallic movement. The primary aim, as I have already indicated, is to restore the unity of the world's money. Knowing that the continuous fall in prices which has been going on is mainly due to the appreciation of the gold standard in which prices are measured, and recognising in this a great evil, they seek to arrest this fall by correcting the standard to the variations in

which it is due. The restoration of the unity and smooth working of the two monetary metals, while it would check the fall, would no doubt also tend to raise prices again, not, I believe, owing to any quantitative difference that it would produce in the actual volume of money, but rather from the general effect on trade which the removal of the present conflict of the two valuations would produce. Consumers have not really benefited by the unnatural fall in values that has taken place, because all have suffered in their resources from the effects of that fall. Manufacturers would willingly pay rather more for their raw materials, and could work more profitably even on a higher basis of cost for these, if the conditions of trade were steadier, and the necessity that now exists for the continuous scaling down of values were removed.* It is a poor argument, as Mr. Goschen puts it, to say that "if you raise the value to the owner of

* At present anyone embarking in any industrial undertaking has to keep in view that besides providing for depreciation from tear and wear, and the effect that the progress of new inventions may have upon existing machinery, must also take into account the scaling down of values over and above all this from the appreciation of the gold standard in which the property is measured. The Oldham spinning mills, erected of late years under the Limited Liability Act, were at first supposed to be successful, but in a statement lately made by the secretary of the Masters' Association for Oldham, he declares that taking the whole of these mills at first cost with actual dividends paid, and appraising the property at its present value, they have been making nothing at all for the last ten years.

the property, you are raising it to those who wish to buy that property." Notwithstanding low prices, where are buyers of property at present to be found? Will not the buyer quickly find himself in as bad a position as he who now wishes to sell, if the continuous depreciation now going on is not arrested? Buyers and sellers everywhere have a common interest in the re-establishment of a true measure of value that will not change as our gold standard under the present conditions is doing.

Mr. Goschen also referred to the interests of India, and to the effect which a change in the present conditions might have upon her power to compete as she is now doing with Manchester in cotton goods and yarns, and in grain with the growers of this country. No doubt the action of the perverse rupee has been giving her an important advantage in these respects. Manchester is already concerned at the competition of the Bombay mills, not only in supplying India, but also in competing with her for the trade of other Eastern countries, such as China and Japan. The low sterling prices also at which India can export wheat, have perhaps as much as any other cause tended to the low rates for grain which our farmers here must accept.

From the Indian standpoint these considerations may be regarded complacently, but England's interest in the matter cannot be ignored. If it be that this double-faced value or power of the rupee

—its stationary value towards India, and its reduced and fluctuating value towards Europe,—is due, not to anything that has come about naturally, but to a positive error that has been committed in attempting to establish the unit of value in gold alone, England would be perfectly within her right in seeking to undo the effects of this error by restoring the old parity of gold and silver, even though India should have to forego the incidental advantage in these respects which England's error has given her.

This is one way of looking at the position. But does India on the whole gain by the present state of matters? I hold that she is a loser, and that she would benefit greatly, in common with all the world, by the re-establishment of the parity of value between gold and silver.

No one denies that the fluctuations of exchange, due to the uncertainty of silver valuations in Europe, are a great hindrance to trade. They involve risk and loss, no matter what arrangements bankers and merchants may adopt to overcome them. Even the mere cost of such arrangements is a heavy burden on trade.

India also needs English capital for its development; but, under present conditions, the risks and the uncertainty as regards silver stand in the way of this; and not only is capital withheld, but it is actually being withdrawn. In a speech at a meet-

ing of the Bankers' Institute, Mr. Gwyther, of the Chartered Bank of India, Australia, and China, referring to this, said :—

“What do we find? Not that capital goes to India—and I speak advisedly—but the converse; and that has been going on for the last fifteen years. When the Latin Union stopped the coining of silver on the old ratio, people who had money in the East scarcely realised the effect. Then, when they found that the exchange on England fell continuously, they got into a despairing mood, and said: “Things are so bad they cannot become worse,” and they allowed their money to remain; but for the last three or four years I have noticed that they have finally made up their minds to cut the knot, and have their capital back *coûte que coûte*.”

As regards the Bombay mill industries, they are a mere fraction in relation to the general interests of India. Though bereft of the special advantage which the perverse rupee at present gives them, they would still have a fair field. The natural advantages of their position, and the proximity of cotton which they enjoy, would enable them to a large extent still to hold their own, especially in supplying India herself. It is the vast agricultural interests of India, however, which have mainly to be considered. She has, no doubt, an advantage where she competes with Europe in any article of

produce, through being able, from exchange differences, to sell at lower European prices; but she loses the advantage that results from this, and probably much more, by the general fall of prices in Europe, which affects the whole of her produce. The great increase of railway communication in India, which late years have witnessed, would, I believe, have tended far more than it has done to the advancement of India, but for the fall in values in Europe that has taken place.

Viewing the whole commercial position of India, the advantages she has derived from her independent silver currency have been rather negative than positive. She has been saved from much of the suffering that gold-standard countries have experienced, but I believe the restoration of the old parity of value between gold and silver, besides removing the difficulties that have so harassed Europe, would also give increased impetus to the trade of India. The interests of India, also, are bound up with the interests of the great comity of trading nations, and what would contribute to the general prosperity of the whole would undoubtedly in the main be for her benefit.

Everyone knows how the finances of the Indian Government have been affected by the losses in exchange, for which it has to provide. To get rid of these losses, and the difficulties to which they give rise, would no doubt be a great boon to India,

and would leave her statesmen much more free to promote and extend those industrial works which are so necessary for her progress.

There are some commercial writers in the London press who try to make out that these exchange differences, which the Indian Government have to meet, are not real losses. I think it would be very hard to convince those who have to deal practically with the matter in India of this. If the rupee in India has remained stationary, then a rupee there must still mean what it has always meant. No more rupees are paid in taxes in consequence of the altered value of the rupee in Europe, and the Government cannot, by any legerdemain, make these rupees go further in meeting the increased amount in rupees which it now takes to defray the interest on gold loans and other gold charges for which it has to provide.

The fact that the debts of the Indian Government are actually discharged by the shipment of commodities makes no difference. Values cannot be defined, or even expressed, without reference to the standard of value, and India's silver standard measures equally what goes into India and what goes out. The silver money of India, like all true money, is an equivalent value in itself of the articles for which it is exchanged, and measures quite independently of any other standard. The mono-metallist can never get rid of the habit of

looking at values in India through the eye of gold, regarding her money as if it were simply like inconvertible paper money. Hence the confusion of thought and the erroneous ideas of the writers to whom I have referred. They are not even consistent in applying the gold measure. If they were, they would be bound also to conclude that the actual wealth of India in silver money, and silver ornaments had been enormously affected by the change in the relative value of silver to gold which has taken place. I have seen the total amount of silver thus existing in India estimated at £600,000,000. Upon this, on the hypothesis supposed, India must have lost about £150,000,000, and alongside such loss any supposed gain otherwise would appear as insignificant. Fortunately for India, however, the East has not bowed down before the golden idol which the West has set up. Silver, as we have seen, maintains its independence, and the effect which the full triumph of mono-metallic ideas must have had upon India in this respect has been averted. But apart from this, and taking the position of silver as it at present stands, I think that no one who looks at the whole of the interests of India as they would be affected by a bi-metallic arrangement can doubt that it would be greatly to her advantage that it should be carried out.

I would only further remark here that, while it

is necessary to consider the interests that have been affected by the present disorganisation of the world's money, and the interests that would be affected by the steps necessary to restore monetary harmony, no clear conception of the real nature of the question can be gained by merely comparing and balancing these different interests. A *malaise* admittedly exists, and it is the duty of those who seek for a remedy not merely to discuss the comparative importance of the different symptoms, but to diagnose the disease, and to understand fully the monetary dislocation that is the cause of it.

We have often been told by economists that money is a tool. It is meant to be the servant of man; but how often do those who oppose monetary reform practically invest our gold standard with far higher attributes, and regard it as a sacred thing that must on no account be touched? It was meant to be a true measure of value, that would be a just equivalent for property and services everywhere. But when it is found that it has lost its stationary quality, and is only a measure of things in relation to itself, then we are told that we must be content to adjust everything else to its altered equivalence. Wages must come down, rents must fall, mortgages and settlements must be revised, but we must not touch our sacred gold standard. Does not this involve the reversing of the proper order of things; the tail wagging the

body, the tool, in place of being a servant, becoming master? The intelligence of the country will, I believe, ere long see all this, and, with omnipotent voice, demand that the matter be put right.

CHAPTER VIII.

HISTORICAL ASPECT AND PRESENT POSITION OF THE QUESTION.

THE mono-metallists' favourite mode of dealing with this monetary question, is to treat it altogether as an abstract question, ignoring monetary history, and the great fact that gold and silver unitedly constitute the world's money. The State, they say, does nothing more than impress a stamp indicating weight and fineness of the gold coin which has been chosen for our standard. This done, the action of supply and demand must have free course, and we are powerless to interfere. The theory thus indicated is beautiful in its simplicity, and if we were living in an ideal world, where only one monetary metal existed, there would be nothing to say against it. Unfortunately for the theory, however, our actual world has two metals on which value is based, and the theory which takes cognisance of one only as the basis of value is altogether inadequate as a true representation of the doctrine of money. The solidarity of the world's money cannot be ignored, and, as I have endeavoured to show, it is impossible for any

one nation to have a standard of value in the one metal unaffected by what may befall the other.

The older economists, who cherished and idolised the beautifully simple theory to which I have referred, seemed to have England's experience for the first sixty years of her gold standard history in their favour, because the corrective action of the laws of other nations rendered the individual action of England powerless to destroy the steady ratio of value between the two metals. Now, however, that this steady ratio is gone, through other nations trying to follow the example of England, the true value of this vaunted theory is being seen, and it is satisfactory that the professors who now take the lead in economic science are gradually ranging themselves on the bi-metallic side.

Professor Sidgwick, of Cambridge, in a work published in 1888, concludes his remarks on the question of standard in the following words: * "So far we have been considering the controversy of the standards, as though the question were one of establishing a currency *de novo*. Of course it is not in this form that it comes within the range of practical politics. The trade of the world—even I may say the internal trade of the British Empire—is actually carried on under bi-metallic conditions; and no one doubts that this will continue to be the

* "The Principles of Political Economy," by Henry Sidgwick, pp. 455-6.

case for an indefinite period. Indeed, the most eager mono-metallists do not appear to desire a universal adoption of a gold currency, at the risk of a great rise in the value of the medium of exchange. The practical issue, therefore, so far as international trade is concerned, lies not between mono-metallism and bi-metallism, but between *rated* and *unrated* bi-metallism." He previously explains that by rated bi-metallism he means "the two metals made legal tender at a fixed ratio," and by unrated bi-metallism the present condition of things.

Since the publication of Professor Sidgwick's work, we have seen Professor Nicholson, of Edinburgh, and Professor Foxwell, of Cambridge, boldly avowing bi-metallic views, and entering into the controversy with all the force and earnestness which strong conviction gives, and almost nowhere do we now find any serious academic opposition to bi-metallic views.

In the "Silver Pound,"* by Mr. Dana Horton, we have also recently had an important addition made to our knowledge of the monetary history of England, and the painstaking care with which he has investigated all the leading points of that history and the views associated with the great names identified with it, entitles him to our warmest thanks.

* Macmillan & Co., London.

The historical aspect of the question is well worthy of the fullest consideration. Till the present difficulties arose, we in England were in a dream about our supposed perfect gold currency, unconscious that the theories and historical sanctions upon which it was based were false and misleading. Unfortunately, our dream was shared very generally by other nations, as was seen in the resolutions of the Monetary Conference of 1867, and a perusal of the documents in connection with same (extracts from which will be found in the Appendices) will show how the unsettlement and mischief from which we have been suffering were set agoing by the decisions arrived at in that Conference. The data given bearing upon English monetary legislation will also help the reader to understand this.*

Those who have believed the assertion so often made that law has nothing to do with the matter, may be surprised to find the extent to which law has actually had to do with it;—not merely in the choice of the standard, which mono-metallists must admit, but in regulating the matter all through.

