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A COLLOQUY ON CURRENCY

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A

COLLOQUY ON CURRENCY

BY

LORD ALDENHAM

NEW EDITION

Quis leget hæc? Min' tu istud ais? Nemo, Hercule, Nemo
Vel duo, vel Nemo. PERS. Sat. I.

LONDON
EFFINGHAM WILSON
11 ROYAL EXCHANGE, E.C.
1900

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PREFACE TO THE NEW EDITION.

So much has happened in the region of currency since the publication of the third edition of my *Colloquy* in 1894 that I have thought it might be useful to reissue it, amended, rearranged, and brought down to a definite point in the historical development of the problems considered in it.

The amendment has consisted for the most part in bringing prominently forward any new arguments which appeared in the Press or elsewhere, either against the general principle of a Mint open to both metals as legal tender, or against any particular arguments in this book, and in giving such counter-arguments as seemed applicable and conclusive.

The rearrangement consisted in the expansion, consequent on these additions, of the seven days of the *Colloquy* to nine; and in the bringing together, as far as possible, the disjointed discussions of the several points, such as the standard, ratio, agio and others, each into a single day instead of being dispersed as before over all the seven as in such conversations would naturally be the case, but which would be less convenient for purposes of reference.

The historical portion brings us down to the point where the Home Government, persuaded by Sir James Westland's dispatch of the 16th September, 1897, not only rejected the proposals of the Wolcott or Franco-American Commission, but abruptly closed the negotiations. Of this I have treated in a tenth day of the *Colloquy*, greatly regretting the decision to close the negotiations, for reasons given on pages 410-13.

I have seen no serious argument to show that it

would not have been a matter of wise policy to take up again the negotiation with the Americans which had failed with the joint mission.

Senator Wolcott and his American colleagues would, as is well known, have been willing to enter into the negotiation on the basis of an altered ratio, and it seemed a great pity that the opportunity was not taken of settling the question at once and for ever. I say for ever, because I have seen no serious argument adduced to show that the United States, with the assistance of India, could have found any difficulty in maintaining the ratio agreed upon. We have, indeed, the *ipse dixit* of Sir James Westland that even though France joined in the agreement the ratio must break down. But he gives in his dispatch of 16th September in last year no suggestion of what circumstances could arise to break it down, nor why that which, we know historically, could be maintained by one nation alone for the best part of a century, would inevitably fail under circumstances more favourable to its maintenance and supported by a greater number of nations. Had our Government taken this course, had they struck while the iron was hot, they would have settled the question for India, by providing her with a fixed minimum of exchange, leaving the maximum, which they have now unwisely endeavoured to fix, to the gradual operation of commerce. But *dis aliter visum*, they have taken refuge in a committee to carry out their foregone conclusion.

I have no fault whatever to find with the labours of the committee, who gave their best efforts, and their very considerable abilities to the solution of the question put before them, but they were hampered, both by the foregone conclusion of the Government and by the lack of mercantile experience in the majority of themselves.

It was not at all the committee that Lord George Hamilton promised us. It was to have been, as shown in his speech of 29th March, 1893, a committee "which should not be composed mainly of officials" but one in whose investigations "gentlemen of experience in connection with India, whose names carry weight, should be asked to participate"; and they were "certainly to be

more in number than the officials". As it was, six out of the eleven were officials, and of these, four were Indian officials present or past.

No doubt there were difficulties in his way, difficulties of his own creating. He, very reasonably, did not desire to have his committee divided into two factions, Monometallist and Bimetallist, each of which had studied the question and made up its mind, and might issue two opposing reports. And I suppose he found it very difficult to find intelligent merchants who had studied the question and had *not* made up their minds, and he therefore seems to have determined to do without the merchants or leave them in a very small minority. It was scarcely to be wondered at, therefore, that they are said to have made a self-denying ordinance at the beginning of their labours—that they would hear nothing about Bimetallism ; which was sufficiently surprising considering that they were met to devise a means for steadying the exchange between England, a gold-using country, and India, a silver-using country ; and that a Royal Commission who *had* studied the question had pronounced unanimously (though equally divided between Monometallists and Bimetallists) that an International Bimetallic Agreement could be trusted to produce that steadiness.

It would have been more surprising still if they had adhered to this self-denying ordinance, and in fact they had to hear arguments on the point very ably pressed by several witnesses ; and they even proposed to hear me, as president of the Bimetallic League ; but though I declined to appear as a representative of any school, I was there to be examined and cross-examined, and I much felt the lack of a severe cross-examination from the Monometallist point of view, which should have endeavoured to bring out that side of the question in argument, and thus made up for the shortcomings of the Indian dispatch.

The correspondence between myself and the United States Secretary of State might have afforded an excellent opportunity for the Monometallist to have come to close quarters, and to have shown, if it were possible to show, any danger and difficulty that might lie in the way

of such a solution as was proposed in that correspondence. But no such examination was forthcoming, though the solution had been advocated not only by me but by Sir Forbes Adam, a prominent Monometallist of Manchester, by Sir John Lubbock and Mr. Herbert Tritton, the chairman and vice-chairman of the Monometallist (Gold Standard) Association in London.

It was not unnatural that the committee should not like the correspondence, and its being unofficial opened the way to their considering it private and making no reference to it in their report. But, though unofficial, it was not private, seeing that, *as the correspondence disclosed* (answer 12,846), I was expressly authorised to lay it before them, as showing the mind of the President of the United States, of his Secretary of State, and of the majority of his Cabinet (answer 12,845). However, we must be thankful for what is really an important suggestion, seeing that, in Clause 37, they point out that the recommendations which they make in no way preclude a Bimetallic solution of the difficulty—a solution which will commend itself not only to Bimetallists, but to all practical men of business of the opposite school of thought.

It is highly satisfactory to see that Lord George Hamilton in his Indian Budget speech of the 8th of August should have made hopeful reference to this clause; and the words of the Viceroy in his speech of the 8th of September, giving prominence to the suggestion made in it, are of very good augury; and the Finance member of the Council, Mr. Clinton Dawkins, in his speech on the same day, showed a wise desire to "avoid any semblance of hostility to the metal in which Indians largely invest their savings". It is, however, only by opening the Indian Mints to silver under an International Agreement that full justice can be done to the natives.

I hope the Government will not allow anything to stand in the way of their renewing negotiations with the United States, so as to bring about that International Agreement which Lord George Hamilton in last session described as "an ideal settlement".

To come now to the practical recommendations of the committee.

If they were in the least likely to be successful they would probably go a long way to preclude an arrangement with the United States, for they would make India a gold-using country, whereas the great desire of the United States is that she should remain a silver-using country. But I cannot think there is any fear that they will be successful.

The practical part of their recommendation amounts to no great innovation upon the state of things effected by the edict of 1893. The Mints are to be opened to gold, the sovereign is to be a legal tender. But under the present system the Mint is open to gold in London, and gold, when coined at the Mint, or delivered to the Bank, can be remitted to India in sovereigns, which, though not a legal tender, are each of them exchangeable at the Treasury for fifteen rupees, which *are* a legal tender, at a rate of exchange which is exactly what the Indian Government desire, and which is equivalent to the ratio 22 to 1 pointed at in the correspondence. The change, as pointed out by one of the members of the committee itself, is one of words, and not of things.

We must now leave it to time to show whether there is more in their plans than I have been able to see. They have confirmed, but in no peremptory terms, the *sic volo, sic jubeo* of the Indian Government, who declare that the Mint shall not be re-opened to silver. But their Clause No. 37 explains that such confirmation holds good only until a satisfactory International Agreement be arrived at. It remains to be seen whether time will confirm the somewhat peremptory declaration of the Elgin Government. They reject, as respectfully as it deserves, the extraordinary proposal of Sir James Westland to force gold upon the people by an arbitrary contraction of the silver currency which they need; that is to say, by melting just so much of it as the Government itself may choose to think unnecessary. But they lean apparently to a no less uneconomic expedient, trusting that if no new silver coin is issued, the need for more coin, caused by the yearly expansion of the population, will force bankers and traders to procure gold in order to increase the volume of currency.

We shall see what time will have to say to this also; and we shall see, moreover, the result of the lesson conveyed by the Government to the natives, teaching them that gold is the all-precious metal, and that their hoards should, accordingly, consist for the future of gold, and not of silver.

The committee appear to suggest that the Indian Government in undertaking to "manage" the currency is justified by the example which we are supposed to set them in entrusting the limitation of our Silver Coinage to the discretion of the Chancellor of the Exchequer as Master of the Mint.

This is controverted in anticipation by my answer, No. 12,798, and by the remarks on pages 422-25 of this book.

So end my labours on this behalf. In this *Colloquy* I have done my best to set forth with the utmost fairness and cogency the arguments of those opposed to me, giving also as clearly as I could the answers to such arguments, and the reasoning that on other grounds makes for my contention.

Time will show whether my opponents are right, or I and those who think with me.

Time is, I think, on our side.

ALDENHAM.

31*st August*, 1899.

PREFACE TO THE THIRD EDITION.

SINCE the publication of the Second Edition of this book the march of events in the regions of currency has been rapid. The Indian Mints have been closed to the coinage of silver, and a phantom gold standard has been set up in that country. The Sherman Act has been repealed in the United States; and the gold-price of silver, under the combined action of these two causes, has sunk lower than has ever been known in the history of the world. The merchants and others concerned with silver-using countries see their business—that is to say, a great part of the trade of this country—going from bad to worse. The gold-fanatic, who has nothing to do with silver-using countries, and little, directly, with foreign commerce, is looking forward to a gold-using paradise, where every one is to spend money, and no one to earn it; where every one is to have food cheap, and no one is to produce it; where wages are to rise, but where there will be no one to pay them.

Meanwhile, nobody who gives the matter practical attention feels easy in his mind; and everybody is saying that "something must be done," but will not say what it shall be. The House of Lords has had a debate on the subject of the Indian Mints, and was only sure of two things: that bimetallism is not within the present range of practical politics, and that it had been a wise and necessary policy to close the Indian Mints; the Representative of the Government saying that it was desirable to let the measure run its course and to see what would happen; and promising to be on the watch to see what further steps ought to be taken. As no one in that assembly said a word to show *why* bimetallism

should not be attainable, and as the noble Marquess,[1] who has had most practical and personal experience of India under her present circumstances, expressed his opinion that it was scientifically unassailable, we may hope that that which *would* cure the financial ills from which India is suffering may before long appear to them the natural and necessary step to take.

Our great manufacturing centres have long been awake to the danger of the situation both in India and at home; and the commerce of London has both seen what has happened, and is beginning to have a very clear understanding of what *will* happen as the result both of what our Government has done, and of what it has left, or may still leave, undone. The prognostication of Mr. Adolph Soetbeer, quoted in the preface to my former edition, has been fulfilled, and is being fulfilled more and more every day. Large and crowded meetings have been held in the City to listen to the words of statesmen who point to the present existence of the evils which the monometallist Soetbeer foretold, and to that which is the only historic and scientific remedy, namely, the return to the ancient monetary law of this kingdom. Bankers, who have hitherto been our opponents, begin to understand that 1 per cent. or 1½ per cent. interest of money does not conduce to swell the credit side of their Profit and Loss account; and that they and all other creditors of silver-using countries may find it more profitable to receive their interest in silver at a fixed ratio to gold, rather than to receive half-interest or no interest at all, and to tremble for their principal. They begin also to learn, or rather to relearn, that the profits of a bank depend on the profitable business of the bank's customers, and that if commerce and agriculture languish, bankers' balances will fall off, and profits dwindle.

Under these circumstances I have thought it desirable to print a new edition of my *Colloquy on Currency*, bringing the discussion down to the present date, making large additions to the book, amending and indeed re-writing it.

[1] Lord Lansdowne.

In its last form it occupied five days within about one fortnight. I have now divided it into seven days, spreading them over fourteen months, and thus giving time for the development of events and their consequences; for the utterances of prophets false and true, for the discomfiture of the former—including myself; and the praise of the latter—also, of course, including myself.

In the Preface to the Second Edition I showed that the colloquy took its origin in letters which had passed between two distinguished statesmen and myself; and, as was right, I have throughout preserved, in all new arguments attributed to them, a due correspondence with the lines of thought expressed in their letters, and with those portions of the colloquy which are taken directly from those letters.

I have endeavoured to give full force to every argument brought forward by them or by others against the pleas of the bimetallist member of the symposium; using the fourth convive, who represents no individual, but the general public, as the mouthpiece of such new and old arguments as would scarcely be found in the mouths of well-instructed statesmen or economists, but which spring up naturally in the ephemeral literature of the time.

If in any case fresh force has been given to the arguments of "Sir William Harrop" or "Mr. William Smail" by any of the comments either of that ephemeral literature or of more thoughtful writers, I have not failed to strengthen them accordingly in correcting this edition, giving, I hope, full weight to all the evidence that has been brought into court.

Lord Liverpool has been the leading counsel for the monometallists. I have cross-examined the witnesses on whom he chiefly relies—Sir William Petty, Mr. Locke, Sir Isaac Newton and Mr. Harris; and I present in this book the report of the cross-examination. I have in no way sought to impugn the testimony of those eminent men, but I have, I think, shown that in no way does it bear out the contention of the opposing counsel. I claim them as witnesses on my side; and to strengthen their evidence I have called also Adam Smith and the

late Mr. Jevons (the latter an unwilling witness), and I may venture to say that out of the mouths of all these six I have produced admissions, assertions and arguments which go far to establish my case.

I plead for the commerce of this country before the merchants engaged in it—a competent and intelligent jury—and I look with confidence for a favourable verdict at their hands.

HENRY HUCKS GIBBS.

ST. DUNSTANS,
31*st July*, 1894.

PREFACE TO THE SECOND EDITION.

THE following colloquy was in great part written as an article in the *Contemporary Review* for July, 1889, and was founded on a correspondence between me and two well-known members of Parliament, who appear as taking part in it under names other than their own. With their permission I used, as far as was possible under the change from epistolary to colloquial style, their own words; only adding such further questions or answers as spring naturally from my own part in the conversation.

Mr. White, the fourth in the *dramatis personæ*, represents, as he says, the Man in the Street; and is made to ask such questions and interpose such arguments as would occur to a man of sufficient intelligence but insufficient knowledge.

Since 1889 much has happened, the condition both of British Agriculture and of British Commerce with foreign nations passing continuously from bad to worse, a downward impulse having been given them by the unfortunate operation of our monetary laws, an impulse which has been continually increased by the action of other nations in following our bad example. To them it has been much less hurtful than to us, for they have no India to govern, and their foreign trade weighs little in the balance compared with ours.

So grave were the perils which menaced Indian finance and Indian trade, and so loud were the outcries of the manufacturing districts of England, that the Government of Lord Salisbury had no hesitation in sending delegates to the Monetary Conference lately assembled at Brussels, choosing, with a view to fair and full dis-

cussion of the various monetary questions which might be presented to it, a pronounced representative of each school, monometallist and bimetallist, and, as a third, the Deputy Master of the Mint. The succeeding Government, with less liberality and less insight into the situation, added to the number two men of strong monometallist opinions.

Under these circumstances I thought it might be useful to give some further extension of the colloquy of 1889, bringing forward as fairly as I could the arguments and assertions of my opponents, and giving as briefly as I could the answers to the arguments, and the correction of many errors both of fact and deduction.

Since it was written the Brussels Conference has met, has sat through four weeks, and adjourned till the 30th of next May. It pleases the London press to say that its deliberations have been abortive, and can lead to nothing. For my part I will only say that its deliberations have been much what I expected and indeed (under the circumstances of last year) desired, resulting in the suggestion and shaping of various proposals alleviative or constructive, to be considered during the recess of the Conference, both by the delegates and by their Governments, and to come on for decision at a time when our Government (who alone struck a discordant note during the discussions) will be more under the supervision of Parliament than they would be had the formal voting taken place now. I regretted, indeed, that none of the proposals were accepted by the Committee *ad referendum*. They were, for the most part, in truth, only palliatives, but that was what they were intended to be, and a means to gain time (which is of great importance), and above all things they were a recognition of the danger of the present situation, and of the great necessity of finding a remedy.

The whole existence of the Conference is itself a recognition of the danger, and a proof that the Governments of the world appreciate it, and do not despair of safeguarding commerce against it. In 1878 12 States were represented; in 1881, 16; and in this year, 20. That alone is a sufficient proof of the increasing interest

that is felt in the question; and a yet more important feature is that all these nations bore testimony to the fact that there was a great and increasing difficulty to surmount.

I finish this preface with some weighty words of the late Mr. Adolph Soetbeer, a leading German monometallist.

They are nearly the last written by him, and are well worthy of the attention of our Government: Je crains que si le Gouvernment *Anglais*, à l'occasion de la prochaine Conférence Monétaire Internationale, refuse de soumettre ou d'appuyer des propositions practicables destinées *à étendre considérablement l'emploi de l'argent comme moyen de paiements*, il en résultera probablement une nouvelle dépréciation incalculable dans la valeur du métal, et une "appréciation" très-sérieuse de l'or, suivies de conséquences désastreuses.[1]

I have added an Index to my colloquy, for the convenience of easy reference to the various points touched on therein.

HENRY H. GIBBS.

March, 1893.

[1] I fear that if the English Government on the occasion of the forthcoming International Monetary Conference, should refuse to submit or support practicable propositions destined to extend considerably the use of silver as legal tender, there will probably result a further incalculable depreciation in the value of the metal and a very serious appreciation of gold, followed by disastrous consequences.

A COLLOQUY ON CURRENCY.

A Decameron.

THE FIRST DAY,

25th September, 1892.

THE BIMETALLIC THESIS.

Present Evils :—

Appreciation of Gold.
Loss of the Par of Exchange.
Protection to Producers in Silver-using Countries.

Value and Price.
What is a Pound ?
Price of Precious Metals.
Mint Price, Market Price, and Bank Price.
"Preference for Gold."
Stability of Gold and Silver Compared.
Token Currency.

GRESHAM LAW.

Cheapest and Dearest Metal.
England practically Bimetallic till 1876.
Indian Mints.

Ashburton, Giffen, Gladstone, Harcourt, Harris, Horton, Jevons, Liverpool, Locke, Lubbock, Newton, North, Peel, Rogers, A. Rothschild, Adam Smith.

Scene—REGENT'S PARK. *Time*—AFTER DINNER.

Present: MR. WM. SMAIL, M.P.; SIR WM. HARROP, M.P.; MR. CHARLES WHITE; *and* MR. H. GILBERTSON, *the Chronicler of this Symposium.*

G. WELL, Smail, I am very glad that you were all three able to come, so that we may at last have a chance of threshing out the principal points of the currency question.

S. A very important one, but one very difficult to understand.

G. I will do my best to make you understand it.

S. Thank you; you will have your work cut out for you, and the talk may be a long one. But however long, I don't expect that you'll bring me to your way of thinking.

G. Then you can bring me to yours: I have an open mind; and with such forces against me—Harrop, a past master in all that is historical, and you others, the incarnation of common-sense and knowledge of business—what is a mere student of political economy and finance to do, even though he also has some business experience and some smattering of history, and lays claim to a small portion of common-sense?

H. Well, my friend, history and common-sense are, I venture to say, both against your contention.

G. What *is* my contention? I should like to set you all down to a competitive examination, that I might see which of you would give the best—or the worst—account of my contention; but I shall choose rather to be examined than to examine, and I should like you to take for your starting-point Harrop's dictum that history and common-sense are against my contention. Do your best! *Tirez les premiers!* Come, I will give you a mark to fire at. Here is my thesis:—

Bimetallic Thesis.

1. That the ancient law of England which prevailed from 1666 to 1816, provided free and gratuitous coinage of the precious metals into pounds sterling of a fixed weight and fineness, the gold coins bearing a definite proportion to the silver coins, and either being equally legal tender, *i.e.*, equally available for the discharge of debt at the option of the debtor.

2. That it was always, and is now more than ever, necessary to the well-being of the foreign trade of the United Kingdom, that that law should be re-enacted, and that the proportion therein prescribed should be consonant to the proportion adopted in foreign countries, thus securing a par of exchange between gold and silver.

3. That the legislation of 1816, in excluding silver, exposed our commerce to the evils consequent both on the destruction of the par of exchange and on the continued appreciation of the measure of value, from which evils we were protected till 1873 by the action of the bimetallic law in other countries.

4. That the only complete remedy would be an inter-

national agreement to open the Mints for the coinage of both metals at a definite proportion, as legal tender.

H. Why can't you let well alone?

G. Is it well? We are speaking of what is mainly a question of commerce between this country and foreigners; and it need not surprise you if I, as one engaged in that commerce, perceive difficulties and dangers which escape you, and which you (except indirectly) escape.

S. I must confess that I, though engaged all my life in commerce, don't see them. What are they?

G. 1. The loss of the par of exchange between Great Britain and silver-using countries.[1]

2. The protection which the present monetary system gives to producers in those countries at our expense.[2]

3. The continued appreciation of our Measure of Value.

Par of Exchange.

I will begin with the par of exchange; because it is that which most touches me individually.[3]

In your branch of commerce, Smail, which is practically all within the United Kingdom, when you have sold your goods you know precisely what you will receive for them. The pound sterling which is remitted to you—say from York—is still a pound sterling when it reaches London; and always was so, whether the pound was so many grains of gold or so many grains of silver, the law, as I just now said, allowing either. As the law now stands *you* have that benefit; but *I*, dealing with China or Peru, have it not. I sell my goods for so many dollars, calculated on the 1st of January as worth so many pounds sterling; but on the 1st of April, when I receive the dollars, they may be worth 10 or 20 per cent. less, a fall caused by the action of other nations, and irremediable and incalculable by me. With France and other gold-using countries we have a par of exchange, a basis for calculation: with silver-using countries we have none.

Protection to Foreigners.

Secondly, as to protection to silver-moneyed countries. Producers in India could sell wheat here for 25s. a quarter, and get the same number of rupees as they did when they sold it for 45s. They thrive, and our farmers starve. Moreover, the Indian has a par of exchange with other silver-using countries, such as Mexico, China and Japan, and can deal with them without fear. We cannot.

Appreciation of Gold.

Thirdly, as to the appreciation of the Measure of Value. This is, in other words, continued decline of prices, a condition

[1] See pp. 88, 163-71, 243, 244. [2] See pp. 243, 244. [3] See pp. 164-67.

fatal to prosperity in all trades, in home and foreign, in yours and mine. This is no modern opinion only, but is declared by all the old political economists, and by all the moderns also till the necessities of argument obliged some of you to invent a doubt of it.

S. How will your new devices help us?

G. They aren't new, but old and long-tried. I must refer you to the experience of the past. The English law down to 1816, and even the French law down to 1873, did give us that par of exchange, and that monetary use of both metals, and would again. India would again be on the same footing as of old; a pound sterling in the price of produce would again give ten,[1] and not fifteen or sixteen rupees, and the English producer would be on equal terms with the Indian. Silver would bear its share with gold in the money-work of the world.[2] The Measure of Value would no longer be subjected to continuous contraction, and a fair price would be obtainable for commodities whether of home or foreign production; and that, in the long run, is to the advantage of producer and consumer alike.

Value.

H. Well, I don't pretend to fathom your grievances; but I object *in limine* that all history and all experience show that it is impossible for the State to fix the value of any two commodities, each being of necessity variable in value.

S. Add, that if it were possible it would be undesirable.

G. My withers are unwrung! What is that to me?

S. Surely you propose to fix the value, the relative value, of two commodities—silver and gold.

G. Certainly not. There are many loose thinkers and speakers about, in currency questions as well as in other branches of politics; but I hope you will find no such proposition as that in anything I have spoken or written.

H. But if you fix, as you must admit you do fix, the ratio of value between two commodities, you necessarily fix the value of each. You declare, as I understand it, that a fixed number of ounces of one metal shall be constantly equal in value to a fixed number of ounces of another metal. How can that be? An ounce of silver is always equal to an ounce of silver, and an ounce of gold to an ounce of gold. I remember that, quoted in

[1] Assuming for the moment a ratio of 15½ to 1. [2] See p. 97.

Lord Liverpool's book from Locke or Harris; but how is an ounce of gold to be always equal to a fixed number of ounces of silver? Tell me that.

G. It is from Locke, I think;[1] and it is of course true, if you add the words "at the same place and at the same instant of time". But—taking gold as a measure of *value*—it is by no means true that an ounce of gold is always equal to an ounce of gold.[2] Is the charge of five sovereigns payable since 1872 on your 7-acre field the same now as it was then? With the £5 paid in 1872 the annuitant could buy a certain quantity of the necessaries of life—say 16 bushels of wheat. This year he can buy with the same number of sovereigns at least 30 bushels. I think, too, that you find the charge a much heavier burden on the diminished rent you get now, than it was on the fat rent of twenty years ago. But as to your question; I have said nothing at all about equality of *value*. I repeat that the bimetallic law provides only that, in default of bargain to the contrary, gold or silver coins shall be legal tender *in discharge of debt*. Any supposed variation of value between the two metals might be an incident to a bargain; in which case the seller would fix the value. The law fixes none. If I had said that any one was bound to give an ounce of gold for 15½ ounces of silver, or *vice versâ* (I assume a ratio *ad interim*, but I daresay you will touch on that matter before we come to the end of our colloquy), I should indeed have fixed their relative value. Their positive value I could of course not fix without going through the whole range of commodities and affixing a gold and silver valuation to each. But in the bimetallic law there is no authoritative fixing, relative or positive.

W. Value and price are much the same, aren't they?

G. Certainly not. Price is a numerical indication, expressed in terms of the unit of valuation, of what in your opinion is the value of a thing which you wish to buy or sell; but it is not itself the value of the thing. Jevons says, "Value is a vague expression for potency in purchasing other commodities".[3] Price.

H. What, then, does the bimetallic law do, if it does not fix the relative value of gold and silver?

G. It gives the historic and scientific answer to the late Sir Robert Peel's question, "What is a pound?" You shall hear more about that presently. When the second Lord Liverpool What is a Pound?

[1] And Harris, Appendix. p. 444.
[2] Petty, *Political Anatomy of Ireland*, pp. 346-48.
[3] *Investigations in Currency and Finance*, p. 20.

asked himself in 1816 that famous question, which Sir Robert Peel asked the House of Commons in 1844, the answer lay ready to his hand in the existing law—"123·27447 grains of standard gold 11/12 fine; or—at 15·209 to 1—1858·0639 grains of standard silver, 222/240 fine, at the option of the payer". The gold pieces of the time (21/20 of a pound) were called guineas, not sovereigns, and were equal to twenty-one shillings, the weight of the guinea being 129·4382[1] grains, against the 123·27447 of the sovereigns of 1817, which exactly represented the pound sterling, the fineness of the two coins being the same. But the Minister had persuaded himself that before the suspension of cash payments gold had become the metal most in use, and had found reasons for it in his father's letter to the king; and therefore ——

W. Stay a minute. How could gold be "the chief coin in use"? The mass of the people couldn't use gold. Silver must have been necessary for all market purposes; gold convenient for great transactions.

G. You dispute Lord Liverpool's view, and not, I think, without good grounds.[2] Lord Ashburton in his day rightly declared that the supposed "reasons" for the alleged fact had no foundation. Nevertheless Parliament was persuaded to decree that the answer should be "113·0016 grains of fine gold, (123·27447 standard 22/24 fine)" and nothing else. It put no *value* on gold, but left that to the market. What it did do was to order that every payer might and must make his payment, in default of specific agreement to the contrary, in pounds sterling or parts of a pound sterling, and that the pound should consist of so many grains of gold, coined in accordance with the law.

That ordinance did no harm at the time; both because gold had been abundant and full-weight silver scarce, and those engaged in commerce had got accustomed to gold, and also because of the action of the French law to which I will advert presently.[3]

Neither did our bimetallic laws of 1663-6 (in legal force till 1816, in active force till the suspension of cash payments in 1797) nor the French laws of 1785 and 1803, fix any *values* relative or positive. They did by the *two* money metals precisely what Lord Liverpool did by gold.

[1] Lord Liverpool calls it 129½ (which is approximately right), and Mr. Leake follows him. It was equal to 1997·4192 grains standard silver. (See also pp. 50 and 89), twenty shillings being then equal to 123·274 grains gold, as they were in 1699 to 120·4076, in 1696 to 117·691, and in 1663 to 129·4382.

[2] Adam Smith's words (see p. 14) incline me to doubt whether in 1776 gold was really the *measure* even in great transactions.

[3] See pp. 26, 149, 167.

Let us suppose that (as I desire) such a law were re-enacted in this country; and let us assume for the purpose of illustration the French ratio of $15\frac{1}{2}$ ounces of silver to one ounce of gold; then the payer might pay his debt expressed in pounds sterling, either in gold or silver in the coins issued at the legally appointed ratio—let us say in sovereigns of 123·2744 grains standard gold, or in double florins of 378·708 grains standard silver; one gold piece being for the purpose of payment of debt equal to five silver pieces weighing together 1893·5403 grains. *There* would be the answer to the question "What is a pound?" But any one might make what bargains he pleased. He could ask as much sterling as he pleased for either metal, or, indeed, as much gold as he pleased for his silver, or as much silver as he pleased for his gold; he could pay as little sterling or as little of either metal for the other as he could persuade the seller (if there were such a thing as a seller) to take. I need hardly add, that he could pay as little as he chose of either or both for any commodities.

H. and S. [*together*]. But the mainspring of your argument for bimetallism is that the ratio remains constant.

Price of Money Metals.

G. To be sure it does—between gold and silver coins of full weight. The proportion at which the State will strike legal tender coins for any one who brings the metals to the Mint remains unaltered; but the law, as I have said, does not fix either price or value, whether of the precious metals or of any other commodities. It is common-sense and free will, in other words "the higgling of the market," that fixes them. All experience shows that in a country under the bimetallic law there has never been a different price of commodities according as the money tendered was gold or silver. It is obvious, therefore, that while the Mint (*assuming a ratio of* $15\frac{1}{2}$ *to* 1) would give every man a sovereign for his 123·2744 grains of standard gold, and ten florins[1] for his 1893·54 grains of standard silver (1751·5427 fine), it is not *primâ facie* likely that any man would give £1 + x for 123·2744 grains of gold, or for 1893·54 grains of silver; or that he would give 123·2744 grains of gold + x for 1893·54 grains of silver, or 1893·54 grains of silver + x for 123·2744 grains of gold, for the ordinary purposes of internal trade.

S. He might have the gold, but might want the silver to make a spoon. The holder of silver, if it was scarce, might say: "I want twenty-one shillings for my 1893·54 grains". The Mint price would not help the buyer.

[1] Or rather five double florins. Florins, shillings and minor coins would still be token-money. (See p. 18.)

G. In theory it would not. In practice the buyer could always melt new coins and make his spoon; and the fact that the two parcels of gold and silver were equal at the Mint would generally govern the matter. No one has ever asserted that it always would, or that it ought to do so.

It is not the business of the State to find cheap gold for the goldsmith, or cheap silver for the silversmith, any more than it is to find cheap lamb for the butcher. Our monetary law, with no such intention, produces the effect of a definite limit as to minimum, and an approximate limit as to maximum, on the price of gold for the arts.[1] But the law was not made for the goldsmith's advantage, but for the welfare of the community. If an alteration of the law should be found advantageous for the community, it will have to be passed, even though in theory it might appear distasteful to individuals.

W. So much for the buyer of the precious metals. How about the seller?

G. The seller is absolutely secure. No man in his senses, if he can get 60·838d. an ounce for his silver, will sell it to a silversmith, or to any one else for 60d., or any less sum. Are you inclined to sell me an ounce of gold, Smail, for 77s.? Why won't you? Because you can get 77s. 9d. at the bank; or, if you are not in a hurry for your money, and like to wait your turn, 77s. 10½d. at the Mint.

"No new Demand for Silver."

W. But Giffen is quite sure that he would never have a chance of getting his 60·838d. an ounce, because France, Germany and the United States, having as much silver as they know what to do with, and more, would not take his silver at that or any price. There would be no demand.[2]

G. Giffen is a very clever man, and a master of figures; but he none the less leaves out of the account two matters of no small bearing on the question. First, it is not from France, Germany or the United States that demand is looked for, but, as always, from India and the East. Second, when there is an order from those countries to buy silver, then so long as one can by law and irrespective of demand get 200 francs to one's credit in Paris for one's kilogram of silver, no one will sell his holding at any less price than that would give him.

S. Did you happen to hear an address by Mr. Thorold Rogers to the London Chamber of Commerce in 1890? He

[1] Harris is precise upon this point. See his Second Essay, Part VI., p. 24 (Appendix, p. 450).

[2] See p. 57.

gives a very interesting table of prices which militate strongly against your doctrine, reasonable as it may seem.

G. No; but I have read it. The report of it is among those pamphlets on the table. Professor Rogers was painstaking, but insufficiently armed with business knowledge or with the details of the subject on which he was then speaking. He did not even bear in mind the legal fineness of the silver coin, and thus miscalculates the Newtonian ratio as 15·07 to 1, instead of 15·21 to 1. His more important errors are the supposing that under the bimetallic law the price of gold, *reckoned in silver*, was 77s. 10½d. an ounce, and of silver 5s. 2d. an ounce, *reckoned in gold;* whereas the law provided, as I have just said, no more than that the ounce of gold should be cut into so many legal tender pieces and the ounce of silver into so many. He supposes also that in 1774 silver was deprived in part of its legal tender character; the fact being that silver *coin* was so deprived, as being worn or clipped, so as to be less than its legal weight. By weight it remained full legal tender to any amount.[1] Mint Price and Market Price.

S. These don't seem to be very important errors, and you have not yet touched upon the real point at issue, the discrepancy between Mint price and market price.

G. There are many more errors; but I am not reviewing the professor's address. I have only mentioned these to show that, able as he was, he was not in this instance fully equipped for his campaign. He has wholly omitted the essential fact which I just now mentioned in passing, that the prices quoted by him were reckoned *in worn coin*,[2] and have therefore no relation at all to the intrinsic proportion between gold and silver. He admitted in the subsequent discussion that that had escaped him.

S. That was indeed a capital error of the professor's.

G. Yes; and he might have corrected it himself by observing that in 1774, when the great re-coinage took place, the great variations disappeared; those which did remain corresponding to the difference between bank cash price and delayed Mint price, such as is now fixed by law at 1½d. an ounce. Mr. Rogers ought also to have remembered that as there were then different ratios in England, Holland, France, Germany and Spain, it was impossible that the price of bullion should conform

[1] See the law, quoted on p. 133 note.

[2] Roger North gives this same (contemporary) explanation of the 30s. price of guineas (*Lives of the Norths* (Sir Dudley North), iii., p. 8).

to all of them at once, or, indeed, exactly and always to any one of them.[1]

H. Anyhow, you must admit the existence of considerable fluctuations even under a bimetallic law.

G. Why not? But I may tell you that merchants during these last fifteen years would have been glad indeed to have seen no worse fluctuations.

W. What did you mean just now by "delayed Mint price"?

G. If you choose to send your own gold to the Mint, the Master of the Mint will coin it for you; but you will have to wait your turn, and will not get your money without some delay, and will have to debit the operation with interest, and either brokerage or your own shoe-leather. You will gladly compound for this, by receiving cash for your bars from the Bank of England, *minus* 1½d. an ounce of standard gold.

S. That seems "a monstrous cantle out," doesn't it?

G. No; for if it were, you would take your gold to the Mint instead; and as a matter of fact nobody does so: every one finding it cheaper to pay the 1½d. demurrage.

H. I want to know why, if people believed that they could always get gold for their silver, they should keep any gold at all. Why should there be any gold reserves? I suppose no one would believe it; and gold would therefore be hoarded against the evil day.

G. What! all the £880,000,000 gold money. *Credat Judæus!* and he would be the last person to do it! What! Do you really believe that civilised peoples will bury their gold, and lose their share of about £28,000,000 a year interest, let alone profits?

H. Indians do.

G. They are not all the world; and they are of a very different make from the Western peoples. But I don't follow

[1] Note to 3rd edition. I should scarcely have thought it necessary to say so much about Professor Rogers's mistakes, but that my good friend Sir John Lubbock, who was indeed in the chair when the address was delivered, has written a paper in the *Pall Mall Magazine*, in which he makes a great point of these discrepancies between legal ratio and market price. He had forgotten his Adam Smith, I., xi., p. 89, edition 1838.

1896. Sir John repeats the same fallacy in a paper issued this year, in ignorance, apparently, of the facts stated above.

your question, Harrop. Perhaps I did not clearly catch your words. So far as I could understand, it was this: If everybody believed that every one else had gold, and would give it in exchange for silver, nobody would keep any gold at all. The answer is: No one *would* believe that they could always "get gold for their silver". But no one has ever asserted it. I cannot find it; 'tis not in the bond! There is nothing in the law, either of 1666 or 1803, about exchanging one metal for the other. Read the law first, and argue afterwards. If nobody would keep gold, whither would it go?

Preference for Gold.

H. Of course it would be kept; and it strikes me that one of the difficulties in your way would be the general *preference for gold*, both as being the more noble metal, and as being smaller in bulk, and therefore cheaper to transmit and easier to count. Consequently it will be more sought after, and bear a higher price.

G. A short and decisive answer to your allegation of a general preference for gold[1] is that more than half the world has, and the whole of the world had, a preference for silver. Your allegation as to cheapness of transmission is at best doubtful, and as to nobility, we may leave to the two metals themselves the disputation of their respective precedence. It doesn't concern us.

S. Let us come back to "the current money in use". Gold, it was said, became the money most in use. That, as White said, must be taken *cum grano salis;* but Lord Liverpool must have thought that there was something in it, something showing that here, at least, there was a preference for gold which nothing would overcome, a belief in the greater suitableness of gold for the commerce of a country such as this? He followed public feeling; and there might be great danger in attempting now to legislate in a sense contrary to public feeling, which, by the way, must have in all these years fixed itself more strongly on gold than ever.

G. Public feeling was, and is, quite able to take care of itself; and if it was proposed to force silver upon an unwilling people, they would easily learn how to protect themselves. But the course of legislation has been to *deprive* them of silver, Lord Liverpool's argument being reducible to this: "People prefer gold money to silver so much that they will have it at any rate, and therefore we must make laws to prevent their using silver money if they desire to do so". An epigrammatic summary which I owe to Dana Horton.

[1] See pp. 19, 21, 22, 101.

S. Well, they showed practically that they *would* have the gold money at any rate.

G. If they did, which was certainly not the case,[1] it was under a bimetallic law that they did it, a law which in no way impeded their desires, and under which gold had become the "standard of merchants," as Harris called it,[2] in the eighteenth century; and gold, if it be true that there would still remain that invincible preference for gold which is said now to exist, would remain the money in use under a bimetallic law in the nineteenth.

Relative Stability of Single and Double Standard; also of Gold and Silver.

S. Lord Liverpool in 1816 and Peel in 1819 did not only follow public feeling, but gave us by their own wise statesmanship a metallic standard safer, as they believed, and as I believe, than the ancient standard, both as being single and therefore less variable, and also as being of gold, the least fluctuating of all commodities, rather than of silver.

G. You think a single standard less variable. You had better read Jevons on that head. He will set you right.[3] And gold you say is "least fluctuating"? Where do you learn that, and how do you prove it?

H. Common consent. Everybody knows it.

G. Very likely. But I ask how do *you* know it?

H. Surely no one can doubt that. The price has never varied. *I* know as much as that. It has been £3 17s. 10½d. per ounce from 1816 until now.[4] Before 1816 I believe its fluctuations were frequent; but that was, I suppose, in paper money.

G. Sometimes in paper money, sometimes in worn coin. You are quite right as to the constancy of the price at £3 17s. 10½d. A price, observe, of a commodity fixed by Act of Parliament! How do you like that, Harrop? One of the learned pundits who instruct us in the columns of the daily press tells us that an ounce of gold costs £3 17s. 10½d. because the cost of production[5] of an ounce of gold is just that sum! The Lord help him and you too! Why, it takes just an ounce of gold to produce £3 17s. 10½d., which is quite another thing. An ounce of gold *is* £3 17s. 10½d. at the Mint.[6] Don't you see,

[1] See p. 21. [2] See Appendix, pp. 450, 454.
[3] See pp. 70, 74, and *Investigations*, p. 20.
[4] I have heard this argument seriously adduced by a public speaker.
[5] See p. 232.
[6] See Andrew Johnson, *Observations on Recent Supplies of Gold*, 1852, p. 18.

White, that that sum which you get from the Mint can only figuratively or by analogy be called price at all. There is properly speaking no purchase and sale, no higgling between buyer and seller. You might almost as well say, "The value of a whole number is clearly immutable, for the four quarters of it always equal it exactly"! or "the purchasing power of a penny is constant; it will always get you two halfpence". The ounce of standard gold is cut into that sum, or—more exactly—40 lb. troy are cut into 1869 equal portions, each a sovereign, and they weigh and are equal to the whole 40 lb. That which you get for your gold commodity is called indeed the Mint *price* because it is in fact money, and as a popular though not a scientific term, we may accept the phrase.

W. Just as we say, "the sun *rises*," though it does nothing of the kind.

S. For all that, I think there *is* a price. Why, gold is bought and sold every day. Aye, and at a price fixed by the law (whatever you and I may say, Harrop), a real price, not a mere redelivery of the same commodity in another shape. The law says the bank must *buy* all uncoined gold brought to it at such and such a price—an arbitrary price, not at all representing the identical weight brought in—and *that* price has never varied. Bank Price of Precious Metals.

G. Of course it hasn't. It is true that the bank is only the intermediary between the Mint and the public, and that the "bank price" is only the "Mint price" minus interest and brokerage; but it *is* a price, and at it the bank, as every day's Money Article tells us, *buys* all that is brought to it. But what about that which is *not* brought to it. *That* gold has a real price in the market ——

S. Just like any other commodity.

G. With this difference: The open Mint has a voice in the matter, and the "bank price" prevents the price of gold from falling below £3 17s. 9d.; but especial demand may and does cause it to rise slightly above that figure. The open Mint is now the regulator of the price of gold, and to the same extent it was till 1816 the regulator of the price of silver also: but in neither case was the "Mint price," strictly speaking, *price* at all, nor can it prove anything as to the stability of either metal as a measure of value.

H. Of course it can't; *I* didn't mean that at all. What I intended to assert was, that the value of gold as measured in

commodities was more stable than that of silver, and, of course, more stable than a composite measure.