The Mint Indentures of Elizabeth, prescribing that the pound troy of silver should be cut into sixty-two shillings, was a fundamental law of English money up to the time that it was set aside by the statute of 1816. The standard for gold coin

was fixed in the time of Charles II. at $44\frac{1}{2}$ guineas to the pound troy. These guineas continued at first to vary in value, but were ultimately fixed in the year 1717 by proclamation of George I., under the advice of Parliament, at twenty-one shillings in England's then standard silver money, and thus a fixed bi-metallic basis was formed which, whatever coin happened to prevail in England, was her real standard of value. (Clause 11th of the statute of 1816 recognises this.)

Gold, as will be seen, was still undervalued; and as a necessary consequence, under particular bi-metallism, the cheap money, gold, drove or rather kept out the dear money, silver, so that for more than three-quarters of a century gold was the chief coin current in England. But the Mint Indentures of Elizabeth and Charles II., and the proclamation of George I., were still in force, potent though passive, just as the law of gravitation is no less potent while controlling the stationary boulder than it is in controlling the falling stone. And this bi-metallism at once showed its vitality when in 1798 the outside price of silver fell to a point that made it suitable to exchange silver for gold at the English ratio. Then silver began again to be brought to the English Mint for coinage; but under a false idea as to the meaning and consequences of this movement, the English Mint for the coinage of silver was closed.

With the suspension of specie payments at the Bank of England, which happened about the same time, inconvertible paper money became, and for a long period continued to be, the chief money of England, and during that time the true basis of her currency was lost sight of. When this interregnum in the reign of metallic money came to an end, gold was enthroned as the supreme standard of England's money. The old laws were all repealed by the statute of 1816. Silver, instead of being coined at the rate of sixty-two shillings to the pound, was henceforth to be coined at the rate of sixty-six shillings, and not to be a legal tender for more than forty shillings, while the pound sterling of English money was declared to be *a hundred and twenty-three and a quarter grains of standard gold containing a hundred and thirteen grains of pure gold*, and nothing else.

No law in the matter! Are these enactments mythical?

The extracts which I have given from Mr. Dana Horton's able paper, examining the Bullion Report of 1810, on which the legislation of 1816 was founded, will show how, in pursuing the primary object of restoring the convertibility of England's paper money, the Committee failed to perceive the full import of the change in *standard* which they recommended. Even Lord Liverpool himself, whose views were carried out, could not have had this

fully before him, if we judge from the way in which he wrote regarding the matter.*

No doubt a due supply of gold and silver coin for the internal currency of England was effectually secured by the legislation of 1816. As a theoretical arrangement for the "*coins of the realm*" it suited admirably, and for sixty years, as we have seen, it had no apparent drawbacks; but it was none the less a revolutionary measure in other respects, though it was so long in bearing its necessary fruits.

It is often asserted, in supposed disparagement of bi-metallism, that it means the alternation of the two monetary metals, and that in France, under bi-metallic law, there was an alternating demand, now for the one metal and now for the other, leading to her stock of money consisting at times of more gold and less silver and at other times of less gold and more silver. But what harm did this do? The mass of her people never suffered inconvenience from these changes, and the basis of value (the standard) was never affected by it. It is indeed of the very essence of bi-metallism that it automatically affords play for this alternation, and that whatever may be the strain upon either the one metal or the other, a compensatory action takes place which neutralises any disturbing effect upon the standard resulting from it.

The full history of the question since 1874 would

* See "*Standard of Value*," by Leighton Jordan.

form an interesting chapter, but I will only notice a few of the more important circumstances which have bulked out in the public view as the controversy has been proceeding.

The United States of America under the influence of the old gold craze, and in what is now admitted to have been a surreptitious way,* had in the year 1873 practically demonetised silver when she was codifying her coinage laws. As soon, however, as the American people realised what had been done, a strong movement in favour of the re-establishment of that metal began, and quickly became very powerful. This movement resulted in the passing of what was known as the Bland Act, under which silver to the amount of about £5,000,000 per annum was coined into legal tender dollars. At that time also (1878) America called together a conference of the leading European nations at Paris with a view of getting them to join with her in re-establishing silver on an international basis, but this conference failed. Again in 1881 she called another conference; this time France joined with her in sending out the invitations. More progress was made in this than in the first conference, but still it adjourned with no definite result. After this the tendency of the price of silver continued downwards, and the fall became accelerated in the year 1885 when a bill was brought into the American

* Appendix L.

Congress to repeal the Bland Act. The promoters of that bill were bi-metallists, but seeing that Europe would not listen to persuasion, they judged that the only way to force the question upon its attention was to let Europe feel the effect of the stoppage of the American silver purchases upon the value of that metal. Though the repeal of the Act was not then carried out, the mere fear of this led to silver falling from 49d. in July, 1885, to 46 $\frac{7}{8}$ d. in January, 1886. In the latter year a very hopeless feeling prevailed regarding silver, and in August the price had fallen to 42d., carrying with it Rupee exchange to 1s. 4 $\frac{1}{2}$ d.

The Royal Commission on the Depression of Trade was then sitting, and that Commission, in prosecuting its investigations, was forced to the conclusion that the change in the relative value of the precious metals was an important element among the causes of that depression, and upon its recommendation a further Commission known as the "Gold and Silver Commission" was appointed specially to examine this change.

After a laborious and protracted investigation, this Commission in the year 1888 presented its report in three parts—the first, signed by all the twelve members, in which the main facts insisted upon by bi-metallists as to the depreciation of silver and the appreciation of gold, and the evils resulting therefrom, are fully admitted;—the second, signed by six members, who, while admit-

ting the evils, express themselves as unable to recommend the remedy proposed by bi-metallists;—and the third, signed by the remaining six, who express themselves in favour of the bi-metallic remedy, and answer the arguments urged against it.* Lately Mr. Leonard Courtney, one of the six who signed the second part, has declared himself to be now in favor of Bi-metallism, making seven out of the twelve Commissioners who now adhere to the third report. Although the London press took little notice of this report, its importance was none the less significant, and it placed the question in this country upon quite a new footing. Nor was it only in England that it told. On the Continent of Europe the investigation was also earnestly watched; and in America a similar interest was taken in the proceedings of the Commission, and there is no doubt that it had a decided influence in determining the new and bold policy regarding silver in 1890 when the Sherman Act was passed.†

Our financial writers in England have all along failed to gauge the true meaning of the silver movement in America. They have seen in it nothing more than the result of the intrigues of the silver mine owners, and under this view they have only sneered at it. The American people, however, have looked upon the matter very differently. They have seen in it a currency question of the

* Appendix R. † Appendix M.

highest moment, and her most prominent statesmen recognise the necessity of reinstating silver as the co-partner of gold. America is permeated with bi-metallic ideas, and the various attempts that she has made to secure an international settlement shows how earnestly she has sought this solution. The Sherman Act of 1890, besides having the purpose of supplying increased currency, was carried out under the belief that America would have power, by herself through this Act, so to raise the price of silver that it would advance to nearly the old relation to gold, and with this secured, that it would then be more easy to induce the European nations to join in fixing the ratio internationally at the old rate. The intention was good, but the effect was only temporary; and the evanescent nature of the improvement which took place in that year, with the subsequent heavy fall in silver and silver exchanges, we all know led to times of great difficulty in our Eastern trade, and to the paralysation of industry from the increased severity of monetary dislocation which resulted. So generally were these evils felt that the late Government was induced to consent to take part in a further Conference of the leading nations upon monetary affairs, which the United States' Government again proposed to call together, and which assembled at Brussels in November, 1892.*

* Appendix I.

Unfortunately, the present government, to whom it had fallen to complete the arrangements for the British representation at this Conference, did not look upon it with the same favour as their predecessors had done, and to make sure of their own ideas being fully represented, they added to those already appointed to represent English and Indian interests the names of two other gentlemen, one being a government official whose action during the course of its meetings and whose premature declarations on behalf of the English government in an absolutely mono-metallic sense, destroyed all hope of the Conference agreeing upon any concerted action, and it was generally feared when the adjournment took place at Christmas, 1892 (and the result has so far justified the fear) that it would not meet again. The failure of this Conference owing to the attitude of England, gave a great blow to the prospects of an international agreement.

Meantime the extreme financial difficulties of the Indian government, resulting from the fall in the exchange value of the rupee, had forced the English government to take cognisance of this aspect of the question.

The Indian government had for many years been urging the home government to procure a settlement of the questions by means of international bi-metallism, and had declared that if this were unattainable it should be allowed to act for itself,

and either close the Imperial mints in India against silver, or treat directly with the United States government regarding it, so as to prevent the further fall of Rupee exchange.

After the Brussels' conference adjourned, a committee, under the presidency of Lord Herschell,* which had been appointed by the home government to consider the first of the two alternatives suggested by the Indian government—the second being ignored—was pressed for its decision, and in an evil hour, contrary to the weight of evidence which it had taken, that committee decided to recommend the closing of the mints. The Indian government now giving up hope of getting England to favor the settlement of the difficulty by international agreement, and fearing that the American government might in the meantime precipitate a fresh crisis by repealing the Sherman Act, at once carried out the recommendation of the Herschell committee.

The immediate effect of closing the Indian mints was that silver at once fell from 38d. to 30d., while rupee exchange rose from 1s. 2½d. to near 1s. 4d. But, alas for the necessities of the Indian government, the exchange rate again began to give way, and there has never since been an exchange market upon which the sale of Council drafts could have been pressed without the certainty of a still greater fall taking place.

* Appendix J.

Hoping that general trade conditions might, subsequently, become more favourable for the sale of these drafts, the government has seen seven months pass over without these hopes being realised, and now finds itself in such financial difficulty that power to borrow in England to the extent of ten millions sterling has had to be taken to meet the pressing wants for Indian payments on this side.

One thing which has tended to turn the balance of trade, and prevent the improvement in exchange which the Indian Government expected from the closing of the mints, has been the fact that silver has continued to go to India in as large or larger quantities than ever; but, in place of going through the Imperial mints, it has got into the hands of the people through the silversmiths, and largely also as coin through the mints in the native states, with which the Imperial Government has no power to interfere. Mainly to meet this difficulty it is understood that the Indian officials were lately strongly urging the imposition of a heavy duty on silver, but the home government decided against this. If it had been imposed, it would only have been another doubtful step to fortify the first false one: like America, finding the Bland Act ineffective in maintaining the price of silver, following it up by the larger purchases of the Sherman Act, only to land that country in greater difficulty.

The last-named Act in America was finally

repealed, after long discussion, in the American Congress in November last; and, at the present moment, what were formerly the two great outlets for silver, viz., the open doors of the Imperial Mints in India, and the American monetary absorption of silver, have disappeared. Yet, as we have seen, silver still continues to go to the East, and must continue to do so, as the Eastern nations must have silver, and silver only, for their internal transactions.

At the moment all is confusion, doubt, and uncertainty in the business relations of these countries, and what bi-metallists have been so long urging as the only possible solution of the difficulty is now being recognised pretty generally as the one that must, ultimately, be adopted.

The legislation in America, which stopped the purchase of silver under the Sherman Act, re-affirmed on behalf of that country its unabated confidence in international bi-metallism. France also has not changed from her former attitude toward it. In Germany a monetary commission is now sitting with the view of joining in this remedy, and I believe we may now confidently hope that the opposition of permanent officials and of influential bankers in England, which has been so powerful in influencing our English statesmen to oppose bi-metallism, will, ere long, be forced to give way before the rising opinion of the country in its favour.

APPENDICES.

APPENDIX A.

FRENCH MONETARY LEGISLATION.*

MONETARY LAW OF 1803.

Law relating to the Fabrication and Verification of Coins of the 7-17 Germinal, Year XI. of the French Republic (1803).

DECREE.

GENERAL DISPOSITIONS.

Five grammes of silver, nine-tenths of fine, constitute the monetary unit, which retains the name of franc.

TITLE I.

OF THE FABRICATION OF COINS.

ARTICLE I.—The Silver Coins shall be the quarter of a franc, half-franc, three-quarters of a franc, one-franc, two-franc, and five-franc pieces.

ARTICLE II.—Their fineness is fixed at nine-tenths fine and one-tenth alloy.

ARTICLE III.—The weight of the quarter of a franc piece shall be one gramme twenty-five centigrammes.

That of the half-franc piece, two grammes five décigrammes.

That of the three-quarters of a franc piece, three grammes seventy-five centigrammes.

That of the one-franc piece, five grammes.

* "International Monetary Conference, &c., 1878." Washington, 1879. Page 155.

That of the two-franc piece, ten grammes.

That of the five-franc piece, twenty-five grammes.

ARTICLE IV.—The tolerance of fineness for silver money shall be three-thousandths, outside as well as within.

ARTICLE V.—The tolerance of weight shall be for the quarter of a franc piece, ten thousandths outside as well as within; for the half-franc and three-quarters of a franc piece, seven thousandths outside as well as within; for the one-franc and two-franc piece, five thousandths outside as well as within; and for the five-franc piece, three thousandths outside as well as within.

ARTICLE VI.—There shall be coined gold pieces of twenty francs and of forty francs.

ARTICLE VII.—Their fineness is fixed at nine-tenths fine and one-tenth alloy.

ARTICLE VIII.—The twenty-franc pieces shall be struck at the rate of a hundred and fifty-five pieces to the kilogramme, and the forty-franc pieces at that of seventy-seven and a half.

ARTICLE IX.—The tolerance of fineness of the gold coins is fixed at two thousandths outside, the same within.

ARTICLE X.—The tolerance of weight is fixed at two thousandths outside, the same within.

ARTICLE XI.—The expense of coinage alone can be required of those who shall bring material of gold or silver to the Mint.

These charges are fixed at nine francs per kilogramme of gold, and at three francs per kilogramme of silver. (The rates here fixed were changed several times).

APPENDIX B.

VARIATIONS IN THE PRICE OF SILVER PRIOR TO 1873.

Referring to table on page 14, it is proper to note that while the decennial and yearly averages there given show such remarkable steadiness of ratio, the variations within these periods have been at times more important than these averages indicate. There is no doubt that between 1827 and 1872 the price of silver in London touched the extreme points of $58\frac{1}{2}$ d. and $62\frac{3}{4}$ d. per ounce, which is a difference of seven per cent., or three and a half per cent. on either side of the central point. From these facts mono-metallists have argued that the action of the French law did not actually maintain the steadiness that is claimed for it—that increased supplies, now of the one metal, now of the other, asserted their power in determining the relative prices of silver and gold in spite of the French law. They do not altogether deny that it had a steadying power. The fact is too patent for this; and if they would patiently examine the whole circumstances of these variations of price, they would also be forced to admit that the variations in the supplies

of the metals had little to do with the matter; that they were, in fact, caused by—

“The French Mint charges, the capacity of the French Mints for coining, the state of the French silver coinage, and by the circumstance that, because universal bi-metallism did not obtain, silver must often pass between France and England against the current of the exchange between these countries.”

The same writer, Mr. J. N. Söderholm, also says :—

“Mono-metallists have seen in the price of silver in London not only a proof of the impossibility of all bi-metallism, but also a proof of the silver coins, say, in France, are not worth the gold with which they are actually circulating at par. We know that nothing can be more erroneous. The price of silver in London is nothing else than it pretends to be—the price of that silver which has been sold in that place at the time when the price is given. It is by no means the price of *all* silver in *all* places. And it is therefore also erroneous to strike an average of the London silver prices for a number of years, and offer the same as the true value of silver in general during those years.”

These remarks sum up a most careful and accurate analysis of this matter, by the writer whom I have named.* It is impossible to do justice to his argument by any extracts from it, and I can only recommend my readers to peruse his work, in the

* “The Ratio of Value between Gold and Silver as Money,” by J. N. Söderholm. London: J. N. Söderholm & Co., 72, Bishopsgate Street, E.C.

sixteenth and seventeenth chapters of which the matter is referred to.

Mr. H. H. Gibbs also deals with the same point in his *Colloquy*,* and Mr. Tidman in his book, "*Gold and Silver Money*," gives a detailed table showing the actual variations.†

* "*A Colloquy on Currency*," by Henry H. Gibbs. London: Effingham Wilson & Co., Royal Exchange.

† "*Gold and Silver Money*," by Paul F. Tidman. London: Kegan Paul, Trench, & Co.

APPENDIX C.

THE LATIN UNION.

*Monetary Treaty, concluded December 23rd, 1865, between France, Belgium, Italy, and Switzerland.**

His Majesty the Emperor of the French, His Majesty the King of the Belgians, His Majesty the King of Italy, and the Swiss Confederation, equally animated by the desire to effect a more perfect harmony in their Monetary Legislation, and to remedy the inconvenience to trade between their respective countries resulting from the diversity of their small silver coins, and to contribute to the uniformity of weights, measures, and coins by forming a Monetary Union, have therefore resolved to conclude a Convention for that purpose, and have named their Commissioners Plenipotentiary as follows:—

ARTICLE 1.—Belgium, France, Italy, and Switzerland unite to regulate the weight, title, form, and circulation of their gold and silver coins. No change is made for the present in legislation relative to copper coins for the four countries.

ARTICLE 2.—The high contracting parties bind themselves not to coin, or permit to be coined, any gold other than in pieces of 100, 50, 20, 10, and 5 francs in weight, tolerance, and diameter, as follows:—All these coins shall be of the fineness or standard of 900, with a tolerance of two thousandths above or below the legal

* "International Monetary Conference, &c., 1878." Washington, 1879. Page 787.

standard. The tolerance in weight shall be for the 100 and for the 50 franc pieces, one thousandth above or below; for the 20 and 10 franc pieces, two thousandths; for the 5 franc pieces, three thousandths. The weights and diameters are these :—

Gold coins—100 francs, weight 32·258·06 grams, diameter 35 millimetres; 50 francs, weight 16·129·03 grams, diameter 28 millimetres; 20 francs, weight 6·451·61 grams, diameter 21 millimetres; 10 francs, weight 3·225·80 grams, diameter 19 millimetres; 5 francs, weight 1·612·90 grams, diameter 17 millimetres.

The different States will receive all the above coins when not worn to one-half per cent. or the devices effaced.

ARTICLE 3.—The contracting Governments bind themselves not to coin, or permit to be coined, silver pieces of five francs, except in the following weight, standard, tolerance, and diameter. The weight of each 5 franc piece shall be 25 grams; its tolerance in weight, three thousandths; its fineness, 900; its tolerance in standard, two thousandths; and its diameter, 37 millimetres.

They will receive the above pieces at par, unless reduced one per cent. by wear or the device is worn off. (These arrangements were based on the established ratio of 15½ to 1.)

Articles 4 and 9 arrange the size and fineness of the smaller silver pieces which are not full-value coins, the quantities of these which each State is to issue, and the extent to which they are to be received as legal tender between individuals and at the public banks.

The remaining clauses refer to further details, one of which provides that any other nation can join the Convention by accepting its obligations and adopting the monetary system of the Union in regard to its gold and silver coins. (Under this article Greece afterwards joined).

The treaty was first made for fifteen years, expiring in 1880, but it was arranged in 1878 that it should be continued five years longer. Since 1885 it has been continued from year to year on the footing of a year's notice being given of the intention of any of the Powers to withdraw.

APPENDIX D.

INTERNATIONAL MONETARY CONFERENCE, 1867.

This Conference was convened by the French Government, on the suggestion of the leading men who originated the Latin Union. The object is indicated in the following sentences from the French Minister's circular to the United States Government proposing the Conference. "After having brought about the disappearance of divergencies of which they recognised the inconveniences, the delegates of France, of Belgium, of Italy, and of Switzerland, seeing a population of seventy millions of souls thenceforth endowed with the same monetary system, must quite naturally have been led to fix attention on an interest more general. Without entering on the examination of a question which it was not their mission to solve, they expressed in the name of their Governments the desire to see the Union, as yet restricted to four countries, become the germ of a Union more extended, and of the establishment of a general monetary circulation among all civilised States."

The Conference met in Paris, and was attended by representatives from all the leading nations, including England, which was represented by

Mr. Thomas Graham, Director of the Royal Mint, and Mr. Rivers Wilson, attached to the Treasury. Mr. Rivers Wilson stated—

“That while consenting to be represented in this Conference, the English Government has found it necessary to place the most careful restriction upon its delegates; their part is simply to listen to the different arguments, to study the situation as developed in discussion, and to report to their Government. Thus far they have found no difficulty in voting in favour of all the propositions adopted by the Conference, because their principles agreed with the system now in force in England.”

The following extracts from the final report of the Conference show fully its main decision:—

“By a most singular coincidence, when only two out of twenty States had gold for a standard, your Conference decided upon it for the standard, with silver as a transitory companion; and this was done because the double standard was necessary in certain States that were used to it, or where silver was the exclusive standard.

“This valuable unanimity on a question so important, tending to perfect the monetary system of the Convention of 1865, will certainly influence public opinion, and certain men in the interior of States who may have retained any doubt on the question.

“In thus adopting gold as a basis for the desired union, it was only in a common denominator above the franc that it was possible to realise the useful equations and frequent coincidences in the systems to be brought together; for, in gold coins, the very minute

differences could not be distinguished with precision by the process of coinage, and already the mere distance of five francs may be sometimes difficult to express sufficiently in the external form of the monetary discs.

“The weight of five francs in gold of nine-tenths fineness, the standard which was unanimously approved, and also one of the conditions of the Convention of 1865, then appeared to be the proper denominator for the basis of the desired assimilation between the monetary systems of the twenty States represented. . . .

“If the germs of our collective, enlightened, and benevolent aspirations, freed from the unpleasant compensations that sometimes attend the most seductive reforms, in which we are all animated by the true spirit of civilisation and modern progress, shall come to fructify around you, I hope, gentlemen, you will pleurably recall the honourable memories of the part you have taken in these delicate scientific discussions, with the satisfaction of their joint pursuit, under a presidency so memorable (Prince Napoleon), and with a facility and harmony as perfect as that of delegates from a single nation in its ordinary deliberations.”

The displacement of silver was thus decreed, and *pour-parlers* between the different Governments were begun with the view of carrying out the decision arrived at. We get a glimpse of these in their relation to our own country from a speech made on the 6th August, 1869, by Mr. Robert Lowe (Lord Sherbrooke), then Chancellor of the Exchequer, in which he said:—

“Well, the French Government have put themselves

into communication with us. They have written to me on the subject of international coinage, and wish to know what steps the Government of England are willing to take in the matter. . . . And so I ventured to say, in answer to the question, that it would be impossible to hold out hopes of assimilation until France made up her mind to give up the silver standard and have only a gold standard; and I am happy to say that France is favourable to the abandonment of her silver standard, as I gather from the report of a commission on the subject which I have received."

The Franco-German war intervened, and the curtain for a time dropped on the monetary drama. When it again rose it was Germany, not France, that was seen making the first move.

APPENDIX E.

GERMAN MONETARY LEGISLATION.

The following is extracted from Exhibit A, presented by Baron von Thielmann at the first session of the International Monetary Conference of 1881.

I.

The introduction into Germany of the single gold standard in the place and stead of the silver standard, which prevailed up to 1871 in most of the German States, was enacted by the laws of 4th December, 1871, and 9th July, 1873. The mark of the gold is the $\frac{1}{192}$ part of a pound of gold (of 500 grammes) at nine-tenths fine, and is coined in gold pieces of 20, 10, and 5 marks. The right of private coinage exists in so far that every individual is entitled to require the coinage for his own account of gold pieces of 20 marks upon payment of the cost of mintage at the rate of three marks on the pound of fine gold.

The coins of silver, nickel, and copper perform the functions of subsidiary coins.

In the Imperial silver coins (pieces of five and three marks, and of one mark, and of 50 and 20 pfennings) 100 marks are coined from the pound of fine silver; the proportion of alloy being of 900 parts of silver to 100 parts of copper, 90 marks in coined silver weighing a pound. Under the law, as it stands, the sum total of Imperial silver coin must not exceed 10 marks *per capita* of the population of the Empire.

No one can be compelled to accept payment of a sum exceeding twenty marks in Imperial silver coins. On.

the other hand, these coins are received in payment, without limitation as to amount, by the Treasuries of the Empire and of the German States; and may, at pleasure, be exchanged for gold at certain offices officially designated for that purpose.

As it was not possible at once to withdraw from circulation the former coins of the different States, and to introduce immediately the new Imperial coinage the laws in question established, as a transitory condition, a system analogous to that of the double standard, and under which the old coins of the State were recognised as legal tender, at the rate of one thaler for three marks of gold, a rate based upon the proportion of 1 to 15½ for the relative value of the two metals. . .

The sales of silver were suspended in May, 1879, and have not been resumed since then.

The sale of these 7,104,896 pounds of fine silver (comprising the 2,034 pounds above mentioned, as delivered to the Mints upon payment of the value thereof), was made as shown in the table on the next page :—

IV.

If the provisions of the present monetary statutes should be completely carried out, and if, by reason thereof, the sales of silver should be resumed, the Imperial Government would need to dispose of only so much of the 410 or 500 millions of marks in thalers now in circulation, as well as of the bar silver which it has held since 1879, as might not be required for the augmentation of the circulation of subsidiary silver coins.