G. A perfectly intelligible statement, and one that has been lately made by other great men besides yourself! But you must pardon my telling you that it is absolutely contrary to fact. Before 1873, the relative value of silver and gold was practically constant, as measured in the pound sterling or in one another, and, therefore, of course, their relative value remained constant, as measured in other commodities; and since 1873, according to the unanimous opinion of the Royal Commission of 1888—

> "It may be safely said that there is no evidence of a rise "in prices in India; and there is a general agreement "among witnesses whom we have examined on the point, "that the purchasing power of the rupee in that country has "not fallen".[1]

H. Silver may have remained unaltered in India, and for aught I know, in other silver-using countries; but you can't deny that it has fluctuated enormously here.

G. Yes, that commodity has fluctuated as measured in gold; and note that *exactly to the same extent, the commodity called gold has fluctuated as measured in silver.*[2]

Silver, which is the money of India and the far East, has fluctuated in our eyes, as measured by our standard; and gold, which is our money, has fluctuated in Eastern eyes, as measured by their standard. We have measured things so long by gold that we have come to think that gold is a fixed value round which all other commodities revolve; and, consequently, we think when silver goes down in terms of gold that it has depreciated in value, and we think the Indian foolish and ignorant if he looks on his standard as we look on ours, and if he looks on our standard as a fluctuating commodity, just as we look on his.

We see that when the United States increase their demand for silver, silver rises in value; *he* sees that when Germany or Austria demand gold, gold rises in value; but neither of us can understand the possibility of his own standard fluctuating.

That is what Adam Smith said. I abridge the passage.[3]

> "If a nation keeps its accounts in silver as its standard "metal, and a change takes place in the relative value of the "metals," [He is speaking of the legal ratio, not of the in-"trinsic value] "gold will seem to be that which has varied:

[1] See final Report of the Gold and Silver Commission, Part I., 52.

[2] See p. 173, and Appendix, Table J.

[3] *Wealth of Nations*, I., 5, p. 18, ed. 1833. See Appendix, p. 457. See also Ricardo, *Works* (1886), p. 222.

"but if the custom should change, and accounts and pro-
"missory notes should be expressed in guineas, it would be
"silver which would seem to have varied when any change of
"value took place".

But now as measured in commodities, silver has scarcely fluctuated at all. You could buy at least as much wheat in the London market with ten ounces of silver in 1892 as you could in 1870. I need not point out how great have been the fluctuations of gold as measured in wheat and other commodities.

H. That is curious. It amounts to this, I suppose, that silver and other commodities have been depressed, *pari passu*, as measured in gold?

G. Precisely; allowing, of course, for the particular circumstances of each commodity. Some have fallen more, some less, some not at all; but all have been lower than they would otherwise have been.

W. There certainly has been a fall in general gold prices.

G. Yes; and as regards the fancied stability of the yellow metal I refer you to the index numbers of the *Economist* and others, from which you may see that there has been a fall in gold prices of 39 per cent. from 1873 to 1887.[1] The questions how far the fall in gold prices has been due to the relative scarcity of gold, and how far to an increase of commodities, are interesting ones, but too complicated to be accurately determined. The general result is that the relative value of silver and other commodities has remained the same, while the relative value of gold and all other commodities, including silver, have varied 30 and 40 per cent. and more. In these complicated matters we must use the inductive method of reasoning; but if you like to examine into the probable causes of fluctuations in the value of the metals, and to look at one of those causes which affects the metals themselves alone, namely, the changes in the amount of yearly production, you will find that whereas the production of both metals has fluctuated enormously, the fluctuations in the production of gold have been much greater than those of silver.

H. But we all know that in the last few years the production of silver has been very large and much greater than that of gold, and in this last year nearly as much as any one year's production of the other metal.

[1] Sauerbeck's index number for 1873 is 111, and for 1887, 68, a difference of 43, or 39 per cent., and 9 per cent. more in the preceding decade, *viz.*, 1887, 68, and 1897, 62—difference 6.

G. That is true, but one swallow does not make a summer; and one or two exceptional years do not invalidate my contention. The point lies not in the comparative production of this or that year, but in the comparison of a long series of years [1] or of the total stock. But let me know what you mean by "greater".

H. Greater in value, of course.

G. It is very curious that when silver has fallen lower in gold price than it has ever done, precisely then the efforts of the producers have been increased, the lowness of price not at all discouraging them. Of course the two things react one on another, but one cause is said to be that the mining companies have got to pay dividends, and must make up by quantity what they lose in price.

S. I am told that in Mexico, for instance, which is on a silver basis, the fall in the gold price of the metal is rather an advantage than otherwise to the silver miner.

G. No disadvantage; because 90 per cent. of the cost of mining in that country is paid in dollars, and the premium on the gold which is found with the silver compensates for the extra cost of the other 10 per cent. spent in mining materials imported from abroad. Thus also depreciation of silver gives an impetus to gold mining.

Comparative Cost of Shipment of Gold and Silver.

W. There is another thing against silver, isn't there? namely, that to which Harrop adverted just now. I mean the expense and trouble of shipment when it is necessary to make large remittances to foreign parts, whether in payment of foreign claims or for exchange operations. Why, they tell me that a million sterling in gold would weigh ten tons; and if we suppose a ratio of 20 to 1 adopted, there you have 200 tons at once.

G. That's Alfred Rothschild's argument. The arithmetic is not very exact, but that may pass. A score or two of tons signifies nothing in an argument.

W. You can't desire a better authority than Rothschild. His house has more to do with export and import of gold than any one in the world.

G. He does not, I daresay, make his calculations for himself; and whoever made this one only intended, probably, to give an

[1] See pp. 234, 235.

approximate weight. It is wrong in any case, but the matter is not worth dwelling on.

W. I should like, however, to know where the calculation *is* wrong.

G. Well, it is evident that the pound troy has been treated in it as if it were the pound avoirdupois.

Here is the true weight: £3 17s. 10½d. equal one ounce of gold. Therefore 1869 sovereigns of standard weight are equal to forty pounds troy, or thirty pounds avoirdupois. Therefore 1,000,000 sovereigns would weigh about

16,051 lb. avoirdupois = 7·166 tons.
Packing cases, say, 10,000 ounces troy . ... about 280

7·446 tons.

Silver is sent in bar, and not packed. It would therefore weigh at 20 to 1, 143·32 tons; or at 15½ to 1, 111·073 tons.

H. The precise weight of the million sterling is, as you say, of little moment. But as between the two metals, you don't mean to tell me that it would not cost more to remit twenty tons than to remit one? It needs no argument.

G. None at all; only a little knowledge of the subject. Yes, there is *one* argument—*the broker's note*. Any bullion-broker will tell you that, whatever the weight, his charges are *ad valorem*. If you like to argue it out with him he will admit, no doubt, that it will cost him more to lift and shift twenty tons than one; but that *per contra*, it will cost him more to pack one ton and store it, perhaps, in a strong room, than to leave twenty unpacked, which is what he would do.

H. I can't help thinking that your rule of equality of charges must have its exceptions. A small parcel of gold, now, might be more easily stowed on shipboard than the same sterling amount in silver; and I can easily imagine that in the case of a large parcel a bargain may be made in favour of gold.

G. I doubt as to the small parcel. A hundredweight of gold is easier stolen and easier disposed of than fifteen or twenty hundredweight of silver, and the risk to the insurer is the greater. It is quite possible that for very large parcels, in very exceptional cases, exceptional bargains might be made. But such a case as that supposed by Alfred Rothschild must be excessively rare, and if we may imagine that in such rare cases some inconvenience may be felt by individuals, that would be

but a feather-weight in the scale against advantage to the whole commercial community. Besides, under a bimetallic law, you must remember, an infinitesimally small Agio on gold would at once equalise the charge. By the way, speaking of exceptions, there is one which perhaps has never occurred to you. It costs more to send gold to Bombay than it does to send silver. The Indians chose to have gold bars of a special shape and weight, and that costs 1d. an ounce extra.

W. Mr. Rothschild must have had in his mind rather bulk and weight and time of preparation for the shipment of so large a mass than the actual cost of freight and charges.

G. True; but your broker will tell you also that there is no difficulty whatever in sending any quantity, however large. If there were, you may be sure that those who have to remit to England would feel it fully as much as we who have to remit it to them. If, when we have to send specie abroad, the supposed inconvenience should make it necessary to send gold rather than silver, so also would it affect foreigners in the opposite case; and remember that under a bimetallic accord all would have the same means of protecting their gold if they cared to do it.

W. No doubt, as you say, such cases of the sending a million in one sum at a day's notice, as Mr. Rothschild imagines, would be exceedingly rare; but rarer still, I suppose, would be the cases where such a shipmeut would *necessarily* be made wholly or in great part in silver.

G. Much rarer. If we did send the whole, or the greater part, in silver, it would be because on the whole *it answered our purpose better so to do.*

Token Coinage.

W. Now there is yet another matter which perplexes my inquiring mind. It is said that under a bimetallic system we should have to recoin all our token coinage—itself an expensive job, and one that would deprive the Mint of the profit now made on that coinage.

G. Why should they be recoined?

W. It would never do to have a standard shilling and a token shilling circulating side by side.

G. Certainly not; but there would be no standard shillings. Probably double florins (dollars) would be the only standard silver coin. Remember that in practice it is very rarely that

they will be wanted except for export, and, possibly, for the payment of wages. As far as they may be in home use there is no more reason why they should not circulate concurrently with the silver tokens than there is why the existing French silver tokens should not circulate in the same country with five-franc pieces.[1]

W. Are there two kinds of silver coins in France? I thought they were all of the same fineness—nine-tenths.

G. So they used to be; but in 1865 the two-franc, one-franc, and half-franc pieces were reduced in the Latin Union from 900 *millièmes* to 835; making their value, as compared to the standard franc, fr. 1,855, 0·925, and 0·460 respectively.

Our token shillings would always stand for the twentieth part of a pound, whether that pound was 113 grains of fine gold or 1751½ grains of fine silver.

W. Yes; I quite understand it now. We shall never need to touch our silver tokens.

G. I don't know that. If India should close her Mints and if the United States should cease their purchases of silver, it is impossible to say how far the price of silver might fall and how great the difference might be between the token and the standard money. The temptation to the illicit coiner might be too great, and we might be obliged to recoin in self-defence. The only real remedy is the rehabilitation of silver by the law of dual legal tender, with Mints open to both metals at an agreed ratio.

W. Now let us go back to the times of Lords Liverpool, father and son. I understand you to say that, whatever may be the case now, there was then no sentimental feeling at the bottom of the alleged English preference for gold.[2]

G. None. It was simply the effect of self-interest; which moving principle is the mainspring of the so-called Gresham law. "Gresham Law."

W. But they tell me that the Gresham law declares that the cheapest metal will remain in the country and the dearest be exported.

G. Does it? I need not tell Harrop that the Gresham law (*i.e.*, Sir Thomas Gresham) says no such words.[3] That is a

[1] Gold and Silver Commission. Questions 3,629-42.
[2] See pp. 11, 21, 22, 101. [3] See pp. 20, 23, 24, 26.

nineteenth century gloss. Jevons understood the matter, and makes it clear enough to any one who wishes to understand, in his book on *Money*.[1] Now, White, what do you mean by "cheapest" and "dearest"?

W. I suppose that which costs least or most to produce. When is wheat cheap? When it costs little to grow at home or to import from abroad. You won't dispute that.

G. Those things do cheapen wheat, no doubt; but there is another thing which may cheapen it. We'll talk of that afterwards,[2] but what we have now to do with is the cheapness or or dearness of the precious metals. What did the existing £880,000,000 gold money and the existing £870,000,000 silver money cost to produce? If you can't answer that, White, tell me, at least, whether it cost more or less per ounce than the present yearly production.

W. Frankly, I haven't the least idea. But the present production? We know at least what it will sell for. It will sell for the price to which competition brings it.

G. Will it? Put yourself in the miner's place. He could get, under a bimetallic law, say 5s.[3] an ounce for his silver at the nearest Mint. Do you think he or any one else would sell it for less? Yet there are some people who think—no, who don't think at all—who tell you that the price of the silver and gold used in the arts would not be affected by a Mint law which should order that 60·84d. should be given for the one[3] and 77s. 10½d. for the other.

W. What does the Gresham law say?[4]

G. You will find all that Gresham said in his letter to the Queen. He told her that Henry VIII., her father, finding himself the richest man (in hard money) in the known world, and being possessed of absolute authority, doubled the debt-paying power in England of the standard silver money of the realm. He forgot that there was such a thing as foreign trade, and that the gold coin would be inevitably exported when, as was always the case, there was a need for export.

H. That is precisely our point. The country was denuded of gold and silver stayed behind.

[1] P. 80 (1878). [2] See p. 179.

[3] I have always assumed a ratio of 15½ to 1 (unless otherwise expressed) for the convenience of calculation. At 22 to 1 it would be 36·86d.

[4] See Appendix, p. 431.

G. It did. But if he had halved the gold coin and left the silver intact, it would have been the silver which would have gone and the gold which would have stayed. It was easier to treat thus the money of the poorer folk than that of the rich, because the poor would have more difficulty in detecting the fraud.

W. Then you think it was not the preference for one metal over another, nor the intrinsic cheapness or dearness of one or the other, which determined the export, but simply the difference of quantity of debt-paying metal.

G. No doubt; and the effect would have been the same had there been no gold, and (as was the case in a later reign also) had a shilling, worn to or originally weighing 90 grains, been circulating side by side with and having by law the same purchasing or debt-paying power as a shilling weighing 94·65 grains, the man who had to pay a debt of 94·65 grains to a foreigner would send the latter. The cheaper—that which was of least account—*i.e.*, which would buy least—in France, would stay at home; and the dearer—that which was of most account—which would buy most—in France, would go abroad. Thus, in our day also, light sovereigns stay at home, and heavy ones, when export is wanted, go abroad. The cheapest drives out the dearest. One Isaac Newton,[1] of whom you may have heard, explained it all in his Mint report of September, 1717, and so did Locke as one of the Commissioners of Trade, in his report[2] to their excellencies the Lords Justices in Council, dated 22nd September, 1698, and acted upon at once as shown by the Treasury order of the 15th of the following January. This most important report was disinterred by Dana Horton from the journals of the House of Commons of that month. So also said Fleetwood, the king's chaplain, writing on 16th December, 1694:—

Newton, Locke and Fleetwood.

> "If a foreigner import more of his country's goods than he carries away of ours, the overbalance must be paid in weighty money, for the clipped will not go abroad".

Here they all are, in print.

H. What you tell us doesn't explain why gold stayed in England in the sixteenth and eighteenth century and silver went away.

S. That wanted little explanation. Gold stayed, I still think, because the English people preferred gold for the money of the country. See what Lord Liverpool said in 1798. The

[1] See Appendix, p. 439. [2] See Appendix, p. 438.

law, you said, allowed the debtor to pay in whichever metal he chose. Gold was preferred by the people, and they therefore in their bargains contracted themselves, I suppose, out of the law, the seller stipulating for payment in gold. That's a very simple explanation.

G. Very; if there were the least evidence of its truth or probability. Gold was *not* preferred.[1] It was the cheapest metal, and would buy less, and pay less, abroad. I have just now told you what happened in the sixteenth century. Can you really believe that in either century people contracted themselves out of the chance of receiving silver, the most valuable of the two precious metals, *i.e.*, that which would buy most, or pay most, abroad? Lord Liverpool said that they chose gold and rejected silver, but he did not say how they set about the rejection, nor did he adduce any evidence of any such deliberate *choice*. They retained the one and lost the other under the *compulsion* of the Gresham law. He quotes Joseph Harris with approval; but he can't, I think, have ever read his essays. They clearly show the facts to have been as I have stated them.[2] What evidence there is tells against Lord Liverpool, and shows complaints of the absence of the more convenient silver.[3]

W. Is there any such evidence extant?

G. Plenty of it. Besides Harris, above quoted, and Huskisson[4] I need only mention one, and that an official one—the law of 1695-96 (7 & 8 William III., c. 13) closing the Mint to all gold except that brought by the *Husband* of the African Company, and forbidding the import of guineas, "for the repayment of which the silver moneys of this kingdom must inevitably be exhausted".

Gold excluded.

W. So, then, far from "preferring" gold, they desired to exclude gold, the import of which was exhausting their silver. But silver must have been imported too, I suppose.

G. Why should it? No Frenchman would pay his English debts with silver when he could pay them with gold, which in his country was undervalued.

W. If the want of silver coin was felt, why did not the Government buy silver from abroad and coin it?

[1] See pp. 11, 19, 101.

[2] Essay II., Part VII., Section 25, Political Economy Club Collection, p. 473. See Appendix, p. 450.

[3] See Locke's *Mint Report* above referred to (Appendix, p. 438), and Newton's *Report and Memorandum*, 7th July, 1702 (see p. 272).

[4] *Depreciation of Our Currency*, 1810, pp. 44-45 Note.

G. Why should they? Tokens of overvalued silver would have served the purpose, but they had not been invented, and any full-weight coins would have been exported. No Englishman would pay his French debts with gold when he could pay them with undervalued silver. As a matter of fact, in all that century no more silver was sent into the Mint, whether from home stocks or import from abroad, than £1,259,407.

H. So that I am to understand that it was bimetallism that did the mischief, the export of silver being caused by the operation of the bimetallic law?

G. Harrop, your wit runs too fast and stumbles. Did bimetallism prescribe a divergent ratio? Had England returned to Locke's ratio of 15½ the evil would have been minimised. Could we have agreed on a ratio with France, Spain and Holland, there would have been no evil to minimise.

S. How do you show that gold "would buy less," or, if you prefer it, "pay less," abroad than silver? You seem to me to reduce the Gresham law to a very small matter.

G. It is no small matter. *The Times* says that "the Gresham law, which records the observed fact that the cheaper metal will drive out the dearer, operates as certainly as the law of gravitation". The statement is somewhat hyperbolical, but, except that Gresham said nothing about cheapness or dearness of the metals, it is true in the main. But you must take "cheapness" and "dearness" in their true senses.

Undervalued and overvalued metals.

The *dearer* metal is that which is *undervalued* by law at home but which in another country is dearer in terms of the commodities which it will buy there, and the *cheaper* is that which is *overvalued* by law at home, but which in another country is cheaper in terms of the commodities which it will buy there. The Gresham law drives the first to the country where it will buy more, or pay more—where it is overvalued—and keeps the existing stock of the other at home, where it in its turn is overvalued, and causes more of it to be received there, from countries in which it is undervalued.

Thus the ratio in France, in the latter half of the century down to 1785, varied from 14·70 to 15·10, while the ratio in England was 15·21 to 1. The Englishman, therefore, when the balance of trade was against England, could pay a debt of 107·1342 francs to a Frenchman either with an ounce of gold or with about 14·70 ounces of silver; whereas he would need 15·21 ounces to pay his butcher in England, a debt which one ounce of gold would discharge. He chose, of course, to send the *silver*; and it went to France, as I have just said, because it

was a more profitable kind of remittance than gold. *It was the "dearest" metal.* The divergence of the legal ratio pointed out the road; and it was, as I said, self-interest, and no *auri sacra fames* which drove the white and not the yellow metal along it.

The Frenchman during the same period, when the balance turned against *his* country, if he owed a debt to an Englishman, could pay it either with an ounce of gold or with 15·21 ounces of silver. He naturally chose the *gold*, which to him was only equal to about 14·70 ounces of silver, and he remained with oz. 0·51 in his pocket. The gold therefore went to England, being the more profitable kind of remittance. *It was the "dearest" metal.*

So the too hasty interpreters of the Gresham law have to face the fact that nearly in the same period of time each metal, gold and silver, let their cost of production be what it might, was both the cheapest and the dearest metal, and had both to leave a country where it was legal tender, and to stay in a neighbouring country where it was also legal tender, the circumstances as regards the balance of trade being the same in each.

W. This is all quite new to me, and I am not sure that I understand it.

G. You can see the whole thing in the evidence before the Gold and Silver Commission, and can study it there at your leisure.

"Gresham Law." Cheapest and Dearest Metal.

W. One word more about it: I now quite understand that cheapness and dearness, as referring to cost of production, can have nothing to do with the international movements of the precious metals. When gold left this country and silver remained behind, it was because silver was valued by our laws higher in respect of gold than it was by foreign laws. That's it, isn't it?

G. Yes, the theory is right, but no such case has actually occurred in modern times in England, though the converse did. Gold would naturally leave France between 1834 and 1847, if for no other cause, because the 16 to 1 ratio in the United States was more favourable to gold. Gold was the dearer metal there; and silver would at the same time leave the United States because the 15½ to 1 ratio in France was more favourable to silver. Silver was the dearer metal *there.* This case is much the same as that which I mentioned as taking place between England and France.

W. Then I have that clearly in my mind; but still under the bimetallic law are we not likely to be left with the least valuable metal as our money?

H. I have heard that when some one remarked on the difficulty of the study of bimetallism, Mr. Gladstone is said to have answered: "It is the simplest thing in the world. It is only a law to enable a man to borrow a dear metal and pay a cheap one,"—a law, he means, for placing the creditor at the mercy of his debtor, who will always choose the cheapest metal to pay his debts with.

G. To that I answer that if this argument refers to our public debt (some have so employed it) as a matter of fact it was for the most part borrowed in "cheap" bimetallic money, and in cheaper paper money; and we have to pay it in "dear" monometallic money which is growing dearer every day.[1] But if it refers to private debts (as I suppose was the case), then, as between gold and silver, how is the value, the relative "cheapness" or "dearness" to be ascertained?

W. I did think it would be ascertained by their respective cost; but that you won't allow.

G. No; nor did Mr. Joseph Harris (1757), no mean authority, who says:—[2]

> "The value of bullion doth not, like most other things, keep pace with the prime cost at the mines".

That is the affair of the mine owner, not of the debtor. How is the debtor to come by the "cheap" metal when he has ascertained its cheapness? How will it be cheap to him?

Were Englishmen able to pay their bills the easier because gold was to be had in Australia for the picking up, each ounce perhaps costing the digger little or nothing? The debtor profited by the increase in the stock of gold, but not by the digger's profit per ounce. Do we hear of the creditor crying out that he was being injured by the then state of things?

S. The English debtor, if the quantitative theory is right, and the influx of gold raised prices, had to sell less produce to get gold wherewith to pay his creditor. He *did* get his gold cheap.

G. Cheaper; but the cheapness came, not because the gold was got cheaply, but because it was got abundantly. The illustration, however, from monometallic England was only by the way. Gladstone's *dictum* was about a bimetallic country, and I asked, not how should the measure of value become cheaper? but how should one portion of it become cheaper than the other portion? Prices rose in France by reason of the gold

[1] See p. 92.

[2] *Money and Coins* (p. 56) I., xii., 42, Polit. Econ. Club Collection, p. 394.

discoveries; but they were not a *centime* higher in gold than in silver. Moreover, no silver was ever so cheap as that gold was. Consider this also. If either metal were obtainable at a cheaper rate than the other, and gain could be made by getting it, would not the increasing demand speedily raise its price?

W. Will not the market price demonstrate the cheapness? And could one not buy.

G. Certainly not. Is it only a *buyer* that has his wits about him? The seller knows how to sell quite as well as the buyer knows how to buy. Except the cheapness of a debased or clipped coinage (which is what gave the most obvious example of the action of the "Gresham Law"), cheapness of one or other metal under a bimetallic law is a delusion. In a bimetallic country there cannot be, *ordinarily*,[1] a market price of either metal other than the "Mint price"; and a monometallic country reaps the benefit provided by its bimetallic neighbour in steadiness of the price of that precious metal which is not its legal tender money.

England practically Bimetallic till 1876.

Thus England, though legally monometallic from 1816 onwards, was practically bimetallic till 1876. She had been living under the bimetallic law without knowing it, just as the world had been living under the law of gravitation without knowing it, before the fall of Newton's apple, and, indeed, before that other Fall caused by Eve's apple. Lord Liverpool's Act of 1816 hurt nobody in that generation, because the seed then sowed was kept from sprouting and bearing its evil fruit by the effects of the French law of 1803, which definitely established a change-house between the metals. The mischief that the Act of 1816 did was that it put it in the power of foreign states to alter the conditions of the English standard; and this power they used in 1873, and have used ever since.

Legal Ratio and Market Price.

H. No market price, you say, of either metal; but Macaulay tells us, as Smail said, that in 1694-96 the price of the guinea was 30s. and 26s., notwithstanding the ratio (I don't know what it was) which should have made it 21s. 6d.; and when the legal price was raised to 22s. the people stuck to *their* price, and had their own way.

G. I have already[2] answered that remark of Smail's; but I should add that the bimetallic ratio is between metal and metal, not between coin and coin unless the coins retain their legal weight and fineness. It had provided in 1663 that the guinea of 129·4382 grains of standard gold should be equivalent in debt-paying power to 20s. weighing together 1858·0645

[1] See pp. 54, 108, 111, 127. [2] See p. 9.

grains of standard silver; *i.e.*, that full-weight coins struck at the legal ratio of 14·485 to 1 should pass current equally;[1] but it did not and could not compel equivalence when the coins which should have weighed 1858·0645 grains were reduced by abrasion or clipping to 1840, or less. Your 30s. and 26s. prices for the guinea of 22s. were in worn silver coin, as I mentioned before.

H. You said England was practically bimetallic even after 1816. Was not France practically monometallic (silver) from 1803 to 1851?

G. Certainly not. Giffen says so; but he ought to know, and you too, that currency, the money chiefly in use, is one thing, and the legal money standard another. Whatever might have been the money in current use in France in those years matters not at all, provided that the Mint was open for the coinage of both metals equally at a fixed ratio with *vis liberatrix*.

H. How could that help you if there was no gold to be got?

G. What has the absence or presence of gold in France to do with the matter? The law gave a certain choice to the *debtor*. If there were no gold to be got, he certainly would not trouble himself about paying in gold. It would, by your hypothesis, have been all exported, as the "dearest metal". Silver would be the only metal in the country, and he would pay his debts in that; not because it was cheaper, but because he had no choice. But of course the supposed absence of gold is all nonsense.

W. If it were absent, silver would become the standard. There would be nothing else to pay in.

G. Yes; if you take one of the fancy interpretations of the word "standard".[2] It would be the "chief coin in use". But both were in fact really there,[3] and both were legal tender.

W. I think we have, anyhow, emptied that sack as far as can be done at present, and I at least have learnt much about many things, serving to correct my ignorance. I should be glad to have a little more food for monetary meditation against we meet again. You have told us that the bimetallic law fixes no values, but leaves buyer and seller to fix prices as they may. For the State to fix prices or values by legal enactment, and

[1] See p. 106, and Appendix, p. 436.
[2] See *The Silver Pound*, by S. Dana Horton.
[3] See Appendix, Table D.

thus deprive buyer and seller of that power, would really be, I suppose, as impossible as it is undesirable. Is that so in your opinion?

Proposal for Closing Indian Mints.

G. I have often said so; but I begin to doubt that I was wholly right. Most undesirable, no doubt, that the State should fix the relative value of two commodities, but as to impossibility, it seems that your ardent monometallists are finding out the way; and if they *will* do it, and the two commodities in question are both of them money, one way of effecting their evil purpose would be to proclaim a legal ratio between them, and thrust it down the throats of the people without any safeguards.

H. Why, where are you taking us? You are falling foul of your own client, the bimetallic law, the law which you cried up as the only true salvation for British commerce! You agree with us in denouncing it as undesirable, but differ from us in thinking it possible. I still say, with White, that it is both impossible and undesirable.

G. Well, if it's impossible we may hope that it won't be done! We may even hope that no one will attempt to do it—no responsible statesman, I mean; and both as to the impossibility and as to the undesirableness, I have heard Harcourt talk in just the same sense as you and Smail do; and I have no fear but that he will remain in the same mind.

H. I still don't see what you are driving at.

G. I think you guess. We all know that there is a plan[1] afoot just now, a plan which is no more true bimetallism than it is Buddhism; and we may trust Harcourt never to assent to so mad a scheme. He does not know much of British foreign trade. How should he? But he does know his political economy; and the plan to which I am referring sins against every monetary principle that the great writers on political economy have ever taught.

H. You speak in riddles. Pray expound. *Davus sum non Oedipus.*

G. I speak of the agitation in India for what they fondly suppose is a gold standard. They are forbidden what they know to be the only scientific and real remedy for their troubles, and in despair they flee to this as their only remaining resource. They ask the Government to close the Mint to silver and to

[1] See pp. 292, 293, 299.

issue rupees for gold. That is one of the plans propounded, and Herschell's committee[1] is sitting upon that and others. We four would, I am sure, be of one mind in deprecating any such action; but we may make our minds easy. It is quite impossible that with Gladstone at the head of the Government and Harcourt as Chancellor of the Exchequer—two statesmen steeped to the lips in traditions of political economy, traditions learnt long ago and never repented of, never varied, even though times and circumstances have varied never so much—it is quite impossible that England under such a government should assent to a measure which fixes a ratio between two money-metals, while it neither admits both of them as legal tender nor allows the Mint to be open to the public for their coinage; thus doing some part of what we bimetallists desire, but depriving the people of the safeguard and of the compensatory action which we would annex to it.

S. I think with you that we need have no fear of such a measure becoming law. It's getting late, isn't it? I hope we may have another turn at the subject one of these days. I leave town to-morrow.

H. And I on Saturday.

G. You'll hardly all be in town again much before February.

S. The 25th January will suit me.

G. Very well. That is this day four months; and none dissenting, we'll make it so. Good-night.

[1] See p. 299.

END OF THE FIRST DAY.

THE SECOND DAY,

25th January, 1893.

RATIO.

Legal and Market Ratio.
Supply and Demand.
The Open Mint a Perpetual Demand.

AGIO.

Effects of the Bimetallic Law.
Redundant Currency.

Berenger, Calonne, Gaudin, Giffen, Gladstone, Harris, Huskisson, Liverpool, Locke, Mill, Newton, Petty, Adam Smith.

G. REFRESHED by your four month's holiday, I hope, and ready for the fight, not only in St. Stephen's, but for the more friendly fight in this room, under the protection of a later Saint. I sent you some type-written notes of our last talk. I hope you will confirm my minutes.

H. Unanimously.

What is a Ratio?

W. In our last talk you laid the whole blame of the shifting of the precious metals from country to country on what you call the ratio. Now excuse my ignorance, but I should like to have quite clearly in my mind what you mean by "ratio". You say you assume $15\frac{1}{2}$ to 1. $15\frac{1}{2}$ what?

G. I think I did say what it was; $15\frac{1}{2}$ ounces or grains, or pounds if you like; but if you mean of what substance, you shall have it more clearly: The ratio is the proportion which exists between the weight of a certain quantity of pure gold in coin, and the weight of a certain quantity of pure silver in coin. each quantity possessing the same debt-paying power.

In England, for instance, the pure silver in twenty shillings each weighing 87·27 grains standard (80·72 pure), weighs 14·29 times as much as the pure gold in one sovereign, consequently the ratio in England is 14·29 to 1.

In France, the pure silver in twenty pieces called francs, weighs 14·38 times as much as the pure gold in a twenty-franc piece, consequently the ratio of the French token coinage is 14·38 to 1.

W. But in these two cases the silver and gold have *not* the same debt-paying power. The gold will pay debts to any amount; the silver only to the amount of £2 in England, and, I believe, fifty francs in France.

G. Yes; the ratios I gave are only by way of example, and extend only as far as the legal tender of tokens extend. But the same principle is applicable to the full weight money of full legal tender.

In England I need not say there is no such silver money—more's the pity! and therefore no other ratio than that of the tokens.

In France the weight of pure silver in four five-franc pieces is $15\frac{1}{2}$ times as great as the weight of pure gold in a twenty-franc piece, consequently the ratio there is $15\frac{1}{2}$ to 1. Thus in France $15\frac{1}{2}$ to 1 being the legal ratio—Wait a moment, I'll write it down for you.

This is how the law of 1803 worked in France:—	Fcs.
9 kilograms of fine (10 of standard) silver are cut into	2,000
9 kilograms of fine (10 of standard) gold are cut into (2000 × $15\frac{1}{2}$)	31,000

And in England, in like manner, and at the same ratio (if the Mint was again opened to silver):—

	£	s.	d.
9 ounces of fine (oz. 9·$\dot{2}2\dot{9}$ standard) silver would be cut into	2	9	3·94
9 ounces of fine (oz. 9·81 standard) gold would be cut into (49s. 3·94d. × $15\frac{1}{2}$)	38	4	7·$\dot{0}\dot{9}$

W. Thank you. I understand that. What distinction can you make between ratio and price? Price, I take it, *is* the ratio between the measure and the commodity measured. Ratio and Price.

G. Certainly—between the money-measure and the purchaseable commodity measured. Price is a Ratio, but it does not follow that a Ratio is always Price. There may be a ratio between other things; and the ratio of which we are speaking is the arithmetical ratio established by law between the two substances composing the legal tender money of the realm. When the law declares that 36 inches shall equal a yard measure, it declares the ratio between the inch and the yard, but it says nothing about the price of the yard, nor about its

value in commodities. So neither does it in respect of legal tender money.

W. Ratio, then, has a technical meaning in currency matters?

G. Yes; the proportion established by law between the two metals as legal tender money.

S. Do you see what F.R.S. writes in *The Times*?[1]—"Clearly a ratio cannot be fixed beforehand at which gold and silver must exchange," and he proves it by the analogy of measures of length, which he says could not be made of metals of different contraction and expansion.

G. Couldn't they? He has much to learn; let him ask his clock-maker by what device a pendulum is kept at the same length, notwithstanding expansion and contraction through heat and cold. Precisely by the device which F.R.S. supposed to be impossible. Two separate measures made of metals so differing cannot preserve equality of length. Link them duly together, and the thing is done. However, were it not so, and did it seem impossible to establish such measures of length, yet if history showed me that for seventy years it had been done, I should be inclined to think there was something wrong in the theory. But the simple answer to F.R.S. is that no true bimetallist proposes that gold and silver should exchange.

W. I still don't understand the difference.

G. To my mind it is very important to show that the law fixes no relative price between the metals, but that it merely enables the debtor, saving any special agreement, to pay in either metal according as it best suits his convenience. Price is one thing—Medium of payment is another. Price is the quantity of that medium which you chose to offer or demand for any commodity. The medium in this country is the pound sterling. The law now declares that the pound sterling is 123·2744 grains of gold, 22/24 fine; or, at the option of the debtor (but with a limit as to amount) 1745·454 grains of standard silver, 222/240 fine (ratio 14·2878 to 1). The law formerly declared that it was so many grains of gold, or, at the option of the debtor (without limit) so many grains of silver. The debtor's preference for either metal would tend to cause an increased demand for that metal, and so tend to redress the balance of demand and supply. The demand for gold currency in England is artificial and arbitrary, and the same may be said

[1] 10th June, 1889.

for the demand for silver currency in India. The demand for each is unaffected by the fluctuations in the supply; but by opening the Mints to both metals, and fixing a legal ratio at which debts may be paid, the demand, which, as I have said, is always artificial, is made to fluctuate automatically with the supply; and by the natural process of supply and demand the relative value of the two metals remains practically constant; but this is a totally different thing from the relative value being fixed by law.

H. That's all very well; but the effect of the debtor having by law the option of metals for his payment will be, I think, that there will be for every transaction two bargains, one as to the price to be paid, and another as to the metal in which it is to be paid.

G. Why? Where will be the seller's temptation to make such a second bargain? He is a buyer as well as a seller, and he will know that he can by law not only pay his English creditors but his foreign creditors as well in whichever metal he chooses. No such twin bargains were ever heard of in France.

H. In Italy they were common enough. I well remember, in the Forties, being constantly asked a different price according as the payment was to be made in gold or paper.

G. Paper! Yes; inconvertible notes, worth nothing at all out of the particular State by which they were issued. *That* dosen't help your argument.

H. The ratio still sticks in my throat. Admitting for the moment its possible constancy when once settled, I want to know how you are to get all the world to agree on the precise proportion at which the two precious metals are to be coined into legal tender money. Ratio.

G. That, and the inconveniences of the transition period, whatever they may be, must be settled by the Conference, when it is called.

H. When it is called!

G. Too late in the discussion for such an ejaculation, my dear Harrop; you must surely be instructed enough by this time to know that it *will* be called; that it is only a question of time, and that a short time.[1] That an agreement will be reached

[1] Note to 2nd edition. This is no longer in the list of unfulfilled prophecies. The Conference is holding its first meeting this day. We are

need not be doubted; but what will be the exact platform on which they will agree can scarcely be predicted with such certainty.

S. "If history," you say, "showed you that for seventy years it had been done," well—I doubt the relevancy of your seventy years' argument. That equivalence between the two precious metals may have sprung from other causes.

G. So I have often heard. But I have never met with any one who could even guess what those other causes were.

S. I daresay I shall be able to give a guess before we have come to the end of our talk.[1] But now I should like to come to the question of what the ratio should be, and how we should settle it.

G. If the Conference can't settle it, it will have sooner or later to be undertaken by diplomacy. Meanwhile we four may as well settle it for ourselves. There is no reason why we should shirk the discussion.

H. I hear it said that you bimetallists always do shirk the discussion.

G. I, at least, have never done so, and never met any one who did. England cannot settle the ratio, for, as it takes two to make a quarrel, so must it take at least two to make an agreement, and therefore it would be foolish to fix one's affection on any particular rate.

S. What do *you* think should be the ratio?

G. What I can get. A fixed ratio, whatever it be, is the one thing needful.

H. But will not a low ratio, say 20 or 24 to 1, "stereotype all the evils which you allege to have resulted from the depreciation of the white metal?" So I see one newspaper says, and I incline to agree with it.

G. All wisdom is not granted to the Solomons who write in newspapers. The one in question has failed to apprehend what those evils are. One evil *would* be perpetuated—the low price

assured that nothing will come of it. Probably no agreement will be reached, at least, in the first sessions; but it will not be long before the dangers of *not* coming to an agreement will be clearly seen.—22nd November, 1892.

[1] See p. 77.

of silver, so far as it *is* an evil. It has done its mischief, and will do more if it falls lower; but it is the fluctuation, the uncertainty, that we dread. *That* would be cured by *any* fixed ratio.

H. How would you treat the matter?

G. In choosing a ratio, as in other things, there would be three courses before us. We might choose the old ratio, $15\frac{1}{2} : 1$. We might choose that marked out by the price of silver on the day of choice, say for to-day (1892) 24 : 1. Or we might choose some intermediate ratio by way of compromise.

H. It seems to me preposterous that England, a great monetary State, should go into a Conference without a clear and decided opinion as to what she intends and desires as to the ratio, and merely allow herself to drift.

G. To listen to the arguments of the other members of a Conference, and to yield to them if they are reasonable, or to advocate or agree to a variation of them, is not "allowing oneself to drift". For each nation to make up its mind to a ratio of its own, and stick to it, would either wreck the chance of an agreement, or would reproduce the only inconvenience which our forefathers of the seventeenth and eighteenth centuries complained of in the monetary systems of their time, *viz.*, the shifting now of one now of the other metal from country to country, owing to the divergence of the ratios.

England must fix her own Ratio.

H. So *you* think; but all bimetallists don't think as you do. I am told that an eminent professor thinks, as I do, that England ought to have a definite policy on this ratio question, and stick to it.

G. I am glad to see that you have got so far on the right road as to think that England should make up her mind which ratio she should adopt! I know my friend the professor not only wishes England to fix a ratio beforehand, but has it ready fixed for her—cut and dried. Twenty to one it must be, neither more nor less.

H. Why shouldn't he? You, I suppose, have your own idea of what the proportion should be; and so may he, or any one else.

G. Certainly he may; and if I had to settle for England alone without troubling myself about the concurrence of other countries, I might choose 20 to 1, or thereabouts, as—not the best by any means, but—a proportion likely to be accepted

as carrying no great alarm to ignorant minds. But as the concurrence of other countries is of the essence of the business, and as the departure from their present ratio is, though not impossible for them, yet doubtless difficult, I cannot but think an arbitrary fixing on our part a needless stumbling-block; more especially when the compromise appears to be based upon nothing. Why 20 and not 19½, or 20½, or 21½, or 22, or any other figure?

W. He says, I think, that the old ratio would certainly break down.

G. I believe he does; but I have heard no suggestion why what lasted 80 years with the support of France only, and nearly 100 years with the support of a small group of nations, the stocks of the two metals enormously divergent, and the ratio differing from that in America, should not do it again and have a reasonable chance of permanence, and with the more certainty if the group of nations were commercially great with an identical ratio, and stocks approximately equalised.

H. Well, let us know which ratio *you* affect. You must make up your mind, or your opinion will not be worth a dwt. of depreciated silver!

G. I can at any rate give you the *pros* and *cons* for the three courses. The first course is an honest one, and seems, moreover, to be not very far from the true proportion based on the existing stocks of the two metals. Supposing the restoration of the old conditions of open Mint and legal tender, 14½ or 15 to 1 would on that basis be probably nearer the mark. We have injured our own people both at home and in India, and other nations also, by our legislation. We have by it given an advantage to certain classes, and prejudiced other classes. To reverse this, and restore Locke's ratio of 15½ to 1, as I have said before, would be simple justice. I am almost inclined to say that if I were master, I would do it and fear not.

H. Stet pro Ratione voluntas!

G. The jest is tolerable; but, as it is, I am *not* master, nor if I were, is it a question to be settled by arbitrary will, nor suddenly, even if the power were there, but on the philosophical and prudent course of proceeding on the line of the least resistance, and by the most careful steps. To aim at the old ratio would be obviously the easiest plan as regards the Latin Union and Germany and the United States, and would be the only one likely to obtain the ready assent of all the commercial world abroad.

S. How would foreigners view it?

G. It would cause no disturbance to the Latin Union, Holland and Germany, where $15\frac{1}{2}$ ounces of silver coin have still the same *vis libcratrix* as one ounce of gold. In the United States 16 ounces have it, and their Treasury would make an apparent gain. England, having no standard silver money, would neither gain nor lose on this score. $15\frac{1}{2}:1$ gives us a definite fixed point, and *could* be settled beforehand, but it would be ridiculous to expect England to pin herself now to a figure which, whether we take the market price as a guide, or the disposition of foreigners with whom we desire to agree, might conceivably appear in the interim before the agreement was reached, more or less feasible and desirable from day to day.

W. I daresay foreigners would not object to the $15\frac{1}{2}$ ratio, and I see that on the score of coinage it makes no matter to us; but in other respects might you not find England an obstacle to your theory of $15\frac{1}{2}$ being "the line of least resistance". There might be other losses besides those on recoinage.