YEARS.	Pounds of Fine Silver.	NET PRODUCE.		
		Total in Marks.	Per Pound Fine Silver in Marks.	Per English Ounce of Silver, Standard, in Pence.
1873	105,923·372	9,296,682·77	87·77	59 5-16
1874	703,685·175	61,135,670·29	86·88	58 3-4
1875	214,898·594	18,208,449·08	84·69	57 1-4
1876	1,211,759·204	93,936,482·37	77·52	52 3-8
1877	2,868,095·533	230,424,238·51	80·34	54 5-16
1878	1,622,696·403	126,203,852·08	77·77	52 9-16
(Under the suspension of the sales of silver at the end of May.)				
1879	377,744·712	27,934,417·89	73·95	50
TOTAL.....	7,104,895·993	567,139,992·99	79·82	53 15-16

APPENDIX F.

ACTION OF FRANCE AND THE LATIN UNION IN CONSEQUENCE OF GERMAN LEGISLATION.

The following extracts from note appended to Exhibit B, presented at the twelfth session of the International Monetary Conference of 1881 by M. Cernuschi, show the course first of the restriction and then of the stoppage of the coinage of silver in France and the Latin Union States:—

The late legislation of the German Empire produced, after 1873, a great afflux of silver in Belgium and France. The French Mints which, in 1872, had received less than a million of francs' worth of silver to coin, received 173 millions' worth of it in 1873.

A Ministerial order of 6th September, 1873, directed that the mintage of silver five-franc pieces should henceforth be restricted to 200,000 francs per day in Paris, and 80,000 francs per day in Bordeaux; and by a third order (28th May, 1874) it was settled that on and after 1st January, 1875, there should be accepted of silver for coinage no more than 75,000 francs a day at Paris, and 25,000 francs a day at Bordeaux.

The system of limited coinage of silver with a contingent for each State, was inaugurated in the Latin Union by the treaty of 31st January, 1874. . . .

Although limited by the Ministerial orders, the deliveries of silver bullion for mintage accumulated more and more in the mints. To preclude the mintage of a sum greater than the contingent allowed to France, a law was passed 5th August, 1876, which ordained that the mint should be closed to further delivery of silver.

By the treaty of 5th November, 1878, the States of the Latin Union put an end to the system of limited coinage, which cannot be resumed before 1st January, 1886, unless by common consent.

Since that date the same restriction has been maintained from year to year.

APPENDIX G.

INTERNATIONAL MONETARY CONFERENCE OF 1878.

This Conference was convened by the United States Government, and held its sittings in Paris. The support of France was expected, but this was only feebly given. Germany was not represented; she first refused the invitation of the Washington Cabinet, and afterwards refused an invitation addressed to her from Paris from the Conference itself. England was represented by Mr. Goschen and by Mr. Henry Hucks-Gibbs; but they went into the Conference on the understanding that, in doing so, it was understood that England did not commit herself to any of the conclusions which might be reached.

After holding seven sessions, the Conference was closed by the adoption of the following resolutions :

1. That it is necessary to maintain the monetary rôle of silver in the world as well as that of gold, but that the choice between the employment of one or other of the two metals, or the simultaneous employment of both, should be governed by the special situation of each State or group of States.

2. That the question of the limitation of the coinage of silver should also be left to the free decision of each State or group of States, according to the particular conditions in which they may be placed, and this the more so as the perturbations which have arisen of late years in the silver market have variously affected the monetary situation of the different countries.

3. That in view of the divergencies of opinion which have been manifested, and of the impossibility even for the States which have the double standard to take any engagement relative to the unlimited coinage of silver, there is no ground for discussing the question of an international ratio of value to be established between two metals.

These resolutions show that a different view as regards the rôle of silver from that which prevailed in the Conference of 1867 was now taken. Indeed, one of our own representatives (Mr. Goschen) declared that a universal gold standard was a "Utopia altogether visionary." True, he said the same thing of the American propositions involving the universal double standard which were submitted. We must be content meantime with the declaration he has made regarding the gold standard. He cannot let these declarations be his final utterances on the subject, but must indicate some possible system that is not Utopian, if both of these are to be thus characterised. What is that system? This work-a-day world must have something which is not merely negative for its guidance.

As regards our other representative, Mr. Hucks-Gibbs, we know the decided position he has since taken as a supporter of the movement to restore the legal tender of both metals at a fixed ratio.

Although Mr. Goschen has not yet put himself alongside Mr. Gibbs, he has made important advances in that direction, and his speech in the House of Commons, on the 18th of April, 1890, was a most important contribution to the debate on bi-metallism. More recently he has gone still further in the same direction.

APPENDIX H.

INTERNATIONAL MONETARY CONFERENCE OF 1881.

This Conference was convened by the French and American Governments issuing simultaneous invitations to the other Powers. France was quite at one with America as to the objects proposed to be attained, both countries being represented by declared bi-metallists. Germany, as well as all the leading States, was represented at this Conference, and her representatives took an active part in the discussions. The English representatives were—

For GREAT BRITAIN.—Mr. Fremantle, Deputy-Master of the Mint at London.

For BRITISH INDIA.—Sir Louis Mallet, Under-Secretary of State, and Lord Reay.

For CANADA.—Sir Alexander Galt, High Commissioner of Canada, at London.

These representatives took their seats at the Board under the same conditions of reserve as those whom England had sent to the former conferences. Thirteen sessions were held, and a vast amount of monetary information regarding all the different countries represented was supplied. In this Conference England showed her desire to further its object by undertaking that if the other Powers came to any definite arrangement as regards silver, she would put in force the powers of the Bank Act, by which one-fourth of the me-

tallic reserve may be silver. She also indicated, as regards India, that during a certain period, the duration of which would be afterwards settled, the Indian Government would engage to maintain its existing system of the free coinage of silver. Germany also showed a strong disposition to further the objects of the Conference, but no definite resolution was arrived at.

The Conference was closed with the following resolution:—

The Conference, considering that, in the course of its two sessions, it has heard the speeches, declarations, and observations of the delegates of the States hereafter enumerated:—

Considering that the declarations made by several of the delegates have been in the name of their Governments ;

That these declarations all admit the expediency of taking various measures in concert, under reservation of the entire freedom of action of the different Governments.

That there is ground for believing that an understanding may be established between the States which have taken part in the Conference ;

But it is expedient to suspend its meetings ;

That, in fact, the monetary situation may, as to some States, call for the intervention of Governmental action, and that there is reason for giving an opportunity, at present, for diplomatic negotiations ;

Adjourns to Wednesday, 12th April, 1882.

The Conference did not meet on the date to which it was adjourned, nor has it since done so.

APPENDIX I.

THE BRUSSELS INTERNATIONAL MONETARY CONFERENCE OF 1892.

This conference was convened by the American government after preliminary correspondence with the English and some of the other European governments. The memorandum of instructions states :—

“The Government of the United States have now proposed a Conference of the Powers for the purpose of considering what measures, if any, can be taken to increase the use of silver in the currency systems of nations.

“Her Majesty’s Government have accepted the invitation conveyed in these terms, taking note of the statement of the Government of the United States that it does not interpose any conditions which will embarrass any Government willing to confer generally upon the subject of the proper and most advantageous relation of silver to the coinage of the world.”

Twenty-one states sent delegates to the Conference, say: Austria, Hungary, Belgium, Denmark, France, Germany, Great Britain, British India, Greece, Italy, Mexico, the Netherlands, Norway, Portugal, Roumania, Russia, Spain, Sweden, Switzerland, Turkey, and the United States of America. Lieu-

tenant-General Strachey, and Sir Guilford L. Molesworth, K.C.I.E., represented British India. Lord Salisbury's government was in power when the Conference was first agreed to, and before it resigned had drafted the instructions and named the delegates whom it chose to represent Great Britain, viz. :—

The Honorable Sir Charles Fremantle, K.C.B.,
Deputy Master of the Mint ;
Sir William Houldsworth, Bart., M.P. ; and
Mr. Bertram Currie.

Mr. Gladstone's government ultimately confirmed these appointments and instructions, but added to the Delegation two other gentlemen, viz. :—

Sir C. Rivers Wilson, K.C.M.G., Secretary and Comptroller General of the National Debt Office ; and
Mr. Alfred de Rothschild.

the former an official, and the latter a pronounced mono-metallist. Mr. Alfred de Rothschild showed himself sincerely anxious that the Conference should accomplish something on the lines indicated in the memorandum of instructions, but Sir Rivers Wilson, and also Mr. Bertram Currie, who were supposed more specially to represent the views of the existing administration, did not conceal their want of sympathy with the object of the conference. At the beginning of the fifth session Sir Rivers Wilson interposed in the discussion on

the report of the Committee with a declaration embracing the following words :—

“In order to avoid all misunderstanding, I desire, on behalf of Sir Charles Fremantle and myself, to make in the face of this assembly our profession of faith. Our faith is that of the school of mono-metallism pure and simple. We do not admit that any other system than the single gold standard would be applicable in our country.”

This was made before the discussion on Bi-metallism, which was included among the alternatives that might be considered, had commenced, and necessarily took away all interest from that when it came on.

The attitude of the official delegates supposed specially to represent the British Government was also indicated on the motion for adjournment when they and Mr. Bertram Currie expressed strong doubts as to the possibility of any useful purpose being served if the Conference were to meet again. Sir Rivers Wilson even intimated that if the Conference were called together again at a future time, the British Government might consider it “unnecessary to renew the mission which it has entrusted to its Delegates.”

Notwithstanding these “sceptical declarations” as the Delegate of Russia called them, and for which he added the English Delegates “would have to bear the responsibility,” all the other

members of the Conference were in favor of an adjournment to a fixed day, viz.: 30th May, 1893. The motion was, therefore, adopted, the Bureau continuing in existence as a "means of communication between the Delegates."

APPENDIX J.

LORD HERSCHEL'S COMMITTEE, 1892-3.

The following letter will show the purpose for which this Committee was formed :—

THE SECRETARY OF STATE FOR INDIA TO THE LORD
HIGH CHANCELLOR, DATED INDIA OFFICE,
21ST OCTOBER, 1892.

MY LORD,—I enclose, for your Lordship's perusal, a copy of a correspondence which has recently passed between the Secretary of State for India in Council and the Government of India, in which, as you will observe, that Government submits proposals for stopping the free coinage of silver in India, with a view to the introduction of a gold standard.

It is unnecessary for me to dwell upon the grave difficulties with which the Government of India are confronted in consequence of the heavy fall in the gold value of silver, or upon the serious nature of the measures which they propose.

It is on account of the great importance of these measures, the effect of which, if they are adopted, will by no means be confined to India, that I have decided to request your Lordship to preside over a Committee for the purpose of considering the proposals of the Government of India as contained in this correspondence, and to advise whether it is expedient that Her Majesty's Government should allow them to be carried into effect.

In case the Committee should be of opinion that there is no sufficient ground for over-ruling the Government of India, but that the measures by which they propose to attain the object which they have in view require modification, I shall be glad to receive any suggestions which the Committee may have to offer.

The Committee will meet at this office, and its proceedings must, for obvious reasons, not be open to the public; but, subject to this condition, the Committee will proceed in the matter which they think best.

Your Lordship having already intimated to me that you will accede to my request, the Committee will be constituted as follows:—

The Lord High Chancellor.

The Right Honourable Leonard H. Courtney, M.P.

Sir Thomas Henry Farrer, Bart. (now Lord Farrer).

Sir Reginald Earle Welby, G.C.B.

Arthur Godley, Esq., C.B.

Lieutenant-General Richard Strachey, C.S.I.

Bertram Wodchouse Currie, Esq.

I trust that, as the matter is urgent, and as the inquiry will be confined to the points which I have mentioned, the Committee may be able to report upon an early day, and that their meetings may be arranged accordingly.

It is now understood that the Monetary Conference will meet at Brussels on the 22nd of November, and it would be very advantageous if I could receive the report of the Committee before that date.

KIMBERLEY.

The correspondence submitted to the Committee extended from 23rd March to 2nd August, 1892, and embraced not only the specific proposal upon

which Lord Kimberley asked the Committee to report, but also set forth the views of the Indian Government upon the general question, and indicated clearly the preference of that government for a settlement of the difficulty by an international monetary agreement. It also indicated as a second alternative that India might be allowed to make a direct agreement regarding silver with the United States. Both of these ideas, however, were ignored in Lord Kimberley's letter.