G. If there is a position, the capture and occupation of which would end a war, a good general will lay his account with a list of killed and wounded as the result of the successful assault. Even so, that is better than the continual losses brought on his country by years of supine inaction.

W. Nevertheless, he would so make his dispositions as to minimise the danger to his troops, and make the list of killed and wounded as short as possible.

G. Certainly he would; and—to drop our metaphor—that will be the business of the Monetary Conference.

W. I wish it all the success it deserves. Now, to turn to what you said just now. I don't quite understand how you make out $14\frac{1}{2}$ or 15 to be the true ratio.

G. I didn't say it was. It is impossible to say what the true proportion is. When $15\frac{1}{2}$ to 1 was adopted by the Napoleonic law, that had been the legal ratio for many years, and was no doubt believed to represent more or less truly the real proportion between the two metals. *If we take it to be so*, the proportion has long since changed in favour of silver, the addition from 1803 to 1866 to the stock of gold having been £999,559,000, and to the stock of silver only £785,358,000. Therefore, if there was any great object in ascertaining the

precise proportion, we might find it nearer 12 than 18.[1] That, however, is not a question of practical politics.

H. So much for course Number one. Now, let us come to the second mode of which you spoke, in which the question of ratio might be treated.

G. The second mode is as indefinite as the first is definite. The ratio would depend on the market price on the day fixed. So far as that might be below the old ratio it would indeed, if permanently fixed, "stereotype" some of the existing evils. It would, if so fixed, at the present price, bind the burden on India of the £6,000,000 or £7,000,000 extra taxation annually, and would continue the advantage to the Indian land owner and cotton-spinner till time should adjust the prices; and so far it would fail to remedy the injustice that has been done.

W. It would, I suppose, do no positive harm?

G. It might. So far from adding to the measure of value, it might possibly decrease it; for whereas in the Latin Union and Germany 15½ weights of silver equal one of gold, 20 or 22 or 24 would seem then to be wanted; and there would be the more danger of a further appreciation even of the joint standard.

W. Why should we assent to its adoption, then?

G. Well, even so, it would absolutely prevent a further fall in silver, and it would restore an approximate par of exchange, thus facilitating the employment of English capital in permanent works in silver-using countries. A settlement would have been arrived at, not indeed wisely nor too well; but I would accept it. We never had a true ratio (understanding by that, one which *precisely* corresponded to the stocks of the two metals at the time of its being adopted); but this, for want of a better, would serve the purposes of commerce, much as 15½ did, without any greater pretence at accuracy. Even if, under lower prices, the production of silver should decrease, and the divergence between the quantities of the two metals should increase, we should never feel it or know it, except by statistics.

W. You say 24 to 1, which is the price of to-day (September, 1892). How do you know that that will be the price when we come to a settlement?

[1] See pp. 234, 235.

G. I *don't* know. I am only sure that the present price of the proscribed metal must be lower than what it would be if the proscription were taken off.

W. Why not postpone the date at which the international bimetallic agreement should come into effect. The market would then itself fix the price, and therefore the ratio, with a full knowledge of the restored status of the white metal.

G. That would, perhaps, operate fairly to all interests. Suppose an agreement reached on the 15th of June. It might provide that it should come into effect on 1st November, and that the ratio should be based on the price ruling at the close of business on the 31st October, but should in no case put silver at a higher rating than $15\frac{1}{2}$ to 1.

W. Why not, if the comparison of stocks, or the then market price, justified 14, or even a higher still?

G. It would obviously be inexpedient to adopt what might cause the maximum of change in the coinage arrangements of the Continental nations. The price, if the plan of postponement were adopted, would, doubtless, rise to a point corresponding to the expected increase in the demand.

H. I take it, then, that you don't think that the present market price indicates the true ratio.

G. How is it possible that it should, if by the "true ratio" you mean the true proportion of silver money to gold money in the world? a proportion which necessarily changes but little as new supplies are brought to the Mint; while the price under the independent action of other nations is constantly changing without any direct relation to the amounts successively produced?

H. Still, I cannot but think that the market price must afford an indication more or less correct of the true ratio.

G. How should it? The market price of to-day shows only what a buyer, at a given moment, will pay for his silver, a commodity the chief use of which has been proscribed. Did you see Meysey-Thompson's illustration of this? He said: "Supposing a decree that no man should wear a hat; people might make hats, buy and sell hats, carry them in their hands, sit on them, play football with them, hang them up anywhere; but, on no account, wear them on their heads. It is probable that the price of hats would fall." The Government of the

day would no doubt say, with you, Harrop, that "the then existing price indicated the natural value of a hat; that they had not interfered with price; that they had left that to the natural laws of supply and demand". That is just what they have done with silver. They have cut off half the demand; and then they say the resulting price is a true indication of the value of the commodity. Repeal the Hat Edict, and you would find that the neglected stock of hats would again be in use on the heads of the lieges, who would very cheerfully pay the accustomed price for them. So would it be also with silver. Restore its use as full money and you would see that its price would respond.

H. I doubt your second course might open the way to a considerable amount of speculation on the part of "Bulls" and "Bears" between the time of your supposed agreement and the date of its coming into force.

G. I don't think there would be more inducement to speculation than there is now. In the case supposed both buyer and seller would be in possession of a certain datum—the monetary reinstatement of silver. As matters now stand, no one can form any idea of its future, and a seductive field is open to the gambler. It is clear to me that the price would rise towards the old ratio. The doubt is whether France would see it in that light, and whether she would not insist on a definite ratio being fixed at once.

W. I think you might find France your greatest difficulty in the way of any compromise.

H. And you would find England your greatest difficulty in the way of your no compromise, $15\frac{1}{2}$ to 1. So, between the two you come to a deadlock. See what Courtney says—and he seems now rather more inclined to your side than the other five Monometallist Commissioners—"The return to $15\frac{1}{2}$ would cause mad confusion all round".

G. I wish some one would take the trouble to tell us clearly what the "mad confusion" would be, and what its duration could be. I want it, not in general terms, but in particular demonstration—not in the abstract but very decidedly in the concrete.

W. I agree that it is impossible to give a satisfactory answer to an indefinite statement; but, now, what do you say to France? She has, I see, eighty-four millions sterling in five-franc pieces coined at $15\frac{1}{2}$ to 1, each containing—what is it?

382 grains; and she is asked to recoin them all, say at 20 to 1, into pieces of nearly 500 grains. To say nothing of the cumbersomeness of such a coin (which I suppose could be overcome in some way or other) there is the loss of 118 grains, which has to be borne by somebody, either by the holder or by the State. The same must be said of her partners in the Latin Union, and of other nations also.

G. Re-coinage[1] is at first sight a considerable difficulty, and the only way that I see of overcoming it is that if new pieces are coined, the old five-franc pieces should remain and circulate side by side with the others. They are *now* only a token coinage, not exportable, except at a loss, to countries outside the Union, and they would then be in exactly the same position. It is unlikely that such large coins as the five-franc pieces of that new ratio would be struck at all; but whatever inconvenience might result, would no doubt be easily surmounted. Probably the gold pieces might be reduced in size or fineness, rather than increase the size of the silver money.

H. A compromise, then, would be your third course?

G. Yes, a compromise based upon a ratio somewhere between the present market price of silver and the price ruling before the closing of the Mints; and if to such a compromise we must come, the terms of the compromise would have to be settled at the Conference or by diplomacy. But it is possible that no arbitrary compromise would be so acceptable as a proposal to adopt the ratio indicated by the price which the market itself might fix in view of the opening of the Mints, though it may be doubted whether so uncertain a proposal would satisfy either the Latin Union or Holland.

S. Are you confident that any agreement at all will be reached.

G. Who knows? We know that it is desired by the United States, and was desired by the Continental nations, or certainly by the majority of them; but it is idle to say that they won't agree before we have made the attempt.

Plan for re-establishment of a Ratio.

W. I have an idea! "*J'ai mon plan*," like Trochu. Listen, and compassionate my ignorance if there's nothing in it. Tell me first what is your own idea of Courtney's "mad confusion" that is to follow the adoption of a ratio of $15\frac{1}{2}$ to 1.

G. Other people have used the same or stronger words as

[1] See p. 406.

to *any* attempt to give us Dual Legal Tender at a fixed ratio,[1] but that was only rhetorical rhodomontade—angry words unsupported by argument or demonstration. Courtney's words, though somewhat exaggerated, have a basis of reality, as was shown in 1890-91, when the price of silver rose 9d. in eight months, to the great loss of those engaged in trade with the East. A *sudden* adoption of the old ratio of $15\frac{1}{2}$ to 1, *i.e.*, a sudden rise in the price of silver from 3s. 3d. an ounce to 5s. would cause considerable losses—how great I am not able to measure—which would fall upon the Eastern trade; and such losses could not fail to react upon commerce in general. When the matter comes for decision it will be the business of the high contracting Powers so as to manage the period of transition that whatever disturbance there might be should be reduced to a minimum.

W. They would have to provide against too great suddenness. That is the point, isn't it? I don't quite understand how it causes anybody to lose.

G. There must be no few people at any given time under contract to remit silver or Council-bills to India; and a sharp and sudden rise in the price of silver, and consequently in the exchange, would inflict heavy loss on them.

S. There is, I am told, a more serious danger in the trade with the further East, where contracts extend over nine months. Merchants who have executed orders for China, and sent goods priced at the present rates would suffer in this way. A rise of silver would enable their competitors to offer like goods at lower prices, and the indentor would be tempted to repudiate his order.

G. I suppose that must be so; that is if it is certain that goods *could* be offered at much lower prices, as the immediate result of a sudden rise in the gold value of silver.

W. Anyhow, it is the *suddenness* of so great a rise from the present price of silver to that which would result from the immediate adoption of a ratio approaching to or reaching $15\frac{1}{2}$ to 1 that is feared.

Very well, then, here is my plan:—

I assume, of course, as an hypothesis, a preliminary agreement that silver is to be remonetised at *some* ratio. I would accept the market price of silver ruling on the day on which the treaty is signed, as indicating the legal ratio to be adopted; and I would agree that on the last day of each successive three

[1] See pp. 133-36.

months the ratio shall be fixed at the point indicated by the current price of *that* day, until it ultimately reached 15½ to 1, or whatever point might have been finally agreed upon as the maximum.

There would be no suddenness in that plan, and it would, I suppose, give abundant time for people to make their contracts without fear of being caught by a sudden rise. What do you think of it?

H. You have not yet persuaded me that bimetallism would be feasible or tolerable whatever the ratio; but if that were admitted, I should say that White's plan, so far as it founds the ratio on actual prices in the market, is fair, and would cause no sudden shock.

G. I think it may need some modification. No one would be hurt by a rise in the price of silver if you allow it to be automatic, and if no encouragement be given to harmful speculation. Instead of "the market price of silver ruling on the day on which the treaty is signed," I should put it "the average price of silver in the three months immediately before the signature of the treaty"—or rather "before the adoption of the measure by the Governments concerned". That would greatly diminish the opportunity for dangerous speculation in the metal.

H. You will never prevent speculation.

G. No; but you may avoid giving it undue encouragement. Let us see how the plan would work. I have a table somewhere of the correspondence between the price of silver and certain given ratios. Yes; there it is.[1] Let us suppose 30d. an ounce to be a conceivable starting-point—we are a long way from that as yet.[2] That means a ratio of 31·43 to 1. At 36d. an ounce it would be 26·19 to 1; and at 42½d. nearly 22 to 1.[3] Now if we suppose the market price to advance three months by three months, as White suggests, so that the ratio changed in favour of silver, say, 0·25 or 0·20 each time, it would apparently take a pretty long time to reach 15 to 1, so as to come into line with the Latin Union and Germany at their present ratio; or with the United States at their ratio; or to reach 20 to 1, supposing all to agree to that ratio. I suspect, White, that there is a serious flaw in your plan.

[1] See Appendix, Table C.

[2] It has been as low as 27d. this year (3rd March), was 29$\frac{9}{16}$d., 15th Sept., 1894, and touched 23¾d. per ounce in Aug. and Sept., 1897.

[3] About the ratio corresponding to the 1s. 4d. a rupee which the Herschell Committee proposed to themselves.

H. Yes; it would take a shorter time than you think. The mere fact of the remonetisation of silver, if, as you say, it would mean the restoration of a great part of the old demand for the metal, would at once cause a rapid increase of price and bring about the evils of which you were speaking.

G. Quite true. That's one half of the flaw. If the ratio had to be fixed automatically, as White suggests, at the successive points to which the price might conceivably rise, then the ultimate ratio agreed on by the Powers being known, it would be perfectly safe for any one to hold all the silver that might come forward, being sure, if not of a large profit, at least of a large interest. This would create competition, and establish a progressive price, which would, as you say, Harrop, rise rapidly and dangerously.

H. How would you get over it?

G. There is really not much to get over. It is the international agreement, and not speculation on the market which should govern the upward movements of the ratio. That agreement might take its starting-point at a ratio fixed with some approximation to the market price, keeping rather below it than above it. Let us suppose, as I said, 30 to 1—that's a great deal below it, but never mind; we don't know where it will be yet.[1] Here comes in the other half of the flaw in White's plan. Why should he suppose that the price should advance of itself? Most nations are, by our hypothesis, bimetallic. Now it could only be in a gold monometallist country (such as England was from 1816 to 1873) that the price of silver could rise, nor could it anywhere rise far, because the progressive ratio, if it were properly regulated from the beginning, would curb it instead of stimulating it.

W. I think I understand it. You would have a definite advance in the legal ratio every three months, or every month, or even every fortnight, as may be determined; the amount of the advance being so calculated as to insure that the profit to the holder of the metal should be little or none, or, in other words, the interest so small that it would not be worth any one's while to hold the silver at a much higher price than that indicated by the legal ratio of the day.

G. Yes; that's right. It might perhaps be every nine months to suit the Eastern trade, the advance being calculated accordingly. I dare say the idea is not a new one; but in any

[1] See note 2 on last page.

case it would need to be carefully developed. For instance—what's your idea, White, about coinage, in all the years or quarters while this process was going on? You can't have two or three dozen new coinages!

W. O Lord! I haven't got so far at that! That must be left for you experts.

G. Not a thing even for experts to settle in a hurry! We should need, I suppose, Mint notes, payable in silver, and legal tender, perhaps only for large sums.[1] When the definite ratio provided by the treaty was reached they would of course be replaced by bank notes, payable in silver or gold at the option of the payer.

S. "Payable in silver," you say. I gather from what you say that there would be some though no great interest earned by the silver deposited with the Mint or bank. To whom would it belong? To the depositor, I suppose. The depositor who gets bank notes for his specie, legal tender for all sums, wants no interest on the cost of the specie; but notes for large sums serving only for export, would not be at all the same thing to him.

G. No; but as serving for remittance abroad they would not be profitless. The question is what proportion would fall to him of the accruing interest. Supposing the silver held for a year, and the notes presented at the end of it. By the hypothesis the ratio would stand at, say, 29·10 to 1, and the price of silver at 32·41 pence. If the depositor put that in his pocket as well as the profit the notes might give him, the price of the metal would rise faster than was intended. If it went wholly to the State, as it would do, if in payment of the note he got not the silver deposited, but so much of it as was equal at its enhanced value to the sterling expressed on the note, he would deposit as little as possible and raise money on the balance as best he could. Some adjustment would have to be made; but that would be the affair of each State. It's none of my business either to fix the ratio or determine the rate of advance; and still less to apportion the gain.

H. Nor mine; and I'm not sorry for it. You don't seem to me very clear about the matter yourself; but it's somebody's business, I suppose, though not ours; and will have to be carefully thought out when a grave enough case arises.[2]

[1] See p. 129, and Appendix, p. 467.

[2] For further consideration of the ratio see pp. 103, 108, 122.

G. You think it has not arisen already? You may depend upon it it won't be long before it does!

H. As to the constancy of the ratio I cannot feel satisfied. You assume it; and you have indeed given reasons for supposing that it might be constant for a time; but however fixed —by law, custom or choice—there seems no evidence that it could be maintained with any certainty for an indefinite time. Indeed the historical evidence is the other way.

G. I should very much like to hear it.

H. I refer, of course, to the shifty character of the ratio between the sixteenth and eighteenth centuries, when silver fell from 10 to 1 to 15 to 1 in spite of all the efforts of the Mint authorities to maintain the old ratio.

G. Do you think nothing, then, of its maintenance in France unimpaired from 1785 to 1873, and of the great change in the relations between gold and silver which began from the moment that the law was suspended? The French ratio was being constantly changed before 1785. It has never changed since. Public *coinage* at the legal ratio was impeded in 1873, and suspended in 1876; and *price* in gold-using countries, no longer steadied since the latter date by the bimetallic law of France, has fluctuated from day to day. You talk of the "shifty character of the ratio". I doubt you could not pass a satisfactory examination on that head. You must be thinking of the happy-go-lucky days when the ratio was settled only by the necessities and will of the prince. So soon as English statesmen began to treat the subject intelligently, the remarkable thing is the extraordinary *steadiness of the ratio* in England. However, we are now talking of the French ratio; and you seemed to attach small importance to its having remained so long unchanged.

H. I don't quite remember how you justify your distinction between ratio and price;[1] but that by the way. I admit all the advantage to your cause of the remarkable fixity of ratio between the years 1843 and 1873. But a sound induction requires that in the observation of phenomena there should be many observations and that they should all lead to the same conclusion.

G. Forgive me for interrupting you. Why do you say 1843, not 1803 or 1785?

[1] See pp. 31, 49.

H. I limited my admission to the years 1843-73 because before 1843 there was nothing to disturb the existing ratio between the two metals, and therefore no credit could accrue to bimetallism for fixing the ratio before 1843.

G. You must be very hard put to it to use such an argument. I wonder where you got your information. There was much to disturb the ratio, if anything could do it. Soetbeer, a great (monometallist) authority, says that from 1800 to 1840, 29 per cent. of the precious metal produced was gold, and 71 per cent. silver, more than double. Now, either $15\frac{1}{2}$ to 1 exhibited the true proportion between the two metals in 1803, or it did not. If it did not, how came the ratio to stand at all? If it did, and twice as much silver was poured in as gold, how came the ratio to remain still fixed in France and the price of silver to remain steady in England?

W. How do you account for it?

G. We assert that once fixed, and existing under the conditions before mentioned, the ratio is wholly undisturbed by any fluctuations in production or by increase of the proportionate stock of either.[1]

W. That is a hard saying.

G. Why, just think of it! Between 1850 and 1873 the stock of gold money was nearly doubled, the average annual production being nearly £23,000,000, while that of silver was about £10,000,000, yet if any payee in France must needs have gold rather than silver for export he had to pay (on an average) no more than $1\frac{3}{4}$ centimes in the Napoleon, if so much, for the accommodation; and he would not have had to pay that, but that silver was undervalued in the United States in comparison with its rate in France: and I think an induction of seventy years makes it quite certain that the absolute proportion of the two metals, whatever it might be, would be quite powerless to weaken the force of a bimetallic law such as existed in that country. Now, Harrop, go on.

H. I repeat that the proof of the law depends on the fact that it is consistent with *all* the phenomena, and is the only theory which explains them all. One ascertained fact inconsistent with the law of gravitation would overthrow the theory. Now, your theory does not explain the fact, but is inconsistent with the fact of the fall from 1-10 to 1-15, notwithstanding the existence of bimetallism.

[1] See p. 54.

G. I like your gravitation parallel! But if Newton had tied his apple in a bag and fastened it to the tree, it would not have fallen: yet would not his theory have failed. Now we had tied our apple in a bag.

H. How so?

G. There was no such fall. The variations in the ratio were no inconsistencies with the law, but acts of the makers of the law. Your syllogism is perfect in form, but your minor premiss is naught. True and unfettered bimetallism did not exist in the days of which you speak. It was hampered by ignorance. I assert that there is not a shadow of proof that at any time or anywhere before the latter half of the seventeenth century was there an open Mint for unlimited coinage of gold and silver at a fixed ratio with *vis liberatrix* for either coin; nor that, if there had been, the ratio could have fallen as you say it did, from 1-10 to 1-15.

No such conditions existed in the days of King Henry III., when the comparative value is said to have been as about $9\frac{1}{2}$ to 1; nor in the time of King Edward III., when it appeared at first to be $12\frac{1}{2}$ to 1, and afterwards $11\frac{1}{2}$ to 1; valuations which people would not readily accept—not that they had any means of judging of the real value, but because they resented any substitute for their accustomed silver.

Nor did such conditions exist in their full extent in 1666. The law of the Dual Legal Tender passed in that year was the most liberal and statesmanlike monetary law that was ever passed before or since. It fell short of the French law of 1803 in one particular, but it was superior to it in that it established by statute the principle of free and unlimited coinage for the public at a definite ratio, the money so coined being legal tender in payment of debt.

I think you must admit that your sixteenth to eighteenth century assertion is unsustained and unsustainable.

H. In any case you would find it hard, if you took these centuries into account, to maintain the sufficiency of your seventy years induction.

G. Not at all. It is a perfect induction; relating to the only period in which a Government understood and practised the true principle. The sixteenth and half the seventeenth centuries have been shown to be necessarily excluded from the comparison; and the period from 1666 to 1800 is also inadmissible, as differing from the seventy years of French law in one important condition.

W. How did it differ from the French law, and, as you say, fall short of it.

Changes of Ratio.

G. First let me set Harrop right. He says the ratio *fell* from 10 to 1 to 15 to 1. It never *fell* at all. *Price* falls or rises by the operation of the natural causes of supply and demand. *Ratio*, the creature of law, cannot fall or rise, but can be changed by the arbitrary action of the State which established it.

The period between 1666 and 1803 differed, White, from the subsequent period in this. The ratio was in both years fixed by statute; but whereas the English and French kings, till the time of Napoleon, used their prerogative to alter it at their pleasure as circumstances seemed to demand, the law of 1803 appears to have disallowed that power;[1] the French ratio remained fixed, and the status of silver in England followed it.

H. It seems to me that you have given us a distinction without a difference. If governments made their authoritative declaration of the ratio from time to time *according to the circumstances of the market*, what was that but to proclaim that the ratio had fallen or risen?

G. If you mean by "ratio" the intrinsic value, or the market value otherwise than as affected by export, it was certainly not so. Had that been the case, the changes in neighbouring countries would probably have taken place about the same time, and to about the same extent. But there was no such correspondence. Between 1666 and 1699 the French ratio was changed eleven times and the English twice, both the English changes being on the acknowledged and intelligible principle of assimilation to the ratios of other countries. Between 1699, when the last of those two changes was made, and 1816, there was *but one change in England*, while in France in the same 116 years there were *sixty-five*.[2]

You can look at this table of the ratios at your leisure; it will show you what I mean. I remember showing you one some time ago, but I was not satisfied with it, and have since got more accurate information. The former one was taken from MacLeod, but I don't know how he came by his French figures. They never correspond with mine, which were compiled from official sources in 1855 by M. Natalis de Wailly,[3] following and improving the investigations of Le Blanc.

[1] See p. 51.

[2] See pp. 128, 129, and Appendix, Table B.

[3] See the *Mémories de l'Institut Impérial de France. Académie des Inscriptions et Belles Lettres* (1857), vol. xxi., pp. 397-406; where are to be found particulars of the weights and ratios of the French coinage from 1258 to 1793.

W. That seems an interesting paper.

G. Yes; look at 1720, the year of the South Sea Bubble. There were more than twenty *Ordonnances* in that year, changing with the supposed exigencies of the moment.

S. You remember, no doubt, that Macaulay says that the Act of Parliament 1695-96 forbidding the currency of the guinea above 22s. had no effect in reducing it from its then price of 30s. That looks as if the market, not the law, regulated the rise and fall of the commodity.[1]

G. We may admit the fact, though Macaulay adduces no evidence of it. It is highly probable that the order was not instantaneously operative; but highly improbable, in the absence of direct proof, that people would have continued to receive for 30s. a coin which would be only accepted by the Exchequer at 22s. The 30s., moreover, which were given for the guinea were, as I told you before, worn and clipped coins.[2]

W. The reasons for the English changes of ratio are clear enough; but they are not what you gave us, Harrop.

G. No; Harrop told us that they changed the ratio in order to maintain it unchanged! What did happen was that they saw silver leaving the country; they knew—for Locke and Newton had told them—that it had something to do with the ratio; and they did endeavour ——

H. And, as I said, endeavoured in vain—to maintain it.

G. You did say so, and spoke of the "efforts of the Mint authorities to maintain the old ratio". Where do you read of such efforts? I have read a good deal on the subject, and I know of none. I know that they did not make the only effort which would have been effective to maintain it; and that they did make many efforts by varying the legal ratio to suit it to the market ratio, in ignorance of the now known fact that the market ratio will suit itself to the legal one. Thus they tried *not* to maintain the old ratio, but to find a new one which should be capable of keeping now the gold, now the silver in the country, according as one or the other metal, being undervalued was apt to leave it—such undervaluation arising either from debasement of the coins of the other metal, or from change of ratio in a neighbouring State. To the difficulty caused by these opposing ratios the several States added also coercive and

[1] See p. 26. [2] See pp. 9, 27.

prohibitory laws which effectually rendered impossible the open market for the precious metals which has existed in modern times, and without which, as Mill says, no comparison between the value of commodities can be made.

W. This, I gather, is your view of the gradual establishment of a more settled ratio. France and England had from the earliest times money of both metals, silver being the chief; and the rating of the gold coins to the silver was the prerogative of the kings, who in those two, as in all other countries, manipulated the national money at their own sweet will. England led the way in checking the customary use of this power, her statesmen at last apprehending the true goal to be attained; and then France, not fully recognising the mode of attaining that goal, yet took a step in advance by her statute in 1803, irrevocably fixing the relation between the two money-metals. To that extent her law was, you would say, superior to our law of 1666.

G. England and France had, as you say, only done what all Governments had always done when (if they did not debase their coin themselves) clipping or wearing of the coins, or the arbitrary acts of foreign Governments seemed to them to make it necessary. You are not right in supposing that when France found reform to be necessary she did not perceive the true mark at which to aim; for, in 1641, under Louis XIII., the ratio of $13\frac{1}{2}$ to 1 was chosen, as being approximately in correspondence with the Dutch ratio of $12\frac{1}{2}$, the English ratio of 13·34, and the Spanish of $13\frac{1}{3}$ to 1; and again, more accurately, in 1785, when Calonne was Minister of Finance, the king on his advice issued a Declaration whereby $15\frac{1}{2}$ to 1 was "re-established as the ratio *which that established in other nations renders necessary*".[1]

H. How could the ratio be *irrevocably fixed?*

G. White has put into my mouth words more forcible than I should have used. The fixing of the ratio was by the law of 1803 irrevocable as far as the executive was concerned; but what the law had done the law could undo.

S. But no such undoing has come to pass as yet, you say.

G. No. In the first report on this subject, prepared by Gaudin two years before the Act of 1803, the power of change was reserved to the State; but the clause was wisely omitted

[1] *Retabli dans la mesure qu'exige celle qui a lieu chez les autres nations.*

in his second report, and forms no part of the law proposed in 1803 by Berenger, carried then, and still in force. Even by that law the mintage was not free of charge; and though it was until 1873 practically and without restriction open to all comers, it was not, as it had been here, the statutory right of every one to bring either of the precious metals to the Mint for coinage. In that respect our law was the best of the two.

W. Nevertheless, you think, don't you, that on the whole the Napoleonic law of 1803 left little to be desired?

Locke and Newton.

G. On the whole, yes. It had the one blot which I have just mentioned, but that was not hit till 1873. It had one merit—that of making the ratio statutably constant; but it lacked one thing. Locke in his time, and Newton in his, had endeavoured to secure an approximation between the English ratio and the ratios of foreign countries. Calonne had aimed at the same thing for the French ratio. It would have been easy for France to have fixed her ratio at the same point as that chosen by England, if jealousy of her neighbour would have permitted it; and easier still to have arranged an accord on the subject with the friendly nation on the other side of the Atlantic. This she neglected to do; and she, therefore, did not succeed in preventing the outflow of whichever of the two metals was at one time or another undervalued by the French law in comparison with its value according to the legal ratios established by law in other bimetallic countries.

W. What do you mean by your reference to Locke?

G. Locke understood the principle, and so did Newton; and they endeavoured, not with complete success, to make their countrymen understand it. Those two able men saw that the only way to assure the presence of both metals in the country was to make the ratio as nearly as possible identical with that in use in the neighbouring States;[1] and Locke's proposal to make the guinea 21s. 6d. was an attempt to assimilate our ratio as nearly as possible to that of France.

H. How do you know that?

G. He said so.[2]

W. Was it enough for his purpose to *assimilate* it to the French ratio?

G. Not absolutely enough; as the example of France and

[1] See also Harris, Appendix, p. 450. [2] Report, 20th Sept., 1695.

the United States shows. But it minimised the probability of the outflow of silver, which was what then troubled them. Nothing short of identity of ratio between all bimetallic States would make a repetition of what apparently happened between France and the United States between 1834 and 1847 impossible.

W. I am glad to know that the proposed law is not a French importation. I don't desire to take our laws from France.

G. Why not? Isaac Newton, in his report[1] recommending the reduction of the rating of gold to silver, was not ashamed to say "France has set us an example". Why should we scorn to adopt from France an improvement in our law in the direction of accuracy? The French have been generally more accurate scientifically than we; their codes are in many points better. Their system of weights and measures is far superior to ours; and men of science in England would do well to examine their monetary legislation, and adopt the improvements contained in it if they find them good.

H. Ah, well; Lord Liverpool is good enough for me! You had better read again, if you have forgotten it, what he says about the comparative values of silver and gold.

G. No, *I* have not forgotten. Lord Liverpool wrote his treatise in 1798, published it in 1805, and died in 1808. The events of 1873 could not open *his* eyes; and *he* may be pardoned for not having learned the lesson they taught.[2]

Effect of Changes in Production and Stocks of Gold and Silver.

W. Another question: I fear I ask too many, but I know little—not like our distinguished friends here, who know much. I represent the "man in the street". What did you mean when you said just now,[3] in answer to me, something about the relative quantities of gold and silver? Perhaps, after all, changes in those quantities wouldn't affect the ratio in any case, whatever the monetary law.

G. Abundance cheapens commodities, does it not? Gold is a commodity, was abundant, and therefore ought to have been cheapened.

W. Yes; but I remember now that our popular guides—the only guides I know—those who write in magazines and news-

[1] 7th July, 1702. See Dana Horton, *The Silver Pound*, p. 264.

[2] Note to 3rd edition. Our present rulers (1894) are not to be so readily excused.

[3] P. 47.

Adam Smith.

papers, say you are wrong there. I am sure I have read an article or letter[1] (it was by Giffen, I think) saying that Adam Smith had long ago exposed the blunder that there is any connection between the relative quantities of the two precious metals and their price, reckoned one in the other.

G. Did he? Whose blunder was that?

H. Why, yours. The one you made just now, when you said that the great production of silver at one time, and of gold at another, should have disturbed the ratio, but did not, because of the French law.

G. Should they not have disturbed the ratio? (It is better, by-the-bye, to speak plain English, and say "relative price," as Giffen does, rather than "ratio" which, as we said the other day, has a technical sense in matters of monetary law.) If there is an abundant crop of wheat, and a short crop of barley, does not that alter their relative price?

W. Yes; but it is of the precious metals of which Adam Smith speaks; at least, so Giffen said. I never read a word of Adam Smith.

G. So it is. And you think, Harrop, that it is *my* blunder that he exposes? I *have* read Adam Smith; and I don't find that he exposes, or claims to expose, anybody's blunder on that score. Somebody's blunder he did expose; but it was by anticipation, and the blunder was a different one. So far as his authority goes, he fights wholly on my side.

H. I am surprised to hear it. I have always thought him one of the most orthodox of economical writers.

G. So have I. That's why I quote him. You have no doubt read him at some time or other; but even so, you will be the better for another dose of him; and I should prescribe the 5th chapter of his first book.[2] It may serve as an antidote to some of the perilous stuff you seem to have been swallowing.

You will all agree that gold and silver, considered as purchasable commodities, like iron or tin, cannot be free from the natural law affecting purchasable commodities. When abundant, *i.e.*, when their supply exceeds their demand, they grow cheaper. When scarce, *i.e.*, when their demand exceeds their supply, they grow dearer.

[1] 1st Feb., 1890.

[2] *Wealth of Nations*, p. 17, col. 2, ed. 1838. See Appendix, p. 456.

W. But it is alleged that Adam Smith says they don't.

G. I find no such thing in his *Wealth of Nations.*

If he anywhere says that gold and silver are not amenable to this law, he is speaking of them, not as purchasable commodities, but as purchasing commodities—as money. He says what I say; or, to put it more modestly, I say what he said. If I have blundered, he has shown me the way. Why, don't you see that it is precisely my contention, that though gold and silver are purchasable commodities, and as such must obey the natural law affecting all commodities that can be bought with money, yet, under a bimetallic law, where the State gives a fixed "Mint price" for each, in coins that are legal tender, *i.e.*, where they can neither of them be bought with money, but are themselves both of them money, there is set up an infinite and perpetual demand, which keeps their relative price practically immovable. Now, remember that when Adam Smith wrote (1776) that was the law of this land; and of course, therefore, for him and in his view, quantity would make no difference in the relative price of gold and silver.

W. What then was the blunder which he exposes by anticipation?

G. The blunder of the monometallist who imagines that under a bimetallic law there could be any "price" of the precious metals varying with the variations of their respective production, and of its cost.

S. With all respect for Adam Smith, that must be a strange law that can override the natural law which you have enunciated, that abundance cheapens.

G. Neither Smith nor any one else has ever supposed that law could do so. Abundance of the precious metals used, as they were in his time, equally as "money," cannot, it is true, affect the prices of either in the other, or in money of account; but in the only way in which money can be measured, *viz.*, in the mass of commodities which they measure, Abundance will cheapen them, and Scarcity make them dear.

H. It is true also that the Dual Legal Tender, as you call it, was the law of the land in Adam Smith's time; but is there any evidence that it was a living, operative and efficient law? Possibly preference or other causes (of which I remember Lord Liverpool speaks) may have made its bimetallism only nominal.

G. What do you mean by "nominal"?

H. Gold was "the chief coin in use," as we know; and we were denuded of silver. We were really monometallic.

G. How do you suppose people paid their wages? Silver was *scarce*, to the great inconvenience of trade. What made it scarce? The active operation of the bimetallic law in the several nations. Silver, being undervalued here, naturally fled to those countries where the ratio was more favourable to it.

Adam Smith, certainly, did not take the law to be obsolete, nor otherwise than in full working. He shall come into court again. He says: "Originally . . . the proportion between the values of gold and silver money was not fixed by any public laws or proclamation, but was left to be settled by the market. In process of time it has in most countries, I believe, been found convenient to ascertain the proportion between the respective values of the different metals, and declare this proportion by a public law, that a guinea, for example, should exchange for one and twenty shillings, or be a legal tender for that amount. In this state of things, and during the continuance of any one regulated proportion, the distinction between the metal which is the standard and that which is not the standard becomes little more than a nominal distinction."

Non-rated Bimetallism.

Locke.

H. I think Locke advocated the leaving the non-standard coins to find their level in the market without being rated by public authority.

G. He did at one time, as in his essay "On Raising our Coin" (1690), where he says, "The gold money so coined will never fail to pass *at the known market rates*". Harris expressly dissents from this,[1] and Lord Liverpool exerts himself[2] to show that it was not conformable to practice, that it was without example, except as to the gold coins for a short time after 1666, that it was most inconvenient, and absolutely impracticable, besides being contrary to law. But Locke scarcely deserved these objurgations; for by 1695 he had thought better of it;[3] and in 1698, writing not controversially but officially, he advocated, as you know, quite a different plan, namely, a ratio ($15\frac{1}{2}$ to 1) to be fixed by authority between the standard silver money and the current gold coins of the realm.[4]

Harris.

W. I see a pretty dilemma in that matter of the blunder. It is alleged on both sides that variation in the quantities of gold and silver makes no difference in their relative values

[1] *Money and Coins*, I., p. 50 note, Polit. Econ. Club Ed., p. 338.
[2] See *Coins of the Realm*, p. 176.
[3] *Further Considerations*, p. 7; Horton, *Silver Pound*, p. 257.
[4] See also Adam Smith, quoted above.

measured in each other. Gilbertson says the cause of that is Bimetallism, that is to say the establishment of a Mint price, and full legal tender of the coins of both metals. Giffen says, if I rightly understand him, that bimetallism can have nothing to do with it.

If it *has* anything to do with it, the "blunder" vanishes, and Gilbertson's contention is right that arbitrary monetary law can and will direct the course of ordinary natural law so far as the money metals are concerned, by making them jointly the measure of all purchasable commodities, and thus removing them from the category of things which they themselves have to measure. Is that what you mean, Gilbertson?

G. Yes. Petty and Locke and Harris would dissent from your "jointly"; but it is good popular language.

W. Now if, as Giffen thinks, it *has not* and cannot have anything to do with it, then the dictum of Adam Smith must apply to silver as well as to gold, to the silver of 1891, as well as to the gold of 1851, and the dreaded influence of the "floods of silver" disappears.

G. Excellently reasoned, White.

Mint Demand.

S. You spoke of "perpetual demand". Where is the evidence of such demand? The people have, or can have, all the silver coin they want, and I don't see that under bimetallism or any other law there would be any increase in the demand.

G. Not necessarily. That word Demand has been a stumbling-block to others besides you. They have imagined that it meant or implied a demand for silver coin on the part of the people, who, as you rightly aver, have now, or can have, as much silver coin as they desire and can pay for. But it is a demand not of the people for coins, but of the State for silver to be coined. The State says to the people: "Here is the Mint; its doors are always open.[1] Bring all the silver you will, it can never have enough." That is a much more potent demand than the fitful craving prompted by the needs of commerce.

W. But there must be *some* demand for coinage, or the Mint would never coin.

G. No doubt there is: but no man having a bar of either metal to sell, sells it because he has a desire to touch more gold or silver coins, but because he wishes to convert dead

[1] See p. 8.

and stagnant capital into a living and active form. He wants a balance at his bankers whereby he can possess himself of such coins as he does want.

Potential Money.

W. The effect then of such a perpetual demand for both metals must be, that all the available gold and all the available silver in the world must be potential money under a bimetallic law.

G. More than that—it is in great part *actual* money, though not coined. In the form of bar it discharges international obligations at least as well as coin does. The quantity of available gold and silver in the world necessarily affects, for rise or fall, the value of gold and silver coin. The whole mass under that law is the basis on which gold and silver currency rests.

W. Uncoined metal serves, you say, for international money; but our internal money must be coin.

Might it not happen that the output from the mines would increase in future years to such a point that the holder of one or both of the metals would find that the Mint required no more, and could take no more; so that he must sell elsewhere for what his stuff would fetch?

G. No; the error lies in supposing that the Mint "requires" *any* gold or silver, or would really "buy" any.[1] The Mint holds no stock at all, and needs none. It cuts our own gold and (as supposed) silver into pieces of a certain weight and gives them back to us.

The question, then, is not whether the Mint has as much as it requires, but whether *you* have. Ask yourself: Supposing, *per impossibile*, that you had as much as you required, but yet came into possession, by gift or otherwise, of a bar of gold and a bar of silver; would you be willing under the supposed state of things to take 4s. 8d. an ounce for your silver and 77s. 8d. an ounce for your gold, when, by law, the Mint must cut them into 5s. and 77s. 10½d. respectively? I trow not. You would take the goods the gods provide you, and go your way a richer man.

One of the effects of an international agreement for remonetising silver would be, no doubt, that arrangements would be made with the Bank of England concerning silver analogous to those now existing for gold. A bundle of bank-notes in exchange for a bar of silver would never come amiss to any of us.

W. What do you suppose Giffen to have meant by his allegation concerning Adam Smith?

[1] See pp. 8, 12, 13.

G. He—if it was Giffen—seems to have missed the true interpretation of some words in the 11th chapter of Book I.

Except in one portion of that chapter where he treats of the historic changes of ratio between the two money metals, he nowhere speaks of silver as, in the daily working of the time, separable from gold. Throughout he measures silver alone, or silver and gold jointly, against corn or other purchasable commodities.

In the passage quoted he says that the popular notion that as the quantity of silver increases *in any particular country* its value in commodities decreases proportionally is altogether groundless. Quantitative Theory.

There is the popular blunder that he is exposing, though he doesn't call it so.

S. I also understood that to mean that he thought the mere presence of more money—say in England—didn't *necessarily* raise prices, *i.e.*, diminish the value of money.

G. That is indeed what Adam Smith said. He distinguishes between the abundance of money caused (and needed) by increased wealth, by increased produce of annual labour, and the abundance of money caused by increased supply from the mines. The former, he says, does not diminish the value of the precious metals; the latter does.[1]

He apparently differs from Harris in this point of "any particular country" (see Appendix, p. 448), but it is only in appearance, for on the same page Harris states the true theory of the effect on prices of the whole mass of money in the world.

S. Besides, the isolation of any one country in money matters was always growing less, and has now grown still less.

G. Yes; so that now, whether they like it or not, and whatever follies they commit, there is of necessity solidarity between them, and whatever affects one affects all.

Now, Harrop, that we have settled divers questions to White's satisfaction, and particularly, the definition of a ratio, we will come to your question as to power and probability of maintaining the ratio at a constant point.

Constancy of the ratio is one thing, and constancy of prices quite another. The former means that you may always pay your debts in money of either metal, coined in the proportion indicated; the latter relates to commodities as measured in that money.

[1] *Wealth of Nations* (ed. 1838), Book I., ch. xi., Part III., p. 86. See Appendix, p. 461.

S. But we all know that there has been a premium on one or other metal. Surely the ratio cannot be called constant when the relations between the two metals are thus apt to vary.

Agio,

G. Why not? Agio, or premium, is merely the result of a bargain between debtor and creditor. It does not deny, but rather affirms the rights of the former, to pay his debts at a ratio definitely fixed and made constant by law.[1]

H. I take the agio to be a symptom, or rather a proof, of the breakdown of the ratio, and therefore a condemnation of the bimetallic system; which was, I take it, always breaking down before, if it did not then. How was it that in 1852 the railway clerks at Marseilles and the commissionaires fought for the gold pieces with which I paid my fare? Because there was an agio on gold, and so heavy a one, that a gold piece was an unknown commodity in France. Silver had driven out gold. Was not that a breakdown of the ratio, and destructive of the bimetallic theory?

Agio on Gold.

G. "An unknown commodity!" You mean that gold became scarcer; but there was an agio on it, and you can't have an agio on a non-existent substance. The Bank of France held at that time nearly 87,000,000 francs in that "non-existent substance," a larger sum than it had held for forty years, except in 1851; and the amount of it coined was—in 1851 269,700,000 francs, and in 1852 27,000,000 francs, twice as much as had ever been coined in any two successive years of the century. Your story is another instance of the fact that the agio is only concerned with export of specie. Marseilles is a point of departure for travellers leaving France; and for them at least gold was more easily transported, and more convenient for bill-paying than silver. There was no Latin Union in those days, and Italians would have looked askance at a French five-franc piece.

If gold left the country for other causes, I have told you[2] what those causes were; and as to your "heavy" agio you can see for yourself what it was: 5 per mille in June, and 1 per mille in December, 1852, *i.e.*, 10 centimes at one time, and 2 centimes at another, in the Napoleon.

H. I must confess that the agio is not so important a matter as I had thought. I suppose my battle of Marseilles must really have been for the odd centimes of difference.

G. The agio was an acknowledgment by the payee that the bimetallic law was in full force, and that the payer had a right to pay him in silver or in gold as he pleased. The choice

[1] See pp. 74, 191.

[2] See pp. 22-24, 52, also 89.

belonged to the debtor; and the creditor, to gain his private ends, bought the choice from him. The debtor, we will suppose, had chosen to pay in silver; but the payee, the creditor, induced him, for a consideration, to pay in the other metal. "A breakdown of the ratio!" You might as well say if you build a bridge and exact a toll from travellers, that the toll is an evidence of the breakdown of your proprietorial rights, whereas it is a proof of their existence.

H. I understand that; and I must admit that at first sight your parallel seems correct.

W. Whatever the agio, it surely must denote some scarcity of the metal and some variation in price, and Giffen, I think, uses its existence as a proof of scarcity of gold in France.

G. I think I have said enough to show that the attempt to prove absence or scarcity of either metal by the help of the agio is futile.

H. After all, how can one test the scarcity or abundance of a money metal, if not by the agio?

G. Partly by contemporary evidence, and partly by the amount of it coined in the country at the time. I can also show you the amounts of each metal held by the Bank of France in each year.[1]

Gold coined in France and held in the Bank, 1803-1847.

Here is the table. So far as relates to the coinage it is taken from the tables in the *Procès verbaux* of the Paris Conference of 1878.[2] In 1803-1820, when, as we have been told, France was practically a silver country, the gold coined was 722,063,200 francs; the silver coined was 1,018,088,100 francs; the proportionate production being, in that period, silver 75·8 per cent., gold 24·2 per cent., the coining value of the silver production being thus three times the gold. In 1821-1834, when silver abounded and gold was really scarce, the gold coined was 148,839,300 francs; the silver coined was 1,747,342,620 francs; the production during that period being, silver 66·2 per cent., gold 43·8 per cent., the coining value of the silver being half as much again as the gold. In 1835-1847 the gold coined was 90,018,440 francs, and the silver coined 941,355,655 francs; the production of both metals being about equal. The table of gold and silver in the Bank of France was obtained for me from the bank itself by Mr. Cernuschi.

Agio.

H. The agio must denote a demand for gold; and demand would create scarceness.

[1] See Appendix, Table D. [2] See Appendix, Tables G and H.

G. Yes; if the demand lasted long enough, and nothing came in to help to supply it. You will see by the table[1] that in the years 1803-1820, precisely when we are told that the premium reached 3 per cent., the amount of gold coined was larger than at any time before the gold discoveries. See also what Huskisson said of the agio in 1826, in which year there was little coined:—

> "The agio on their gold coin . . . never exceeds ¼ per "cent., it is frequently ⅛, and sometimes there is no agio at "all; in short, not more than may be accounted for from its "superior convenience for carriage in travelling, and the like "purposes.[2] . . . France has by far the greatest quantity of "metallic money of any country in Europe. It has been "estimated as high as seventy millions sterling. The bulk "and basis is silver, but there is a considerable portion of "gold. They both retain their places in circulation without "interfering with each other."

W. That's an interesting passage, and very germane to our subject in many points.

H. Where do you find it? Where did Huskisson say that?

G. In a certain State paper, about which I shall have more to say before we've done.[3]

S. Now I want to ask you one question; on the answer to which a good deal depends. It's not mine, but Thomson Hankey's, and I remember his saying that he could never get an answer. "Has any statesman of reputation advocated the principles which you advocate?"

G. He asked *me:* You shall judge whether he had a sufficient answer. If not, I will better it. I said, "Every French statesman till some thirty or forty years ago, when some objectors were found". We'll talk about them some day.[4] I might have added, "and every English statesman till the days of Lord Liverpool".

H. But no Englishman since then till you began to talk about it.

[1] See Appendix, Tables G and H.

[2] In 1810 he wrote that the alteration of the French ratio from 15·20 to 15·50 had nearly put an end to the agio on gold which had been 1½ per cent., and was then ¼ per cent. at most; the English ratio being 15·21 (*Concerning the Depreciation of our Currency*, pp. 44-45).

Silver had become the best remittance from France; the "dearest" metal.

[3] See p. 129, and Appendix, p. 468.

[4] See p. 335.

G. None? Did you not mention Huskisson just now? I might have added him and the Duke of Wellington to my answer to Hankey.

W. Don't fly off at a tangent. You can tell us about them another time.[1] Let us go on about the agio. Your table shows its variations, does it not?

G. Yes. It gives $3\frac{1}{2}$ per cent. as the highest point on gold; and that was during the Revolution of 1848, when every Frenchman remitted all he could to England for safety. Another account, indeed, gives the agio in 1848 as reaching 6 per cent. for a moment; but except at that period, and during the payment of the war indemnity, I find no approach to 3 per cent. Those two cases excepted, it was 2 per cent. at the highest from 1821 onward, and that only for a few days in three of the years. In fifteen years out of the fifty it reached 1 to $1\frac{1}{2}$ per cent. In six years out of the fifty it was for a few days betweed $1\frac{1}{2}$ and 2 per cent.[2] I remember, myself, when I was travelling through France in 1841, I paid some very insignificant agio to the Paris banker for giving me gold instead of five-franc pieces. The agio is only concerned with export of bullion, coined or uncoined, whether in the course of trade or for the convenience of travellers. Internal commerce is in no way concerned with it. In the case of travellers, it is a small and harmless extortion practised by those who have upon those who have not the particular coin desired.

W. I should like to know what is the present working of the law as to internal commerce.

G. Just the same, I believe, as it always was. It does not affect, in practice, the use of gold or silver coin as best suits the convenience of the people. There is no difference in the market between the currency of the five-franc piece and the twenty-franc piece. At the Bank of France, the rule I understand is this: Parcels of 3000 francs, or under, are freely cashed in either gold or silver, as the bringer may choose; even though the same person should come many times in the day.

W. I suppose because such sums are evidently for market use, and not for export.

[1] See p. 129.

[2] These figures are easily accessible, and so are those of the coinage; and yet a writer in the *Statist*, 19th May, 1894, says that the agio was "generally about 1 per cent., sometimes 2 per cent., and occasionally it was even 3 per cent.". Also that "up to 1848 *gold was not sent to the Mint*". The coinage of gold in that period was 993 million francs, rather more than a quarter of the coinage of silver.

H. They always put obstacles in the way of free export, which seems very absurd.[1]

G. Not always. They charge none where the gold is for market use, and even when it is for export in the ordinary way of mercantile business they charge no agio on either metal. But to bullion and exchange dealers, when the current of export is running strongly, they do charge an agio proportioned to the demand; just as we, in like case, interpose as potent an obstacle in a raised rate of discount.

W. How does Giffen connect the scarcity of gold with that charge?

G. I don't remember that he argues it out. He assumes that the agio, or premium, on gold in any country is a measure of the scarcity of the metal there.

W. I suppose it is a fair argument that if gold is dear it must be scarce, and that if there is a premium on it it must be dear.

G. Not necessarily. The agio, as I just now said, proves nothing more than a demand for bullion for export.

W. Coin for export *is* bullion, I suppose.

G. Certainly; and bullion is a commodity like claret or yarn. Napoleons are pieces of gold bullion, nine-tenths fine. Sovereigns are pieces of gold bullion, eleven-twelfths fine. The agio grows out of the demand. There may be a demand this week and none next; a demand for England to-day and a consequent premium on gold; a demand for Germany to-morrow (or even on the same day) and a consequent premium on silver.

Take, for example, the following data which I have copied from the tables given by Giffen in his article on "Some Bi-metallic Fallacies". The agio on gold, on the 4th of February, 1813, was 6 per mille; 4th of March, 12·50 per mille; 4th of April, 11 per mille; 2nd of May, 4 per mille. In January, 1828, the bank held only 500,000 francs in gold. The agio was 1·73 per mille. In July it held none at all, and the agio was still only 3·50 per mille. In October, 1830, September, 1832, August, 1833, and January, 1834, it held none; and the agio was 4 per mille, 20·5 per mille, 15 per mille, and 9 per mille respectively. On the other hand, the highest point which the

[1] See pp 66, 112.

bank reached from 1811 to 1850 was 52,000,000 francs in 1820. The agio in December of that year, when it had fallen to 22,000,000 was 3·50 per mille. The second highest point was 41,000,000 francs, in January, 1841. In November it was reduced to 28,000,000, and the agio was 3·50 per mille. Thus it seems to me misleading to quote the agio for particular days. The only test, so far as it is a test, is to calculate the average agio. This on Giffen's table, of the first post-days in each month, would be 8·76 per mille, or ·876 per cent.; a little over four-fifths of 1 per cent., that is to say $1\frac{3}{4}$ centimes in the Napoleon. His table for 1826 shows an average of ·815 per cent., which may be compared with Huskisson's statement that in that year it was $\frac{1}{4}$, $\frac{1}{8}$ per cent. or nothing.

The agio on gold in bar would usually, but not always, exceed that on coin to the extent of 6·70 per mille, which is the Mint charge for coining gold, and whether on gold or silver it was probable that there would be an agio on bar, because no one was bound to deliver uncoined metal.

W. Agio on silver? That, I suppose, could only have been after the gold discoveries, and when there was that great demand for India of which you told us.

G. In later times the agio was not unfrequently on both gold and silver at the same time. Thus, in January and December, 1857, the agio on gold was 7 per mille (highest) and 6 per mille (lowest); and on silver $32\frac{1}{2}$ per mille in May and December; $22\frac{1}{2}$ per mille in August and part of December. In December, 1871, the agio on gold in bar was 15 per mille; on coin, 16 per mille highest, $8\frac{1}{2}$ lowest; on silver 36 per mille.[1]

W. I apprehend that Giffen's argument was, that France, being a silver country, and not bimetallic at all, whatever effect might have been at that time produced on the price of silver here, it could not have been caused by the bimetallism of France. And this you have to my mind successfully combated by showing that whether France was a silver country or not, the provisions of French law always enabled you to get gold in London for your silver sent to Paris.[2]

[1] See p. 191, also Newton's Report, 1717, Appendix, p. 439.
Table F in the Appendix gives the highest and lowest agio in every month from 1821 to June last. There is, I think, no authority for Dr. Giffen's statement (if it is his) as to 3 per cent. given on p. 62, l. 4. It is founded on the price of gold in Monometallic Hamburg, 1803-1820. The Bank of France has no record of the premium on gold in those years in Bimetallic France, which, owing to the cost of transmission could neither affect nor be affected by the price of gold in Hamburg.

[2] See pp. 168-70.

G. I think I have; and I have never seen any attempt to disprove it.

W. I don't think Giffen attempts it; but he yet insists that the alleged bimetallism of France must have been inoperative, because the premium on gold existed more or less during the whole period, and, being an addition to the value of gold, made the market price of the metal continuously different from that of silver, and therefore different from that prescribed by law.

G. I repeat that there was no price prescribed by law. There was not, and could not be, any price of either metal under bimetallic law.

H. But surely if a man wanted gold from his banker and was only entitled to silver, he had to buy gold with his silver. That was a price.

G. He was not entitled either to silver or gold. He was entitled to a certain number of francs of account; the debtor, *i.e.*, his banker, having, as before said, the choice of the material in which he was to pay them to him. The premium is the price not of the gold but of the choice. The distinction is a fine one, no doubt, but it is both real and important.

Effects of the Bimetallic Law.

In what respect do you think Giffen supposes bimetallism to have been inoperative?

W. I suppose in that gold and silver were not maintained at an equality, as the agio showed.

G. The simple answer is, that it was never intended to produce absolute equality, and no one that I know of has ever asserted that it did.

W. What did it do then?

G. What I said before. It gave you legal tender gold and silver coins of the realm in exchange for your gold and silver bullion respectively. That is all it promised, and that it always performed. Thus, the necessary effect of it was: 1. As to France, that the equality of the two metals was extraordinarily close, considering the very great changes in the relative amounts of the stock, even if one takes into account the accidental and occasional premiums for export, which are no guide to the market power of purchase with coin of either metal. 2. As to England, that it was impossible that the market price of the commodity silver could ever go below the London value of the

French "Mint price"; and the same as to Germany with respect to gold. 3. As to the whole commercial world, it established an approximate par of exchange between the two metals.

H. In any case, I think we in England are the better off for having no such thing as agio. Every one may demand gold for his bank note, and receives it without any deduction.

G. Gold *sovereigns* he can demand; and, as you say, he will get them; but not bar gold.

H. What is the difference? He can melt his sovereigns.

G. Melting costs money; and the "remedy" also, the permitted wear and tear, causes loss.

You say we have no agio. As a matter of fact we have at this moment (1893) an agio of from 2d. an ounce, or 2 per mille on bar gold, to as much as $3\frac{1}{2}$d. an ounce.[1] Usually, however, *our* agio is levied in a different manner; and our neighbours across the channel are not so heavily afflicted with the kind of burden which we bear. Whatever the benefit of that inflow and outflow in which you rejoice, one disadvantage of it to commerce generally is that the rate of discount is perpetually changing here, while in Paris it is comparatively steady. Both nations keep as much bullion as they think they need to meet their obligations. The French may impede the outflow of gold by means of an agio; we, usually, by raising the rate of discount.[2]

H. Well, that hurts nobody, I suppose. Except in times of crisis, the rate is never inordinately high.

G. That depends on your definition of crisis. It is the frequent variations with which traders are discontented.

H. But not the bankers, I suppose.

G. The Paradise of bankers is a land where the rate of discount is stationary at 4 per cent.

S. That seems a high rate. The traders, at least, prefer the 3 per cent. of to-day.

[1] Prices charged by the Bank of England: 23rd January, 77/11; 28th July, 77/11¼ and 78/-; 30th September, 78/-; 18th October, 78/-; 25th October, 78/0¼. When the bank was not selling the price in the market reached 78/2.

[2] See pp. 64, 161, 162.

G. Not they![1] They are glad, of course, to pay little when they borrow; but they greatly prefer a brisk state of trade, under which loans are more in demand, and discount is consequently higher. A low average rate of discount marks depression of trade. Consider the bank rate in 1891-92.

Agio and Discount compared.

W. Harrop rejoices in our having (as he thought) no agio, and you met him with the discount. Now, give me a turn. Irrespective of the question of frequency of change, I should like to know which has the greatest effect on trade, supposing both to be bad.

G. The rate of discount has a direct effect on almost all trades. The agio may have some indirect effect; but its direct effect touches only the bullion and exchange dealer.

S. There is much in what you say, that is new to me. I must think it over. When shall we have another turn at it? I must be off now.

G. I have to go into the country for a fortnight or so; but when I come back we will arrange another symposium. Good-night, all!

[1] Still less do they like the ½ per cent. of 1894-96.

END OF THE SECOND DAY.

THE THIRD DAY,

8th February, 1893.

"Grievance and Remedy of Bimetallists alike doubtful."
"Low Prices their real Grievance."
Currency Agitation in 1821.
Currency Debate in 1889.
"Tampering with the Currency."

Production of Precious Metals.
Stocks of Precious Metals.
Comparative Stability of Gold and Silver as Standards.
Comparative effect of greater or less Production of the Metals under Bimetallism and Monometallism. "We shall be flooded with Silver and denuded of Gold."

Chaplin, Chapman, Giffen, Jevons, Locke, Montague, Newton, Ricardo, Seyd, Samuel Smith, Adam Smith, W. H. Smith, Somers, Wellington.

G. Now then, our Monetary Parliament is again in session.

W. Thank goodness, we have no Bills here, and no Amendments—only debate.

G. You have had a fortnight in which to ponder over our last talk; only Harrop and Smail have been too busy with Bills, Amendments and Debates in another place to give it a thought.

H. I have thought a good deal about it at odd times, especially as to what the grievance is which you profess to have against our existing monetary laws. Smail told me that he intended to express some doubts about it and I shall expect you to solve them.

"Grievance and Remedy alike doubtful."

S. Yes; I incline to think our discussion is somewhat academical. I may admit with the Royal Commission that a ratio could be maintained; but I feel very sceptical both as to the supposed grievance, as to the efficacy of the remedy, and as to the wisdom of using it if it is efficacious.

G. Ah! I suspect that you have in your mind W. H. Smith's speech in the debate in 1889. It was a very fair speech, though he was wrong, I think, in his apprehensions (in both senses of the word). I am not without hopes that the further consideration which he, in that speech, and Lord Salisbury, in his answer to the Deputation at the Foreign Office, most wisely urged, may convince those who agreed with him that they have in part misapprehended us, and that, like the wicked, they are afraid where no fear is. We'll consider his points, if we have time, some other day. But, meanwhile, what are *your* difficulties?

"Is one Metal more stable than two?"

W. Let me interpose with mine, which go to the root of the matter. On one point you haven't answered Harrop. At first sight I should say, as he does, that one metal is a safer basis than two. How can a double standard be less variable than a single one?[1] How can a ratio between two uncertain movements be more stable than either movement by itself? A man who is standing up in a boat will hardly feel steadier if he tries to stand in two boats at once.

G. I prefer the Duke of Wellington's dictum[2] on this subject to yours. "A man is more steady when standing on two legs than on one," whether in or out of a boat. You should read Jevons on *Money*. He, a monometallist, shows clearly that the variations in the quantity of the measure of value are much less important when the standard is bimetallic than when it is monometallic. He shows it in the abstract, and by an analogous example; and one of the answers to the Royal Commission on Gold and Silver showed it in the concrete. There is the Blue-book on that table, White. If you will give it me I will read you the substance of the passage. It is at Question No. 3662.

[1] See p. 12. [2] See p. 131 note.

Assume that at *some* ratio the gold and silver moneys of the world are equal to one another in sterling value, and that prices are affected by increase or decrease of money measure,

Then, the world being Monometallic,

Let £10,000,000 gold and £10,000,000 silver stand for the whole stock of A the gold-using, and B the silver-using nations respectively.

1. If £1,000,000 of each metal is produced in any year, usable as money, the measure increases, and prices tend to rise in A and B 10%

2. If £1,000,000 of gold is produced in any year, usable as money, the measure of value increases, and prices tend to rise in A 10%

3. If £1,000,000 silver is produced in any year, usable as money, the measure increases, and prices tend to rise in B ... 10%

4. If in any year £1,000,000 more gold and £1,000,000 less silver is produced, prices would tend to rise in the one and to fall in the other 10%,

Again, the world being Bimetallic,

Let £20,000,000 half gold and half silver stand for the joint stock of A and B.

1. The simultaneous production of £1,000,000 of each metal would produce a rise of measure and prices of 10%

2. The production being assumed of £1,000,000 of gold, silver remaining constant, the measure of value, and therefore prices, will tend to increase 5%

3. And the like production of silver, gold being constant, would have exactly the same effect, *viz.*, a rise in the measure of 5%

4. But in the case of increase of one money metal and deficiency of the other to a like amount, no change of price on that score is caused to the Bimetallic communities ...

Comparative Increase of Measure under Monometallism and Bimetallism.

I have assumed equality of stocks and production so as to give a typical example; but though in the case of inequality of either the percentage will be different, it is evident from the above table, that, *mutatis mutandis*, the Monometallic countries whose money metal is produced in excess will suffer more disturbance of price than would the Bimetallic countries under like conditions of production.

It might indeed happen that the so-called Double Standard would fluctuate in exactly the same way as a single one; but, as is shown by the above examples, only in one case out of four would this be so: namely, when (all other conditions being the same) both metals showed the same simultaneous increase. In two other cases, namely, when the increase is in one metal only, the disturbance in the Bimetallic countries is half of what it would be in Monometallic countries. In the fourth case, where the increase of one is met by a decrease of the other metal, the disturbance of prices is the same in Monometallic countries as in the fourth case exemplified above, *viz.*, 10 per cent., but the disturbance in Bimetallic countries is none at all.

In the corresponding four cases of *Decrease* of Production, the results are of course the same, *mutatis mutandis*.

H. I observe that you conveniently assume that the production of gold is as likely to be abundant as that of silver. Past experience tells a different tale. I see that Seyd computes the production, 1493 to 1848, as gold £640,000,000, and silver £1,200,000,000. Subsequent years may have altered the proportion.

W. I read an article somewhere which scoffed at you bimetallists much as our friend Harrop does, saying that you pretend to "second sight," and are cocksure that there will be no production of silver in excess of gold.

G. We don't pretend to know, and we don't pretend to care, whether or no the stock of silver money increases in comparison with the stock of gold money. We know by historical experience that, at the fixed ratio, gold and silver money will maintain their equality. I don't *know* anything about the future production—no one does; but I am quite sure that you would be very rash if you should draw any conclusion one way or another from the production of a few years.[1] The whole thing is quite beyond conjecture; otherwise one might venture on prophecy and "speak of Africa and golden joys".[2] You will remember, White, that I told you how great had been the excess of gold production for the last forty years or so, and I may as well give you the figures. Here they are in print:—

Comparative Production of Gold and Silver.

From 1849 to 1878 inclusive—[3]		
Gold	£667,400,000	
Silver at a ratio of 15½ to 1 ...	320,200,000	
Excess of gold over silver		£367,200,000
From 1879 to 1892 inclusive—		
Gold	£310,472,000	
Silver at 15½ to 1	369,892,000	
Excess of silver over gold		59,420,000
Excess of gold over silver in 44 years ...		£287,780,000[4]

[1] See p. 235. [2] P. 88.

[3] See Appendix, Table E. The figures correspond with those given by Mr. Barclay in his *Silver Question and Gold Question*, and are taken, as to the earlier years, from Sir Hector Hay's estimates; but for the year 1892 I have taken the figures of the Report of the Director of the United States Mint, £27,772,000, exceeding Mr. Barclay's estimate for that year by £1,672,000.

[4] (1899) production 1893 to 1898 inclusive—

Gold	£261,014,078
Silver	276,257,946
Excess of silver	£15,243,868

Making the excess of gold over silver in 50 years £272,538,000.

The apparent surplus production of silver in the years after 1873 would of course be extinguished if the calculation were made at the price of the day, instead of, as here, at the French ratio.

H. "Extinguished," you say. No doubt the surplus would be less; but when I see that in 1892 the production was nearly £40,000,000 against £27,772,000 of gold, I doubt its disappearance.

G. Don't you see that the £27,772,000 is the real amount, and the £40,000,000 an imaginary, or rather a conventional one? The real amount of silver production in 1892 at the average price of the year, was £26,500,000, a little less than the amount of the gold.

H. But we were talking of the total amount of the gold and silver production since 1873, and to the end of 1892.

G. Yes. Then not only does your surplus of silver wholly disappear, but the result is a surplus of gold amounting to £45,472,000 in the 19 years. The figures are £415,372,000 gold, and £369,900,000 silver, commercial value.[1]

W. How would it be if you calculated it at a ratio of 20 to 1, which some say should be the ratio of the future?

G. The number of ounces of silver produced between 31st December, 1873, and 31st December, 1892, was 1,812,000,000. A ratio of 20 to 1 gives 46·725 pence an ounce; so that the gold value of the 19 years' production of silver would be £352,774,000 against the £415,372,000 of gold. The gold surplus therefore would be £62,598,000 since 1873.

S. I don't see that you have fully disposed of "future floods" of the metal. You show, it is true, that, taking the market price of silver since 1873 there has been much less silver produced than gold—in gold value, I mean—and that, had the ratio of 20 to 1 been adopted, the deficiency of silver would have been still greater.

But suppose the ratio of 15½ to 1 had been in force, what would have been the result?

G. You already have it before you. Surplus of silver from 1st January, 1879, to 31st December, 1892, about £59,420,000. Total surplus of gold, 1850 to 1892, about £290,180,600.

[1] **See Appendix, Table E.**

S. I mean by "result" the effect of the higher price on the production. That would alter the figures.

G. To what extent? Fifteen and a half to one did not materially augment the production of silver in the years from 1850 to 1873. Production increased year by year, and little by little, from 1864 onwards, independently of the price of silver, because the facilities of extraction and transport were continuously being improved. Depend upon it the mine owner is not such a fool as to leave his silver idle in the mine, *avaris abditum terris.* He gets, and always will get, all he can as long as his capital holds out, or until he is convinced that he is throwing good money after bad. He will go on digging as long as he can pay for his spade. Silver at one shilling an ounce would stop him, I suppose.

S. I must admit that there is something in that.

W. You quoted Jevons just now. What was the analogous illustration which he gave?

Cistern illustration.

G. He said that if you have two equal cisterns filled with water, and draw 1000 gallons from one of them, you make a considerable difference in the level of the water that is in it; but if you connect them by a pipe, the fall in the level will be but half what it was in the other case. The two vessels are the mass of gold and the mass of silver money respectively; the pipe is the bimetallic tie, in virtue of which all substractions from or additions to either would have half the effect on the two jointly that they would have on one alone.

W. Some one quoted that passage of Jevons the other day, but was answered with "bimetallists don't propose to join the cisterns; but they give one party to the contract the option of drawing from whichever cistern he pleases". That's rubbish, isn't it?

G. That is a hard word; but the argument did deserve a rap. Your friend hadn't read his Jevons, and answered *à tort et à travers.* Jevons shows that there *would* be a pipe of junction between the cisterns, the pipe being the open Mint with equality of legal tender at a fixed ratio; and that consequently the level was not affected by the exercise of the debtor's option on one cistern or the other. He draws for payment of his debt from whichever vessel he choses; but as they are connected by the bimetallic pipe, and the contents of each are equally available for the payment of debts, the general level of the measure of value is lowered half as much as it would be were there no such connection.

W. So that only the balance of excess or defect of production will be halved by the conjunction of the two; the other portions, before the balance is struck, affecting each vessel separately as if there was no pipe.

G. Precisely.

W. The level of the reserve of the Bank of England would, I imagine, be more constant under the continuous influx of both the precious metals; but it would not, I suppose, be higher.

G. It is possible that the general level might be slightly raised in the case of silver as well as gold remittances entering into the reserve of the bank, as compared with the case of gold alone, or silver alone, entering into that till; because the double inflow, as coming from many countries instead of from three or four, would always be more continuous than the outflow.

W. That seems to me a probable account of the matter.

G. Yes; the two precious metals in their joined cisterns are, as R. B. Chapman said in his memorandum submitted to Lord Herchell's Committee, a distributing reservoir; and their value compared to that of the commodities measured by them fluctuates with the level of the reservoir, itself so vast a vessel that the annual streamlets of supply scarcely affects the level of its contents.

S. I can't say that you have yet made what some writers[1] called "the paradox of bimetallism" palatable to me.

G. I remember the phrase. It was used more than ten years ago, and I dare say the writer of it has grown wiser since. I remember also what I said in answer, and that was that I myself heard the late Dr. Dionysius Lardner speak at Bristol at a meeting of the British Association in 1836, in condemnation of the "paradox" of proposing to send steamers across the Atlantic. There are many Dr. Lardners about.

H. Well; you will have to look to posterity, or at least to a later generation, to accept your doctrines. We of this generation hold too tightly to the old faith.

G. "Old faith" is good! The faith of 1816, born nearly

[1] In the *Saturday Review*, June, 1882.

in my own time! Very young for an old faith! It took much less than a generation to falsify the saying of that philosopher; and already two-thirds of a generation has passed since the mischief of 1873. This generation has had one or two shocks, and is threatened with one or two more from India and the United States. No; we shall not have to wait for the approval of posterity. I prefer to look to those of the present day whom the shoe pinches. Besides, I don't think much of posterity. Our grandfathers' posterity have done so many foolish things in their generation that I have lost all confidence in posterity.

S. So have I!

W. The dominant faith of the present day is not perhaps in all points Harrop's "old faith" of 1816.

G. I should think not! The law of England is the same, but it is not *in pari materia*. Our friend here, more Tory than the Tories, *nolit leges Angliae mutari*, let the circumstances and interests of the country have changed as they may. That law, wise as was the intention of the Government to restore cash payments was a foolish law in its tampering with the ancient and acknowledged standard. It was passed when silver was money everywhere, and when even in England, nominally monometallic as she was from 1816 to 1876 (but practically monometallic only since that year), it was "current money" (though not as coin) "with the merchant".[1] The French law, which served as a shield, being no longer operative, it seems clear that our own law requires revision. Give us the law of 1816 with its attendant circumstances, and we shall be contented.

W. I suppose you would be; if, as you think, 1873 was "*caput horum et causa malorum*".

G. The first cause was the gratuitous imprudence of the Act of 1816 in its demonetisation of silver. The return to the *status quo ante* 1873 would not do away with that mischief, nor make the way easier for an international accord.

H. Flat blasphemy! What you call gratuitous imprudence was, in my opinion, the main cause of our prosperity!

S. The main cause? I doubt that!

G. I should think you might! We will come to the causes of our prosperity another day. We have other questions before us now.

[1] See p. 97.

H. I should like to hear a little more about the comparative production of silver and gold. Did I understand you to say that the variations in the production of gold have been during the last fifty years much greater than those of silver? Production of the Precious Metals.

G. Much greater, and much more frequent. I have here a printed paper, which you can look at at your leisure, showing the changes of each year since 1848.[1]

S. I want to come to the point of the equivalence of the two metals—to be more exact I should rather say the stability of the ratio of which we were speaking,[2] I mean in a bimetallic country; I am not talking about price in England at all. I can't bring myself to believe that any human law could enforce it, if any great inequality between the metals grew up. Let us have that matter of the inequality clearly out. The stocks of both metals must, I suppose, have been practically equal—say in 1785—at the ratio then fixed; and the production I should have guessed, had on the whole maintained the same balance. But you have shown us great divergence of production.[3]

W. Yes; and thus, if the stocks were *not* at first approximately equal, trade must have rubbed on as best it could, not without inconvenience, until by that happy divergence they were sufficiently equalised. Might that have been the case, do you think?

G. Yes; it might. But, as Smail says, I showed you quite clearly the other day that whatever the stocks, the production was very far from being equal; and that the stocks must have been enormously unequal if it could have had the effect of equalising them.

S. How then was it possible that the ratio could have been maintained?

G. The answer is that it *was* maintained; and it is really for you to show how the divergence of the successive amounts of stocks or of the yearly cost of production should disturb it. Giffen says, you know, that Adam Smith tells us that such divergence could not disturb it;—and so do I, but not in Giffen's sense.[4] Harrop told us last time[5] that nothing had happened before 1843 to disturb it—and so say I, but not in Harrop's sense. Your notion, White, would be a good one

[1] See Appendix, Table E. [2] See p. 49. [3] See pp. 47, 72, 79.
[4] See p. 54. [5] See p. 47.

if it were not for the facts; and yours also, Smail, in the opposite sense if it had not been for the open Mint and fixed ratio.

W. Or for something else. I remember hearing the late Mr. Magniac propound a very ingenious proof that it was the flood of silver at one time, and the flood of gold at another, that kept the ratio steady!

G. Yes; I was there. It was at a meeting of the London Chamber of Commerce, I think. It was an assertion, not a proof. He gave us neither proof nor illustration. His idea was that when there was a scarcity of currency, beneficent Nature provided a sufficient quantity now of silver now of gold to maintain the equilibrium. Very pretty, if it were not for the facts!

W. I think he *said* that the ratio was maintained not by the bimetallic law, but by the additions to the currency just when they were most wanted.

G. Yes; but the facts were that beneficent Nature did not, on that showing, understand her business. We have seen that she gave us in the first forty years of the century twice as much silver as gold; very little of either from 1840 to 1850; and a deluge of gold from 1850 to 1870, doubling in twenty years the whole stock of the yellow metal. What was the effect of that?

S. It could not have been in any case the *preservation* of the ratio. The natural result, if the precious metals had been mere commodities unaffected by monetary legislation, would have been a great disturbance of their relative value, that is to say of the ratio between them. So far I am with you.

W. I think our friend spoke in haste; there seems to have been a confusion in his mind between disturbance of general prices and disturbance of ratio; the former, as we agreed just now, being the result of natural causes, and the latter the creation of law. Dame Nature, as you say, did not understand her business; for, if she had, she would have given us a regular increase of the measure of value to correspond with the increase of population and of commodities, instead of fitful and enormous variations of supply. If a flood of silver, or a flood of gold, came always in the nick of time to supply a deficiency, the fact of the outpouring being bountiful proves the deficiency to have been large, and therefore of long standing (as we know that in fact it was); and I take your point to be, that during the period in which that deficiency, and therefore the great inequality between the stocks of the two metals, lasted, the ratio never varied.

G. You have exactly hit it. Nature, however, sometimes did her work well; as when the great demand for silver to be sent to India coincided with the great production of gold in the fifties.

H. I have heard that coincidence alleged as the cause of the preservation of the ratio—if it *was* preserved; but I confess that I can't see how an inordinate supply of one commodity and an inordinate demand for another could preserve a constant equilibrium of value between them.

Present Stocks of Gold and Silver.

G. I should think not! The proportionate stock of money metal would remain unaltered, so that, as White says, there would be no disturbance of prices. Now, Smail, let us come back to your question as to the stocks, and see what they are now, and what they were early in the century.

W. They must be now enormously large; and I don't see how the normal annual contributions from the mines can materially affect them. Is there any estimate of the existing stocks?

G. All such estimates must lack accuracy, and be in great measure guesswork. I have a rough calculation here,[1] based

[1] Stocks of the precious metals in 1803.

		Gold		Silver
Production	1493-1803 ...	£480,000,000	...	£940,000,000
	1803-1848 ...	160,000,000	...	260,000,000
		£640,000,000		£1,200,000,000

Total—1493-1803 ...	£1,420,000,000	
1803-1848 ...	420,000,000	
	£1,840,000,000	

Seyd estimates the MONEY existing in 1848 at—
Gold £400,000,000 ... Silver £580,000,000 ... Total £980,000,000.

Estimate of stocks in 1493	£180,000,000	
Less loss and abrasion in 311 years ...	30,000,000	
	£150,000,000	

say, Gold £50,000,000, Silver £100,000,000.
Thus, Gold money produced since 1493, £350,000,000, Silver £480,000,000.
Total £830,000,000

So then, if a production of £1,840,000,000 gives in Money...	£830,000,000	
£480,000,000, Gold produced before 1803 would give in Money	£216,000,000	
Add stocks produced before 1493 ...	50,000,000	
Total Gold Money ...		£266,000,000
£940,000,000 Silver produced before 1803 would give in Money	£424,000,000	
Add stocks produced before 1803 ...	100,000,000	
Total Silver Money ...		£524,000,000
Total stock of Gold and Silver Money in 1803		£790,000,000

upon Ernest Seyd's figures (*Decline of Prosperity*, p. 70), which makes the stock of money existing in 1803—gold £266,000,000, silver £524,000,000; total £790,000,000; and if that is at all near the mark, there was certainly no such equality as you imagined, Smail; and, indeed, you may observe that the King of France[1] alleged no such equality as his reason for finally fixing the ratio at $15\frac{1}{2}$ to 1. Nor did the subsequent production down to 1873 at all redress the balance as White suggested, Seyd's figures, down to 1848, being £400,000,000 gold money and £580,000,000 silver. In later years (1849 and onward) gold took the lead, the production from 1849 down to 1872, inclusive, being gold £533,135,000, and silver £221,040,000; raising, according to Seyd's estimate, which has been generally accepted, the total amount of *Money* in 1872, to £750,000,000 gold and £650,000,000 silver. Add from the production from 1st January, 1873, to 31st December, 1891, one third of the gold, £130,000,000, and one half of the silver, £220,000,000, and we should get totals: gold £880,000,000, and silver £870,000,000.[2] But the account of silver is taken at $15\frac{1}{2}$ to 1, which since 1873 would be too high in sterling quantity, and since that date we cannot allow one half of it to have been used as money.

W. There must then have been a moment when gold was passing silver, and when the stocks were absolutely equal?

G. A very fleeting moment! but you will observe that it made no difference. Whether gold or silver predominated, or whether they were equal, the ratio remained undisturbed. So, my friend Harrop, you and Giffen have got to look for some cause other than equality of stocks to account for the stability of the ratio, whether from 1803 to 1843, or from 1843 to 1872. I have found you one, and neither you nor any one else has shown, or even endeavoured to show, its insufficiency.

Stability of Bimetallic Ratio.

W. Let us have it again.

G. Why, when the Mint gives you always 200 francs for your kilogram of silver, and 3100 francs ($15\frac{1}{2}$ times as much) for your kilogram of gold, how is it possible that the proportion between silver and gold can vary?

W. It can't, I should say, if the francs which you receive have the same purchasing power whatever their origin.

G. Francs are francs, whatever the metal the Mint may

[1] See p. 51.

[2] Add for 1892-98 one-third of the gold produced, £67,000,000, and one-half of the silver, £138,000,000, and we have total gold, £967,000,000, silver, £1,008,000,000. Compare p. 178.

have taken in in exchange for them. The Mint takes your two kilograms and gives you vouchers for frs. 3300; you give them to your bankers, and find that sum to your credit, and pay your bills with it by cheque or with coin. If indeed you want a large sum of either metal for export you may perhaps hear something about agio; but that is a very small matter.

W. As to the stocks of the precious metals; those were huge figures that you gave us! What did you say? £880,000,000 gold, and £870,000,000 silver in use as money?

G. I don't think silver can really be estimated at so high a figure. It would equal the total production of the world from 1811 to 1892 inclusive! but it cannot be more than £80,000,000 or £90,000,000 out.

W. I must be right then as to the little effect of any one year's production.

G. Certainly you are. Even the greatest year's production, £36,000,000, could only add about £15,000,000, or less than 2 per cent. to the stock of gold money; but the question before us being whether gold or silver is the least fluctuating commodity, the yearly production is necessarily germane to that. The only important thing is to compare the fluctuation of the total stock of available gold money with that of the total stock of available silver money, as measured in the mass of commodities.

H. I will look at your figures.

W. I *have* been looking at them; and I must say that as far as I can see, the great production of silver in the last few years would be quite enough to account for a very considerable fall in price.

Supply and Demand.

G. Of course it would. The precious metals, like all other commodities, are affected by natural causes, whether under bimetallic or monometallic law; and silver no less than any other commodity. In the years to which you refer there was no fixed relation between it and gold. It had lost its money-power, and had become a mere purchasable commodity. There was indeed still a considerable demand for the East, but the European demand had slackened while the supply increased.[1]

[1] Some people seem to suppose that we Bimetallists hold that an adjustment between the two money-metals is effected without the existence of a commercial motive. Variations and disturbances must occur; but the merit of a free coinage law applied to both metals is that, acting in no mysterious way, but through the pressure of ordinary commercial motives, it both limits

H. I thought you asserted that Law superseded Supply and Demand.

G. Far from it. The Law acts by and with those natural causes of which I spoke. They are the mainspring of all Trade. Nothing else can affect price, whether of commodities in general or of the precious metals in particular. No human laws can affect it except through the medium of those joint forces. Man can regulate the supply,[1] and man can check and foster demand. If the demand exceeds the supply the price will rise. If the supply exceeds the demand the price will fall. If we may conceive the supply as constant, but the demand variable, the price will fluctuate; as it will also do if the demand is constant but the supply variable. If, however, the demand is not only constant, but constant at a fixed price, the variation in the price of consumable commodities (supposing constant demand for such commodities to be possible) would be unlimited in an upward direction, and only limited in the case of the precious metals by the power of remelting coin into bar when bar is needed; but in the downward direction the price must be absolutely limited by that offered by the creator of a perpetual demand. It is demand and supply that govern the price; but in the case of an open Mint the demand is constant.[2]

W. It is said that the increased production of late years is due to the increased demand caused by the United States laws of 1878 and 1890. Is that so?

Effect of Price on Production.

G. It is not easy to apportion the causes of increased production. Good fortune and cheap transit have much to do with it. It might reasonably be thought, at first sight, that high prices would encourage production, and low prices discourage it, but the experience of the last few years shows production increasing as the price falls. In 1859, when the price was at its highest—62¾d.—the production was, you see, £8,150,000. In 1891, with the price as low as 43d., the production was nearly £39,000,000. In 1892, the average price being 39·81d., the production was £39,300,000, and in 1893, £41,579,081, the price being 35·625d. Even under the still

the extent of the variations and opens the way to their correction. It acts like the governor of a steam-engine; it checks tendencies to irregularity of action, but it cannot check them until they begin to show themselves. In one case as in the other, though we do not get absolute uniformity, we get uniformity which for all practical purposes is complete.

[1] Not completely in the case of metals; and still less completely in the case of the precious metals. They will not always come when he does call for them.

[2] See p. 57.

lower prices of 1892, the production has, it is believed, scarcely fallen off at all.

H. "Production increasing as the price falls." Ought you not to say, rather, "the price falling as production increases?"

G. No doubt it would so fall, the bimetallic link having been broken; and it has done so; but that does not account for the perseverance of producers on a rapidly falling market; nor for the slackness of producers on a high and rising market. Remember always that the precious metals cannot be produced as wheat can, in correspondence with the demand. You get them when you can, not when you will.

W. Under the demand, then, produced by the monetary laws of the States, the miners have produced what they could; and the result has been what we see.

G. Yet the limited annual demand of 54,000,000 ounces of silver bought under the provisions of the Sherman Act cannot surely have had the same effect on production as the unlimited and perpetual demand of which I spoke just now, when the Mints of India, Germany, the Latin Union and the United States took every ounce that could be produced!

W. What becomes of all that vast production?

G. What became of the vast production of gold in the fifties? It became in great part money, and so does this.

"Idle and useless Silver."