The scope of the correspondence submitted fully warranted the Committee in examining a large number of important witnesses, and a blue book (C. 7060—11) has been compiled, the evidence in which would go far to prove that the international agreement for which the government of India pleaded was the only true solution of the difficulty; but so far as the Committee was concerned in coming to a decision as to the reply to give to the government, all this was labour lost. It either assumed, or was made to understand, that international bi-metallism was a barred question, and on this assumption to answer the definite question put by the government. The following are extracts from letter No. 8:—

“In our Financial Despatch, No. 68, dated 23rd March, 1892, we requested your Lordship to lend your support to any proposals that might be made by the United States of America, or by any other country, for

the settlement of the silver question by international agreement. . . .

We have learnt with satisfaction that Her Majesty's Government have accepted the invitation of the United States to take part in an international Conference to consider measures having for their object the more extended use of silver as currency, and that your Lordship agrees with us in the importance of Indian interests being properly represented.

At the same time, we cannot overlook the strong opposition to the introduction of the system of double legal tender into Great Britain that has been manifested in certain quarters; and we observe with regret that the Conference has been summoned to consider the question of the more extended use of silver as currency, and not for the purpose of considering the adoption of an international agreement for the free coinage of gold and silver, and the making of both gold and silver coins legal tender at a definite and uniform ratio. . .

We have carefully reviewed all the circumstances of the case, and we desire to place on record, for your Lordship's information, our deliberate opinion that, if it becomes evident that the International Conference is unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States is found to be unattainable, the Government of India should at once close its mints to the free coinage of silver, and make arrangements for the introduction of a gold standard. . . .

We forward, as an enclosure to this despatch, a minute by our honourable colleague, Sir David Barbour, which gives an outline of the method he would propose to adopt for the introduction of a gold standard into India, if such a measure should become necessary. It

will be seen that he does not support the proposal to stop the free coinage of silver if the Conference fails and a direct agreement between India and the United States is found to be unattainable, but that he would adopt that measure as soon as it is evident that the United States will not adopt the free coinage of silver.

The Committee reported to the Government on 31st May, 1893, making the following recommendations :—

Recommendations of the Committee.

155. It remains for us to state the conclusions at which we have arrived. While conscious of the gravity of the suggestion, we cannot, in view of the serious evils with which the Government of India may, at any time, be confronted if matters are left as they are, advise your Lordship to overrule the proposals for the closing of the mints and the adoption of a gold standard, which that Government, with their responsibility and deep interest in the success of the measures suggested, have submitted to you.

156. But we consider that the following modifications of these proposals are advisable. The closings of the mints against the free coinage of silver should be accompanied by an announcement that, though closed to the public, they will be used by Government for the coinage of rupees in exchange for gold at a ratio to be then fixed, say 1s. 4d. per rupee; and that at the Government treasuries gold will be received in satisfaction of public dues at the same ratio.

157. We do not feel ourselves able to indicate any special time or contingency when action should be taken. It has been seen that the difficulties to be dealt with have become continually greater; that a deficit has been already created, and an increase of that deficit is threatened; that there are at the present moment peculiar grounds for apprehension;

and that the apprehended dangers may become real with little notice. It may also happen that, if action is delayed until these are realized, and if no step is taken by the Indian Government to anticipate them, the difficulty of acting with effect will be made greater by the delay. It is obvious that nothing should be done prematurely or without full deliberation ; but, having in view these considerations, we think that it should be in the discretion of the Government of India, with the approval of the Secretary of State in Council, to take the requisite steps, if and when it appears to them and to him necessary to do so.

LEONARD COURTNEY.
T. H. FARRER.
REGINALD E. WELBY.
ARTHUR GODLEY.
R. STRACHEY.
B. W. CURRIE.

Henry Waterfield,
Secretary.

Lord Farrer and Sir Reginald E. Welby jointly, and Mr. Leonard Courtney and Mr. Bertram W. Currie individually, added memoranda qualifying their approval of some of the details.

APPENDIX K.

EARLY AMERICAN MONETARY LEGISLATION.

The following is taken from a pamphlet by M. Cernuschi, entitled, "The 'Bland' Bill: its grounds—its alleged dishonesty—its imperfections—its future":—

The first monetary law of the United States was passed in 1792—it was bi-metallic. Silver and gold were admitted to mintage without restriction of quality, and were legal tender without restriction of amount. The silver dollar weighed fifteen times as much as the gold dollar. This law remained in force till 1834.

In 1834 a new monetary law was passed. Bi-metalism was maintained, but at the ratio of 16 instead of 15. . . . This law remained in force till 1873.

In 1803 the French Government while substituting francs for livres maintained the old bi-metallism of 15½ to one of gold.

Until 1871 the German Government adhered to its old silver mono-metallism.

In 1816 the English Government, preparing for the withdrawal of paper money, instituted gold mono-metallism, leaving to silver subsidiary functions of small change.

In 1835 the Indian Government gave up gold for its standard, and adopted silver mono-metallism.

What was the result of the conflicting legislation? The triumph of the strongest. The strongest was

France. Always a creditor of other countries, France became the great emporium of the monetary metals. Her bi-metallic law attracted to her at one time gold to be exchanged for silver; at another, silver to be exchanged for gold. That exchange was always effected on the legal footing of $15\frac{1}{2}$, with a slight premium to the profit of those asked to effect it—that is to say, to the profit of the French. . . .

The United States, like other countries, constantly underwent the ascendancy of the French law. Debtors rather than creditors of Europe, they had to pay rather than receive. What metal did they prefer to export? The one which they had no longer an interest to coin at home; gold until 1834, silver afterwards. Under the bi-metallic system at 15, instituted in 1792, the Americans had a right indeed to take gold to their mint, but it was to their interest not to take it. Gold being only worth 15 of silver under the American law, and being worth $15\frac{1}{2}$ under the French law, they gained 3 per cent. by converting their gold into francs rather than dollars. Gold dollars, therefore, did not circulate, but only silver dollars. Just the reverse happened under the bi-metallic system of 16, inaugurated in 1834. The Americans had a right indeed to get their silver minted at home, and a right to employ it for payments in specie, but it was to their interest not to exercise those rights. Silver being worth the fifteen and a half part of its weight in gold under the French law, and being worth only one-sixteenth under the American law, the Americans gained 3 per cent. by converting their silver into francs rather than dollars. All the silver therefore was exported, and not a single white dollar circulated in America after 1834 (until the "Bland" Act came into force).

APPENDIX L.

AMERICAN "BLAND" ACT.

Referring to this enactment in a work entitled "The Economic Crisis,"* Mr. Morten Frewen writes :—

"In 1873, the United States currency being still dominated by the immense paper issues—'greenbacks'—the relic of the late war, gold and silver had left the country, or at least were never seen. Germany, the previous year, had struck down silver, and the same thing was not to be effected in the United States. The manner in which this demonetisation was brought about is very curious reading. Congress had agreed to a mere abstract proposal that, for the sake of public convenience, the various Mint laws should be codified. The silver dollar had, up to that time, been always and everywhere legal tender, and was expressed as such in all the old Mint statutes. Was it by accident or design that the new Code omitted all mention of the silver dollar as one of the coins which the Secretary of the Treasury might allow to be coined? The old laws, thus mutilated in codifying, were passed heedlessly through Congress, and it was not till President Grant's signature had been given that the nation awoke to the fact that the 'dollar of the fathers' had, all unknown to it, been legislated out of existence. Whether the important omission was fraudulent or was really accidental will no doubt be made clear at some later day. Senator Beck, of Kentucky, has declared repeatedly

* Kegan Paul, Trench, & Co., London.

that Grant detected the fraud when too late, and admitted that he had been tricked into giving his signature. . . . The nation was immediately awakened to the dangers which threatened it. . . . Silver had been demonetised by stealth. The 'dollar of the fathers' had been removed from its niche. It should at once be brought back again. Mr. Bland himself at that time was, and to-day is, an advocate of unlimited free coinage of silver; that silver should, in the United States, be placed on precisely the same footing as gold. But such a measure then, as now, was regarded by many of the silver party as too heroic. Mr. Bland's bill was accordingly modified by the amendment of Mr. Allison, and the 'Allison-Bland Bill,' as the measure was formerly called, passed both Chambers."

The chief provisions of this measure (passed in 1878) were as follows :—

1. That the United States Treasury shall coin silver monthly (whether it is required for trade or not) to an amount of not less than £400,000, or more than £800,000, the necessary amount of silver for this purpose being purchased by the Government at the market price.

2. Dollars so coined are to be of the weight of $412\frac{1}{2}$ grains of standard silver "as provided by the Act of January, 1837," and are to be a legal tender at their nominal value, for all debts and dues, public and private, "except where otherwise expressly stipulated in the contract."

3. That any holder of this coin, in sums of not less than ten dollars, may deposit it and obtain a certificate for it. These certificates are receivable for customs, taxes, and all public dues, and may be re-issued.

APPENDIX M.

SHERMAN SILVER ACT, U.S.A.

Signed by the President of the United States of America on 14th July, 1890, and repealed as regards its purchasing clauses in November, 1893.

Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, That the Secretary of the Treasury is hereby directed to purchase, from time to time, silver bullion to the aggregate amount of four million five hundred thousand ounces, or so much thereof as may be offered in each month, at the market price thereof, not exceeding one dollar for three hundred and seventy-one and twenty-five hundredths grains of pure silver, and to issue in payment for such purchases of silver bullion Treasury notes of the United States to be prepared by the Secretary of the Treasury, in such form and of such denominations, not less than one dollar nor more than one thousand dollars, as he may prescribe, and a sum sufficient to carry into effect the provisions of this Act is hereby appropriated out of any money in the Treasury not otherwise appropriated.

SEC. 2.—That the Treasury notes issued in accordance with the provisions of this Act shall be redeemable, on demand, in coin, at the Treasury of the United States, or at the office of any assistant treasurer of the United States, and when so redeemed may be re-issued; but no greater or less amount of such notes shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined there-

from, then held in the Treasury purchased by such notes ; and such Treasury notes shall be a legal tender in payment of all debts, public and private, except where otherwise expressly stipulated in the contract, and shall be receivable for customs, taxes, and all public dues, and when so received may be re-issued ; and such notes, when held by any national banking association, may be counted as a part of its lawful reserve. That, upon demand of the holder of any of the Treasury notes herein provided for, the Secretary of the Treasury shall, under such regulations as he may prescribe, redeem such notes in gold or silver coin, at his discretion ; it being the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio, or such ratio as may be provided by law.

SEC. 3.—That the Secretary of the Treasury shall, each month, coin two million ounces of the silver bullion purchased under the provisions of this act into standard silver dollars, until the first day of July, eighteen hundred and ninety-one, and after that time, he shall coin, of the silver bullion purchased under the provisions of this act, as much as may be necessary to provide for the redemption of the Treasury notes herein provided for ; and any gain or seigniorage arising from such coinage shall be accounted for and paid into the Treasury.

SEC. 4.—That the silver bullion purchased under the provisions of this Act shall be subject to the requirements of existing law and the regulations of the Mint service governing the methods of determining the amount of pure silver contained, and the amount of charges or deductions, if any, to be made.

SEC. 5.—That so much of the Act of February

twenty-eighth, eighteen hundred and seventy-eight, entitled "An Act to authorize the coinage of the standard silver dollar, and to restore its legal-tender character," as requires the monthly purchase and coinage of the same into silver dollars, of not less than two million dollars, nor more than four million dollars worth of silver bullion, is hereby repealed.

SEC. 6.—That, upon the passage of this Act, the balances standing with the Treasurer of the United States to the respective credits of national banks for deposits made to redeem the circulating notes of such banks, and all deposits thereafter received for like purpose, shall be covered into the Treasury as a miscellaneous receipt, and the Treasury of the United States shall redeem from the general cash in the Treasury the circulating notes of said banks which may come into his possession, subject to redemption; and, upon the certificate of the Comptroller of the Currency that such notes have been received by him, and that they have been destroyed, and that no new notes will be issued in their place, reimbursement of their amount shall be made to the Treasurer, under such regulations as the Secretary of the Treasury may prescribe, from an appropriation hereby created, to be known as National bank-notes: Redemption account: but the provisions of this Act shall not apply to the deposits received under section three of the Act of June twentieth, eighteen hundred and seventy-four, requiring every National Bank to keep in lawful monecy with the Treasurer of the United States a sum equal to five per centum of its circulation, to be held and used for the redemption of its circulating notes; and the balance remaining of the deposits so covered shall, at the close of each month, be reported on the monthly

public debt statement as debt of the United States bearing no interest.