H. No; this is heaped up in the United States Treasury, and can't be got into circulation.

G. Nor can the £25,000,000 of gold in the vaults of the Bank of England. Every ounce, both of the gold here and of the silver in the States,[1] is, however, in circulation in the form of bank notes here, and of silver certificates and treasury notes there.

W. Some of the production would no doubt come into our Mint to be coined if the law allowed it.

H. All of it! Certainly a considerable part of the American stock, and probably a large proportion of the useless silver coins of other countries.

[1] See p. 284.

G. If they did, we should send it back when exchange turned against us; you forget that they could not demand gold. But how do you know the coins are useless? I should like better to know what Americans and Germans and Frenchmen have to say on that point, than to content myself with an English opinion. Perhaps you don't know that the American currency of every sort amounted at the end of June, 1893, to only $23·85 a head of the population against $24·44 in 1892;[1] while we, in England, who need less, as being closer packed, have just about the same. They could not send much of it away without a dangerous contraction of their currency.

Redundant Currency.

H. But we are told that the currency is redundant under the influence of the Sherman Act, and that gold is consequently leaving the country.

G. Redundant is a mouth-filling word which currency-doctors are very fond of using.[2] It has its proper signification, but its sound is often greater than its sense. I wonder if you can tell me how it sets about expelling the gold. Gold doesn't go of itself, as oil would if you pour water into a full tub of it. You don't suppose that any one throws his gold away because he has too much of it, or because his neighbour has too much silver?

W. One has always been told that a redundant currency does expel *some* money; and you say yourself that the best goes.

G. But how? Only in one way, barring panic, political or other. Prices rise in the country where money continues superabundant and cheap. Foreigners send, or home-merchants order, more and more goods to take advantage of the rising prices, thus causing the balance of trade to turn against the country; and gold, the only metal exportable as money, has to go to redress it; and the more readily now from the United States if for political or other reasons there should be a demand for gold in Europe.

W. *Has* there been a rise of prices in America?

G. I do not know of any evidence of it. The exchange is, or has lately been, against the United States, and in that case gold, which is the money of Europe, naturally leaves America. When the exchange turns, gold will go back.

[1] Report of the Secretary, 1893, p. cxv. In 1898 it was $25·36. Report, p. 49.

[2] See pp. 91, 92; also Ricardo, *Works* (1886), p. 213: "A circulation can never be so abundant as to overflow".

H. Or silver.

G. The stock of silver minted at 15½ to 1 has the same purchasing power in France and Germany as coined gold, and is therefore by no means useless, as you call it. They will not send it to America, paying freight and charges to have it re-coined there at 16 to 1, or at any less favourable ratio.

W. Your table of the production of the precious metals, and the great quantities of silver produce which it shows, reminds me of what I see in almost every writing on the monometallist side: "We shall be flooded with silver, and all gold will go out of circulation". Will gold be hoarded, or what will become of it? "Flooded with Silver.'

G. The main assertion, and your first question we have already discussed.[1] It will be time enough to open the question again when some evidence is produced that from 1820 to 1847, when silver abounded, and the actual proportion between the metals differed widely from the legal ratio, gold, or any important quantity of it was hoarded in France; and that in the fifties and sixties, when there was a real flood of gold, to the dismay of some notable political economists in that country, the French took to hoarding silver.[2] The second question I have never been able to answer, or get answered. I have put it over and over again—whither will the gold go?

W. I gather from what has been already said that there are two or three preliminary questions? 1. How do we know that there will be a flood of silver rather than of gold? 2. How do we know there will be a flood of either metal? 3. Are we sure that it will be of any harmful consequence in either case, or that, if it should be, the harm would be as great under a bimetallic law as it would be now? 4. Are we sure that if there *is* a flood of silver, gold will be expelled? and then there is the old question. What will become of it, if it is?

H. White, I fear you are going over to the enemy!

W. Oh; I am in neither camp! My mind is not nearly enough made up for me to take a side. My previous notions were with you and Smail; but I judge by your answers that you find Gilbertson's arguments and answers very hard nuts to crack. I only wanted to put my questions in a categorical shape, so as the more easily to get definite answers to them.

[1] See pp. 72-74.

[2] For what they did do see p. 199. They cried aloud for the demonetisation of gold!

G. I have good hopes of White! As to his first and second questions: I have already said that we know nothing about it, and cannot know. It is in a great degree guesswork. When much metal has been got out of a mine, inexperienced people infer that it will go on for ever, but experienced people infer that it is nearly exhausted.

W. The unknowing take it for a kind of Fortunatus's purse?

G. And the knowing reflect that most bags have a bottom. It was prophesied in 1875 that we should have a flood of silver from the Comstock Mines, because a large quantity had been produced; but not only did nothing of the kind happen, but the mines which began as silver mines at last produced as much gold as silver—some £40,000,000 of each, according to Del Mar.[1]

W. "Mines," you say. I thought there was only one of that name.

G. The Comstock lode extended six miles, and there were fifteen or twenty principal mines in it, besides many smaller ones.

As to your third question: It would be a very serious matter for India, and for the foreign trade of this country, if, under our present monetary laws, such a flood of silver were to come. Under a bimetallic law the only effect would be that, of whatever colour the flood may be, yellow or white, prices would rise evenly and gradually in countries accepting the law.

Flood of Silver. Who gains by it?

W. Where does all the silver go that is now raised?

G. The "flood" is upon us already; and I have not heard of the blocking up of Lothbury with wagon-loads, even though all that is not in use in the silver-producing countries comes to England.

H. But under a bimetallic law that which came would be, as you say, all money, and that would be the flood which would swamp us.

[1] The proportions were—in 1871, silver 50¾ per cent.
1872, ,, 50⅓ ,,
1873, ,, 51 ,,
1874, ,, 49 ,,
1875, ,, 55½ ,,
1876, ,, 50 ,,
since when the proportion of silver has gradually declined. The total production has now greatly fallen off.

G. If silver were worse than gold (at the ratio) and if, that being so, our gold could be taken from us, we might be perhaps in some small danger of drowning, but I have shown you that both those fancies are chimerical.

IV. Suppose the flood to be gold.

H. No; we have not done with silver yet. Silver has been going down in value all these years. So much the worse for the owner of silver, in and out of mines. But we have gained. So also, if you restore the value of silver, the mine owner will gain, and we shall lose.

G. Has silver gone down in *value?* You can buy as much with it in silver-using countries—as much even here—as ever. I think you mean "has gone down in [gold] *price*". But now, tell me, who are "we" who lose?

H. If anybody wins, somebody must lose. If the silver owner gains, the silver buyer suffers. Take your spoon illustration from our first talk.[1] The smith will have to pay more for his silver, and you will have to pay more for your teaspoons.

G. De minimis [*cochlearibus*] *non curat lex.* Whatever loss or gain comes to the silver owner attaches not to "somebody" but to everybody—to the whole world. You must not look at things so parochially—so much from the point of view of little Peddlington! As statesmen and economists you have not to concern yourselves with the question whether Brown, Jones or Robinson gains or loses, what profit accrues to the Australian silver miner, and what loss to the Australian gold miner—and *vice versâ*, but with the well-being of the country in general and of commerce in particular.

S. I quite agree with you there; but what you have to show is that your system *is* for the good of the country; and that you have not yet done to my satisfaction. What do you mean by "whatever loss or gain really comes"? It is not a doubtful quantity. The loss to the silver owner is, I take it, precisely measured by the difference between the $15\frac{1}{2}$ to 1 price and the average price since 1873.

G. No. You must first see if the cost of production has been the same in both cases. In Mexico he has lost little or nothing,[2] and will gain little; for his cost of production, wages and materials have been and will be paid in the substance itself

[1] See p. 8. [2] See p. 16.

that he produces; and the net proceeds is not a mere saleable commodity of varying price, but is itself money. The *State* of Mexico loses, so far as it has to pay gold debts abroad with its silver. Even if the whole of the apparent difference were loss or gain to the miner, the result being gain in one case and loss in the other to the whole world makes the quantity per head infinitesimally small. Moreover, the loss, if any, by the miner's gain would be more than cancelled by the improvement of trade consequent on the restoration of the bond between silver and gold; and the gain, if any, flowing from the miner's loss, would be more than annihilated by the injury to trade caused by the loss of the par of exchange.

W. Now, Harrop, it's my turn. *Gold* might be the metal in excess. Some people, as you said a little while ago, prophecy a flood of gold from Africa.[1]

G. I think it more likely that they are right than wrong. If it should come to pass, you have seen what would happen under a law of dual legal tender. Under monometallism, the effect on English prices would be obviously much greater than a flood of silver would be. Harrop would think it much worse, for he is a lover of cheapness, however caused, and he would see a great rise of prices. Silver is the money of two-thirds of mankind, and gold of one-third. There is much more room to receive the flood of silver than the flood of gold.

W. But if the flood of gold came, it would solve the question for you. You would have gold enough for all, and would have no more fear of appreciation of our standard money.

G. That part of the evil would be cured for the time; but the par of exchange would be none the nearer. Remember also that it took a decade to gather £200,000,000 out of Australian and Californian gold washings. How long will it take to get a like sum out of mines? What are we to do in the meantime?

S. While the grass grows the steed starves. That's what you mean, isn't it?

G. Yes.

W. I didn't think much of my three first questions, and I am satisfied with your answers to them. I am more interested in the answers to the fourth and fifth.

[1] In 1887, £383,920; in 1898, £16,250,000. Total for 12 years, £72,316,950.

G. By what process is the gold to be expelled? Our teachers cannot be induced to come to particulars. What inducement will there be for any one to send gold away from a country where by the hypothesis, supported by the experience of seventy years, gold and silver (at the fixed ratio) have equal purchasing power, or, more correctly, equal *vis liberatrix*, not only in their own market, but in the markets of their neighbours. You monometallists, Harrop, always say gold is so much more convenient than silver, and so it is for pocket money, and for all small payments of 10s. or £1 and upwards. Is it on account of its greater convenience that it would be sent away? Did anybody ever do it? Apprehended Expulsion of Gold.

H. Certainly. You have admitted yourself that it went out of circulation in France, and gave us the reason, and the *modus operandi*.

G. No, not that it went out of circulation. What I said was that given a certain divergent ratio, the current of gold would naturally set from France across the Atlantic, and that from that and other causes, gold would become scarce in France. The course of silver also would lie towards France, and from the United States at the same time, and for the like reason. But that is a very different thing from going out of circulation altogether. Neither gold nor silver vanished into space, but each metal shifted its sphere of monetary activity from one country to another, and took its time about it.

W. A long time?

G. From 1839 to 1852 gold was leaving France, and silver was taking its place. From 1852 to 1865 gold took the place of silver—thirteen years for each operation.[1] Don't forget that the question before us is one of an internationally fixed ratio, when all inducement to such inflow and outflow would be lost. By-the-bye, I think, Harrop, that I have heard you say that the inflow and outflow of specie is one of the chief causes of the commercial prosperity of this country! I understand that it is proposed to establish an international clearing house. You would oppose it, of course, as it would greatly diminish outflow and inflow—which things are a cause of commissions to some friends of mine, and those commissions would, no doubt, be sadly missed; but there would be plenty of compensation.

H. Perhaps there would. But suppose the bimetallic agreement not universal; gold would leave the bimetallic countries for a monometallic country.

[1] *Enquête sur la Question Monétaire*, i., p. 84.

G. And silver, too, where it was suitable. What is it which will cause either metal to go anywhere? Let us illustrate the thing by two very different examples, India and Germany. Let us suppose the first to remain monometallic on a silver basis, and the second monometallic on a gold basis. It is the balance of trade which is the main cause of export of the precious metals: therefore, there might be a considerable pull on the stock of silver in the bimetallic countries, for the exchange is as yet always in favour of India, and there seems to be no present probability of the closure of the Indian Mint. So long as the balance of trade is in favour of that country, the metal which they have as money must flow from us to them in payment. Should it turn against them the Indian traders would be quite as likely to remit gold as silver. Then as to Germany; the balance of trade is *not* persistently in favour of that country. If it should be so at any time gold would go to her; and when it turned, it is quite as likely that she also would send back gold as silver. She has already found out how great would be the inconvenience of parting with too many of her thalers. I think we may leave the recalcitrant countries to take care of themselves. We may even suppose that none would be recalcitrant. If England only assents, we have ample evidence that none will care to be left out in the cold.

W. At the worst, you think no great quantities could go; and then would only change their abode for a time.

G. Gold could not leave all countries at the same time.

H. But as I understand the objector, that is precisely what he thinks will happen. It will, he thinks, as money, leave all countries, and be used for other purposes. That is, I suppose, the point of White's fifth question.

G. "Used for other purposes." Then, so also would silver be used in case of a flood of gold. That sounds a little more practical and practicable than hoarding. Can you suggest some of the purposes.

H. Not I. I take the assurances of the learned. They tell me it will be rejected as currency. Why, I don't know, as you won't allow its dearness to serve as a reason; and will be used as—I don't know—in the Arts, I suppose.

G. You are quite right to be shy of the plea of dearness. It would fit so ill with your present contention. What, just at the moment when, according to the promoters of that plea, it should be at its dearest, they say that it is to be more abun-

dantly used, and in unproductive employment! In what branch of the Arts, I wonder? Shall every man carry a gold tooth-pick? Shall all "silver" watches have gold cases? Will you make pokers, and tongs, and coal-scuttles of gold? You will find them inconveniently heavy in weight as well as cost. The supposition seems to me, saving better instruction, impossible and wholly superfluous.

W. Why impossible?

G. Because the uses of gold, except for the purposes of money, are so very limited. A great part of the annual production may be, and is used "for other purposes," but the whole £880,000,000! 6306 tons avoirdupois! *O sancta simplicitas!* If you can believe that you can believe anything! We must ask for some demonstration of so astonishing a proposition.

W. The supposition does seem impossible; but why do you call it superfluous?

G. Before we settle what to do with the gold when it is ejected from the circulation, it would be well to show some reasonable probability of its being ejected at all.

W. I read in the papers the other day that it was absolutely certain that when the currency became redundant the gold would leave the country. Harrop quoted this just now.[1] Tell me again how the thing would work.

G. That is simple enough. Abundance of Money; Rise of Prices; Increase of Imports, encouraged by the rise; Decrease of Exports, discouraged by the rise; A balance to pay to the foreigner; Payment made in the material which will go furthest in Discharge of Debt. In the case supposed Gold is that material.

W. So the gold goes, or begins to go, out of circulation in the country in question, and into circulation in the creditor countries, till the tide turns.

G. To be sure. The writer whom you quote must have been a person who had read Mill, and applied what he says of one state of things to another, which is wholly different. Mill tells us how, in such a case, the metallic circulation would wholly or partially leave the country in which paper currency

[1] See p. 84.

had become redundant, and would be distributed over the world. Distribution is quite a different thing from disuse as money.

Only consider the circumstances which you have to suppose! A deluge of silver; a rise of prices—let us say of 100 per cent.—all payments tending to increase in the same ratio, and all payments *in which cash passes* to be doubled in bulk! Thus you pay now £1 for a hat, and you would then, if you still pay cash, have to pay £2. Would you take that opportunity for getting rid of the two sovereigns with which you could pay for it, and insist on carrying ten double florins to your hatter? It is a theory for which I can find no argument, and a practice of which I can find no example. If you did get rid of gold, you would take refuge in notes, but no one has suggested either a reason or a road for getting rid of gold.

H. You have overwhelmed us if not convinced us. I should like to think that out before our next meeting. White spoke of our debates: Let us talk of the debates "in another place". Do you remember that in 1889 on currency matters? It's somewhat ancient history, but you mentioned it the other day,[1] and I should like to know what you thought of Chaplin's speech.

G. Excellent; a most lucid and careful statement. You all heard it, I think, and I dare say will agree so far. Now, Smail, about your difficulties?

H. Very well; I'll come to my friend Chaplin presently.

S. And I'll postpone my difficulties. It *is* rather ancient history, but I should like to hear a little more about that debate. I am anxious to know what you have to say about W. H. Smith's arguments.

No Contract to pay State Loans in Gold.

G. I quite agree with him that anything which would shake the confidence of the commercial classes would inflict a serious injury on the national prosperity. Confidence has been severely shaken now under our present system: but Mr. Smith fails, I think, to show that to establish a bimetallic law would even tend to shake their confidence. Why should it? Besides that no such contract to pay in gold, as he supposes, ever existed at all (unless possibly, and by implication, in the case of State loans contracted since 1816), I have shown that the silver received would necessarily buy as much as—*i.e.*, would be equal to—the gold.

[1] See p. 70.

S. What distinction can you draw between loans contracted before 1816 and those after? I think you said something about it the first time we dined with you.[1]

G. The previous loans were contracted either under a bimetallic system in full force, or in paper to be repaid in either metal.

S. H'm. The line of demarcation does not seem to be very sharply defined. Silver was, you say, in point of value, as good as gold till 1873.

G. I agree that the distinction is not real or practical. It was not until the monetary revolution of 1873 had forced men to discriminate between the two metals as money, that any man, or any nation, knowingly borrowed one rather than the other. A remittance from Mexico of 15,500 ounces of silver was as good as a remittance of 1000 ounces of gold.

S. But W. H. Smith thought that if the bimetallic law were restored, confidence would be shaken, and Great Britain would lose her trade.

G. To which country does he fear that our trade would be transferred? And why? And how? Surely he can't think that our prosperity depends on the colour of our metallic money. There are other characteristic causes enough to guarantee it, and these causes so experienced men as yourselves can't fail to see without my mentioning them.[2]

S. Certainly there are. I admit that; but my present point is that, as I said before,[3] I feel sceptical as to the existence of your grievance. You have just now hinted at it. Let us know clearly what it is.[4]

"Low prices the grievance of Bimetallists."

H. I'll tell you what his grievance is.[5] It's the fall of prices; and Chaplin has made it manifest to all the world that the *object* of bimetallism, like that of the Sugar Convention, is to raise prices and make things dearer. Now the people who want things cheaper are always more numerous, and now more powerful, than those who want things dearer. When these men find that Chaplin's object is to keep Indian wheat out of the English market, they will condemn his scheme.

It is an injury alike to the English bread-eater and the

[1] See p. 25. [2] See p. 160. [3] See p. 70.
[4] See p. 97. [5] See p. 238.

Indian cultivator. In a sense, it is also an injury to the English manufacturer, because it is in English manufactures that the wheat will be paid for ultimately. Though the *rate of profit* may be lessened by the exchange, yet the *volume* of trade must be larger; and that is the question, rather than the *profit on capital*, which affect the wage-earning class.

It is not true that the cheapness of commodities has materially lowered the scale of wages. The wage-fund has not decreased; and the increased purchasing power of wages is far greater than any diminution in the rate, and they know it. The pinch has been on the capitalist, who has been obliged to accept a far less rate of profit, though not so much less as to induce him to close his business. When we come to close quarters with this question—if it ever becomes a practical one—it will be made apparent that the greater purchasing power of money is at least as great an advantage to the wage-earning class as to those who live on fixed incomes. Take sugar, for instance; the rate of a penny a pound would be equivalent to 30s. a year in each family of five persons. This is equivalent to an income-tax of sixpence in the pound on a man earning £1 per week; and yet you avowedly exempt such a man from income-tax!

This, and more than this, H. Chaplin, in the name of bimetallism, desires to do with corn. It is very well worthy of notice, that whenever there has been severe agricultural depression (even in the days of the highest protection) the landowners have always resorted to schemes of tampering with the currency in order to raise prices and to lighten the burthen of mortgages. I feel strongly upon this point, and have been driven to make quite a long speech about it.

G. Result of your fortnight's meditations! It was a very good speech, if only the facts were correct. I will have my say on them before long.[1] And to begin with a small point. Your sixpenny illustration would be dear at the money! What connection is there between the policy of exemption from income-tax and economic facts which increase the cost of living?

To give your argument any cogency you must show that a rise in the wholesale price of sugar will bring a corresponding charge on the few ounces of the wage-earner's weekly purchase.[2] Also that a return to the English monetary law of the last century is Protection, and not, rather, removal of Protection.[3]

You exempt the wage-earner from income-tax to enable him to bear the Sour (if any) mingled with the Sweet of measures designed for the good of the country at large, and therefore for *his* good.

[1] See p. 210. [2] See pp. 265-69. [3] See p. 269.

H. To make your argument cogent you must prove that your proposed reform *is* for the good of the country.

G. That is precisely what I am trying to do, and, moreover, what I shall succeed in doing before we have finished our colloquy.

H. That is as it may be. Meanwhile, you must not take my illustration too literally.

G. I won't. I'll leave that part of your indictment which relates to cheapness of commodities for another time,[1] and reply now to your last sentence about days of depression. I can't say that I see any likeness between such an agitation as you describe and the present. When do you mean?

H. Why, look at the currency agitation in 1821. Whenever trade is bad and prices low, there is always a cry for a depreciated currency, accompanied by demands for private and often public repudiation, the landed interest being generally foremost in these demands.

G. In the present case, the landed interest were by no means the first to come into the field. It was, I think, the trade of England with the East that first cried out. The whole history of that agitation in the Twenties should, as I read it, be differently told. The distress of that time was, no doubt, consequent on the unhappy tampering with the standard of value which occurred in 1816, when the beneficent policy of restoring our metallic currency, whether carried out then or later[2] would in any case have inevitably contracted the measure of value, was complicated by the exclusion of silver, and those who suffered lamented loudly, and asked for unwise and pernicious remedies, which the good sense of the nation rejected. That tampering with the standard bore yet more bitter fruit in 1873; and we cry not for any fanciful or untried remedy, but for the restoration of the ancient monetary law, under which our commerce became great.

Tampering with the Standard in 1816.

S. "Tampering with the standard!" That is strong language!

G. What better description can one give of a measure which was the abandonment of that which had always been the monetary standard of England, and was still the standard of all civilised countries? It was a gratuitous and short-sighted policy of isolation.

[1] See pp. 238-40. [2] See note on p. 98.

H. Let us have again your indictment of the action of France in the Seventies. You told us something about it before, but I should like to hear it re-stated. What harm has it done to you or me or anybody?

G. To put the matter shortly. Down to 1873 silver and gold jointly were the money of the whole world; a remittance of silver from any place to any place was a remittance (in effect) of *money*, whatever the monetary laws of the recipient country; and the same was the case, only less universally, with gold. Then came the action of Germany in 1872, and the consequent action of the Latin Union in 1873-76, and you ask what harm it has done. It sharply divided the two commodities which had been for ages united as money, making silver—the money of our greatest dependency, the money of the countries where our trade was the greatest—a mere article of produce when remitted to this country.

Tamperings, real and imaginary, with the Currency.

We indeed tampered with our own currency in 1816, when no cause was shown for change. We imagined ourselves to be answerable to ourselves only for our acts, and the harm that we did to ourselves was rendered harmless for the time by the monetary law of France.

But France in 1873-76 tampered with the currency of the whole world; and this last tampering, which affected us more than any other nation, was done without our having any voice in the matter. We were powerless—wholly dependent on the action of others—and we had to submit.

H. And now you propose that we shall undertake a new tampering with the currency!

G. My dear friend, don't make yourself a slave to *words!* We point to the manifold and manifest evils which followed on those tamperings, whereas you have alleged only conjectural, and in any case restricted, evils as consequence of their reform. It is an abuse of language to call the reversal of bad laws and the restoration of good ones by such an invidious name.

If not, then Queen Elizabeth "tampered" with the currency when she reversed the evil monetary acts of her father. Charles the II. "tampered" with the currency when he laid the foundation of the English monetary system in 1666. William the III. "tampered" with the currency—with the aid of Somers, Montague and Locke—in 1696, and more signally in 1699. George the I. "tampered" with the currency in 1717—with the aid of Newton.

None of these reforms were done without injury to some particular interests, nor did Goschen, when he tampered with the currency last year in its much needed recoinage, fail to tax

us all round to carry through the good that he, like all these other tamperers, was doing to the body politic.

W. To assume that altering the currency in any direction is "tampering" with it, seems to me to beg the question that the consequences of the alteration must be on the whole harmful.

Now, I should like to hear what you have to say as to Smail's doubts about your grievance and its remedy.

G. Harrop has told you[1] what *he* thinks is our grievance, and what he supposes us to expect our remedy to do; and now I will have my say. I will come to the wage-earners afterwards, and now touch only the grievance and the remedy, somewhat expanding what I told you succinctly at the beginning of our first talk. It is not, as he and the *Economist* seem to suppose, a grievance to us that creditors are enjoying what nature has given them—that prices have fallen because the energy of man has produced commodities more cheaply, and brought them to our doors more rapidly. No one is so foolish as to complain of that. It was not nature which took away the silver half of the standard in 1816. Nor was it nature which took away the link which still subsisted in France till 1876, and which had enabled the measure of 1816 to remain harmless. Nor was it, as the monometallists seem to think, nature that made our golden sovereign.

The grievance is, that, whereas silver is the money of about two-thirds of the human race, and gold the money of the rest, the short-sighted legislation of 1816 and 1876 has destroyed the common measure which ought to, and could, and did exist between the two metals, and has caused a vast additional quantity of gold to be taken into use as money. The same legislation has provoked and produced the practical demonetisation of silver in many countries, and has thrown upon the stock of gold money work which had in great measure been done by the demonetised silver, thus appreciating the former metal, and continuing and causing an artificial fall of gold prices, of which we have not seen the end. What legislation has done legislation can properly undo.

"Is Silver demonetised?"

H. You can't say that silver is demonetised, if two-thirds, or, as some say, three-fourths of mankind still use it as their money.

W. It has been demonetised in Europe and in the United States.

G. Yes; and if three-fourths of mankind use it now, *all* mankind so used it till 1876.

[1] See p. 93.

H. Not England!

G. Yes, England. Till September, 1873, you could always pay a debt of 200 francs to a Frenchman with a kilogram of silver; or, if you owed nothing to France, you might send the kilogram to your French correspondent, and draw upon him for 200 francs[1] receiving English legal tender money for your bill. Between that date and the 5th August, 1876, the due dates of the Mint vouchers were gradually increased from ten days to nineteen months, and the 200 francs diminished accordingly by the discount.

W. I suppose a German, whose standard was silver, could do the same by a kilogram of gold as we could by a kilogram of silver. But now, tell me, why do you sometimes give 1816 and sometimes 1819 as the date of the English demonetisation of silver? The law must date from one year or the other.

G. No; we may say it practically dates from both. The coinage law of 1816, though wise in its invention of token coinage,[2] was harmful both in its ultimate effects from which we are now suffering, and as I said just now,[3] by its aggravation of the difficulties attending the resumption of cash payments, which from that and more natural and inevitable causes was found to be so disastrous that it was continually postponed during 1817-18, and re-established in 1819, when cash payments were partially resumed.[4]

Evils of the action of France in 1876.

H. You keep harping on 1876. How has 1876 done you harm? 1876 was certainly not the beginning of the agricultural depression; for we know from the Inland Revenue Returns that rents were still at their highest in 1880.

G. No one has ever said that agricultural depression began in 1876. The action of the German Government in 1872, and of the French Government in 1873, culminating in 1876, were in great part the *cause* of the subsequent depression, but they

[1] Less 0·75 per cent. for mintage.

[2] There were coined in 1816-18 11,910,096 half-crowns; 513,760 shillings; 30,571,200 sixpences; 4138 groats; 10,752 threepences; 7128 twopences; and 24,582 pennies.

[3] See p. 95.

[4] Cash payments were to have been resumed on 5th July, 1816, but were postponded successively to 5th July, 1818, and 5th July, 1819, and again by the Act of 6th May, 1819, to 1st February, 1820, but not completed till 1st May, 1821. The Bank of England had made full preparations for paying gold, and made two attempts to do so in 1819, but the constant efflux of the coins, and the misery caused by the sharp contraction of the currency caused Parliament to continue the Restriction.

were not the depression itself. As to rents, you must surely know that whatever happens it takes some years to alter them either for rise or fall. Leases don't alter themselves, and there is always hope that a fall in prices, the cause of which is not apparent to the bucolic mind, nor obviously and instantly to any mind, will be remedied "next year".

H. I don't quite understand how 1876 affected the par of exchange, nor what evil came of it?

G. It has hurt us all; me as a merchant directly and perceptibly, you, as more dependent than you know on the commerce of England, indirectly, but, unfortunately, less perceptibly. There will be no difficulty in making you understand both how the par of exchange was first altered and then destroyed by the action of the Latin Union in 1873 and the three following years, and also the harm which directly came of it, if you haven't had a sufficient dose of it before, when we first touched the subject; but I doubt from what you said, Smail, whether you have time for it to-night.

S. No; my time's up already. When can we have another talk. You gave us in your note the choice between to-day and next Wednesday. Will that day suit you? and will you dine with me for a change?

G. Oh, you had better come and "do penance," as the Spaniard calls it (the 15th *is* Ash Wednesday), with me. There is a subtle air of bimetallism about this house which may be profitable to you.

H. I have my fears. It's an infected spot! However, we may want books of reference both monetary and philosophical, and you are, I suppose, better provided with that kind of library than either of us. The 15th then be it, and the place this room. Our ways lie together, don't they? Good-night, Gilbertson.

END OF THE THIRD DAY.

THE FOURTH DAY,

15th February, 1893.

AUTHORITIES.

Locke's Bimetallism and Monometallism.
Newton's Bimetallism and Monometallism.
Petty's Bimetallism and Monometallism.
Harris's Bimetallism and Monometallism.
Huskisson's Bimetallism, 1826.
Attwood's Bimetallism, 1830.
Peel's Bimetallism, 1844.
Lowe's Bimetallism, 1870.
Adam Smith, Token Coinage.

CLOSURE OF THE FRENCH MINT.

Why it has not been Re-opened.
Cause of the Fall of the Gold-Price of Silver.

MONETARY STANDARD.

Need not be Changed.
Double Money Required, not Double Standard.
Monetary Revolution (1816) Compared with Monetary Reform.

GOLD STANDARD.

"Fittest for a Wealthy Nation."
"The Cause of England's Prosperity."
Its Advantages to England and Disadvantages as Sole Legal Tender.
What is the Real Cause of her Prosperity.

Alison, Ashburton, Cantillon, Disraeli, De Wailly, Gladstone, Giffen, Graham, Herries, Jevons, Liverpool, Lauderdale, Macaulay, MacLeod, Montague, Ricardo, Seyd, Stansfield, Warburton, Wellington, Wolowski.

G. Now for our adjourned debate, Harrop. I dare say you have answered your own questions by this time as to the merits of a par of exchange and the mischief that has been done by its destruction.

H. No, I haven't; I return to what I said last week, *viz.*, that whatever the real cause of any mischief—if it *is* mischief—

done to commerce or agriculture, especially agriculture, the sufferers—if there *are* sufferers—always cry out for currency reform. It is the seventeenth century over again. Now I venture to hold by the example of Montague, who protested against, and remedied, the depreciated money of his day; and of Huskisson, whose humble follower I claim to be, and who set himself against the wild schemes proposed by Lowndes at the beginning of the century, and exposed the false reasoning by which they were supported. Montague. Huskisson.

W. Montague reformed the currency, did he not?

G. Yes; in 1696. Just as Goschen did the other day. He called in the worn coin and issued new and good coin.

H. Which the people rejected, and chose gold, however dear it might cost them.

G. Come, Harrop, you know better than that. We have had it all out before.[1] It was the silver which was costly—too costly to keep; and you imagine that, the Gresham Law notwithstanding, the "cheapest" metal was exported, and the "dearest" kept at home! A clever friend of ours[2] wrote, I remember, to *The Times*, in 1881, that silver alone was legal tender in 1688, and that the people would have gold though they had to pay a fancy price for it by way of agio! No doubt he knows better now, and has heard of the Acts of 1663 and 1666, and learned that an agio is in practice payable on export, not on import. If there was any agio at that time it was on silver, the dearest metal.[3]

H. I remember the letters. We have all learnt something since 1881.

G. Now about Montague and Huskisson. I am glad to hear that you commend them. Montague did wisely, as you say. Do you remember what Macaulay says about him and his colleagues? Here it is, quoted in Horton's book,[4] *The Silver Pound*:—

> "It is much to be lamented," he says, "that we have "not a minute history of the conferences of the men to whom "England owed the restoration of her currency and the long "series of prosperous years which dates from that restoration. "It would be interesting to see how the pure gold of scientific "truth found by the two philosophers [Locke and Newton] "was mingled by the two statesmen with just that quantity

[1] See pp. 19-23.

[2] T. H. Farrer (now Lord Farrer), *Letters*, May 21, 27, and June 2.

[3] See pp. 23-24.

[4] *Silver Pound*, pp. 65-66.

"of alloy which was necessary for the working. It would be "curious to study the many plans which were propounded, "discussed and rejected, some as too costly, some as too "hazardous, till at length a plan was devised of which the "wisdom was proved by the best evidence, complete success."

Both Montague and Huskisson, each in his time, opposed what is called "soft money," and I admire them and agree with them as much as you do; perhaps more especially Huskisson, whose bimetallism was quite good enough for me. I wonder if either of you know what was "that gold of scientific truth," that "completely successful" law which Macaulay praises so warmly. It was the law of the open Mint, settled ratio, and dual legal tender, enacted in 1666, re-enacted in 1685, and again enacted in 1693, perfected on the recommendation of Locke in 1698, and again in 1717 on the recommendation of Newton. What have you to say to that? Look again at Locke's report, which I gave you at our last talk.[1]

H. I remember that when you quoted that report of Locke's it was new to me; and though I had of course read the passage you quote from Macaulay, I had scarcely realised the strong bearing it had upon the controversy. What was that you said about Huskisson?

G. You shall have it before I have done with you.[2]

W. You are now dealing with authorities; and that puts me upon asking some more questions. You told us about Adam Smith, and something also of Newton's opinions and acts in this matter. I should like to hear something more about Newton, of whom some people say that he was a gold monometallist; also about Petty, Locke and Harris, whose names have come often into our talk.

G. Newton, of all people, a gold monometallist? That *is* good! My dear White, you've "waked up the wrong passenger," as the Yankees say.

Was Locke a Bimetallist

W. Well, I shall have no mean authority to quote on that point. But now tell us about Locke. You said just now that he understood the principle, and his name appears in your quotation from Macaulay. You were speaking of the international effect of fixing the ratio. You did not, I suppose, mean to say that he approved of what is now called bimetallism.

G. Obviously he could not have approved of "what is now

[1] See pp. 21, 103, 104. [2] Pp. 129, 135.

called bimetallism," because, though the thing is the same, its conditions have altered since his day. Our bimetallism is essentially international, while that of Locke's time was necessarily domestic. I do not think that Locke understood that the ratio could be permanently maintained by an international agreement—such an agreement would not have been either consonant to the ideas, or compatible with the political circumstances, of the time—but he endeavoured to give our ratio greater permanence by assimilating it to that of other nations, and his aim in so doing was to retain both metals in the country as full legal tender.

W. But we are always told that he was the great assertor of the principle of monometallism. He is the champion whom the upholders of that theory always put in the forefront of the battle. or a Mono metallist?

S. I believe he said most emphatically that

"It was impossible that more than one metal should be "the true measure of commerce".

G. He did say so; and it was quite reasonable that he should. I am quite willing to follow him. But we must be quite sure that we understand him.

As to the first question, that of the ratio: Remember that during the seventeenth century the ratio had been frequently altered in France; and five times altered in England before his time, and once more during his own life (*viz.*, in 1663) before he took it in hand; so that he could know of no other condition of things than that of a ratio changeable by authority. But to think, as some do, that the above-quoted dictum of his could imply that he was in the modern sense of the word a monometallist, and that he meant that it was impossible for the State to fix a ratio between the two precious metals, at which each should be legal tender, is to suppose him ignorant both of the monetary law and monetary practice of the times in which he was living, *quorum pars magna fuit*, and to ignore his own reports and writings on the subject.

H. You don't mean to tell us that the acceptance of that emphatic statement of his is reconcilable with your desire to introduce into this country the French law of 1803, which embodies the principle of the double standard!

G. Under what monetary law was Locke living when he enunciated the maxim which Smail quoted? Was it not under the law of 1666, which, as I have shown, was in all essentials the same as that enacted in France in 1803? He said, you will

observe, that more than one standard was *impossible*. He said nothing about its being good or bad. Now he could not have said that that which was in force to his own knowledge, which was the daily rule of all market transactions of his day, was impossible.

Alternative Standard.

S. Might he not have meant what has often been said, that a double standard was impossible because it was in fact an alternative standard, now silver, now gold; one metal or the other always leaving the country?

G. He could not have meant any such thing; because he showed clearly that he knew quite well what it was that caused one or other metal to go; and that he knew also, as you saw just now,[1] how to prevent its doing so.

W. I suppose he would have said that the monetary system in force here and on the continent, the system of dual legal tender, was not that of a double standard at all, but necessarily of a single one. I don't see else how to account for the apparent contradiction.[2]

French Standard.

G. You rightly call it apparent. Locke would no doubt have answered that there was no contradiction at all; that what he meant—and said— was that it was impossible that *two* metals variable in value *inter se*, should form *one* standard—*the* standard; but that they could be, and should be by law, both of them, debt-paying coin of equal power at a fixed ratio. You say, Harrop, that the French law of 1803 embodies the principle of the double standard. That all depends entirely on what you mean by "standard". The law itself[3] says that the standard is silver, and silver only; and so says Wolowski, who repudiates the phrase "*double étalon*," and insists on "*double monnaie*".

The axiom which Smail quoted from Locke was the assertion of the theory, afterwards urged yet more strongly by Harris[4] and Adam Smith,[5] that whatever the coins current at any time, under whatever monetary laws, men will always think their monetary thoughts in, and refer their bargains to, that which Locke himself calls "the Money of Account, or the Measure of Commerce or Contracts,"[6] the one money-measure to which, under the law of their country, they have been accustomed.[7]

H. Ah, I prefer Locke's plain words to your gloss on them!

[1] See last page. [2] See p. 124. [3] See Appendix, p. 463.
[4] See p. 119, and Appendix, pp. 442-55. [5] See p. 14.
[6] Lord Liverpool, *Coins of the Realm*, p. 15.
[7] See Adam Smith and Harris on this, Appendix, pp. 453, 455, 456.

G. You shall have Locke's plain words again. Here is the book. They form part of his "Report from the Council of Trade and Plantations," dated 1698, the very same document in which the words quoted by Smail occur. It begins:—

> "We are humbly of opinion that it is necessary, Guineas "in their common currency be brought down to 21s. 6d. at "least; and further humbly conceive that your Excellencies "may fitly do it by giving directions, that the officers of the "Receipt of his Majesty's Exchequer, and all others the "Receivers of his Majesty's Revenue, do not take them at a "higher rate".

The report is concerned entirely with the fixing of the rate at which gold coins were to be current in relation to silver the standard money of the realm; and he goes on:—

> "The fixing of its value so that it cannot be readily "accommodated to the course it has in other neighbouring "countries, will be always prejudicial to the country which "does it. The Value of Gold here at the price of 21s. 6d. a "Guinea, in proportion to the Rate of Silver in our Coin, "will be very near as *fifteen and one-half to one.*"[1]

Locke recommends a Ratio of $15\frac{1}{2}$ to 1.

W. I don't quite understand it.

G. Where is the difficulty? France was under the bimetallic law in 1826, yet Huskisson wrote—contrasting her and the other nations with England:—

> "Silver, it is well known, is the basis and standard of the "metallic circulation of all other civilised countries".[2]

In like manner, though England was bimetallic in 1698, silver was the standard; but gold was by custom and by law everywhere current as money. It was necessary that it should be, and in fact it was, rated to silver in a certain proportion. Why should not I accept that? It is good bimetallism, that is to say, the law of the dual legal tender. Under it there is no need to call both gold and silver "standards". One is the standard, and the other is rated to it. There is no reason why our present Chancellor of the Exchequer should not enounce Locke's axiom, declare that it was impossible that more than one metal should be the monetary standard and measure of commerce; that gold was unalterably the monetary standard of Great Britain, and that the silver coins, other than the tokens, were to be rated to the gold coins in the proportion of $15\frac{1}{2}$ or 18, or any other weight, to 1; and be as much of a monometallist as Locke was, and as sound a bimetallist as Huskisson showed himself in 1826.

Gold rated to a Silver Standard was good Bimetallism.

So would be Silver rated to a Gold Standard.

[1] See the Extract in full in the Appendix, p. 438.
[2] See Appendix, p. 466.

S. Locke was an official, and had to carry out the provisions of the law as he found it. That seems to me quite compatible with his entire disapproval of the law, and with a desire to minimise its evils.

G. Certainly it would be. But there is no ground whatever for supposing that he saw any evils in it to minimise, and no ground for saying that he felt or expressed any disapproval of the law itself. What he did do was to perfect its operation, adjusting it as the circumstances required, and suggesting developments which Montague, whose policy Harrop so justly admires, as Chancellor of the Exchequer carried out. Where is the proof that he disapproved of the free and gratuitous coinage of the two precious metals as legal tender? Dana Horton, who has examined his writings with scrupulous care, and to whose book I am indebted for the quotation from Locke's report, has found in them no suggestion of repealing or omitting to re-enact the statute of 1666.

W. You say "One metal is the standard, and the other is *rated to it*". I think I understand what you mean by the phrase; but I am not sure.

G. I mean exactly what Locke did by the words which I just now quoted from him: *Rating* is the fixing of the *rate* at which coins of the subsidiary metal were to be current in relation to those of the standard metal.[1]

W. How did Locke perfect the operation of the law of 1666?

G. The ratio as established by King Charles in 1663, was 14·485 to 1[2] and by King William in 1696, 15·934 to 1.[3] Locke brought it, in 1699, to $15\frac{1}{2}$ to 1, assimilating it to the French ratio, and placing it upon an intelligent and scientific basis.

W. 1663, you say. I think you spoke before of 1666 as the starting-point of true monetary policy in England. I don't remember what change was made in the latter year; nor do I understand what you mean by the "scientific basis" on which Locke placed it in 1698-99.

[1] See Harris, Appendix, p. 450.

[2] See Appendix, p. 436, and Table B, *i.e.*, 1858·0649 grains of standard silver to the guinea of 129·4382 grains gold, equal to 1769·543 grains to the (not then coined) sovereign of 123·2744 grains gold.

[3] *I.e.*, 2043·8709 grains silver to the guinea; or 1946·558 to the sovereign.

In 1699, 1997·4192	,,	,,	,,	1902·335	,,	,,
In 1717, 1950·9676	,,	,,	,,	1858·063	,,	,,

G. The year 1663 (Royal Proclamation, 24th December, 15 Car. II.)[1] established the ratio of 14·485 to 1. Laws of 1663 and 1666;

The year 1666 confirmed this by statute (18 Car. II., c. 5), giving us moreover an open Mint and gratuitous coinage, thus settling our bimetallic monetary system on a firm statutory footing, and establishing a compensatory action between the two precious metals.

The year 1698 gave us the reformed currency of Locke, who, having in view the several ratios of the continent, set himself to find a just average ratio between them all.[2] The year 1717 gave us the further reforms of Newton, acting on precisely the same lines. of 1699 and 1717.

S. I have been looking at your book, and I see that Locke says distinctly, and in that very report, that, silver being money—

> "Gold, as well as other metals, is to be looked upon as "a commodity, which, varying in its price as other com- "modities do, its value will be always changeable".[3]

Now, according to this, you propose to fix its price; and yet you said at the outset of your talk that you did not fix the price of a commodity. What do you say to that?

G. Settle that with Locke! The fixing, so far as it was a fixing is his, not mine. I propose nothing about price, but to rate silver to gold as a medium of payment. Locke *did* rate gold to silver as a medium of payment. Gold, as he said, was and is a commodity; but it was, and is, also debt-paying money by the law of the land; and the rating a commodity which is money to another commodity which is also money, is a wholly different thing from fixing a price in money of commodity which is not money, but on the contrary a commodity purchasable with money.

W. Very different. But you contrast silver with "purchasable commodities". Is not silver a purchasable commodity?

G. To be sure it is; and so is gold. But when either or both are *money*, they are commodities, of course, but—in the shape of coin—purchasing, not purchasable, commodities. You can buy gold in Mexico, and silver here; but it is because they are not money in the two respective countries.

H. You can buy gold here, you know.

[1] See Appendix, p. 436, Table B.
[2] See this further debated on p. 129.
[3] See p. 14.

G. Yes; but not gold money. If we can, tell me *how much I can have for a sovereign.*

H. Now, White, let us hear about Newton and his gold monometallism. You remember, Gilbertson, what you said about him[1] and Gresham and Locke in our first day's talk. Did you happen to see a letter of H. D. MacLeod's last month?[2] He gives a very different version from yours of the opinions of those eminent men.

G. It is very easy to do that if one does not quote the words of the eminent persons concerned. *I* have quoted them in the course of our conversation, excepting Gresham's, and I can show you now his *ipsissima verba* also.[3] As to Locke, MacLeod quotes him as saying that "other coins might be used as subsidiary to the standard"; but you know, what MacLeod has forgotten, that the ratio of those other coins to silver was established by law—that they were current coins of the realm; that is to say full legal tender; and that the Mint was open to both metals, and to all persons alike. That is all we want.

Locke.

Newton.

W. You have some more to tell us about Newton, haven't you?

G. Mr. MacLeod says that Newton

> "Proved in 1717 that if coins were used at a legal ratio "different from the market value of the metals, the ones which "were overrated remained in circulation and the others "disappeared".

You have seen[4] that he said nothing whatever about the "market value of the metals," but spoke of their legal ratio in foreign countries, as the only reports of his that I know of, in 1702 and 1717, clearly show—reports which were acted upon in the Royal Proclamation of 22nd December in that year.

W. But you tell us that the real market value was that governed by the legal ratio in other countries as compared with our own. MacLeod may have meant that.

Harris.

G. He may. But he has always been supposed to mean the price for use in the arts. Harris uses the phrase "market" price, but always in relation to export of bullion, whether in coin or bar, and to divergence of rating. Of course if the over-valuation of silver abroad established a premium on that metal in the English market, the price for the articles might rise *above*

[1] See p. 21. [2] See *Times*, 28th February, 1893.
[3] See Appendix, p. 451. [4] See Appendix, p. 439.

the English Mint price (subject to the check of melting the coin); but nothing could bring it *below*. But now as to the gold monometallism, White?

W. Didn't Peel, in his speech in 1819, cite Sir Isaac Newton as an authority for the single gold standard? Newton.

G. He did; and that is one of the strangest things in the whole controversy. Nobody can doubt that Mr. Peel was so informed, but it is permitted to doubt whether those whose business it was to supply him with material were careful in their search or accurate in their report.[1] He says:—

> "Sir Isaac Newton, retiring from the sublime studies in "which he chiefly passed his life—from the contemplation of "the heavenly bodies—from an investigation of the laws by "which their motions were guided—entered on the examina- "tion of this subject" (the definition of an abstract pound); "but that great man came back at last to the old, the vulgar "doctrine, as it was called by some, that the true standard of "value consisted in a definite quantity of *gold* bullion. Every "sound writer on the subject came to the same conclusion."[2]

Now I may venture to say that no such statement appears either implicitly or explicitly in any writing of Sir Isaac Newton's: and I believe that till a few years before the time of Lord Liverpool's letter to the king, so far from its being an "old doctrine" in Newton's time, no writer, sound or unsound, had ever suggested such a thing.

W. I think Peel himself somewhere spoke of the single gold standard as rather a matter of preference than of principle.

G. There is his speech on the Bank Act of 1844 on the table behind you. See what he says.

W. I'll read the passage:—

> "It must at the same time be admitted that it would be "quite consistent with that principle" (he is speaking of the principle of the metallic standard) "to adopt some other "value than that which we have adopted. It would be con- "sistent with that principle to select silver instead of gold as "the standard, *or to have a mixed standard of gold and silver, "the relative value of the two metals being determined.*" Peel's Bimetallism.

That is clear enough.

G. Yes; the followers of Sir Robert Peel have gone far

[1] See also Appendix, p. 473, note on Petty.
[2] Horton, *The Silver Pound*, p. 175. See also p. 14, *supra*.

beyond the lines traced by their leader; and what he thought consistent with sound principle they denounce as impossible, disastrous and dishonest. Neither he nor his chief, Lord Liverpool, said any of these things, but were misled into supposing that gold was "the ancient and permanent standard of value". The single gold standard was in any case an innovation of their own; as was also the system of employing, even temporarily, *one metal only as full legal tender*.[1] It is the ancient system of the use of both metals as money with full debt-paying power—the system approved by Locke and Newton, and by a *catena* of authorities, that we bimetallists desire to restore.

W. Why do you say temporarily? The use of only one metal as legal tender money has lasted in England nearly eighty years.

G. It was provided by the law of 1816 that free coinage of silver might at any time be re-established by Royal Proclamation. No such proclamation has been issued; and it may be held that the law of 1870 by implication annulled this power.

H. What would have been the good of re-establishing the free coinage of silver, the legal tender being limited, and the coins being mere tokens of 66 shillings to the pound Troy instead of 60?

Lowe's Bimetallism.

G. Not much; unless the continental nations had returned to the French ratio of 100 years before, in which case the coins would have been very good international money. Mr. Gladstone's Government of 1870 seem to have perceived this, for Mr. Lowe, Chancellor of the Exchequer, a bimetallist *à son insu*, and Mr. Stansfield, at first included in their bill a provision for free coinage at the Newtonian ratio of 15·2096 to 1.[2]

Newton.

W. Newton's opinions have been very variously represented by different authorities, haven't they?

G. Not before Peel's time, as regards any supposed superiority of gold. Some later writers have perhaps echoed Peel.

W. But as regards bimetallism?

G. Yes; Jevons imagined once that Newton had pronounced against that system, and I, as I have already said, find no traces of any such pronouncement.

[1] Adam Smith suggested overvalued silver coin, but it is not clear whether he desired to cease full-weight coinage of that metal. See p. 114, and Appendix, p. 460.

[2] See on this subject Dana Horton. *The Silver Pound*, chap. viii., p. 184.

W. What was Jevons's point?

G. He quotes Richard Cantillon as saying that Newton, in reducing the guinea to 21s., meant only to keep silver in the country, and

> "Did not propose to fix the veritable proportion of the "price of the metals, seeing that their veritable proportion is "that which is fixed by the price in the market".

H. What do you say to that? "The price in the market." Note that phrase.

G. As to that, I say what I said just now: The "price in the market" could only be the export price (or that which followed the price for export), and was governed by the comparative ratios at home and abroad. As to Jevons's quotation of Cantillon, I say:—

First. That it is Cantillon and not Newton; but as they were friends, and he may have known Newton's mind, that may pass.

Secondly. I agree that he did not propose to fix "*la proportion de leur prix*," whatever that may mean; because, as I have shown before, the law of 1666, under which he wrote, does not pretend to fix (nor, indeed, to prohibit) a price between the coins of the two metals.

Thirdly. It is true that he could not have meant to imply that the ratio (not *price*) should be perpetually and unalterably fixed; for he himself was then altering it.

Fourthly. He could not have pronounced against international bimetallism, because the idea of *international* bimetallism had not entered into the minds of men. But Locke first, and he afterwards, had gone as near as they could to it by altering the ratio so as to bring it as closely as they could to accord with the ratios prevailing abroad, and declared this to be our true monetary policy. Had it been possible, they would no doubt have welcomed an international agreement, which would have made that accord complete, and which, while it would not have precluded a future alteration of the ratio by agreement, would have wholly taken away all need or desire for it.

Fifthly. Against national bimetallism it is impossible that he could have meant to pronounce. It was the law of the land. Silver was the standard; gold was rated to it (15·572 to 1); the Mint was open to all for the coinage of both metals, and the coins of both were legal tender in all payments. He accepted it, and adapted it as nearly as he could to the changed circumstances of the time by lowering the ratio to 15·2096 to 1; and that ratio so recommended by him was established by Royal

Proclamation at the request of the House of Commons.[1] Had he desired to protest against the system, he would surely have done so definitely and categorically, and not by a single phrase contradicted by his contemporary acts.

Sixthly. His object was, as was Locke's before him, precisely what Cantillon says: to prevent the exportation of silver coin; and the nearer he got to identity of ratio the less was the inducement to export it in preference to gold; even as perfect identity of ratio would make it wholly indifferent whether one metal or the other was used for the payment of foreign debt.

"Bimetallism differs from the old Bimetallic Law."

H. You say "the idea of international bimetallism had not entered into the minds of men". That is a part of the indictment against you: Your bimetallism is not the old bimetallism; it is a novelty, an experiment which has never been tried since the world began.

G. It is the old bimetallism, but with added strength and security. Is a nail not a nail when it is clenched? "Never been tried!" Did you never hear of the Latin Union? Five nations—France, Belgium, Greece, Italy and Switzerland—agreed in 1865 to adopt together the same monetary law which France had maintained alone from 1785, coinage of both metals at the uniform ratio of $15\frac{1}{2}$ to 1,[2] an agreement which has lasted unrepealed till now, and in active operation till 1876. I propose that a sixth nation shall agree with them, and you, apparently for the first time, now learn that a bimetallic treaty ever existed.

H. I did forget the Latin Union.

W. That is an excursus of yours, Harrop. Returning *à nos moutons*, I think Gilbertson has sufficiently disposed of the nineteenth century Newtonian theory.[3] Very likely Jevons would have thought differently in later years.

Harris.

H. I should like to know what makes you think so; but we had better keep now to the eighteenth century. What did Sir William Petty and Mr. Harris think of it? I remember that Lord Liverpool quotes both of them.

G. I shall have some more to say about Jevons,[4] but as to

[1] More about Newton. See pp. 121, 122.

[2] See p. 353, and Appendix, Table B.

[3] Cantillon said the ratio was not lowered sufficiently; and, seeing that the French ratio, which was one of the factors in the case, was 15·10 to 1, he was probably right. He called the French ratio 14·50, but that was the ratio in 1755; and that year, therefore, we may suppose to have been the date of his (undated) essay.

[4] See pp. 181, 182.

Petty and Harris, both of them, Harris explicitly, and Petty in effect, declare that the unit must be maintained in one metal, and that coins of other metals must be rated with reference to that unit. But neither of them says anywhere that that unit should be gold, still less that either metal should be the only full legal tender. On the contrary, Harris wrote one of his essays to show that the then existing silver standard (to which gold was rated) ought in no case to be altered.

W. Tell us something about him. I have never seen his essays.

G. I have a set of extracts from them here, which will interest you.[1]

He urges[2] in the strongest terms that there should be no alteration in the standard (1); and, as Locke had before him, that one metal only could be the true money of commerce (2); also, that silver, invariable (as gold also must be) as respects itself, though variable as respects other commodities (3), was, and ought to be, that one metal (4); for other reasons and because it was itself less valuable[3] (5) and less variable in value than gold (6); and that *though the Mint was, and ought to be* (7) *open to the public for the coinage of gold at a ratio legally fixed from time to time* (7), *and though the coins were, and ought to be* (7), *legal tender for discharge of debt*, yet gold was not money (8), nor, though gold was in greater abundance in England than silver (9), and was, in a sense, the standard of merchants (10), could it be the national standard (10).

W. What could he mean by that? He must have used the word money in a special sense.

G. He was Assay Master to the Mint and knew quite well

[1] See Appendix, p. 443.

[2]

(1)	II.*	Part	j.	Sec.	11.	p. 22.	p. *452.**	See Appendix, p. .
		,,	ij.	,,	13.	pp. 24-5.	p. *454.*	,, p. .
(2)	I.	,,	vij.	,,	34.	p. 46.	p. *484.*	,, p. .
(3)	I.	,,	vij.	,,	34.	p. 46.	p. *484.*	,, p. .
(4)	I.	,,	viij.	,,	36.	p. 47.	p. *485.*	,, p. .
	II.	,,	xvj.	,,	36.	p. 57.	p. *487.*	,, p.
(5)	I.	,,	viij.	,,	36.	p. 47.	p. *485.*	,, p. .
(6)	I.	,,	viij.	,,	36.	p. 48.	p. *486.*	,, p. .
(7)	I.	,,	ix.	,,	38.	p. 59.	p. *489.*	,, p. .
	II.	,,	xiv.	,,	36.	p. 59.	p. *489.*	,, p. .
(8)	I.	,,	ix.	,,	38.	p. 50.	p. *488.*	,, p. .
	II.	,,	xvj.	,,	36.	p. 59.	p. *489.*	,, p. .
(9)	I.	,,	v.	,,	22. (9)	p. 37.	p. *467.*	,, p. .
(10)	I.	,,	xvij.	,,	37.	p. 61.	p. *491.*	,, p. .

*The numbers I. and II. refer to Joseph Harris's Essays on *Money and Coins*, dated 1757 and 1758, Political Economy Club Edition, 1856, to which the italic figures refer.

[3] See pp. 137, 138.

what he was talking about. He limits money, as Locke did standard money,[1] to "money of account," money present to men's thoughts when they made their bargains, money in which, or in the legal equivalent of which, they are expected to be paid as the outcome of their bargains. In Harris's view, gold, as you see, was that legal equivalent for "money"; either 21s., or at the option of the debtor, a gold piece called a guinea, being a good discharge for a debt of $\frac{21}{20}$ of a pound sterling.

W. We know already how positively he asserted the quantitative theory of prices,[2] and how he showed that the value of the money-metals—unlike that of other commodities—"did not accord with their prime cost at the mines".[3]

I think he laid great stress on the necessity of the ratio being changed from time to time.

G. Of there being power to change it; of its being fixed *pro tempore, i.e., having regard to the circumstances of the time.* When he wrote, the ratio had not been changed for forty years, and he, in common with all of his time, felt strongly the pressure on trade caused by the scarcity of silver, all full-weight coins being liable to export, because the English ratio, 15·21, undervalued them as compared with the French ratio, 14·50 to 1.

W. Why didn't they change it as Sir Isaac Newton had done?

G. Probably they thought—and perhaps rightly under the then circumstances—that the evil of a change would be greater than the evil of the scarcity of silver coin.[4]

Adam Smith.

S. I think Adam Smith suggested a change which was afterwards adopted (in 1817) by the second Lord Liverpool, making silver a token coinage. He wrote in 1776, didn't he?

G. Yes; that was the date of his book. The idea of a "token coinage," in our sense, may not have occurred to Smith. He did propose, as did Sir John Barnard before him,[5] to alter the ratio, over-rating silver and limiting its legal tender, in order to remedy the divergence between the value of silver bullion and worn silver coin, and keep the standard metal in the country. It would have accomplished that, and have done something more, which he certainly did not take into account, namely, the breaking the link between the two money-metals as far as England could do it.[6] The Mint was apparently to be still

[1] Lord Liverpool, *Coins of the Realm*, chap. iv., p. 15. [2] See pp. 59, 224.
[3] See p. 25. [4] See more about Harris, p. 118.
[5] *Thoughts on the Scarcity of Silver Coin*, 1759. [6] See Appendix, p. 460.

open to both metals; but of course no silver would be sent into it by the public.

H. I really believe that you and White are going to make out that Smith and Harris were bimetallists! And Petty, too, I dare say!

G. I shouldn't wonder! I am glad you reminded me of Petty. Did you ever happen to read his *Quantulumcunque?* Lord Liverpool does not quote that rare tract; but I have here the reprint in the Political Economy Club Collection (1856), and I'll read you two curious passages. You can then judge of his bimetallism or monometallism. Sir William Petty.

"Question 1. Whether the old unequal money ought to "be new coined and brought to an equality?"[1]

"*Answer* 1. It ought: because money made of gold and "silver is the best rule of commerce, and must therefore be "equal or else it is no rule; and consequently no money, and "but bare metal, which was money before it was worn and "abused into inequality."

"*Answer* 17. Yet if gold be not money, but a com- "modity next like to money, and that silver be the only "money, then we must see whether 1000 Jacobuses would "then purchase no more silver than 1000 guineas would "now."[2]

W. In the 1st answer he treats gold and silver as equally money, and demands that to fulfil their function they should be kept up to their respectively prescribed weights. In the 17th answer he treats gold as possibly not money. He evidently uses the word in two different senses. In no other mode of interpretation can gold be money and not money.

H. I never saw that tract; but there is a much more trenchant passage in Petty's *Political Anatomy of Ireland:* Lord Liverpool quotes it; and it was that which I had in my mind when I asked you about him. Let me see his book.

G. There it is. I remember the place, and have found it for you. It is at page 129. Read it to us. Stay; I think we had better hear Petty's own words on the subject. They seem to give his full mind better than clipped extracts can, though the difference is small. You will find them in the collection of tracts on Ireland published about 1691, which I happen to have here. It is in his 10th chapter.

[1] Petty, *Quantulumcunque*, 1862, p. 3, Polit. Econ. Club Ed., p. 157.
[2] *Ibid.*, p. 19, Polit. Econ. Club Ed., p. 163.

H. (*reading*): "Money is understood to be the uniform "measure [and rule][2] for the value of all commodities. [But "whether in that sense there be any measure or such rule in "the world I know not; though most are persuaded that gold "and silver are such. For 1][2] The proportion of value "between pure gold and fine silver alters as the earth and "industry of men produce more of one than the other; that [is "to say][2] gold has been worth but twelve times its own weight "in silver, but of late it has been worth fourteen; [because "more silver has been gotten. That of gold proportionably, "*i.e.*, about twelve times as much silver has been raised as of "gold, which makes gold dearer.][2] So there can be but one "of the two metals of gold and silver to be a fit matter for "money; [wherefore if silver be that one metal fit for money, "then gold is but a commodity very like money.][2] And as "things now stand in this kingdom silver only is the matter of "money.

[3. "The value of silver rises and falls itself: for men "make vessels of coined silver, if they can gain by the work-"manship enough to defray the destruction of the coinage, "and withal more than they could expect by employing the "same silver as money in a way of trade. Now the accidents "of so doing, make a rise and fall, and consequently take from "the perfect aptitude for being an uniform steady rule and "measure of all other things."[1]

"What hath been said of the silver species may be said "of the gold species: and what differences are between silver "and silver, and between gold and gold, is also between silver "and gold coins."[2][3]

W. There is not much difference: but I don't see anything in Lord Liverpool about there being no such rule in the world.

G. No: he brings that in later[4] and strangely misinterprets it, as if Petty had said that he "doubted whether the Governments of the world have ever conformed to it," whereas you have just heard that his argument was not that no such rule had been adopted, but that there *could not* be any such invariable rule, because neither gold nor silver were immutable in value.

W. How do you account for such a misreading of the book before his eyes?

G. I suppose it was *not* before his eyes. He was a sick

[1] Petty, *Political Anatomy of Ireland*, 1687, pp. 346-47.
[2] The words in brackets are omitted by Lord Liverpool.
[3] Petty, p. 348. [4] *Coins of the Realm*, p. 141.

man and trusted to careless secretaries. You have seen how imperfect a notion they had given him of Harris's opinions.

H. That may be; but there is no mistake about his assertion that but one metal can be fit to be the matter of money. What do you say to that? Can there be a stronger assertion of monometallism?

G. That depends entirely upon what you mean by monometallism. If you suppose it to be a system under which the Mint was to be open to one metal only, and under which debts could be paid in one metal only, I answer that such a system was wholly unknown to Sir William Petty or to any of his contemporaries; that he himself makes no mention of any departure from the law which affected the daily habits of the whole nation; and that therefore it is quite incredible that he could have advocated such a monometallism as that. But if you mean the law under which Petty lived, a law which gave an open Mint to both metals, rating them one to the other—gold to silver, and silver to gold, as full legal tender, a law under which one metal alone was the standard—seeing that men would always have one, and one alone, in their minds "as the uniform measure and rule of the value of all commodities"[1]—if that's the system you mean, Petty professed Monometallism—and so do I.

H. So you are a Monometallist, and Petty, Locke, Newton and Harris are Bimetallists! Bravo!

G. Yes; but my Monometallism and their Bimetallism are the same thing. Your Monometallist of the nineteenth century, disciple of the Liverpools, father and son, maintains that of the precious metals one alone can be full debt-paying money, the other having the doors of the Mint shut against it, and having, except as a token coinage, like copper, no debt-paying power.

W. I think it absurd to call Petty, Locke, Newton and Harris Monometallists.

H. Well done, White! The zeal of a new convert seems stirring in you!

W. Neither they nor anybody else, it seems, had heard of any other system than that established since the time of Edward III.

G. Their system was our modern Bimetallism, *minus* the international agreement. It precisely tallies with the system

[1] See p. 118.

of Harris's day as described in his essay. You think that was Monometallism. Very well: give us that Monometallism, and we are content. Add the agreement, and it is all that we Bimetallists desire. We don't care what you call it, Bimetallism or Monometallism, Double Standard or Single Standard. So that we get the *kernel* you may call the *nut* what you please. Locke and some of those who came after him were more anxious to analyse the matter than I am; but I am bound to say that I think they were, scientifically speaking, right. They defined legal money by saying that Silver was the monetary standard, and Gold rated to it by law. If they had said that Gold was the monetary standard and Silver rated to it by law, the thing would have been the same, the collocation of the words different. If they had said that the monetary standard was gold and silver, each rated to the other by law, the expression would not have been so scientifically correct, but the thing would have been again the same. It is only the *Mourir me font, belle Marquise, vos beaux yeux*, instead of *Belle Marquise, vos beaux yeux mourir me font*, of the *Bourgeois Gentilhomme*.

H. You must admit that Lord Liverpool cited them as, in the main, witnesses for the wisdom of his recommendation.

G. No doubt he did. Yet no one could pour stronger or more scornful condemnation on some of those recommendations and on the arguments by which they were supported,[1] than did Harris, anticipating their production by a few years.

Monetary Revolution in 1816.

H. I admit that Harris, writing in 1758, strongly condemned the suggested substitution of a single gold standard for a single silver standard; but times had altered, and what was unwise in the middle of the eighteenth century might have been very good policy at the beginning of the nineteenth, when the statesmen of the day found a *tabula rasa* before them, owing to the suspension of cash payments.

G. Was it a *tabula rasa?* Debts and obligations were neither cancelled nor commuted. Harris[2] dreaded any change; but the state of affairs was such, that the substitution of gold for silver as the nominal standard of the country might have taken place.

W. How so? I don't see the motive for the change. There was no gold, and little silver in the country.

[1] Harris, *Money and Coins*, 1758, p. 37, 58/64.
Part v., sec. 22 (8), Edition 1856, p. 467. Appendix, p. 449.
,, 36-7, ,, ,, p. 489. ,, p. 452.

[2] See Appendix, p. 449.

G. There was no motive. But the substitution, had it really taken place, would have been a *brutum fulmen*, having none, or scarcely any, effect.

H. What was the measure of 1816, then, if not a real substitution?

W. I think you know, Harrop, as well as Gilbertson does. It was substitution plus demonetisation.

G. To be sure it was. Gold, under the old law of the silver standard, had full debt-paying power. Silver, under the new law of the gold standard, had none. "This," to use the words which Harris wrote of the mere substitution, "is making short work of it indeed, and with one stroke abolishing our poor old standard".[1] Silver was, for the first time in the history of the world, demonetised, as far as England could do it; and England by the same stroke cut herself off, so far as she could, from the monetary family of nations.

Now, if Harris was against the mere substitution of gold for silver as the standard, much more would he have objected to the further degradation of silver by taking away its full debt-paying power.

H. Harris is a very dangerous witness for you to call; for, as I see, he condemns you too, and on two counts. He condemns the double standard[1] and the Bimetallists of his day who desire it, and condemns also any change in the standard. Now you advocate a change from our single gold standard to a double standard of gold and silver, thus sinning against both his canons. Harris.

W. Bimetallists? I don't understand that. Bimetallism was, as you have shown us, the law of the land. It wanted no defender, for no one had a word to say against it. Could there be "Bimetallists" in such a case?

G. Oh, yes, there could; and Harris describes them. They were Bimetallists, exactly as he and Locke and Newton were in their day Monometallists. The "Bimetallists" of Harris's time did not *desire* Bimetallism—they asserted its existence. Their argument was, so Harris tells us, that the Mints being open to both metals, and the coins of both being by law full legal tender, it was evident that *both metals* were THE STANDARD.[2]

[1] See Appendix, p. 450.

[2] *Money and Coins.*

1757	(p. 47).	Part viii.,	sec. 36.	P.E.C.	p. 385.	Appendix,	p. 445.
1758	(p. 37).	,, v.,	,, 32.	,,	p. 467.	,,	p. 449.
	(p. 58).	,, xvi.,	,, 36.	,,	p. 488.	,,	p. 452.

Harris did not *desire* that Monometallism. He *had* it, and asserted its existence, as did Locke and Newton before him, and approved it as they did. He said, nearly in the same words as theirs, that silver was the standard metal, and that gold was legal tender at a fixed ratio to it; and added that even though half a dozen other commodities were in the same case, yet silver, the metal in which accounts were kept,[1] would be necessarily the national standard, the sole "money," as Petty also called it, because it was the standard of the great mass of the people, whatever might be the standard of merchants. No one does read Harris, least of all the Monometallists who quote him. If they did, they would see that he would certainly, in his zeal, aver that silver is *now* our standard. "Make what laws you please," he says, "silver will still be our standard."

W. Certainly no one sells anything for a sovereign and a half, or even a pound and a half. The shillings will always come in.

G. The nomenclature is not a matter of any real importance. It was theory, not practice, that was in question, and it is so still.

W. That is, whether the monetary system of that day ought to be called the law of the single standard, or the law of the double standard.

G. We have been accustomed to use the latter phrase, and, as a popular name, it is good enough; but I am rather sorry myself that I ever used it; for, though justifiable, it is ambiguous and of doubtful propriety, and gives occasion to the enemy to blaspheme.

W. How is it justifiable?

G. Oh, you may say, "Money is the basis of all Contracts. If Silver and Gold are both Money, then both are jointly the basis of all Contracts, the Standard by which they are made." It all a logical, not a practical, question.

Now as to "Change,"—the second count against me. I don't want to change the standard. I am content with Gold as we have got it,[2] if only I can have the Mint reopened to Silver as a subsidiary but full debt-paying coin, coin which as a metal will pay the foreigner. A single standard would in Locke's sense be maintained, but a subsidiary metal would, as it did in his time, play its full part in the money work of the world.

[1] See p. 14. [2] See p. 105.

W. All you want is a return in principle to the ancient law of England. The law of 1816 was a new departure from the unbroken practice of 478 years.

G. My proposal is for a MONETARY REFORM. The proposals of Lord Liverpool, as carried out by his son, were a MONETARY REVOLUTION, and one of which the authors did not at all perceive the full significance. Monetary Reform.

W. They gave no hint of their having done so. Till their time men were all for silver.

G. Yes; with gold rated to it as legal tender money. Since then the cry has been all for gold, and gold alone. It is a craze; but even a craze must sometimes, and to some extent, be humoured. Let it therefore remain gold, if they like, but not gold unsupported.

As to the principle on which the subsidiary metal should be rated to the standard metal, it was not only the theoretical opinion of monetary experts that the ratio between silver and gold in England should be the same as that in foreign countries, but the practical opinion of the mercantile community, as is shown by a letter on the subject of the guinea, from the Commissioners of the Bank of England to the King,[1] dated Antwerp, 6th July, 1695, in which they ask

> "That a stop may be putt to the mischeevous high price "of Gold and Guinees in England, which, as we have said, "if not speedily done, will have most fatal and certain evill "consequences, besides the utter disabling us or any one else "from paying the army, this is a most perplexing matter to "us, not so much for the loss we sustain by the contract w^th^ "my Lords of the Treasury but for that (if this pernitious "Trade, of sending Gold from all parts of Europe to England "continue[2]) it will be impossible to comply with it, but we "will hope that his Majesty will speedily direct my Lords the "Justices by Proclamation to give remidy hereunto by re-"ducing the price of Guinees to the Par of our neighbours "before this extravagant rise".

W. All that is very remarkable. How did Newton develop the law? Newton.

G. On Locke's lines. Look again at his report of 1717,[3]

[1] Horton, *The Silver Pound*, p. 242.
[2] Observe the "preference for gold!" In Petty's words, "They were pestered with *too much* gold". See p. 128.
[3] See Appendix, p. 439.

and listen to the substance of one or two more reports of his. In January, 1701, his report relates wholly to the difference in the English valuation of French and Spanish pistoles, compared with their valuation in France. On 28th September of the same year, he reports as to the legal valuation of gold and silver moneys in England, and leaves it to their lordships great wisdom to consider whether it ought to be altered in consequence of the different legal proportion borne by gold to silver in France. He explains also in this and in the report of July, 1702, the cause and effect of the agio on silver in Spain, when wanted for export. In the latter report (all in his own handwriting), he remarks on the difference of ratio between England and the other continental countries, and, showing that gold is too highly rated, recommends its being reduced by law. In a memorandum annexed to his report he gives an elaborate account of the ratio between gold and silver in many continental countries and towns. In all these you will see that he justifies the alteration of the ratio from 15·572 to 15·21 (just as Locke had justified the change from the statutory 15·934[1] to 15·572[2]) on bimetallist grounds: *i.e.*, on the necessity of conforming the established system in England to that of foreign countries, by means of an approximation to identity of ratio.

H. Might he not have changed his mind afterwards?

G. Yes, he might; but I have already shown that he didn't; and we know on the evidence of Cantillon, in his essay, "SUR LA NATURE DU COMMERCE," that when somewhere between 1717 and 1734, it was proposed to change the ratio by raising silver instead of lowering gold, Sir Isaac answered that, "silver was the only fixed money of the country, and as such could not be altered" ("*Suivant les lois fondamentales du roiaume, l'argent blanc etait la vraie et seule monnoie*").[3]

H. In that sense France also, I suppose, was a "silver country"; not because gold was at any moment absent, as has been alleged, but because silver was the basis of her monetary system, as indeed it had been of all the monetary systems of every nation till 1816.

G. Precisely so. You have Huskisson's authority for that.[4] Do you want a French authority? Listen to the first words of M. de Wailly's address to the French Academy in 1856. Here they are on p. 177:—[5]

[1] 22s. to the guinea (1946·558 grains of standard silver to the pound sterling).
[2] 21s. 6d. to the guinea (1902·335 to the pound sterling).
[3] More about Newton, p. 127. [4] See pp. 105, 160. [5] See p. 49.

"*Depuis plus d'un demi-siècle, le système monétaire de la*
"*France ne subit aucune variation, en sorte que cinq grammes*
"*d'argent au titre de neuf dixièmes de fin, représentent aujourd'hui,*
"*comme en* 1803, *la valeur immuable d'un franc*".[1]

"For the last half century the monetary system of France
"has never varied; so that five grammes of silver, nine-tenths
"fine, represent to-day, as they did in 1803, the immutable
"value of one franc."

Silver the French Standard.

H. Both Huskisson and De Wailly wrote before 1876, and they might reasonably speak of France as Locke, Newton and Harris spoke of England. But after the cessation of silver coinage surely the standard must have been gold.

G. It is no uncommon delusion to think that you know other people's affairs better than they themselves know them. Giffen is quite sure that the "Double Standard" caused "misery" to France; but no Frenchman ever said so. *You* are quite sure that France was on a gold standard after 1876. See what a Frenchman thought about it, a greater and later authority than the two just now quoted. Léon Say, Minister of Finance and President of the Paris Monetary Conference of 1878, after saying that though France still retained the double standard in theory it no longer existed there in practice, went on to say:—

"*Il y a eu dans les Chambres françaises, lorsqu' il s'est agi de*
"*la suspension de la frappe de l'argent, de longues et vive discussions*
"*sur le sens et la portée de cette mesure. Était ce un acheminement*
"*vers l'étalon d'or ou un état provisoire qui permettrait d'attendre*
"*un moment favorable pour rentrer dans le système du double*
"*étalon? Le Gouvernement s'est clairement expliqué a ce sujet.*
"*Il a déclaré tres catégoriquement que nous ne marchions pas vers*
"*l'étalon d' or unique; nous sommes, selon lui, dans une situation*
"*expectante et de laquelle nous ne sortirons que pour de bonnes*
"*raisons, quand elles se seront produites, et vraisemblement pour*
"*rentrer dans le système du double étalon;*" which may be trans-
"lated as follows:—

"In the French Chambers, when the question of suspend-
"ing the coinage of silver arose, there were long and earnest
"discussions as to the meaning and effect of that measure.
"Was it a step toward the gold standard, or a provisional
"condition, which would permit us to avail ourselves of a
"favourable moment for returning to the system of the double
"standard? The Government clearly explained its position
"on this point. It declared very categorically that we were
"not moving toward the single gold standard; we are, in

[1] See the French Law of 1803, Appendix, p. 463.

"its view, in a condition of expectancy, from which we shall "not move, except for good reasons when they shall show "themselves and then probably to re-enter into the system "of the double standard. For the last half century the "monetary system of France has never varied, so that five "grammes of silver, nine-tenths fine, represent to-day, as "they did in 1803, the immutable value of one franc."

You see, therefore, that Say did not think that the closure of the Mint to silver even tended towards the adoption of a single gold standard, still less that that system was *ipso facto* in operation.

W. The "Double Standard," then, though Say uses it as the popular phrase, is a misnomer as respects both countries. Gold was, both in France and England, a subsidiary metal, rated to the standard metal Silver.

How came Lord Liverpool, do you think, to lay such stress on the choice of Gold through the supposed preference for that metal?

G. The cause was no doubt the inaccuracy of his informants, who allowed him to say that the banishment of Silver had taken place by popular choice, whereas the alterations of the ratio which caused that banishment were made from time to time by orders in Council addressed to the Mint. Here you have the whole story in Dana Horton's book, *The Silver Pound*.

Locke's Theory of Money.

W. Yet a few more words about Locke. You don't take him to have desired to bring about some great monetary change.

G. Not in the least. Some of your monometallist friends seem to look upon him as a great currency reformer, preaching the doctrine and discipline of oneness of money to a world sunk in the depths of bimetallic superstition.

W. And you, on the other hand, would almost call him a believer in bimetallism?

G. Excluding the idea of duality in the *standard*. Smail quoted what Locke said about it, and I may add that he wrote even more strongly in his first work: "Two metals, as gold and silver, cannot be the measure of commerce both together in any country".

W. We must admit, then, that his *words* are the words of a modern monometallist, and I can well believe that no ordinary person, ignorant of the historical facts, would understand him to mean other than what the monometallists attribute to him, or

would fail to think that, as he agreed with Petty in the dictum which they have adopted as the starting-point of their teaching, he would also have concurred in all that they have since deduced from it.

Locke and Monometallists compared.

G. "*Some* of his words," you should say. But they will no doubt go on attributing their own opinions to Locke and others so long as they don't take the trouble to read their writings.

Let us see how their doctrine and Locke's accord.

H. You have told us that already.

G. Yes; but I want to put Locke and the Monometallist in parallel columns, as it were.

Your Monometallist says:—

1. It is impossible that more than one metal should be the Standard Money.

2. That metal must be Gold, freely coined, and legal tender for all debts.

3. Neither Silver nor any other metal may be freely coined as full legal tender. SO SAYS THE LAW.

Locke, then, *should* have said:—

1. It is impossible that more than one metal should be the true Measure of Commerce.

2. That metal must be Silver, freely coined, and legal tender for all debts.

3. Neither Gold nor any other metal may be freely coined as full legal tender.

W. But he didn't.

G. No; he had not Currie and Farrer by his side to teach him his business! What he did say was:—

1. "It is impossible that more than one metal should be the true measure of commerce."

2. "That metal, Gold being unfit for the office of a true standard, must be Silver, freely coined, and legal tender for all debts."

3. "*Gold must also be freely coined, at a definite ratio to Silver, as full legal tender. So SAID THE LAW.*"

4. "*The ratio should be as nearly as possible accommodated to the average ratios of other States.*"

5. "*In the then circumstances it should be about* $15\frac{1}{2}$ *to* 1."

W. There was, I see, no difference in principle between him and modern Monometallists till we come to Nos. 3, 4 and 5.

G. No; the Monometallist syllogism, in respect of Locke,

seems to be this: "Locke said that two metals can't be the measure of commerce; money is the measure of commerce. Therefore, two metals, however linked together, can't be the money of any country".

W. My logic is rusty, but that seems good argument, if Locke's premiss could be admitted.

G. Harrop won't say so. He knows better. It contains what Mill calls the Fallacy of Confusion. It would be good if the sole function of money were to measure value. Money has also the pleasing function of discharging debt, and that function the two metals had in Locke's day; and this was, of necessity, assumed in his report, the recommendations of which, for the alteration of the ratio, were acted upon by Treasury Order of February, 1698-99, and remained law till 1717, when Newton, acting on the same lines and for like reasons, recommended a further alteration of the ratio.

W. Locke struck out no new path, I imagine.

G. None; he stood on the old paths, the paths that had been trodden for centuries, accepting silver as the basis of English legal tender money, and gold as a recognised equivalent at a ratio to be regulated from time to time by the State; and it was in this same path that Newton trod. What Locke said was thoroughly in accordance with the best perception of the results of the lights of that day. He accepted its practice without a hint of any disbelief in its soundness; but he was a philosopher, and worked out in his mind the problem whether men referred their dealings to the two metals or only to one, and decided, no doubt rightly, that it was to one alone; and certainly every statute and every Mint indenture down to 1816 treated silver as the basis, and treated the gold pieces as so many shillings.[1] I suppose hardly any one else took the trouble to go closely into the principle, but none deviated from the practice, which was the establishment of Silver and Gold as the legal tender moneys of the country.

W. Should you say that "Silver with Gold rated to it"[2] was either synonymous with, or a substitute for, the Double Standard?

G. That is only a matter of nomenclature, or, if you like, of philosophical analysis. In practice, what is popularly called the "Double Standard" would give us legal tender money of

[1] See Harris II., xvi., 36, Ed. 1856, p. 488; Appendix, p. 453. [2] See p. 107.

both metals at a fixed ratio, and that is exactly what silver with gold rated to it gave our fathers. There was not a shadow of difference in the effect. It was the only Bimetallism they knew, and they were content. They cared not a straw what it was called, or should be called. Neither do I.

Bimetallism of Locke and Newton.

H. I want to have a few more words about the alleged Bimetallism of Locke and Newton. I have been thinking it over while you were talking; and I must say that it seems to me that every word you have said about them, every act that you impute to them, every Report that bears their names—all draw a marked and well-defined line between the system which they furthered and that which you advocate under the name of Bimetallism.

You demand a fixed and invariable ratio between gold and silver; *they* a variable one, which indeed, they themselves varied. *They* maintained that the market price of each metal must necessarily regulate the relative value of each; *you* that the market price has no influence in the matter, but is itself governed by the ratio fixed by the State. How can you reconcile these enormous differences?

G. I will take your last point first. What was that market price of which you and they speak? I have already shown[1] that it is impossible that it could have been primarily the market price for the arts, or for any other home purposes. Every word they say in their Reports shows that the market price of which they speak was the price for export, based therefore on the superior purchasing (or debt-paying) power of one or the other metal (in those times it was of silver) in foreign countries. Both Locke and Newton framed their reforms with the view of minimising the difference between the relative debt-paying power of the two metals in England and in foreign parts. We frame our proposed reforms with the view of totally annulling those differences by making the ratio between the two metals identical in the principal commercial countries by common accord. There is absolutely no conflict of principle between Locke's plan and ours; for ours is but an extension and completion of that devised by him and carried on by Newton.

S. If so, why did not Locke or Newton after him complete the work?

W. You answered that before.[2] Neither men's ideas in those days, nor the political circumstances, would have permitted any such common accord.

[1] See p. 7. [2] Pp. 50, 52.

G. Yes; and it was not only a question, as Cantillon seems to have thought, of making the French and English ratios identical. Locke and Newton both tell us that the ratios were nearly as many as the nations, and that the problem was to attain an average between them—an average liable, however, to be upset by any change in any one of them.

Now as to your first point. Where do you find that we demand a ratio between Gold and Silver so established by law that the law cannot change it? What law has made, law can unmake. Locke saw that the State *had* changed the ratio, under stress of the changes in other nations, and not only contemplated, as was reasonable, the probability of other changes, but no doubt expected them. It was always, of course, a fixed ratio under each successive alteration by lawful authority, and, indeed, remained fixed for two successive periods of nineteen and ninety-nine years.

W. "Reasonable," you say: but the Bimetallists, as I understand you, neither desire nor contemplate a change of ratio.

G. Locke both contemplated it and desired it, led by his knowledge of the principle and by his experience before 1698. England stood alone ("independent," Harcourt would call it), and when other nations changed their ratio had either to change hers also, or to suffer the inconvenience of an occasional scarcity of one or the other metal in the circulation, "pestered," as Sir William Petty wrote, "with too much gold". Joseph Harris also, in his day (1758) insisted on the necessity of change, so that the two metals should be "rated in due proportion to each other, as they are at a medium in the neighbouring countries". Change, he found, was needed then,[1] as it had been, *teste* Cantillon, a few years before; but as a matter-of-fact, it had never been changed from Locke's time to Newton's, and was only changed once (by Newton in 1717) between 1699 and 1816. I think I mentioned that before.[2]

W. Yes, you did: but it's just as well to mention it again—it's good for Harrop as a corrective to his notion about "the shifty character of the ratio".