SEC. 7.—That this Act shall take effect thirty days from and after its passage.

Extracts from remarks made in the American Senate during the passage of the Bill by Senator Aldrich, of Rhode Island. I give these extracts to show the views and aims of those who form what is regarded as the moderate silver party in America :—

“For us, then, the true question is in what way our leadership in this movement can be maintained and made most effective.

“There are, it seems to me, three alternatives open to us within the limits of safety : First, we can place before European countries an ultimatum, making the further purchases of bullion by us dependent upon their favourable action in the aid of silver : second, we can maintain the *status quo* ; or, third, we can adopt a safe measure which will largely increase our purchases and the use of silver.

“Many reasons have existed in the past in favour of the first proposition. It has been strenuously objected to as dangerous by the extreme friends of silver ; but I believe that if the United States had adopted it years ago, the whole question would have been settled before this. The agitation which would have resulted from the mere prospect of a more radical fall in the price of silver would have stirred European public opinion into action long ago. . . . But this cannot now be considered a practical measure.

“The second alternative, judging from our experience, does not give promise of satisfactory results, and we are left to consider the probable effect of the third.

“The recent rise in the price of silver caused by the mere anticipation of action by Congress in this direction, has stirred the whole world to see its interest in silver in a new light, and it has largely stimulated that agitation which alone can secure Governmental action.

“I for one am willing that the experiment shall be tried. I say experiment, advisedly, for it is an experiment whether the Senators, who may give it their support, think so or not. This Congress cannot pass an Act which will give finality to this great question. It must be tentative and experimental: a measure liable to repeal or modification in a wider sense than is usual in such Acts. The final object of our policy is to establish a legal equality between gold and silver. Gold is universal international money to-day, silver is not; it will not be international money should this Bill be passed. It remains for the Legislatures, which have given gold the privilege, by virtue of which it holds its rank as universal money, to give a similar privilege to silver. Until this is done, there can be no equality as money between the two metals. This is the fact of all facts, and it is useless for senators to endeavour to persuade themselves or to persuade others to the contrary. This fact defines, in advance, the limitation upon the policy of Congress. It is well that we should fully understand that the expectant attitude of the past must be maintained. The Bill reported from the Finance Committee was prepared with a view of keeping within these limitations.”

APPENDIX N.

ENGLISH MONETARY LEGISLATION.

The Statute of 1816, establishing the gold standard, recites or refers to the various previous Acts which were thereby repealed, naming first the Statute of Charles II (1666) establishing the free and gratuitous coinage of gold and silver.

This law provided :—

That whatsoever person or persons, native or foreigner, alien or stranger, shall from and after the twentieth day of December, one thousand six hundred and sixty-six, bring any foreign coin, plate, or bullion, of gold or silver, in mass, molten, or alloyed, or any sort of manufacture, of gold or silver into His Majesty's mint or mints within the Kingdom of England, to be there melted down and coined into the current coins of this kingdom, shall have the same there assayed, melted down, and coined with all convenient speed, without any defalcation, diminution, or charge for the assaying, coinage, or waste in coinage—so as that for every pound troy of crown or standard gold that shall be brought in and delivered by him or them to be assayed, melted down, and coined as aforesaid, there shall be delivered out to him or them, respectively, a pound troy of the current coins of this kingdom, of crown or standard gold ; and for every pound troy of sterling or standard silver that shall be brought in and delivered by him or them to be assayed, melted down, and coined

as aforesaid, there shall be delivered out to him or them, respectively, a pound troy of the current coins of this kingdom of sterling or standard silver, and so proportionably for a greater or lesser weight. . . .

This law gave the King certain taxes to cover the cost of the gratuitous mintage which it established.

The Statute of 1816 also refers specially to the law of the seventh and eighth years of the reign of William III, "intituled for the remedying the ill state of the coin of the kingdom;" to an Act of the year 1774 prohibiting the importation of light silver coin, and restraining "the tender thereof beyond a certain sum" (*except by weight*); and to the Act of 1798 suspending the coinage of silver.

The second clause of the Act of 1774 runs thus :

"And be it further enacted by the authority aforesaid, that no tender in the payment of money made in the silver coin of the realm, of any sum exceeding the sum of twenty-five pounds at any one time, shall be reputed in law, or allowed to be a legal tender, within Great Britain or Ireland, for more than according to its value by weight, after the rate of five shillings and twopence for each ounce of silver; and no person to whom such tender shall be made shall be, in any way, bound thereby, or obliged to receive the same in payment in any other manner than aforesaid; and any law, statute, or usage to the contrary notwithstanding."

It may be well to give here the following from

Clause XI. of the Statute of 1816 as also bearing on the question :—

“And whereas at various times heretofore the coins of this realm, of gold and silver, have been equally a legal tender for payments to any amount, and great inconvenience has arisen from both those precious metals being concurrently the standard measure of value and equivalent for property, etc.”

In the year 1717 Sir Isaac Newton, then Master of the Mint, presented a report to the *Lords Commissioners of His Majesty's Treasury*, from which the following is extracted :—

“In obedience to your lordships' order of reference of August 12th, that I should lay before your lordships a state of the gold and silver coins of this kingdom, in weight and fineness, and the value of gold in proportion to silver, with my observations and opinions; and what method may be best for preventing the melting down of the silver coin. I humbly represent, that a pound weight troy of gold, 11 ounces fine and 1 ounce allay, is cut into 44½ guineas; and a pound weight of silver, 11 ounces 2 pennyweights fine and 18 pennyweights allay, is cut into 62 shillings; and, according to this rate, a pound weight of fine gold is worth 15 pounds weight 6 ounces 17 pennyweights and 5 grains of fine silver, reckoning a guinea at £1 1s. 6d. in silver money; but silver, in bullion, exportable, is usually worth 2d. or 3d. per ounce more than in coin; and if, at a medium, such bullion of Standard allay be valued at 5s. 4½d. per ounce, a pound weight of fine gold will be worth but 14 pounds weight 11 ounces 12 penny-

weights 9 grains of fine silver in bullion ; and, at this rate, a guinea is worth but so much silver as would make 20 shillings and eightpence. When ships are lading for the East Indies, the demand for silver for exportation raises the price to 5s. 6d. or 5s. 8d. per ounce, or above ; but I consider not those extraordinary cases. . . .

“ It is the demand for exportation which hath raised the price of exportable silver about 2d. or 3d. in the ounce above that of silver in coin, and hath thereby created a temptation to export, or melt down, the silver coin, rather than give 2d. or 3d. more for foreign silver ; and the demand for exportation arises from the higher price of silver in other places than in England in proportion to gold, that is, from the higher price of gold in England than in the other places, in proportion to silver ; and, therefore, may be diminished by lowering the value of gold in proportion to silver. If gold in England, or silver in East India, could be brought down so low as to bear the same proportion to one another in both places, there would be here no greater demand for silver, than for gold to be exported to India ; and if gold were lowered only so as to have the same proportion to the silver money in England, which it hath to silver in the rest of Europe, there would be no temptation to export silver rather than gold to any other part of Europe. And to compass this last, there seems nothing more requisite than to take off about 10d. or 12d. from the guinea ; so that gold may bear the same proportion to the silver money in England, which it ought to do by the course of trade and exchange in Europe ; but if only 6d. were taken off at present, it would diminish the temptation to export, or melt down, the silver coin ; and, by the effects, would show hereafter, better than can appear at present, what

further reduction would be most convenient for the public."

Parliament contented itself with the half measure of fixing the guinea at 21 shillings (the ratio of 15·21). Silver, still underrated in England, finding still its best market abroad, remained there; and thus England came to possess little money other than gold.

The following is an extract from the proclamation dated 22nd December, 1717, which the King issued at the request of Parliament, giving effect to its resolution:—

Now, for and toward remedying the said evil, we have thought fit, with the advice of our Privy Council, to issue this, our Royal proclamation, hereby strictly prohibiting all and every person and persons whatsoever, to utter or receive any of the pieces of gold coin of this kingdom, commonly called guineas (which in our mint were coined only at twenty shillings each, but have been by our subjects paid and received at the rate of one and twenty shillings and sixpence each) at any greater or higher rate or value than one and twenty shillings for each guinea, and so proportionably for the pieces of gold called half-guineas. . . .

The foregoing extracts are taken from *Historical Material for, and Contributions to, the Study of Monetary Policy*, by Hon. S. Dana Horton, included with the report presented to the American Government on the Monetary Conference of 1878.

From the same source the following remarks are also taken :—

THE EARLY LAW OF LEGAL TENDER.

Until a period comparatively recent, it has been reckoned *inter jura magistratis* to determine the currency and value of coins ; and hence the earlier law of legal tender is to be sought, not in the statute books, but in Royal proclamations, Mint “indentures and regulations.”

The reader has, perhaps, observed that the statute of 18 Car. II. c. 5, accepts the currency of “gold and silver coins of this kingdom” as a fact. So, likewise, the statute of William III., which is, by the way, one of the principal laws which directed the famous recoinage of the silver coins with which the readers of Macaulay’s History of England are familiar.

This statute directs, in section ii., that the officers of the Mint receive, by indenture, the ingots of melted silver coin

“To be there immediately refined or otherwise reduced to sterling, and to be coined by the mill and press into the current money of this realm, to hold such weight and fineness as are prescribed by the present indenture with His Majesty’s master and worker for making of silver monies at the Tower of London ; and with such allowance, called the remedy, as is given to the said master by the said indenture, which weight and fineness are hereby declared to be, and shall remain to be the standard of, and for, the lawful silver coin of this kingdom.”

The “standard of and for the lawful silver coin of this kingdom” is, of course, that fixed by the regulation of the Mint, in the 43 of Elizabeth (1601), namely, as stated by Newton, 62 shillings to the pound weight

of silver, 11 ounces 2 pennyweights fine, and 18 pennyweights alloy.

The Standard for the gold coin, according to a regulation of the time of King Charles II., was $44\frac{1}{2}$ guineas to the pound weight of gold, 11 ounces fine, and 1 ounce alloy. The number of silver shillings the guinea was worth was fixed by proclamation. In a certain sense, therefore, silver remained the *monetary unit until* 1816.

APPENDIX O.

THE BULLION REPORT OF 1810.

Mr. Horton, in the volume already alluded to, makes a valuable examination of the Bullion Report of 1810, on which the legislation of 1816 was founded. He shows that in seeking the primary object which the committee had in view, namely, the convertibility of the paper currency which had been suspended from 1797, it omitted

To consider with equal thoroughness the general questions of monetary policy involved in the maintenance or choice of a metallic pound sterling whose place was being usurped. . . .

Although given to the world only in 1805, in his treatise on the Coins of the Realm, the gold monometallist theory of Lord Liverpool had long been perfected; and in 1798, when first the guinea rose to be worth more than 15½ times its weight in silver in England, and when for the first time for two-thirds of a century private persons were bringing silver to the Mint, this theory in extreme form was placed upon the statute book.

It would be too much to ask of Lord Liverpool that he should have appreciated fully the extent to which his theory was revolutionary. Looking back upon it from the vantage ground of later experience, it is easy to see that, unlike the silver standard of Locke, this gold standard, although it might be possible in one nation—England's own experience in the eighteenth

century supported this view—yet it could not be extended to many nations. . . .

As a policy susceptible of general adoption, the scheme of Lord Liverpool is obviously unworthy of comparison with that of these elder mono-metallists with which he seeks to connect it. In fact, the effort to justify the gold standard by recourse to the silver standard is, if I may use so strong a figure, analogous to an attempt to prove that because a pyramid will rest securely upon its base, it will therefore stand safely upon its apex. Of course Lord Liverpool did not propose the gold standard as a scheme which could be applied elsewhere than in England; but at the same time he was apparently unaware that this was a defect that entered into the body of his scheme; he was apparently unconscious of the golden rule of the solidarity of interest of the nations in the money of the world, as he was mistaken in supposing his theory to be like that of the Locke.

Strange to say, modern monetary opinion has allowed itself, to a considerable degree, to reflect this erroneous view, and it has been quite generally believed that in the gold standard England has borrowed the substance instead of the shadow of the doctrine of Locke. The late attempt to extend the dominion of Lord Liverpool's theory over the continent of Europe reveals it in its true light.