G. Locke, as I say, contemplated change, judging from the experience of England down to his time. We, judging by the experience of England down to 1816, and of France down to 1873, contemplate indeed the possibility of change; but, inasmuch as (if I had my way) England would *not* stand alone, we know that any change would be in the highest degree improbable,

[1] *Essays*, p. 467, Ed. 1856; see Appendix, p. 451. [2] See p. 49.

because a ratio having been once accepted by a group of great nations, it is inconceivable that a change would be necessary or desirable. As to your second point—the market price—I think what I just now said has fully destroyed that plea.[1]

H. I must admit that the differences in principle are not what I thought.

W. The aim of Locke and Newton seems to have been exactly the same as yours.

Huskisson's Bimetallism.

I think we have finished that part of the story. Now there is another thing that I have been wanting to ask. What *did* you mean by your reference to Huskisson? You spoke some time ago of his bimetallism. Did you really mean it?

G. Yes; I owe Harrop some news about Huskisson. *He* also said, as Locke did, that there could be but one standard metal. That he said it in Locke's sense you shall learn from his own words and deeds. There, in the bookcase, close to your hand, you will see the Wellington Dispatches, and in the volume for 1826, at page 98,[2] you will find Huskisson's plan—an exposition of bimetallism pure and simple; that is to say, of the law of dual legal tender. It established two monetary standards for England, if it is in any sense true that I and those who think with me on this subject desire to do so. The only difference of any importance between his plan and ours, was that instead of full weight silver coins being legal tender, Mint certificates for sums of £50 were to be issued on deposits of standard silver, by weight, at a ratio of $15\frac{1}{2}$ to 1, and those certificates were "to circulate as money in all transactions".[3] Thus it might be called a Limited Bimetallism, but it would have established, as between France and England, international parity between Gold and Silver. There, Harrop, is your great Exemplar.[4] Follow him!

There was also another unimportant difference between Huskisson's Bimetallism and that of Locke and Newton; that the Mint was not, apparently, to have the right to pay its certificates in gold, whereas under the system of 1666, which I now advocate, the Bank would, of course, have that right.

H. I confess that I *am* surprised. I have never read that paper of Huskisson's. Does not Spencer Walpole say something about the Duke of Wellington rejecting some plan of his because it would lead to two standards?

[1] See p. 127.
[2] See Appendix, p. 465, for the full text of Huskisson's paper.
[3] This was the plan hinted at on p. 105.
[4] See p. 101.

G. Yes, this was the plan that he rejected; but the Duke said nothing about standards. His fear was, that there might come to be two prices in the market, which is a very different thing, and which long experience has since shown to be unfounded.

W. The Duke was not a bad judge.

Wellington.

G. No. I am quite satisfied to accept his judgment—his maturer judgment. In 1828 he had withdrawn his opposition to Huskisson's plan, adopting it himself with some modifications. I daresay you never saw his memorandum of the 4th of March of that year, treating of this matter.

H. Never heard of it. How came he to write it?

G. You will find it all in the Dispatches, volume for 1828, p. 289, in a parallel column with a memorandum on the same subject submitted for his consideration, the writer of which, desiring to remedy the contraction of the currency caused by the withdrawal of the country bank notes, advocated the coinage of double crown pieces of full weight at the Newtonian ratio to be full legal tender everywhere, the legal tender of our token coinage being at the same time increased to £5. To this the Duke objected, both because of the inconvenient size of the proposed coin, and because "it would be considered as a fresh meddling with the monetary system for the purpose of raising prices".

H. Bravo! That's exactly my view of the matter. The Duke does not seem to have changed his views at all.

G. Wait a little! The Duke continues:—

"What I would recommend is, that there should be a coinage of silver in ounces, and that this silver, thus coined in pieces of an ounce each, should be legal tender for payments of above £1000, at the rate of the value of silver in relation to gold, as published in the *London Gazette* on the Friday preceding the tender".

"All foreign payments might be made in this silver, and the Banks would be relieved from their apprehensions."

"The gold would be left in circulation in the country. As a further relief, it might be possible to allow the silver tokens to be legal tenders for payments up to three, or even to four pounds."

That, except for the unimportant limit, is the Bimetallism of France.

H. The limit has this great importance, that it prevents the payment of daily market debts in clumsy silver coins. So far, it is not Bimetallism.

G. Well, it is good enough for me, and would do all I want. The only objectionable part is the intervention of the *London Gazette*, which would have been both inexpedient and unnecessary. Again, in 1839, having had eleven years more in which to reconsider his opinion, and to observe the practical working of the law in France, he said—in evident reference to Huskisson's plan and his own—that the plan he had always entertained for the finances of this country was

> "To revert to the ancient practice of this country . . . by
> "making silver, as well as gold, a legal tender for large sums.
> "This silver to be given by weight and not by tale, and the
> "Government to fix from time to time the precise ratio at
> "which the two metals should stand towards each other.
> "That ratio would be about 15 to 1. . . ."[1]

W. There seems to be some inconsistency between his 1826 and 1828 opinions, does there not?

G. There does. Second thoughts are best. The Duke was wrong in the belief which he expressed in the conversation of 1839, and in the memorandum of 1828, that in France the ratio

[1] Lord Stanhope's *Notes of Conversations with the Duke of Wellington*, p. 158. The passage in full is as follows:—

"22*nd September*, 1839.—I walked alone with the Duke on the ramparts, when he detailed to me the plan he had always entertained for the finances of the country. It is not to effect any change whatever in the standard of value, or allow of paper, but to revert to the ancient practice of this country and the present practice of the Continent, by making silver as well as gold a legal tender for large sums. This silver to be given by weight and not by tale, and the Government to fix in the *Gazette* from time to time the precise ratio at which the two metals should stand towards each other. 'That rate would be about 15 to 1—a little more at one time, a little less at another.' . . . 'In this way,' I observe, 'the finance of the country would have two strings to its bow.' —'Just so, or rather, would have two feet to stand on instead of one.' It would prevent the drain of one metal alone at any sudden pressure—such as may be feared this very year for the purchase of foreign corn. It would enable the country to rest on the supply of one metal if the other failed, and would put it in the power of the great men who have such masses of plate in their possession to send it into the Bank at any extraordinary emergency. 'For my part,' continued the Duke, 'I was in the Cabinet in 1826, and I well remember that had it not been for most extraordinary exertions—above all, on the part of old Rothschild—the Bank must have stopped payment. I have explained this plan of mine several times to Horsley Palmer and other of the Bank Directors. Their objection is that it would oblige the Bank to have a deposit of silver as well as a deposit of gold. But I answer, so much the better for the country,'" etc. (p. 158).

"23*rd November*, 1839.—Mr. Latham, of Dover, having joined us for a short time, the Duke shortly explained to him his plan to make silver as well as gold a legal tender for large sums. On this, as on every other subject, he conversed with his usual sagacity of thought and clearness of expression" (p. 197).

was not settled by law, an error which misled him into the suggestion that it should not be so fixed in England. Notwithstanding his former objection to Huskisson's plan, it is evident by his saying that "by weight and not by tale," and "large sums," he was here adopting its provisions. It is true that at this time the Duke was in a position of more freedom and less responsibility, and a little apparent inconsistency may be excused. I daresay if you cudgel your brains, Harrop, you might find some apparent inconsistency in your friend Huskisson.

Attwood's Bimetallism.

H. What was that? I remember that he opposed Attwood's soft money proposals. You don't consider that an inconsistency, do you?

G. Not at all. But he did more than that. He opposed Attwood's Bimetallic proposals; yet I daresay he would have averred that there was no inconsistency between his policy in 1826 and his policy in opposing Attwood.

W. How could that be if they were both Bimetallism?

G. Attwood tried to justify his own measure by an argument which was justly fatal to its acceptance, though based on a misapprehension which could have been easily removed.

H. I think the statesmen of that day were wise enough to have detected the error if there was one. I suspect they rejected it on its merits or demerits.

G. Attwood proposed two resolutions in 1830:—

1. For Bimetallism, with a ratio of $15\frac{2859}{15640} = 15{\cdot}21$ to 1 (following Newton).

2. For £1 and £2 notes.

This latter scheme, inasmuch as there was no restriction on the amount of issue, and, moreover, no provision for maintaining a stock of specie to secure the convertibility of the note, deserved the reproaches that were levelled against it. The first resolution was attacked by Warburton amongst others, on the ground that gold would leave the country, and silver take its place, to be, he said, in its turn, displaced by notes.

H. Perhaps he was right.

G. Taking Attwood's two resolutions together, I think he was. Warburton had a dim notion of what might happen, but he either did not understand, or did not explain what might lead to its happening. The ratio selected (15·21) undervalued gold as compared with the French ratio ($15\frac{1}{2}$), and gold being thus a better remittance than silver, would have been exported to France when export was necessary.

H. I see that. And as to the notes?

G. There was a reasonable fear of their driving out too much of the specie in the absence of any law in restriction of issue or for providing a sufficient stock of metal. But the danger was as great as to the gold as it would have been as to the silver supposed likely to take its place.

W. What did he think would cause the gold to go?

G. His fear was based on Attwood's own argument.

H. What was Attwood's argument, then, which you said was fatal to his plan?

G. Strange to say, he alleged, as a merit of his scheme, that a man who had to pay £21 in taxes would be able to buy silver in the market with that sum, which silver he could take to the Mint, receiving for it £22 2s. 9d., by which transaction he would gain £1 1s. 9d. This being accepted as a possible result of such a law, it necessarily followed that a man could treat his creditor as Attwood proposed that he should treat the Exchequer; and Herries, who, by the way, showed singular ignorance of the monetary law both of his own country and of France, was not slow to take it up, contending with much heat against the iniquity of allowing a man who owed a debt of £100 to pay it off with £95.

H. Herries had a good reputation as a financier. Where was he wrong?

G. He said (1) "That in no country were both silver and gold legal tender," ignoring the law of 1803; and (2) that in England silver was only legal tender for sums under £25.

H. Surely there was a law limiting the legal tender of silver. Wasn't it in 1774? I think £25 was the limit, as Herries said.

Legal Tender of Silver Coins limited in 1774.

G. No such law was enacted or proposed. In that year (14 George III.) the legal tender of silver *coin* at its face value was limited,[1] as I told you before.[2] You've forgotten your Lord Liverpool, Harrop. He says:—

[1] "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 any way bound to receive the same in payment, in any other manner than aforesaid, any law, statute or usage to the contrary notwithstanding."

[2] See p. 9.

"The silver coins of the realm, *considered as coins*, are now legal tender only in sums not exceeding £25".[1]

H. Some one said the other day that England had set the example of closing the Mints to silver. Is that so?

G. Certainly she did set that bad example, but not in that year. It was in 1816, as I have already told you, that the mischief was done.

H. But she had done it, I think, before that; some time in the eighteenth century.

G. Yes; but not with any thought, nor with the effect, of demonetising silver. Notwithstanding the suspension of cash payments in 1797, some small quantities of silver came to the Mint, and in consideration of the condition of the Mint, and of the state of the coinage, the Mint was closed to silver in 1798,[2] pending the regulation of those matters. But it was merely a temporary administrative Act, of no significance under the circumstances of the time.

Mint closed to Silver, 1798.

H. So, then, both laws, 1774 and 1798, seemed to have been occasioned by the worn condition of the coin.

G. Yes; and the message of the Prince Regent in 1816 alleges the same cause for the proposed Act of that year.

W. How came *any* silver to be sent to the Mint?

G. It was very little, of course, war standing in the way of any such transactions; but silver was slightly undervalued in France (15·51, against the English ratio of 15·21) and could be sent at a profit. The total amount from 1798 to 1815 inclusive, was only £1096.

W. Did the law expire after a time? I saw somewhere that it had been made perpetual.

G. Strange to say, it was—in 1799. The great complaint of the time was the absence of small silver, yet precisely when the higher English ratio would have made it profitable to bring silver to the Mint, had the political conditions permitted it, silver was by law excluded!

H. Now as to Huskisson—I know that he opposed Attwood but I don't remember what line he took.

[1] *Coins of the Realm*, p. 144. [2] See Appendix, p. 462.

G. He was, if possible, more vehement than Herries, foretelling universal bankruptcy and ruin as a consequence of the first resolution, and describing the second as laying the foundation of future danger and panic.

H. He may have been inconsistent, yet none the less wise. Second thoughts are best, as you said in speaking of the Duke. Huskisson may have repented of his proposals of four years before. I don't say he did, but unless there is some explanation of his action in 1830, it looks very like it. Don't you think so?

G. If he had repented, he would have used arguments which would have shown that scheme to have been defective; but he used none at all. He joined in the full cry of the opponents of Attwood, and willingly took hold of the handle which he had given, accepting the weapon which Attwood by his foolish illustration had put into his hands.

W. Why should he not have corrected his error and supported his scheme, showing that it would not act as he had alleged?

G. For two probable reasons. First, Attwood belonged to the dangerous and unpopular Birmingham school of paper money and advanced Radical opinions; and with this school Huskisson by no means wished to identify himself; any stick is good enough to beat a dog with; and, second, he may, for the moment really have imagined that that which the author of the resolution admitted as a result of it would actually follow from it, and he may have reflected that his own plan had safeguarded the creditor, as in fact it had.

W. You have not told us what the fallacy was in Attwood's statement, and in the attacks of his critics. I think I see what it was, from some of your former remarks.

G. It was only the same wonderful piece of folly which has again been excogitated by some wiseacre in these latter days; and in 1830, strange to say, there was not apparently a man in the House, not even Baring, who ought to have known better, who could, or perhaps who cared to, point out that no holder of silver would have been fool enough to have sold it at the low price supposed, when he could get the higher price from the Mint. Attwood assumed in his speech that the market price of silver was, and had been for eight years, 4s. 11d., and assumed that it would always remain so. It was, no doubt, the published price at which the Bank had been willing to buy; a price which would have been insufficient to attract a single seller, but that

the French Revolution of that year had put the "International Clearing House" out of gear. When there was no such disturbing cause, 4s. 11¼d.[1] (the price in later years) was the least that would correspond to the French 15½ : 1; and had Attwood had his way, and the English Mint been open at the Newton ratio of 15·21 : 1, a higher price would have been needed to bring any more silver into the Bank vaults. It was alleged in the debate that the Bank held an enormous stock of silver. It was really about £1,500,000.[2]

W. This is very interesting; but I should like to point out a new feature in the controversy.

G. What is that?

Gladstone.

W. Well, in addition to some distinguished speakers in the debate of 1830, and to Giffen, who adopts the main error both of Attwood and his opponents, and elaborates certain startling details of his own, now, strange to say, we have Gladstone, who swallows the whole—swallows Attwood and his purchase of silver at 4s. 11d. from a complaisant seller who could get 5s. 2d. at the Mint; swallows Herries, who misstated the but lately changed Monetary Law of England and the then existing Monetary Law of France; swallows Giffen, with his guesses, and with the "crash" which was to follow the re-enactment of the old Law.

Commercial "Crash".

G. I think I have nothing to add. I have said all that I imagine can be said by any one who had, as I have, really read the debate; but I may have a little more to say on the false alarms of Dr. Giffen.[3] Only this I will say now, that I feel sure that he had never examined the absurdities of Attwood—the only foundation for the apprehended crash. As to the new combatant, I am very sure that Mr. Gladstone would have been the first to detect the fallacy, if he had read Attwood's speech—sure also that if he had had time to give real study to the subject of his own speech, he could not have failed to appreciate the vast difference which the events of 1873-76 imported into those monetary conditions which were present to Liverpool and Peel. As it is, he accepted Giffen as "the highest living authority," and took all his statements without examination.

W. But you will acknowledge that Dr. Giffen is an authority?

G. Certainly, and a very good one in matters of pure

[1] In Mr. Morris's Memorandum sent to Sir Robert Peel in 1844 it appears as 4s. 11⅛d. But see p. 310.

[2] See pp. 308-12.

[3] Pp. 322, 323.

statistics; but his estimates, like every one else's, require confirmation, and in matters of Banking and Foreign Commerce, I confess I prefer the opinions of those who are practically engaged in those businesses. Certainly I have no belief in the avalanche of anxious creditors.

W. Some creditors, I suppose, might call in their debts.

G. One madman makes many, but notwithstanding what the Prime Minister says about all the M.P.'s having balances at their Banker's, and all rushing to withdraw them, I don't even believe that the Treasury Bench, however Monometallist in theory, would withdraw a single shilling. What a lovely and lively sight it would be if they did! Drawing out, at 10 A.M. some day, £5000 apiece in Sovereigns—no—in Notes; they would have to go to the Old Lady in Threadneedle Street for the Sovereigns. Fancy them all besieging the Chief Cashier's office, and going away with five bags each containing, each of them, 1000 sovereigns. What would they do with them? I need say no more.

W. Solvuntur risu tabulæ.

H. Harcourt, then, was wrong in speaking the other day of the Creditor having to receive £95 for every £100.

G. There are only twenty-four hours in the day. If Harcourt had not been so full of other work, and could have given himself time to think, he would have known that the thing was impossible. However, he was only singing a second to Gladstone's song, though very likely it was he himself who "called the tune".

W. I have yet another question. After all, is not gold the fittest money for a great and wealthy nation, whose transactions are expressed in millions? [1]

"First-class Nations should have Gold Standard."

G. Oh, yes, I know; "Who drives fat oxen should himself be fat!" "A wealthy man should have tools which argue wealth. A rich nation is composed of rich men, and, therefore, money being a tool, the money of such a nation should argue wealth, containing great value in a small compass." It was a crotchet of Lord Liverpool's, whose view is that the value of the money-metal should be "*in proportion to* the wealth and commerce of the country".[2] How, then, if the wealth and commerce of England has increased a hundred-fold since those days?

[1] See p. 337. [2] Lord Liverpool, *Coins of the Realm*, p. 162.

Where are we to find a metal a hundred-fold more valuable than gold?

W. Lord Liverpool's dictum sounds like mere sentiment.

G. So it is, no doubt. There is an idea abroad that gold-standard nations are first-class nations, and everybody wants to be in the first class. But on the merits there is no justification. If it be true that gold and silver purchase other commodities by dint of their own intrinsic value, whatever may be the coefficients of that value, it follows that it must cost a nation just as much to procure a silver currency as a gold one. Every ounce of either must have cost its value in exported commodities, and just as "a pound of lead is equal to a pound of feathers," so the value of a quarter of wheat must be the same whether a nation measures it in gold or silver. Our transactions are expressed in pounds sterling, and whether those pounds sterling are silver pounds or gold pounds affects in no way the convenience of commerce. In either case they are paid by cheque and cleared in the clearing-house. The view which you have quoted is that advanced by Lord Liverpool, but it is one in justification of which neither he nor any one else has ever adduced a single argument. No one has attempted to show by a concrete example why gold should suit England *as a standard*, and silver Bulgaria. It would be possible for England to carry on her daily commerce without gold, but wholly impossible without silver.

W. We all like to have a little gold in our pockets.

G. Certainly, if it be but one gold piece, like the Vicar of Wakefield's daughters. There will be more of it, and in more pockets, in a rich nation than in a poor one, because the number, though not the proportion, of rich men is greater. The rich man will carry three or four sovereigns in his pocket, the poor man three or four shillings; but for international operations silver suits a rich man, or a rich nation, as well as gold, because when the Mints are open, both will equally well pay debts abroad. Ricardo condemns the notion that gold was preferred for the payment of debts because it was "better fitted for carrying on the circulation of a rich country". The cause was that "it was to the interest of the Debtor so to pay them".[1]

Alleged Causes of England's Prosperity.

Now, Smail, I should like to hear your opinion. Harrop, and White too, in some degree, seem inclined to fall down and worship the golden image. Do you also really think that the

[1] *Works* (1886), p. 222.

fact of gold being our money rather than silver, or than both metals, is the mainspring of successful banking, and the root of our commercial prosperity?

W. I don't believe it. What I had in my mind, when I spoke of gold being best suited to a great nation, was that that belief may have led to the adoption of a gold standard by Germany.

S. I confess that my prepossessions used to tend the same way as Harrop's. I thought that that feature in our system was not indeed the main cause of our prosperity. I can't stomach that, Harrop, any more than Disraeli could.

W. How do you bring Disraeli in? What did he say about it, and when?

S. Look at a file of *The Times*, and read his speech at Glasgow in 1873. No; you needn't take the trouble: I have an extract from it here, I think. Here it is: will you read it?

H. 1873? Why that was before the closure of the French Mint, and before the question had arisen! Disraeli's view.

G. Not before the first blow had been struck by the monetary action of Germany. Disraeli was a far-sighted man, and one who took the trouble to *think* about matters touching the material prosperity of the country, instead of contenting himself, as some of our moderns do, with a platitude or two hunted up by a secretary. I'll tell you some more about him some day.

W. Give it me (*reading*) :—

"I attribute the monetary disturbance that has occurred, "and is now to a certain degree acting very injuriously "to trade, I attribute it to the changes which the Govern- "ments in Europe are making in reference to their standard "of value. . . . Our gold standard is not the cause of our "commercial prosperity, but the consequence of our com- "mercial prosperity. . . . It is quite evident we must prepare "ourselves for great convulsions in the money market, not "occasioned by speculation or any old cause which has been "alleged, but by a new cause with which we are not "sufficiently acquainted."

S. I think that quotation justifies my reference to him. But though not a main cause of our prosperity, I confess that I did think our monetary system much to our advantage, and that other nations not enjoying it were handicapped in the race. I should like to hear what you have to say about it.

"Other Nations Handicapped."

G. Very well. For the sake of argument let us suppose the advantage, and admit the handicapping. If other nations are injured by the absence of that advantage, what is to prevent them from altering their laws, throwing off the handicap, and riding with equal weights? They might perhaps pass us—who knows? or at least press us hard in the race!

S. Nations don't always perceive what is best for them.

G. Are we to assume that we know better than all of them what is for their own interests? *They* would retort that they know their own business better than we do.

I should answer you that if any one is handicapped by the English system, it is England herself. Other nations, you say, can always get gold in England. Well, that is obviously an advantage *for them* if they want gold. *For us* it means that we, bound by our law, *must always give gold*, whether we like it or not, whether it contracts our circulation and raises our rate of discount or not. The handicap, I repeat, is on us and on our commerce.

H. Other nations do want gold, and so they flock to our markets.

G. They flock to our markets, not "to get gold," but to sell their wares and to buy ours. They did not want gold in preference to silver before 1873. Gold was internationally useful, serving, as silver also did, to redress the balances of trade between England and the Continent. Neither France nor any other continental nation had any temptation to amass it as they have since done. The Bank of France held a few hundred million francs in 1872; but in 1874, after paying the German Indemnity, it held above 1,000,000,000 (and now more than 1,500,000,000). Is it since that date that England's prosperity has begun? It is since then only that her being the place where "one can always get gold" has assumed any great importance, and it is from about that date that her commerce has begun to decline.

S. Is our monetary system all loss and no gain to England?

G. If it did indeed make England the mart of the world there would be abundant gain, but no one has adduced a shadow of proof of such an effect being produced by such a cause. There may be, as I said before, some advantage to the trafficker in bullion and the speculator in exchanges; but not an atom more because it is gold alone in which he has to deal, and not silver alone, or both gold and silver.

Germany, as White says, has followed our example, and has thrown off the handicap, as you call it. Is Germany the better for it? Gold is her sole standard; but it is alleged that so little does she prize the "advantage" of being a country where "one can always get gold," that she interposes a difficulty in the way of its export. So do we. The difficulty we interpose is usually the rate of discount. The difficulty continental nations interpose, where they do interpose any, is an agio.

W. You, I think, throw some doubt on the existence of any such obstacle in the case of Germany?

G. Not I, for I really know very little about it. But a doubt has been thrown,[1] and it is alleged that she allows export without stint. "Every one can get gold there." Very well. If so, is she thus "laying the foundation of commercial supremacy"? and is she to take "the half of our kingdom" at so easy a rate?

S. In any case, I don't see how Bimetallism would be a cure. We must always pay our debts; and whether our standard be gold or silver, or both, the payment must lessen our immediate resources, and unless you would repeal the Act of 1844, must contract the circulation and cause the rate of discount to rise.

G. Certainly that would always happen. No one who values as I do the convertibility of the bank-note can desire the safeguard of that Act to be removed.

S. How then should we be the better off for adopting your composite standard?

G. The difference which the law of Dual Legal Tender would bring about would be twofold:—

First, the silver, which now comes into England is a purchasable commodity, like wool or anything else, and causes some additional employment of the currency of the country; whereas every ounce that would come in after our return to the old law would be of itself money, and would be available, as Sir Robert Peel said in 1844, for remittance abroad in discharge of debt; or else would supply withdrawals and render less necessary the frequent changes in the rate of discount, besides, probably, maintaining the bank reserve at a slightly higher level.

Secondly, the scramble for gold would cease. It exists now, and must continue, both because other nations have adopted gold as their standard money in competition with us, and because they see the gold price of silver falling and don't know how

[1] See p. 190 note.

low it may fall. There was no such scramble before 1873, and no such accumulations. France, for instance, had what was, under the then circumstances, a sufficient store in the Bank, £17,000,000; she has now £68,000,000, while the Bank of England has but £25,000,000.[1]

S. It seems evident that this struggle for gold cannot result in good, whether to foreign nations or to us, and if, as you think, the departure from the ancient monetary system has been the cause of that struggle, and if a return to the *status quo ante* 1873 would take away the temptation to struggle, why, I say again, don't they return to it? In short, why did France make the change, and why, having made it, did she not take the earliest opportunity of retracing her steps when its evil results became manifest?

Why France abandoned it.

G. The solution of your riddle is difficult, but not doubtful. Its difficulty arises from its having to travel over twenty years, analysing the actions and conjecturing the motives of men during all that time. "Why did France and the Latin Union make the change?" In two words—Over-pressure on the Mints. Hostility to Germany, to whom the open Mints of France and Belgium were a great source of profit, or rather, a great alleviation of the loss which their short-sighted legislation of 1872 had brought upon their country.[2] It is quite certain that the countries of the Latin Union had no intention of finally closing their Mints when they placed the first restrictions on the coinage of silver in September, 1873, and that when they did finally close them they had no conception of the grave results that would follow on their action, whether in the fall of prices or in the destruction of the par of exchange.

H. Might not the French answer that they knew their own business and what was best for their country?

G. They might. They have said so as to Protection of Native Industry, but I don't think you will now maintain that they did know it. As to the danger of closing their Mints, where do you find evidence in any French writings of the time when the step was in contemplation that the idea had entered the head of any Frenchman? Had it entered yours, or the mind of any of us? Even now, how many have given it any consideration? Why, it is not five minutes since you yourself were very hazy on the subject, and you and Smail were both of you in doubt whether gold had become dear in consequence! There

[1] Note to p. 185.

[2] See p. 200. See also an interesting article on the Latin Union, by M. Cucheval-Clarigny, in the *Revue des Deux Mondes* of last November (1892).

was but one man in England at that early date who traced the mischief to its true cause, and foresaw and foretold the precise course that it would take, and that man was Ernest Seyd.

H. I fancy, too, that you were no keener-sighted than the rest of us, and have been wise after the event.

G. Quite true. I had heard, in 1876, what Seyd had to say, and was not more inclined to believe his prophecies than the majority of Englishmen of that time, till circumstances led me to examine the matter more closely.

H. It is very strange that a nation should go wholly wrong.

G. Not very. I daresay England, as well as France, has done so before now. *Populus vult decipi.* You must remember that France as well as England is, and always has been, governed by statesmen who have little personal knowledge of foreign trade, and that it could hardly be expected that they would or could exercise a correct judgment on matters which of all others needed personal experience.

W. I suppose the French would naturally accredit that sort of foresight to "a nation of shopkeepers".

G. There is some reason to think they do, but I am not sure that they have any reason to do it. We, indeed, in England have had excellent men of business as our rulers, especially of late years, but for the most part they have had no special experience of exchanges, nor of that which is the cause of exchanges, import and export of commodities.

S. Oh! Oh! Has Goschen no knowledge of these things? Of Foreign Exchanges, for example.

Why she did not return to it.

G. No man more. There have always been exceptions, and he is a brilliant one. And for that reason he would never have needed to ask any of the ingenious and clever questions with which you have been pelting me. You ask why France and the Latin Union did not take the earliest opportunity of retracing their steps. They did take it. They warmly welcomed the invitation of the United States to the Monetary Conference in 1878, with a view to retracing them, and three years later they joined the United States in an invitation to a new conference with the same object.

H. But nothing came of it, and I cannot but think that if France had satisfied herself that it was desirable, she would

have done it with or without the other nations. She did not do it then, and will not do it at all, in my judgment.

G. She refused to act alone, or even in conjunction with the United States, either in 1878 or in 1881, because she had learned by experience that the wider the union the safer; but she might have been satisfied, for all that, that what she was able to do alone for sixty-two years, and with the support of the other States of the Latin Union for eleven years more, she could still do; and so, *a fortiori*, could the Latin Union in conjunction with the United States, have most certainly and safely done it in either of those years, or at the present moment. It would have been easy in 1878; less easy in 1881, and less easy still as time went on, because, with closed Mints and increasing production, silver was becoming discredited. Still, the Mints once reopened, the discredit would have ceased; but there was, no doubt, another impediment.

W. What was that? It must have been a strong one, or they would not have allowed it to stand in the way of what they recognised as their national interest.

England stops the way.

G. England stops the way. Everybody knows that England has but to hold up her finger, and the nineteen other nations (or whatever be the number) represented at the Conference of 1892 will at once fall into line. This they certainly would not do—not one of them—if they did not think it to their interest to do so; and no one has shown in plain and conclusive words, or otherwise than in vague declamation, what harm could result to them or to us from doing so. Then they see that to no nation are the interests of Commerce so important as to Great Britain. Neither France nor any other country has an India on her hands, whose destinies she must direct and for whose welfare she has to provide. What does the Commerce of all Europe with silver-using countries weigh in the balance against the Eastern trade of England? "If," say the Continental nations, "England, whose interests are so great, refuses to make any change, why should we do it? England ought to know best. Let us follow her. She has prospered greatly under the law of a single gold standard. Had it been otherwise, she would have been the first to change. When she does so, we will do so too."

H. Very sound argument, as it seems to me, and quite good enough for any practical inquirer.

The practical Man.

G. I return to what I said just now. If they had the smallest reason to believe that our present Statesmen, who

have, in fact, the directing voice in these matters, had given any intelligent study to the question, had any personal knowledge of those branches of our commerce which by their supineness they are helping to destroy, the argument might be good; but not only is it evident that they have no such knowledge, but that they seek inspiration and guidance from *soi-disant* practical men, men who have no more direct knowledge, no more direct interest, than they have themselves; forgetful of the fact that you do not go to the tailor or even to the shoemaker to learn whether the shoe pinches, but to him who wears it.

H. *You* ought not to have anything to say against practical men.

G. *Soi-disant* practical men, I said; men who give you an array of facts without cohesion—of premisses with no logical relation to the conclusion. Such are those who argue for a single gold standard from England's prosperity.

W. A practical man means sometimes a man who will not give himself the trouble to think.

G. He is very often the ignorant man under another name, and is no less dangerous than the theorist who, having no practical knowledge, constructs his facts for himself, and deduces from them his own preconceived conclusion.

The true practical man is he who, resting on his own experience and knowledge, is able to arrange his facts in logical sequence, and construct a theory on which such facts can be shown to lead inevitably to a certain conclusion.

W. Do you think, then, that other nations, taking their cue from the other sort of practical men, are moved in this matter solely by their admiration of England's commercial wisdom?

G. No; for let us take France as an example. She was very uneasy on the monetary question ten or fifteen years ago; but she now finds that though her commercial prosperity is not advancing as rapidly as she could desire, she can jog on very comfortably as she is, waiting patiently till we shall be cured of our monometallic madness, and be forced by the stress of adversity into saner courses. Then, she thinks, the reform will be conducted, as in truth it ought to be, on broader lines than if she, with her allies of the Latin Union, should at once open her Mints.

W. I should imagine that the one thing which affects the

imagination of foreigners is the commercial eminence of England under the law of the single gold standard.

Gold the supposed source of England's prosperity.

G. The fallacy of the *Non causa pro causa.* They carry in their minds the varied facts of a prosperity which has developed itself in a hundred different ways since 1816, and pass *per saltum* to the conclusion that that prosperity has been caused by, or has had for one of its causes, the adoption of coins of a single metal as our only full money, but do not trouble themselves to inquire by what process so limited a cause could have produced so great an effect. They have no evidence that our commercial eminence rests on so slight a basis. It would be very easy to show that it does not. Even if one could show that it conduced to our prosperity under the monetary circumstances of the world as they existed before 1873, certainly our prosperity has not been conspicuous since that date, as you may learn not only from the evidence of the sufferers, but from the Reports of two Royal Commissions who bestowed infinite pains on sifting that and the other evidence before them.

H. But I am told that since 1873 the Income Tax returns have shown a satisfactory and normal rate of increase, and that the Death Duties also, which are pretty good evidence of commercial prosperity, have been very large.

G. As to Income Tax, I should like to know what you mean by normal rate of increase? You must bear in mind that the population of the United Kingdom has increased ten million in these two decades, and that it is the rate per head to which we must look.

Now in 1853 the rate per head was 7¼d. In 1873 the productiveness of the tax had increased to 1s. 2d., and if the rate of increase had been, as you say, "normal," it should have produced 2s. 3d. in 1893, which would have justified your word "satisfactory". What it did produce was 1s. 1¾d. per head, that is to say, *less* than in the former decade.[1]

There were indeed remissions of the tax on small incomes, but I should like to know whether that was not much more than compensated by the increase due to more careful and more exacting collection; concerning which I remember some very authoritative evidence given before the Royal Commission of Trade, and by an increase of trade profits assignable to financial speculations, or to causes other than any prosperity of legitimate commerce.

As to Death Duties (if you like to call them by that ghastly name), you can hardly be serious in quoting them as evidence

[1] Edgcumbe, *Popular Fallacies*, p. 88.

of prosperity since 1873! Have all the people who have died within the last seventeen years, and left large fortunes, made them during that period? Surely it would be impossible to adduce more inconclusive evidence! So far as their fortunes sprung from trade profits, they are more likely to have been the earnings of all their lives, say, down to 1876, minus the losses since that date.

Your argument is in effect an assertion that there has been *no* Depression of Trade, and that the Royal Commissioners of 1885 were very bad judges of evidence, and that the witnesses examined by them knew nothing of the matter. Yet the Commission was formed of men of all parties, and of no little knowledge of the various classes of business of these Islands; and their unanimous opinion, as expressed in their final Report, was that Trade *was* depressed; and, moreover, in their third Report they intimated that some part of the Depression was due to the causes to which I have attributed it.

H. I must read those Reports again.

S. In answer to Harrop's Catechism, you gave us,[1] I remember, a catalogue of ills that have followed from the events of 1873. You have yet to answer my doubts about the efficacy of your nostrum,[2] and about the wisdom of employing it, however efficacious.[3]

Bimetallism an efficient Remedy.

G. Why, if the action of Germany and France in 1872-76 has, as is admitted, swept away the Par of Exchange; if it has tended, through depriving silver of a great part of its ancient monetary powers, to appreciate gold, and to produce a consequent fall of prices, and if the result of these circumstances is the handicapping of British Manufactures,[4] whether of Corn, Horn or Yarn, *i.e.*, of food and clothing, it needs no Œdipus to tell us that the reopening the Mints to the white metal, and restoring it to the full exercise of its monetary functions, will undo, or go far to undo, the mischief that has been done.

"Worse than the Disease."

S. That may be; but you have still to convince me that it will not bring other mischiefs in its train—that the remedy will not be worse than the disease. You have told us that the former state of things was good for commerce and for the welfare of the people; and you have given us your version both of the causes which nevertheless induced France to suspend the old system, and of those which have forbidden her to return to it. But as I understand, some people take quite a different view in both cases.

[1] See p. 97. [2] See pp. 70, 197. [3] See p. 197.

[4] I include *all* our industries—the work of men's hands—under this term. Agriculture being, indeed, one of the greatest of our handicrafts.

W. That's true, I believe. As to the first case: I think Giffen says that she *had* to make the change, the closure of her Mint having become inevitable by reason of the fall of the price of silver.

Causes of the Fall of the Gold price of Silver.

G. I cannot admit that it was "inevitable," for, in my judgment, it could and should have been avoided; but the *final* closure was, I think, determined in great measure by the fall in price, of which the *partial* and progressive closure had been the cause; but in great measure, also, by the fear that the power of their Mints would be still further overtaxed by the large amount of German silver then unsold.

W. What do you mean by "partial closure," and how was the door of the Mint left ajar?

G. I think "closure" is perhaps scarcely the proper term to apply to the monetary measures of the Latin Union in 1873, 1874 and 1875.

H. So far as I remember, the door was not ajar at all, but was wide open, as before, till 1876.

G. That's exactly what I mean. I used the word hastily. Silver was always received and coined for account of the bringer; but its redelivery was restricted by a limitation of the amount of daily minting. It was really a *progressive Change of Ratio.* The law prescribed, as you know, that one should receive 200 francs for one's kilogram of silver, which was fifteen and a half times less than what was received for a kilogram of gold. But under the new rules one received Fr.200 – x, the interest for the time by which the due-dates of the Mint warrants exceeded the normal ten days.

W. Therefore, the shipper of silver from abroad could not count on the full 200 francs per kilogram, and the London price of silver would naturally fall in direct proportion to the loss of interest, and in direct consequence of the act of the French Government. I see that.

G. Observe this also: Not only was each successive restriction an alteration of the normal ratio, but the whole series of restrictions was a *catena* of examples of the exact dependence of the price of silver in a gold-using country on the ratio in a Bimetallic country.

W. To be sure it is. You say one received Fr. $200 - x$.

How much was that *x*? and how much did one get for one's kilogram here? Effect of the Exchange on price of Silver.

G. That last question is the most important; but it cannot be answered precisely. No holder of silver bullion could tell what price he ought to take in this market without calculating *per alium* or *per se* what price he could get by sending it to another country, *i.e.*, to the French Mint. It was all a matter of Exchange, and had to be watched (by the bullion brokers and bullion dealers) from day to day—perhaps from hour to hour.

H. Exchange? That's only the machinery by which you bring in your debt; just as the wind (or steam) and waves take out your silver. I don't see why you should bring that in.

W. I think I do. Exchange is the machinery, as you say; but it is the *Rate* of exchange that governed the London price; and the sum receivable in Paris being taken as constant, the *only* variation in the sum receivable here is caused by the rise or fall in the exchange. A contrary wind may prevent your silver from reaching its market, and you lose a day's interest; but it is impossible to foresee or take that into account. But the rate of exchange is before your eyes, and is the only thing you have to take into account. Can you tell us to what point silver fell before the Mint restriction, and if the known figures of price and exchange, before and after the fall, show the correspondence you suppose?

G. Certainly they do. It is all in a pamphlet published last year (1892) by the Bimetallic League, on "The Fall of the Gold Price of Silver". I have a copy somewhere: I'll send you extracts from it, with my usual minutes, which will answer both your questions.

EXTRACTS.

(1) WHAT would the sum receivable in London be? Frs. 6·34033 is the gross amount which the remitter of an ounce of Silver to Paris would have there in cash at his disposal; and this, at the exchange of 25·2215 (par), would produce in London 60·332d.,[1] less transport and insurance charges, $\frac{1}{8}$ of 1 per cent. on the declared value = about ·100, and less $\frac{1}{2}$ per cent. for agency in Paris = about ·300 more; in all ·400, leaving 59·932d. net. Thus an ounce so coined—

[1] Excluding the deductions for mintage, discount and transport, the ounce standard coined at the Paris Mint would produce in London, exchange being at par, 60·838d., or, say, 60⅞d.

When Exchange is at	Will produce in London. d.	Deduct for Transport, etc.	d.	Net Proceeds.
25·2215 (par)	60·332	·400	59·932	about 5/-
25·35 (gold point)	60·026	·400	59·626	
25·40	59·908	·400	59·508	,, 4/11½
25·45	59·790	·400	59·390	
25·50	59·673	·400	59·273	
25·55	59·556	·400	59·156	,, 4/11¼
25·60	59·440	·400	59·040	
25·65	59·324	·400	58·924	
25·70	59·209	·400	58·809	,, 4/11
25·75	59·094	·400	58·694	
25·80	58·980	·400	58·580	,, 4/10½
25·85	58·866	·400	58·466	
25·90	58·752	·400	58·352	
25·95	58·639	·400	58·239	,, 4/10¼
26·—	58·526	·400	58·126	

The precise amount of English sterling will depend upon the exchange (as is the case with all debts due from one country to another, and payable by draft), and the above table shows what that amount would be as exchange varied. The higher the exchange, *i.e.*, the more of the minted francs each pound sterling absorbed, the less would be the net proceeds. It is obvious, therefore, that the smallest rise in the exchange, unless counteracted by special demand for the metal, should operate adversely on the London price of Silver. It was impossible, then, that while the law remained intact, any lessening of demand or increase of supply (from whatever source) could cause any one in England to be willing to take less for his ounce of Silver than 59·932d. so long as exchange remained at par.

To come now to your other question: (2) Did Silver fall in 1872-73 from the par price of 59·932d.? Certainly it did; the first notable downward change taking place on the 15th of October, 1872. Natural causes would affect Silver, as they would all other commodities, whether for rise or fall; but to the *fall*, inasmuch as the demand was perpetual and at a fixed price, there was a limit formed by that fixed Mint price and the exchange at which it (or any larger price obtainable in the market if there was an agio on Silver) could be converted into sterling; and below that limit there could be no material fall.

Let us see whether those natural causes were such as would lower the price of Silver in 1872-73.

Had there been a great increase of imports of the metal, or a great falling off in the demand for exports for coinage or for the arts, there might have been cause for a decline down to the French Mint price; but the following table (extracted from Pixley & Abel's circular) will show that the excess of imports was less in 1872 than it had been in five of the preceding years; less in 1873 than it had been in two of them (during which the price had been: Lowest, 60¼d.; highest, 62d.), and that the average of 1872-73 was only £1,400,000 higher than in 1866, when the prices were 60⅜d. lowest, 62d. highest.