In such a situation, therefore, as obtained in 1810, when the great authority in England, whose word was monetary law, had thus spoken upon the monetary situation, and in a time of national commotion and of national effort, it is not strange that a special committee of the legislative body, even with a Horner and a Huskisson at their head, should have passed lightly over some of the important problems of money. . .

Actual convertibility, lost for a time, was still looked for in the immediate future, and in the meantime the paper was to be kept at par. The standard was not to be lost.

And what was the standard? A consideration of the statutes (referred to) will show that for a century all obligations enforceable by law in England had been payable either in gold or in silver coin, if of full weight, at the option of the payer; and hence, if we use the word "standard" in the sense which best represents the facts, gold and silver remained *de facto* and *de jure* the "standard" till 1816. Lord Liverpool, however, uses the word "standard" as simply meaning "the *principal* measure of property"—that is to say, the *chief* coin in use. This diction was apparently followed by the Bullion Committee, and gold was held to be the English "standard." This confusion of terms would, of course, have been harmless if no confusion of ideas had followed. Indeed there is a certain moral respectability in the idea that England was bound to stand by her "standard" in the narrower sense, to maintain that which had been her principal coin as still the principal measure of property. Strict honour, ideal justice, would in any case have been better served by the maintenance of the true double standard under which, strictly construed, all English obligations for a century had been incurred; and the law of 1798 was in a certain measure (just as the orders of restriction of cash payment of 1797 had been) an impairment of the obligation of contracts. But still, if through some not far-seeing, not clear-thinking, but generous feeling of loyalty, England was attached to the guinea, and on account of habits contracted in the reign of the Georges felt constrained to renounce the "standard of Elizabeth," it is not necessary to

attack this fidelity of gold in order to decide the question here raised about silver. As a matter of fact, England did not cleave to gold. "Her standard floated bravely on the breeze, but it was unattached to *terra firma*. The Union Jack had become a kite. England was using paper money." While Lord Liverpool and the authors of the Bullion Report were restricting the meaning of the word "standard" in such a way as to exclude silver, the gold coins, formerly chiefly in use, had in ample measure left England, and bank paper had become the "principal measure of property." The question, therefore, whether England was not bound to maintain gold as her principal measure of property in preference to permitting silver to emulate gold in that function, is practically excluded from the discussion. The only question actually at issue under this head is whether it was not better to have England's paper at par with silver as well as gold than to have it below par both in silver and gold. . . .

There is a natural disposition on the part of those familiar with the controversy waged in England in the great cause of *Specie v. Paper* to assume that the knowledge and acumen enlisted in support of *specie* in that cause had been equally applied to the great ejection case of *Gold v. Silver*, which was so summarily decided in favour of the party whose possession seemed paramount.

Such, however, is not the fact. There is indeed no proof that the case was ever fully argued on its merits, either in the Privy Council in 1798, before the Bullion Committee in 1810, or before Parliament in 1816. . .

It is interesting to know that the great men who so sagely guided the policy of their country in establishing in permanence the convertibility of England's paper money had really never, in their own minds, clearly

formulated the question of convertibility into silver or convertibility into silver and gold, as compared with convertibility into gold alone.

Now, it is not surprising that this omission to pass judgment upon the merits of the question should have been the symptom or result of an entire lapse of knowledge of the relative position of the two metals, the nature of the demand for them, the causation of their value.

If it were assumed that the two metals were to all intents and purposes one, so that they formed, in fact, one great body of metal, white and yellow, of which each nation drew its quota in whichever colour or mixture of colours it preferred, and that, in the main, either metal was a complete substitute for the other, it would be very easy and perfectly natural to pass by unobserved the problems heretofore examined.

The facts to which I have alluded, connected with the novelty of England's situation and of Lord Liverpool's theory, themselves suggest that an unconscious assumption of this kind would have been perfectly natural, but the following observations show that the lapse of knowledge went so far as to involve unconsciousness of the actual status of silver in English law.

As is apparent from the preceding extracts from the English statutes, silver coin was legal tender in 1810 for any sum whatsoever, although for a payment over £25 the payee could demand coin enough to make up the legal weight of silver pounds sterling. He would have had to do the same thing in Amsterdam. . . .

This limitation of legal tender by tale had, however, lasted only from 1774 to 1783, and as there had been no improvement, only a deterioration of the condition of the coins between 1774 and 1783, it is probable that the limitation was not a matter of much practical

importance, because the amount of silver in circulation was actually less than trade required. This expiration of the statute in 1783 is, by the way, not merely a matter to be ascertained from the statute books, but is mentioned by Lord Liverpool on page 129 of his treatise. Subsequently, and after the restriction of cash payments had taken place, when England was entering upon an experience of a paper standard, worth in many cases far less than ever were silver coins, this law was revived in connection with the prohibition of silver coinage.

What proportion of these facts were known to the authors of the Bullion Report? They say, that ever since 1774 silver coin had not been legal tender above £25.

How was it possible that the facts could have been ignored by such men? The following obvious explanation occurs to me:—There were no full-weight silver coins in England in 1798, when silver was coming to the Mint, in spite of what the Bullion Report, ignoring that England had gold because gold was cheaper than silver, calls merely “the usage and commercial habits of the people.” In 1798 the manufacture of full-weight silver coins had been prohibited.

The authors of the report, had, therefore, never seen silver coins with which, under the law, one could pay a debt above £25 without losing a percentage on the excess so paid; for, by tale, 20 shillings of George II., worn to four-fifths of their original weight, were a pound sterling; but when they were paid by weight, one must put 25 of them into the balance in order with them to equal the weight of that silver pound sterling which remained the monetary unit of Great Britain. But had they been freshly coined, or of full weight, 20s. would have made a pound sterling for a payment of £25,000 as well as for £25.

Not having had actual experience of this fact the authors of the report ignored it, and spoke of silver without being aware that silver was legally, and, but for this prohibition of coinage which they do not mention, might have been, in practice, as completely money in England as it was in the Notherlands.

The historical aspect of the question, of which these extracts give us a glimpse, are of great interest, and I would advise the reader to examine them more fully in the sources from which I have drawn, or in others which may present themselves. M. Emilo de Laveleye, in the address to which I have already referred, says :—

There are to-day two schools in political economy, the "historical" or "realistic," which employs by preference the inductive method, and the "orthodox" or "rational" school, which chiefly makes use of deduction. The inductive school examines facts established by history and by statistics, and endeavours to draw from them the rules which should be applied to the direction of economic interests. The deductive school studies the nature of man, and infers absolute universal laws, which it calls "natural" laws. The first says that political economy is a science greedy of facts; the second affirms that its principles are so manifest that they can dispense with the control of facts. The one, lost in the thousand complications of industrial and commercial life, does not always attain a sufficient clearness in its ideas; the other, on the contrary, from the height of its abstract axioms, promulgates dogmas to which, too often, experience must give the lie.

Our English economists have, no doubt, treated this question of standard too much in the latter way, and have been led astray in doing so, and it will only be by giving both methods of inquiry their due place that the truth regarding it will be clearly established.

APPENDIX P.

EXTRACTS FROM MR. ERNEST SEYD'S PREDICTIONS.

In my introduction I have referred to M. Wolwoski and Mr. Ernest Seyd, and it may be well to give here the following extracts. In his work entitled "The Decline of Property," published in 1879,* Mr. Seyd wrote:—

In a book first issued in 1868† the writer first stated the outline of the views here represented. The late Senator Wolwoski, of France, who may truly be called the father of bi-metallism, translated portions of the same in his work on the subject. In another publication issued in 1869‡ these views were more specially affirmed. In 1876, when the fall in the price of silver created some alarm, the author read a paper,§ and in 1878 he again followed up the subject before the Society of Arts.|| In all these publications it was distinctly stated that the demonetisation of silver was the original cause of the decline of trade. In 1871 the writer ventured to say:—

"It is a great mistake to suppose that the adoption

* Published by Edward Stanford, 55, Charing Cross.

† "Bullion and Foreign Exchanges." 700 pp. Effingham Wilson & Co.

‡ "The Depreciation of Labour and Property which would follow the Demonetisation of Silver." 169 pp. Effingham Wilson & Co.

§ "The Fall in the Price of Silver." 169 pp. H. S. King & Co.

|| "The Wealth of Nations and the Question of Silver." Eden Fisher & Co., London.

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, greivous 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 foreshadowed ; 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 overtrading 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 recognised, and the natural remedy is applied."

The rôle of a prophet is not a desirable one, and these remarks are only quoted to show that the views held by bi-metallists have been confirmed by events. But, besides the writer of these pages, there are

numerous other authorities here and abroad, amongst whom M. Henri Cernuschi (the spirited inventor of the word "bi-metallism") requires special mention, who agree with the opinions here expressed.

It is perhaps fitting just to say one word regarding M. Cernuschi, who is thus referred to by Mr. Seyd. Although it is the fashion for English mono-metallists to endeavour to cast ridicule on the dramatic style which he sometimes adopts in seeking to impress the views he so earnestly holds, I believe that ere long the great service he has rendered by his brilliant advocacy of bi-metallism will be fully acknowledged; and as my humble tribute, would here say that it was in reading one of his pamphlets my interest in the subject was first aroused, and that suddenly, very much in the way I have described, I came to perceive its true bearings.

APPENDIX Q.

EXTRACT FROM SPEECH OF M. EMILE DE LAVELEYE.

In a speech at the International Monetary Conference, held in Paris, 13th October, 1889, Professor Emile de Laveleye said:—

I begin by making an admission. I belong to that school of "lunatics" of whom mention has just been made, and as such I presume I ought to be locked up in the Bedlam of political economists; but I should find myself there in good company, with Messrs. Foxwell, Marshall, Nicholson, Sidgwick, and nearly, I think, all the professors of political economy in England and in America, without naming those of M. Cernuschi's school, and those of other countries. Among these "lunatics" the majority are economists. M. Cernuschi was rather hard upon them yesterday afternoon. I am myself a professor of political economy and a partisan of bi-metallism (and, alas, rather an old one) because I consider it in accordance with the less contested principles of our science. Seeing that if I look around me at the professorships of political economy in Europe, the most notable are occupied by bi-metallists. In England, some of the best university professors, Foxwell, Nicholson, have become bi-metallists. The same thing in America: Mr. Walker, author of one of the best works which has been written on money, is a bi-metallist; the same thing in Germany, where, though opinions are not unanimous, we have

some of the most eminent with us, such as Messrs. Rau, Michaelis, Roscher, Prince Smith, Von Stein, Schäffel, Lexis, Adolf Wagner, &c. . . . These learned men have declared that if bi-metallism were adopted by the Great Powers, the relations between the two metals, gold and silver, would remain steady for an indefinite time in a sense advantageous to the commerce and industry of the whole world. This appears to me to be a declaration as complete as anyone could wish for. If bi-metallism, therefore could be established by four great nations, it would be an excellent thing.

APPENDIX R.

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

PART I.

(Signed by all the Members of the Commission.)

SEC. 115.—“The remedy which has been put before us most prominently, and as most likely to remedy the evils complained of to the fullest extent possible, is that known as bi-metallism.”

SEC. 186.—“It must be borne in mind that, in the case of other commodities (than gold and silver), the effect of changes in the supply and demand is both more marked and more immediate. These commodities are generally produced for the purpose of consumption at an early date, or within a comparatively short period. The supply at any time available for the market, or capable of being placed on it at short notice, is therefore a very important element in the process by which its value is fixed.

“The precious metals, on the other hand, are but to a slight extent consumed, and the available supply consists of the accumulations of previous years.

“It follows, therefore, that in their case a diminution or an increase in the new supply is of less importance than in the case of consumable articles, and that an increase or diminution in demand has also a smaller effect. The important consideration, with regard to them, at any one moment, is rather the relation between the total stock then in existence, and the then existing demands upon it.”

SEC. 189.—“Looking, then, to the vast changes which occurred prior to 1873 in the relative production of the two

metals without any corresponding disturbance in their market value, it appears to us difficult to resist the conclusion that some influence was then at work tending to steady the price of silver, and to keep the ratio which it bore to gold approximately stable."

SEC. 190.—"Prior to 1873, the fluctuations in the price of silver were gradual in their character, and ranged within very narrow limits. The maximum variation in 1872 was $\frac{1}{2}$ d., and the average not quite $\frac{1}{8}$ d., while in 1886 the maximum was $2\frac{1}{8}$ d., and the average $1\frac{1}{2}$ d. It has not been, and indeed hardly could be, suggested that this difference can be accounted for by changes in the relative production or actual use of the two metals."

SEC. 191.—"The explanation commonly offered of these constant variations in the silver market is that the rise or depression of the price of silver depends upon the briskness or slackness of the demand for the purpose of remittance to silver-using countries, and that the price is largely affected by the amount of the bills sold, from time to time by the Secretary of State for India in Council.

"But these causes were, as far as can be seen, operating prior to 1873, as well as subsequent to that date, and yet the silver market did not display the sensitiveness to these influences from day to day and month to month, which it now does."

SEC. 192.—"These considerations seem to suggest the existence of some steadying influence in former periods, which has now been removed, and which has left the silver market subject to the free influence of causes, the full effect of which was previously kept in check. The question, therefore, forces itself upon us: Is there any other circumstance calculated to affect the relation of silver to gold, which distinguishes the latter period from the earlier?"

"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 bi-metallic 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 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 bi-metallic 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 approximating to the legal coin, and would tend to keep the market steady at about that point.”

SEC. 194.—“It has been urged that during the earlier of the two periods which we have been contrasting, the con-

ditions which existed from time to time were favourable to the maintenance of the legal ratio ; that the great influx of gold towards the middle of this century found France with a large stock of silver, and that this silver, owing to exceptional circumstances, had a ready outlet to India.

“ But we do not think this affords an adequate solution of the problem without taking into account the existence of the bi-metallic system. It may be true that the circumstances referred to were conditions which helped to make the bi-metallic system operative. But, as we have observed before, circumstances and conditions of a like nature have been more or less operative both before and since 1873, and yet the effect on the relative value of the two metals has been very different.”

PART II.

Signed by six members of the Commission :—

LORD HERSCHELL.

RT. HON. SIR JOHN LUBBOCK, BART., M.P.

MR. J. W. BIRCH.

HON. C. W. FREMANTLE, C.B.

SIR T. H. FARRER, BART.

RT. HON. LEONARD H. COURTNEY, M.P.

SEC. 9.—“ However much opinions may differ as to the extent of the evil arising from the increased difficulty which a fluctuating exchange interposes, we do not think its reality is open to question.”

SEC. 101.—“ There cannot be two opinions as to the very serious effect which the continued fall in the gold price of silver has had on the finances of the Government of India.”

SEC. 102.—“ We are fully impressed with a sense of the difficulties which surround the Indian Government, and of the serious questions to which any proposed additional tax must give rise. It is only the embarrassment which has

already been caused to the Government of India that has to be borne in mind, but the impossibility of foreseeing to what extent those embarrassments may be increased and their difficulty augmented by a further depression in the value of silver."

SEC. 107.—"We think that in any conditions fairly to be contemplated in the future, as far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to* were to accept and strictly adhere to bi-metallism, at the suggested ratio. We think that if in all these countries gold and silver could be freely coined, and thus become exchangeable against commodities at the fixed ratio, the market value of silver as measured by gold would conform to that ratio, and not vary to any material extent."

SEC. 119.—"Apprehensions have been expressed that if a bi-metallic system were adopted gold would gradually disappear from circulation. If, however, the arrangement included all the principal commercial nations, we do not think there would be any serious danger of such a result.

"Such a danger, if it existed at all, must be remote. It is said indeed, by some, that if it were to happen, and all nations were to be driven to a system of silver mono-metallism, the result might be regarded without dissatisfaction.

"We are not prepared to go this length, but at the same time we are fully sensible of the benefits which would accrue from the adoption of a common monetary standard by all the commercial nations of the world, and we are quite alive to the advantage of the adoption by these nations of an uniform bi-metallic Standard as a step in that direction."

SEC. 138.—"Though unable to recommend the adoption

* The United Kingdom, Germany, the United States, and the Latin Union.

of what is commonly known as bi-metallism, we desire it to be understood that we are quite alive to the imperfections of standards of value, which not only fluctuate, but fluctuate independently of each other ; and we do not shut our eyes to the possibility of future arrangements between nations which may reduce these fluctuations. One uniform standard of value for all commercial countries would, no doubt, like uniformity of coinage or of standards of weight and measure, be a great advantage. But we think that any premature and doubtful step might, in addition to its other dangers and inconveniences, prejudice and retard progress to this end. We think also that many of the evils and dangers which arise from the present condition of the currencies of different nations have been exaggerated, and that some of the expectations of benefit to be derived from the changes which have been proposed would, if such changes were adopted, be doomed to disappointment.

“Under these circumstances we have felt that the wiser course is to abstain from recommending any fundamental change in a system of currency under which the commerce of Great Britain has attained its present development.”

PART III.

Signed by the other six members of the Commission :—

RT. HON. SIR LOUIS MALLET, C.B.
RT. HON. A. J. BALFOUR, M.P.
RT. HON. HENRY CHAPLIN, M.P.
SIR D. BARBOUR, K.C.S.I.
SIR W. H. HOULDSWORTH, BART., M.P.
MR. SAMUEL MONTAGU, M.P.

SEC. 28.—“We think that the above remarks upon the evils affecting both the United Kingdom and India, if taken in connection with the more detailed statement in Part I. of the Report, will sufficiently indicate our view as

to their nature and gravity ; and that they are largely due to the currency changes which have taken place in the years immediately preceding and following 1873.

“ We think that too much stress cannot be laid upon the novelty of the experiment which has been attempted as the result of the above changes. That experiment consists in the independent and unregulated use of both gold and silver as standards of value by the different nations of the world.

“ We are strongly of opinion that both metals must continue to be used as standard money ; the result of using them separately and independently since 1873 has been most unsatisfactory, and may be positively disastrous in the future.

“ It cannot be questioned that until 1873 gold and silver were always effectively linked by a legal ratio in one or more countries.

“ It is equally indisputable that the relative value of the two metals has been subject to greater divergence since 1874 than during the whole of the 200 years preceding that date, notwithstanding the occurrence of variations in their relative production more intense and more prolonged than those which have been experienced in recent years.”

SEC. 29.—“ In 1873-74 the connecting link disappeared, and for the first time the system of rating the two metals ceased to form a subject of legislation in any country in the world.

“ The law of supply and demand was for the first time left to operate independently upon the value of each metal ; and simultaneously the ratio which had been maintained, with scarcely any perceptible variation for 200 years, gave place to a marked and rapid divergence in the relative value of gold and silver, which has culminated in a change from 15½ to 1 to 22 to 1.”

PROPOSED REMEDY.

SEC. 30.—“It appears to us impossible to attribute the concurrence of these two events to a merely fortuitous coincidence. They must, in our opinion, be regarded as standing to each other in the relation of cause and effect.

“We cannot, therefore, doubt that if the system which prevailed before 1873 were replaced in its integrity, most of the evils which we have above described would be removed; and the remedy which we have to suggest is simply the reversion to a system which existed before the changes above referred to were brought about—a system, namely, under which both metals were freely coined into legal tender money at a fixed ratio over a sufficiently large area.

“The effects of that system, though it was nominally in force only within a limited area, were felt in commercial countries, whatever their individual systems of currency might be; and the relative value of the two metals in all the markets of the world was practically identical with that fixed by the legislation of the countries forming the Latin Union.

“As regards the possibility of maintaining such a system in the future, we need only refer to the conclusion at which our colleagues have arrived in Sec. 107, Part II. (see above), and with which we entirely agree.”

SEC. 34.—“No settlement of the difficulty is, however, in our opinion, possible without international action.

“The remedy which we suggest is essentially international in its character, and its details must be settled in concert with the other Powers concerned.

“It will be sufficient for us to indicate the essential features of the agreement to be arrived at, namely—

(1) Free coinage of both metals into legal tender money; and

(2) The fixing of a ratio at which the coins of either metal shall be available for the payment of all debts at the option of the debtor."

(SEC. 35).—"The particular ratio to be adopted is not, in our opinion, a necessary preliminary to the opening of negotiations for the establishment of such an agreement, and can, with other matters of detail, be left for further discussion and settlement between the parties interested.

"We, therefore, submit that the chief commercial nations of the world, such as the United States, Germany, and the States forming the Latin Union, should in the first place be consulted as to their readiness to join with the United Kingdom in a conference, at which India and any of the British Colonies which may desire to attend should be represented, with a view to arrive, if possible, at a common agreement on the basis above indicated."

SEC. 36.—"We have indicated what appears to us to be the only permanent solution of the difficulties arising from the recent changes in the relative value in the precious metals, and the only solution which will protect this and other countries against the risks of the future."

APPENDIX S.

Table showing Annual Production of Silver in Troy Ounces, also the Price of Silver and Exchange Quotations from 1873.

	Fine Silver. Ounces Troy. (000 omitted.)	Price per oz. of Bar Silver. In London.		Exchange per Rupee (Council Drafts on Calcutta.)	
		Highest.	Lowest.	Highest.	Lowest.
1873	63,267	5/0	4/9 $\frac{1}{2}$	1/10 $\frac{1}{2}$	1/9 $\frac{1}{2}$
1874	55,300	4/11 $\frac{1}{2}$	4/9 $\frac{1}{2}$	1/11 $\frac{1}{2}$	1/9 $\frac{1}{2}$
1875	62,262	4/9 $\frac{1}{2}$	4/7 $\frac{1}{2}$	1/10 $\frac{1}{2}$	1/9 $\frac{1}{2}$
1876	67,753	4/10 $\frac{1}{2}$	3/10 $\frac{1}{2}$	1/10 $\frac{1}{2}$	1/6 $\frac{1}{2}$
1877	62,648	4/10 $\frac{1}{2}$	4/5 $\frac{1}{2}$	1/10 $\frac{1}{2}$	1/8 $\frac{1}{2}$
1878	73,476	4/7 $\frac{1}{2}$	4/1 $\frac{1}{2}$	1/9	1/6 $\frac{1}{2}$
1879	74,250	4/5 $\frac{1}{2}$	4/0 $\frac{1}{2}$	1/8 $\frac{1}{2}$	1/6 $\frac{1}{2}$
1880	74,791	4/4 $\frac{1}{2}$	4/3 $\frac{1}{2}$	1/8 $\frac{1}{2}$	1/7 $\frac{1}{2}$
1881	78,890	4/5	4/2 $\frac{1}{2}$	1/8 $\frac{1}{2}$	1/7 $\frac{1}{2}$
1882	86,470	4/4 $\frac{1}{2}$	4/2	1/8 $\frac{1}{2}$	1/7 $\frac{1}{2}$
1883	89,177	4/3 $\frac{1}{2}$	4/2 $\frac{1}{2}$	1/7 $\frac{1}{2}$	1/7 $\frac{1}{2}$
1884	81,597	4/3 $\frac{1}{2}$	4/1 $\frac{1}{2}$	1/8	1/6 $\frac{1}{2}$
1885	91,652	4/2	3/10 $\frac{1}{2}$	1/7 $\frac{1}{2}$	1/5 $\frac{1}{2}$
1886	93,276	3/11	3/6	1/6 $\frac{1}{2}$	1/4 $\frac{1}{2}$
1887	96,189	3/11 $\frac{1}{2}$	3/7 $\frac{1}{2}$	1/6 $\frac{1}{2}$	1/4 $\frac{1}{2}$
1888	110,086	3/8 $\frac{1}{2}$	3/5 $\frac{1}{2}$	1/5 $\frac{1}{2}$	1/4 $\frac{1}{2}$
1889	126,000	3/8 $\frac{1}{2}$	3/5 $\frac{1}{2}$	1/4 $\frac{1}{2}$	1/4 $\frac{1}{2}$
1890	133,195	4/6 $\frac{1}{2}$	3/7 $\frac{1}{2}$	1/8 $\frac{1}{2}$	1/4 $\frac{1}{2}$
1891	144,406	4/0 $\frac{1}{2}$	3/7 $\frac{1}{2}$	1/6 $\frac{1}{2}$	1/4 $\frac{1}{2}$
1892	152,041	3/7 $\frac{1}{2}$	3/1 $\frac{1}{2}$	1/4 $\frac{1}{2}$	1/2 $\frac{1}{2}$
1893		3/2 $\frac{1}{2}$	2/6	1/3 $\frac{1}{2}$	1/2 $\frac{1}{2}$

The figures indicating the production of silver in the foregoing table, and also those from 1873 to 1889 in table on page 14, giving the value of both gold and silver, are taken from the statistics compiled by the United States Mint authorities. I have adopted these figures as the only complete data available of the world's production of the precious metals. It is much to be regretted that our own Mint authorities or Board of Trade have not yet attempted to deal with this matter officially.

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