	Imports of Silver.	Total Exports.	Excess of Import.	
1862.—	£11,753,000 ...	£10,091,460 ...	£1,661,540	
1863.—	10,888,130 ...	8,263,011 ...	2,625,119	
1864.—	10,827,300 ...	6,254,004 ...	4,573,296	
1865.—	6,980,000 ...	3,598,058 ...	3,381,942	
1866.—	10,778,000 ...	2,365,626 ...	8,412,374	
1867.—	8,020,000 ...	642,912 ...	7,377,088	Average, £7,290,080.
1868.—	7,716,420 ...	1,635,642 ...	6,080,778	
1869.—	6,730,000 ...	2,362,943 ...	4,367,057	
1870.—	10,649,000 ...	1,579,473 ...	10,069,527	
1871.—	16,520,000 ...	3,712,473 ...	12,807,527	Average, £11,438,527.
		Average Excess.....	£6,135,425	of Imports over 10 years.
1872.—	£11,140,500 ...	£5,654,451 ...	£5,486,049	
1873.—	12,302,220 ...	2,497,576 ...	9,804,644	
		Average Excess.....	£7,645,346	over 2 years.

The question: To what point did the price of Silver fall? is answered by the following table; and it will be seen that down to the end of July, 1873, the price in no case fell below the point indicated by the exchange—did not even fall so low as that point, the demand sufficing to keep it on a somewhat higher level. Had the demand been greater or the supply less, it might of course have *risen*, and in any case, if the exchange had been more favourable, the open Mint would have maintained the price; but however little the demand, and however great the supply, it could not have *fallen* materially below the exchange point while the Mint remained open.

The table shows the actual exchanges (short *maximum* rate) from April, 1872, to September, 1873, and the actual prices of Silver in London; also, in the last column, the price (calculated from the data on page 150), which a consignment to the French Mint should be expected, at the given exchange, to secure to an English holder.

Effect of gradual restriction of coinage on price of Silver.

Date.		Exchange. (From Lutyen's List.)	Actual Price in London.	Net Price obtainable by sending to the French Mint.	Apparent Profit Per Ounce.
			S. D.	S. D.	PENCE.
1872.	April 19	25·37½	5 0·25	4 11·567	...
	May 3	25·37½	5 0·125	4 11·567	...
	,, 24	25·50	5 0·125	4 11·273	...
	June 7	25·50	5 0·0625	4 11·273	...
	,, 28	25·45	5 0·125	4 11·390	...
	July 5	25·45	5 0·125	4 11·390	...
	,, 30	25·65	5 0·125	4 10·924	...
	Aug. 2	25·85	5 0·125	4 10·466	...
	,, 20	25·70	5 0·063	4 10·809	...
	Sept. 17	25·70	5 0·375	4 10·809	...
	,, 27	25·60	5 0·438	4 10·040	...
	Oct. 15	25·70	5 0	4 10·809	...
	Nov. 1	25·77½	4 11·813	4 10·637	...
	,, 19	25·72½	4 11·25	4 10·751	...
	Dec. 6	25·70	4 11·625	4 10·809	...
	,, 31	25·60	4 11·75	4 11·040	...
1873.	Jan. 10	25·60	4 11·813	4 11·040	...
	,, 28	25·60	4 11·875	4 11·040	...
	Feb. 11	25·55	4 11·875	4 11·156	...
	,, 25	25·45	4 11·813	4 11·390	...
	Mar. 11	25·50	4 11·813	4 11·273	...
	,, 25	25·47½	4 11·875	4 11·331	...
	April 8	25·50	4 11·75	4 11·273	...
	,, 29	25·50	4 11·75	4 11·273	...
	May 9	25·45	4 11·75	4 11·390	...
	,, 27	25·60	4 11·438	4 11·040	...
	June 6	25·65	4 11·438	4 10·924	...
	,, 17	25·67½	4 11·25	4 10·867	...
	,, 20	25·67½	4 11·313	4 10·867	...
	,, 27	25·60	4 11·313	4 11·040	...
	July 1	25·60	4 11·313	4 11·040	...
	,, 4	25·60	4 11·313	4 11·040	...
	,, 8	25·60	4 11·313	4 11·040	...
	,, 11	25·60	4 11·313	4 11·040	...
	,, 15	25·60	4 11·313	4 11·040	...
	,, 22	25·60	4 11·375	4 11·040	...
	Aug. 8	25·52½	4 11·188	4 11·214	·026 = ·04%
	,, 12	25·52⅜	4 11	4 11·214	·214 = ·36%
	,, 26	25·47½	4 10·813	4 11·331	·517 = ·88%
	Sept. 12	25·47½	4 11·125	4 11·331	·206 = ·33%
	Dec. 30	25·42½	4 10	4 11·449	1·449 = 2·5%

W. Meanwhile I should like to know: Were the postponements of due-date frequent and considerable?

G. You will see in the extracts that a slight fall was felt before the first act of restriction which took effect on the 6th of September, 1873, limiting the output to 280,000 francs daily, but it was not till 12th August of that year that there had been any fall of price in London below the point indicated by the exchange of a remittance of silver to Paris, producing by law 200 francs per

kilogram.[1] What there was (0·214d. in the ounce), caused by expectation of action on the part of the French Mint, was not nearly so great as what had often happened in earlier years without causing a thought of such action.[2] The further falls in the price followed immediately on the acts of restriction in July, 1874, and June, 1875, when the deliveries of coined silver were successively postponed (at the latter date for more than eighteen months), until August, 1876, when the Mint was finally closed to the white metal. You may see in the pamphlet which I mentioned a demonstration that the main cause of the final closure was the excessive and entirely new strain on the resources of the Mint caused by the inflow of demonetised silver from Germany.

W. It seems reasonable enough that the French should close their Mints if too much work was thrown upon them.

[1] In 1871-72 the Paris agio on silver was higher than that on gold; and in 1873 the London price of silver was slightly above par.

[2] The fall was in no respect abnormal; for, small as it was, it was much less than had frequently happened in former years. I add a table of prices from 1827 to 1850:—

LOWEST PRICES OF SILVER IN LONDON FROM 1827 TO 1850.

Year.	Lowest.	Year.	Lowest.
1827	59½d.	1839	60d.
1828	59⅛d.	1840	60⅛d.
1829	59½d.	1841	59⅜d.
1830	58⅛d.	1842	59⅛d.
1831	60d.	1843	59d.
1832	59⅜d.	1844	59⅛d.
1833	58¾d.	1845	58⅞d.
1834	59⅜d.	1846	59d.
1835	59⅛d.	1847	58⅞d.
1836	59⅝d.	1848	58⅛d.
1837	59d.	1849	59⅛d.
1838	59⅝d.	1850	59⅛d.

Thus it will be seen that during that period of twenty-four years (in three of which the lowest price was par or ⅛ above) there was a fall—

in 1 year of 1¼d. beneath the par price of 5s.
„ 2 years „ 1⅛d. „ „ „
„ 3 years „ 1d. „ „ „
„ 1 year „ ¾d. „ „ „
„ 3 years „ ¾d. „ „ „
„ 2 years „ ⅝d. „ „ „
„ 4 years „ ½d. „ „ „
„ 4 years „ ⅛d. „ „ „

In one year, 1848, the price of silver, possibly owing to political disturbances, had fallen to 1½d. below the par price; but neither then nor at any other period when the fall was almost as great did we hear of any project for closing the Mint to silver. Whereas during the whole period of thirteen months, beginning with April, 1872, the total fall was but ⅝d., and ¼d. more in the three months ending August, 1873.

There could be no question about the cause of the rapid fall after September, 1873, when restrictions were placed on the coinage, and the discount from the cash value having been before that date for ten days only, reached by successive postponements of the due-date no less a time than nineteen months.

G. Reasonable that they should have postponed delivery, *i.e.*, taken sufficient time to do the work, but not that they should have refused to do any work at all.

W. They got frightened, I suppose.

G. Yes. Possibly there was in the minds of some the apprehension that the closing of the German Mint to silver, and the opening of it to gold, had destroyed the existing equilibrium (if any such there was) between the gold and silver moneys of the world, and they feared what might come of it. But the chief cause was this: They were frightened at the work of their own hands. Their action, as you say, White, inevitably lowered silver, because the Mint then began to give what was practically less than the legal 200 francs per kilogram,[1] by the loss of interest during the days or months of postponement; and when the effect became fully manifest, they took fright, and, without due reflection, closed the Mints.

W. What could they have done?

G. Held on.

W. And remained with their depreciated silver?

G. Why not? It would have bought as many rolls as before. It buys as many even now, when the price of silver is 33d. instead of 53d. If they had allowed Germany to have her way, and she had sold *all* her thalers, and they had coined them all (taking their time about it) and all the influx from the mines, the whole sum would not have approached the amount (in value) of the gold with which we dealt in the decades 1850-70; and when once the abnormal influx from Germany had ceased, the strain would have ceased also. But Germany could not really have spared many more thalers from her circulation.

S. No doubt they were frightened, and not, I think, without some apparent cause.

G. They were afraid where no fear was. There was no danger, but, more probably, strength, prosperity and profit to France (if her Ministers would but have thought calmly about it) in the inflow and outflow in which Harrop rejoices, and in the expansion instead of contraction of trade.

[1] See for the demonstration that the successive reductions were so many changes of the rates, p. 148.

H. How long would you have had them hold on?

G. Till the end of all apprehension about the German thalers appeared to be within measurable distance.

W. And then?

G. They might have precisely retraced their steps, gradually shortening the due-date of the Mint vouchers (as they had formerly lengthened them), and all would in a year or two have returned without any stress to its normal condition.

H. But the increased production of silver?

G. I have already said that it was not half what the increased production of gold had been, and that had been dealt with without the smallest difficulty.

W. £80,000,000 of silver was, I think, the amount that the German imports might reach. They had dealt with a much greater sum in gold without difficulty, you say, but we must remember that £80,000,000 in gold involved fifteen and a half times less labour than a like sum in silver. I don't wonder that the Mint authorities were alarmed.

G. Nor do I.

W. As to the second case—the reason for their not retracing their steps—they say, or, rather, their apologists here will have it that they say, that they remain as they are because they are satisfied of the superiority of our system.

G. Then why don't they adopt it, instead of taking to the "Limping Standard," which is neither fish, flesh nor fowl, nor good red herring?

W. I forget what the limping standard is.

G. The law of Dual Legal Tender minus the Open Mint.

W. What was your other reason for the hesitation of foreign nations.

G. Foreign nations well know—none better—that it is England which is handicapped by the present state of things; and they think, I suppose, but think wrongly, that it is to their advantage that she should be hampered. They, therefore, are the more content to sit still and await events.

It is England that is handicapped.

W. But you say they would be ready and willing to join England in a Bimetallic Union. Why should they do that if they think that England is now at a disadvantage, and that that would cure it?

G. Because they know that then they would participate, under safe conditions, in the general improvement in commerce which would result, and that they would thus be amply compensated for any improvement in the commercial position of their rival.

It was, however, not about a Bimetallic Union that you asked, but about a return to the *status quo ante* 1873, which is a very different thing. They know, and we know, that that would be nearly all that *we* could desire; that our handicap would be removed, that our Indian difficulty would be at an end, that our commerce with silver-using countries would be restored to a stable condition, and that our Agriculture would be freed from the trammels which the Protection granted to Indian and other producers imposes upon it.

The continental nations would also gain, but their gain would be little compared to the gain of England, and they, though willing to stand in with us, are naturally not very eager to do us this good turn unless we also are willing to stand in with them.

W. You say "nearly" all we desire. What more do we want?

G. The increased stability which a Bimetallic Union would give, and the lack of that is, no doubt, a reason for other nations insisting on our co-operation.

H. All this may be very true as respects the present distress, though I must consider the matter further before I assent to it.

G. You at any rate all admit the present distress, as, indeed, do all who have really studied the question. Your position, then, is this:—

You admit the evil.

By this time you admit the efficacy of the remedy—a return to the *status quo ante* 1797.

You prefer another remedy, which we also think would cure us—a return to the *status quo ante* 1873.

Other nations, whose assent is necessary to the adoption of that remedy, won't assent.

You interpose a stolid *non possumus* and are content to suffer—the rather as your suffering is vicarious—and to doom others, *viz.*, the whole commerce of the country, to continued and

increasing suffering, rather than put aside your baseless prejudices, and seriously examine the question.

W. I, for my part, say your complaint is just. Our Statesmen have quite a right to disagree with you after a careful study of the subject, but they have no right to shut their eyes and refuse to examine it. However, you can't find fault with us three. We *are* studying it.

G. Present company excepted. The "you" is meant for the abstract Monometallist, not for such very sensible concrete specimens as yourselves, who may be called Monometallists with a difference.

H. I will not say that I think quite as I did, and I am willing, as I said before, to consider the matter further.

W. I think you have now[1] made one cause of the fall of silver quite clear. It was the restrictions on coinage imposed by the French Mint. But was there not another? How about those Council Bills. Is not their great increase almost a sufficient cause for the fall? Council Bills.

G. How should that affect the price?

W. In more ways than one, I suppose. The amount of gold debt payable by India to England is said to have considerably increased, increasing, of course, the drafts of the Council. But quite irrespective of this, the amount of drafts have, from one cause or another, been greatly augmented; and any augmentation must have this effect, that the merchants who have to make remittances to India buy drafts instead of buying silver, and the price of the metal falls.

H. The increase of gold debt is only a small part of the business. How about the great mass of the increase of Bills?

G. I admit that to a question put to me in 1876, I gave the very answer which White seems to think sufficient. It was an unmitigated blunder of mine, caused by lack of thought. I, at least, ought to have known better, even then.

H. Tell us where the blunder lies. I think I see. You take it to be a confusion of cause and effect.

G. To be sure it is. White says the increase comes "from

[1] See pp. 152, 153.

one cause or another". It is plain that the one and only cause is the Fall in the price of Silver. The Fall is the *cause*, and the Increase in the sum of the Bills is the *effect*, and not *vice versâ*. Suppose that the United States should cease their purchases, and Silver should then fall in consequence from 38d. an ounce to 19d. an ounce, it is clear that for every pound sterling needed by the Council, it would have to draw twice as many rupees as before, so that the fall of Silver would inevitably cause the multiplication of the drafts. The merchants buy more drafts and less Silver, but it remains to be seen what might be the effect of the threatened Edict of the Indian Government for closure of their Mints, if ever that folly should be really committed.

H. I agree with what you say about the Bills.

W. So do I.

H. We have your view of the causes which led France to cease the coinage of silver, and to stick to that policy when once adopted; but you have passed very lightly over what seems to me the chief reason—the intrinsic superiority of gold and the manifest advantage which the adoption of the gold standard has given us. What you have said does not dispose of White's view that our gold standard was the foundation of our commercial supremacy, to which, notwithstanding all you have said, I still incline.

W. No view of mine; it was the view, I think, of some eminent banker, to which I wanted a good answer, if there is one. What do you say, Gilbertson? I think I can guess.

G. I say that monetary superstition can no further go, and, indeed, as I said just now, none of those who yield to it have attempted to show how such a thing could be. "All nations flocked hither because they could get gold!" I have told you why they *now* want gold, and struggle for the possession of it; but before 1873 they neither wanted gold nor used gold. What should they do with it? Silver was the money of the greater part of Europe, and all Asia and America. For this reason, amongst others, Locke (whom Harris and Ricardo followed) thought silver the best money for England, and did not hesitate to say: "Gold is not the money of the world, and Measure of Commerce, NOR FIT TO BE SO".[1]

Gold not fit to be the Money of the World.

For this reason, Lord Lauderdale strongly protested in 1818 against Lord Liverpool's arguments in favour of gold as the best

[1] "Further Considerations," *Works* (1801), v., p. 151.

monetary standard; as did also Lord Ashburton, both then and in his evidence in 1828.[1]

For this reason, also, Peel, in 1844, provided that the Bank might always hold silver; and this the Bank always did until about 1860, and would have gone on doing so till 1873, but that no one would sell to her. No wonder. Her price was 59¼d.; but the market price was over 60d.

W. What could have made Locke think Gold an unfit metal?

G. Lord Liverpool tells you. See what he says:—[2]

"It is difficult to determine what Mr. Locke means when "he asserts *that gold is not fit to be the Money of the world.* "Gold, as a metal, is equally homogeneous, equally divisible "into exact portions or parts, and not more consumable or "more subject to decay than Silver. Mr. Locke must mean, "therefore, that Gold is, on account of its value, *not fit to be* "*the Money of the world or the measure of property and commerce.*"

He then goes on to say that the money-metal of a country should be more or less valuable in proportion to the wealth of the country itself. But compare Harris, another of Lord Liverpool's witnesses,[3] who alleges the high value of gold as a reason against its being the standard money—probably because it is *not* divisible so as to serve for coins of small value.

W. You think, then, that Gold has no *intrinsic* merits over Silver?

G. None, except as pocket-money, and, in a less degree, as till-money, and no one pretended any as a reason for Germany's action in 1872. That was nothing but a "corrupt following"

[1] See also his evidence, 14th June, 1836, Numbers 17,004-5, and 17,618, 17th June; Third Report of Evidence taken by the Select Committee, presented 21st July, 1836. Also, Sir James Graham, *Corn and Currency*, 1836, p. 45:—

"Here by law we depreciated the Currency, and by a solemn Resolution of "the House of Commons denied the depreciation. Here by law we raised the "value of money, and instead of avowing our purpose, and preparing for its "effects, we mystified the intention and were blind to the result."

"But the Act of 1819, which professed only to restore the ancient Standard "of England, did, in fact, considerably more. Until 1793, Silver was a legal "tender by weight, and to any amount, at 5s. 2d. per ounce. Gold was not "paramount, but concurrent with it. Mr. Peel's Bill made Gold alone our "Standard. The market price of Silver is somewhat less than the Mint price, "and its conjunction with Gold as a Standard, such as it was until 1793, would "at once have effected a depreciation approaching to 5 per cent.; would have "enabled us to remit taxes to the extent of two millions and a half, and would "have raised money prices in exactly the same proportion. Thus, not satisfied "with a return to the ancient Standard, regardless of all the difficulties, we "even ventured to raise its value."

[2] *Coins of the Realm*, p. 161.

[3] See Appendix, p. 445.

of England, bred of a belief that her commercial prosperity was caused by it—prosperity which began to wane so soon as the shield which the French law had afforded her was taken away in 1873-76.

Commercial prosperity caused by the proscription of Silver! Was not England the metropolis of commerce, as Monk called her, in 1660, when she had a silver standard? In 1663 and onward, when both metals were legal tender at a fixed ratio? and even during the great war, when she had inconvertible paper, and *no one* could get gold? In later times, Allison, writing of the trade of England as it was while the Mint was open to the coinage of both metals as legal tender, says "the monopoly of almost all the trade of the world was in our hands". In 1816 she became monometallic by law, but in 1826 the new system had not apparently availed to maintain her position as the metropolis of banking. Huskisson wrote:—

> "France, not only by the amount of her metallic cur-
> "rency, but by her proximity to this country and her position
> "on the continent, and by the great public credit which she
> "possesses, is become very much the centre (the *clearing*
> "*house*) of all the great pecuniary dealings to which com-
> "merce, exchanges, loans, and the movements of the money
> "markets give rise between this country and the continent".[1]

W. Then you think the character of our money had nothing to do with our commercial prosperity?

G. I think it had a great deal to do with it. The purity and honesty of our money, and the fact that, whether it be silver or gold, the foreigner and the home-born alike can be secure that nothing will issue from an English Mint that has not the due weight and fineness, counts for much in our prosperity.

S. Is there not something else?

G. Certainly there is, and that of more moment than any system of currency. We were still the merchants of the world in Tudor days, when our money was as bad as possible.

Real Causes of England's Prosperity.

S. The something else is not far to seek. You hinted at it[2] in one of our former talks. Our financial prosperity, our commercial greatness, are built upon a wider and stronger basis than the colour or even the singleness of our money, much, as I myself have prized that. They are built upon the energy, the enterprise, and the integrity of our fathers, and are maintained by the same qualities in our fathers' sons. They rest on our

[1] See Appendix, p. 468. [2] See p. 93.

accumulated capital, on our accumulated mercantile experience, and on 200 years of uninterrupted internal peace, and they owe much to the insular position, and to the excellent harbours of England; much, also, to her coal and iron. I fear my prepossessions were formed rather lightly.

W. Bravo, Smail! You won't dispute that answer, Harrop.

H. I don't undervalue the natural advantages of England.

G. You think, then, that the legislative enactment that the pound sterling shall be 123·2744 grains of standard gold has greater potency? Your friend Huskisson had no such superstition.[1]

H. Neither have I. But surely there is something in this. I am told that a Bill drawn on England commands a better rate of exchange than one drawn on Paris, because in London you are sure of its being paid in gold. Bills on London and Paris.

G. Certainly the rate is and has usually been better, but if any one gave you that as the reason, he must either have known little himself or have been experimenting on your powers of belief. The foreign trade of London is greater than the foreign trade of Paris, consequently there are usually[2] more bidders for Bills on the former city than on the latter, and competition obliges them to pay the drawer of a Bill more dollars or gulden, or whatever the money is, for the pound sterling payable in London than for its equivalent payable in Paris. If your informant's reason were the right one, it would follow that a Bill on Stockholm also should be worth more than one on Paris.

H. But if a Financier, say in Vienna, wanted gold to remit to Russia, surely he would give more for a Bill on London, where he could get gold without charge, than from one on Paris, where he could not?

G. That depends on several things. Setting aside the question which of the two cities is geographically in the best position for remittance to Russia, he has to consider whether there *is* an agio on gold in Paris, and if so, how much it is; what the rate of discount is in London, and whether it is or is not a less charge than the agio and the Paris rate of discount.[3]

[1] See p. 130.

[2] £1,800,000, the proceeds of the Chilian Loan, has lately been drawn for, not on London, but on Paris. December, 1892.

[3] See pp. 63-67.

H. He might buy a Bill on demand and then there would be no rate of discount at all.

G. I should say, rather, there might perhaps be no agio in Paris. There would always be discount *in effect*, only payable at the other end and under another name. The difference between the cost of a Bill on demand and a Bill at ninety days corresponds to the number of days' difference of due-date, and therefore to the rate of discount.

But whatever may be the case of Bills drawn for the definite purpose of procuring gold, I fail to see that our prosperity is enhanced by our debtors having to pay more for Bills to be remitted to us than they would for Bills to be remitted to France. That is the consequence, not the cause, of commercial prosperity. I was speaking of ordinary commercial Bills—the only important matter to us—and these are used to pay or recover debts present or to come, not to buy gold. The Peruvian who draws for £100 owed him by a Londoner, is not in the least interested to know whether specie passes to the other Londoner to whom the Bill is remitted. Neither is the buyer of the Bill interested; he owed £100 sterling, and pays it by means of the remitted draft. The *character* of the money affects the rate of exchange, but the fact of specie passing or not passing has in such a case no influence.

W. Your argument is good, so far as I am able to judge.

G. I think so; and as to the general statement, Smail has well disposed of the delusion that our gold standard was the cause of our prosperity, and you may be sure, White, that we shall soon cease to fall down and worship the golden image that you have set up.

W. It was none of my setting up! I only quoted one whom I supposed to be more experienced than myself. Whatever our differences, I am sure we shall all now agree in one thing—that it is time for bed. Give us another Wednesday when you've time.

G. Good-night to you all. I hope the Ratio won't disturb Harrop's sleep.

END OF THE FOURTH DAY.

THE FIFTH DAY,

17th May, 1893.

THE PAR OF EXCHANGE.

What is a Standard?
Variableness or Stability of Gold as a Standard.
Gold unserviceable for War or Wages.

APPRECIATION OF GOLD.

Increase of the use of Gold as Money.
Use of Gold in the Arts.
Inflow and Outflow of the Precious Metals.

HOW TO UPSET A BIMETALLIC TREATY.

Chevalier, Fowler, Giffen, Gladstone, Goschen, Grey, Halifax, Jevons, Locke, Macculloch, Peel.

G. GLAD to see you all again in your accustomed post-prandial chairs, after some three months' absence.

You catechised me some time ago as to the harm which I attributed to the abrogation or suspension of the old law. It is now your turn, Harrop, to show us what harm will come to the country from its restoration.

H. No; the burden is still on you. Come to particulars. Tell us more exactly the harm of staying as we are; whether by the loss of your par of exchange or otherwise. Let us know what our troubles are, and how they came about. The other day[1] when you were comparing the certainty of payment on inland business with the uncertainty of payments from China for example: "the merchant," you say, "not knowing what he will receive for his sales". But surely he does know as well as ever he did. Remittances are made in bills; it is all a matter of exchange, which must have been always as now, subject to fluctuations. Par of Exchange.

G. Of course it is a matter of exchange. What is it that regulates exchanges?

[1] See p. 3.

W. Everybody knows *that.* Take Paris for example. The sovereign and gold twenty-franc piece differ in nothing but the number of grains of pure gold which they contain.[1] You have only to keep that in your head and buy, or sell, your bills accordingly.

G. Yes; 25·2215 francs are intrinsically the same as a sovereign; but your "accordingly" opens a large door of difference. The *natural* course of trade is to have nothing to do with bills, but if you owe money in France, to send the sovereign and discharge your debt of 25·2215 francs. But you find that the charges of transport, realisation and incidental costs come to about 12½ centimes—say ½ per cent.; so you look about for somebody who wishes to bring from France money which is owed him there. Each of you wishes to save the ½ per cent., and you might divide it between you. But if the number of those who wish to draw, *i.e.*, to recover a French debt, exceeds the number of those who wish to remit, *i.e.*, to pay their Frenchman, the remitter gets the advantage and the lion's share of the ½ per cent. If the remitters are the more numerous, the drawer gets it. As a rule, when the French exchange is 25·10, it pays to send gold to Paris rather than buy bills. When it is 25·35 it pays to bring it from Paris to London.

W. That's all plain sailing. But how if you are dealing with Mexico? With France it is only a question of more or less demand for bills, and of sending from one country to another when the exchange is adverse, the money-metal common to both. That 25·2215 is what you call the "par of exchange," is it not? But what is the par of exchange between the silver of Mexico and the gold of London?

G. The same as there would be between coffee or any other article produced in Mexico, and iron or any other article produced in England; that is to say absolutely none. Gold is an article of merchandise in Mexico, and silver is an article of merchandise in England. The money of the country from which remittance is made is coined from a metal which is merely an article of merchandise in the country to which remittance is made.

W. It is a speculation in produce.

[1] The sovereign, grains . . . . . { 113·0016 Pure. / 123·27447 Standard.
The Napoleon of 20 francs (grammes 6·45) grains . . . . . { 89·604 Pure. / 97·749 English Standard 11/12. / 99·560 French Standard 9/10.

G. Merely. Whether remittance is made in silver, or tin, or bark; whether it is at so many pence per ounce of silver or of tin, or per pound of bark, it is a speculation in produce; and the amount of your remittance must vary with the ever-varying price of the commodity in England.

H. That is, I suppose, one of the ordinary risks of trade, involving an additional calculation. There must be some means of guarding yourself against loss.

G. I know of none. The variations of price make a point of occurring during a period of a transaction, and they have been of late years quite beyond calculation.

W. Can't you guarantee the operation through the banks?

G. You can, in Indian and some other transactions, usually shift the burden on to the shoulders of somebody else, paying of course a full price for the accommodation.

W. In that case you can make an exact calculation.

G. Yes; but it is only in short operations that you can make such arrangements; and I have known the time[1] when you could not make them at all, and had perforce to run your own risks. In transactions for an unlimited period you must always do so.

W. Let us quite understand where the trouble comes in. I remember Mr. Goschen saying, in a speech on the silver question, that people do a very good business where the fluctuations of exchange are enormous.

G. People may make money with exchanges subject to violent and abnormal fluctuations; and so they may at Monte Carlo. Besides, Mr. Goschen spoke when the vagaries of silver had not become so eccentric as they have since, and when he, not being then engaged in trade, did not feel so acutely the leaps and bounds and slips and falls of the exchanges.

W. He must have been thinking of paper-money countries; and surely inconvertible paper must be as bad as silver, or worse.

G. Very likely; but we need not take such countries as our model, or even take paper into comparison with silver. Besides, such issues are the work of the people with whom one is trading, and can be calculated and guarded against; but silver

[1] *E.g.*, March, 1887.

changes may be the work of another nation with whom one has nothing to do, and whose actions one can neither foresee nor counteract. "Good business," he says. But what *is* good business? Profitable business is done by some, but at the cost of much enhanced risk, a risk which makes the business unprofitable to others. Such business can hardly be called *good*.

W. You're rather hard upon silver. It can rise as well as fall.

G. I fear its disposition is rather for the fall; but remember that if you have to ship silver to India, a rise beyond the price on which you calculated is not welcome.

W. Let us have an example of how the thing works.

Exchanges with Australia and Mexico compared.

G. That's very easy. You send two consignments, one to Australia and one to Mexico, telling your correspondents that 30s. per piece will pay you. The sales are made accordingly. The Australian has no difficulty; he will either remit sovereigns or a bill, whichever is most advantageous. His only doubt is whether the exchange will remain favourable between the date of his sale and the date of his recovering and remitting the proceeds, and this a knowledge of the exports and imports will usually enable him to solve with sufficient approach to accuracy.

The Mexican can do all this; but there is another element on which he can't calculate at all. If he has to send silver, how can he guess what its value will be when it reaches London. It is a mere commodity in the English market just as gold is in the Mexican.

W. I see. There is no medium of exchange between England and Mexico, and therefore no Par of Exchange.

H. An illogical friend of mine says they have *two* media, which must be at least as good as one. It was easy to answer him. The difficulty was to get him to understand the answer.

G. There are plenty of that sort! What did you say to him?

H. Any one knows that a medium of exchange must be something that has the same relation to both parties—to the buyer and the seller; but of two media, one is the servant of the buyer and one of the seller, and neither of both.

But what does it signify to any one but the merchant?

G. To the merchant first; to the manufacturer next, who has to curtail his manufacture, to the loss of large classes in this country, including yourself, my friend, though you don't seem to know it. Trade is the backbone of England, and trade is heavily clogged.

W. You will say that there is no remedy but universal Bimetallism.

G. Something less than universal will do.[1] France alone, as you know, was strong enough, and did not need the help of the rest of the Latin Union; and if, as I think, she, or any great nation would suffice, much more would the adoption of the French law by any group of nations serve, and this is amply proved by the results which immediately followed its suspension. While it was in force it established approximately a minimum price of silver in this and other gold-using countries, whereas the suspension of that law left silver to fluctuate like any other commodity, and thus abolished that approximate par of exchange which had subsisted for a hundred years, and is so necessary to the well-being of commerce. Those who trade with countries having the same standard, whether gold or silver or both, have the benefit of a par of exchange. Gold-using and silver-using countries trading together have it not.

H. I fear my uncommercial life and labours make me somewhat dense to ideas which are more or less familiar to you three, and now though you have explained the meaning and indeed the operation of the par of exchange, I cannot comprehend its practical importance. What is the advantage of it? I don't see it. It seems, in any case, to be only a question of degree. France and England have, as you say, an absolute par, seeing that they have the same money-metal; yet the exchange between the two countries fluctuates day by day, and for aught I know, hour by hour. Par of Exchange.

G. Yes; but between England and France, and between England and Australia, it fluctuates in ordinary times within closely defined limits, oscillating, with slight variations, round an almost immovable centre. While the French Bimetallic law remained intact, there was, indeed, no absolute parity between English gold and French silver; but the centre round which the exchange oscillated had itself a maximum of variation. But now, between England, on the one hand, and India, and other silver-using countries, on the other, there is no fixed point at all, and the exchange has varied from 14d. to 24d. for the

[1] See p. 198.

rupee, and varied, too, owing to the action of other nations over whom we have no control, and upon whom we can exercise no effective influence. Small blame to you for not seeing it. You began life as a barrister. Now, neither bankers nor barristers nor even statesmen, as such, have any practical familiarity with foreign exchanges. Those mysteries concern merchants, and the welfare of merchants concerns Schedule D. However, I can't pretend to teach you the principles of commerce, or any particular branch of them with which you may chance to be unfamiliar in the space of a couple of hours' talk. *Cuique sua arte credendum.* Take it from me, a merchant, that English commerce suffers.

H. Suffers, if you will have it so; but you have not shown that the French law gave you the minimum, or any, price of silver in England, or consequently, that its suspension destroyed it, or the Par of Exchange which resulted from it. Giffen says that it could not possibly give it, and, therefore, could not possibly take it away.

Giffen's Pseudo-Bimetallism.

G. In this case I think Giffen has led himself into error. He doesn't criticise Bimetallism, but some changeling of his own (as Wendel Holmes would say) which he has put into its place. He has invented a Bimetallism of his own, and thus he can show without difficulty that his premisses being admitted his conclusions would follow. This Pseudo-Bimetallism is one where gold and silver are always in constant and equal circulation in a country at the same time, and where one can always exchange gold and silver one for the other as a right. No doubt he would not recognise this as his definition of Bimetallism, and he does not need to be told that it does not, and never did, exist: but its existence is a necessary condition to the success of his argument, and many people assume from his argument that it must exist. His reasonings seems to be this:—

> "The foundation of the Bimetallist argument is the constancy of the price of silver, due, they say, to the fact that "we in England could always get nearly the same amount "of gold for our silver by sending the silver to France. "But this was impossible unless there was gold in France "to get. Now, from 1803 to 1847, gold was scarcely to be "got in France, and, therefore, the law in question could "have had no influence on the price of silver in England."

H. That seems all right. I don't see what your answer can be.

G. Again I must ask, as I did the other day,[1] what has the

[1] See p. 27.

existence or non-existence of gold in France to do with the matter? If the net proceeds of the silver sent into France had to be sent back in gold, there would be some ground for the contention that the presence of gold in France was a *sine quâ non* to the carrying out of the operation; and it might then be necessary that in order to make it readily attainable it should either abound in the circulation, or that the Mint should be compelled to exchange gold for silver or silver for gold on demand.

W. But is not this latter the case?

G. You have only to look at the law[1] to see that there was no such provision; and you may add that no one who has really studied the subject[2] has as yet desired the enactment of such an impossible law. The only provision contained in the law of 1803 was that a kilogram (32·166 ounces) of silver should be cut into 200 francs, and a kilogram of gold into 155 pieces of 20 francs each, both metals so coined being equally legal tender.

Both might conceivably be in circulation together in equal quantities, or one in quantity to any extent greater than the other.

That would have nothing whatever to do with our getting gold for our silver.

Those who think it has, must imagine that the holder of a bill on Paris has not only to send it thither but to cause some one to run up and down the streets of that city till some gold can be found to send back.

The drawer of a bill on Paris, whether in payment of silver or of any other commodity sent thither, sells his bill on 'Change, and gets his gold, if he wants it, from the person who buys the bill, or, at a later stage, from the Bank. That's the whole story. No gold can be needed in Paris for such a transaction.

W. How much gold would he get for his draft against a kilogram of silver? I believe I asked you that before.[3]

G. Yes; and my answer could only be: "That depends upon the exchange of the day". How far the absence of gold in Paris might effect the exchange, and how the effect would be counteracted, you may see, if you care to look, in pp. 18 and 27 of the pamphlet quoted the other day.[3]

W. One more question. My kilogram of silver is cut, you

[1] See Appendix, p. 463. [2] But see pp. 294, 316. [3] See p. 149.

say, into 200 francs. I get, then, silver for silver. If the metal is depreciated, I remain where I was, in possession of a depreciated commodity.

G. *You* don't touch the silver coin, nor, indeed, does your French correspondent. It would be no matter to him, or you, if he did, for there neither was, nor is, in Paris any difference in the purchasing power of the gold and silver franc. The *Bon de Monnaie* (Mint voucher) goes, as a matter of fact, into the hands of his banker, who credits him in account, and he in turn credits you, just as he would if you had sent him yarns to sell instead of silver. The only difference is, that the yarns would be sold when there was a demand for them, and at the price of the day, which might be good or bad, but the silver was sold on arrival, and at a price fixed by law.

W. Then your conclusion is that even had there been no gold, or little gold, in France from 1803 to 1847, she would have still been in law and in fact a Bimetallic country.

G. Yes; just as England was in the last two centuries, and the United States forty years ago, when in both countries the want of silver was so much felt.

W. There must be surely some evidence of France being a "silver" country during the years Harrop mentions, else it would not be so confidently asserted. What took the gold away? Was it divergence of the ratio? What was the ratio elsewhere—in the United States, for example?

G. Fifteen to one from 1803 to 1834, 16·002 to 1 from 1834 to 1837, and from 1837 onwards, 15·998 to 1. I think they were led away by a desire to find a *real* ratio, instead of accommodating their ratio to that which is in force in France.

W. Then the United States ratio being more favourable to silver than to gold down to 1834, gold, as you said the other day,[1] ought to have gone to France. If England became a gold country in the eighteenth century because of a divergent ratio, why didn't the same cause produce the same effect in France?

G. I don't know that it did not. You must remember that the production of the precious metals in the States was at that time *nil*, and the total coinage of gold in their Mint was only about £17,000,000 in all that time, so there was very little to send.

[1] See p. 24.

W. But what there was should have gone to France.

G. No; should have been attracted by France. The operation of the divergent ratio in England extended over nearly 100 years, and made itself felt at last in the scarcity of silver. It is the balance of trade which is the cause of export and import. The ratio only directs which of the two metals shall be acted on.

W. If then France was really, as Giffen says, a silver country, was it because gold was not imported from the United States, or was it so notwithstanding the import?

G. Who can say? It is probable that imports from the United States did take place, but the Balance of Trade might have drawn them all from France to England or elsewhere. From 1849 and onward the current of silver should have set from the States to France: but it was, again, so strong towards India that France may have kept none of it.

W. What, then, is the evidence as to the existence or non-existence of gold in France?

G. There is *no* evidence of its non-existence. France has always been a "silver country". Silver is, as Huskisson said in 1826, the basis of their monetary system.[1] They think and trade in francs of five grammes standard silver. The franc was not looked upon as an aliquot part of a napoleon, as the shilling is by most of us of the sovereign, but the napoleon, the *pièce de 20 francs*, was looked upon as a multiple of the franc. Silver was and is the metal in which they think their monetary thoughts and do their marketing, their monetary standard, as Locke understood the term; and it is, and was always, in practice, more convenient for their daily transactions. It is but natural, therefore, that they should usually have held more silver than gold, but of gold there was always no inconsiderable sum, if not in the Bank of France, then elsewhere in the country, nor do I know that any Frenchman ever made great complaint of the absence of that particular multiple of his national money called a napoleon. From 1803 to 1820 there is no indication that gold was especially scarce. In January, 1820, the Bank held no less than £10,000,000 sterling, a very large sum for those times, and from 1811 to 1816 it had held very little of either metal. From 1821 to 1847 there is evidence enough, were the point of any significance, of the lowness of the stock of gold, without having recourse to the delusive testimony of the agio.

[1] See Appendix, pp. 466, 468. See also Conférence Internationale, 1867, where M. de Parieu speaks of Russia as in the same case.

What is a Standard?

W. When you say that France is "a silver country," you mean that the standard is silver? Let me return for a moment to the question of the standard. We all agree, I am sure, that the characteristics of the measure of value should be fixity, steadiness, continuity and portability.

G. Portability? No. That is an attribute of a good currency, not of a standard of value. As to the other qualities we agree. Also that nothing in nature possesses those characteristics absolutely. No standard of value, being itself a variable commodity, can approach to the exactness of a measure of length represented by a bronze bar at a defined temperature. Remember that a measure of length, a measure of capacity, or a measure of weight, is a real standard measure, that is to say a measure conformed to an absolute and invariable standard. What we call a measure of value is not in the same sense a measure at all, for it itself may vary and does vary, however, imperceptibly, every moment, and is neither a standard to which other things can be referred to establish their correctness, nor can itself be referred to any invariable standard.

W. You may say that gold is of standard quality, meaning that you refer it to the law, which prescribes that it be 22 carats fine and 2 alloy.

G. That is quite a different thing. The law is not itself invariable. The truth is that the pound sterling, 123,27447 grains of that standard gold, is not really itself a standard, for the reason which I just now gave. It is, or rather supplies, a *unit of valuation* which serves to indicate, either singly or in its multiples or parts, not the intrinsic value of anything, but the value at which you and I and others assess it, at any given time or place.

W. That is variable enough. *Quot homines, tot sententiæ,* in all such matters! After all, what you say about "standard" and "measure of value" is only a matter of scientific nomenclature. We all know very well what we mean when we say gold, or silver, is the standard—is the measure of value.

G. Certainly. But what made you return to the question of the standard? Do you wish to argue in favour of silver, as having the best claim. There would be much to be said in favour of silver—with gold rated to it—and Locke, Harris and Ricardo have said it; but I see no advantage in adopting it rather than gold — our favourite metal — with silver rated to it.

Variableness or Stability of Gold as a Standard.

W. I have no such ambition, and no such preference; but my reason for returning to the charge is that we have heard lately from Mr. Gladstone that gold is the least variable of metals, and thus most fit to be a standard of value; and he adduces the fact that during the long period of the gold discoveries gold only fell 3 or 4 per cent. as a proof of the invariability of gold.

G. Reckoned in what? In silver, I presume. Well then, it follows that *silver only rose 3 or 4 per cent. as measured in gold.* Silver, he tells us, has now varied 30 or 40 per cent. as measured in gold. Very well then, gold has varied 30 or 40 per cent., as measured in silver. So it has also in other commodities—you may call it appreciated or not, as you like—while silver has remained almost without change, as measured in other commodities whether here or in India.

W. Where did he get the authority for his statement?

G. I don't know; but it was quite a true one; and such variation as there was in the Fifties arose from the great demand for silver for India during the troubles. I remember that Pierson, one of the Dutch Delegates to the Conference of 1881, adduced the same fact; but *he* did so in order to show the "effect of the then existing Bimetallic system in giving a great *fixity* to the ratio of value between the two metals".

W. How strange that Gladstone didn't see that his argument, alleging, as he did, little variation then and great variation afterwards when the system changed, made wholly for you! Like Mrs. Malaprop, he "was a truly moderate and polite arguer, for almost every third word was on your side of the question".

G. I think we may dismiss the invariability of gold compared with silver as a craze of the present day, a chimera—*bombinans in vacuo*—and as to silver, we have only to read the interesting Foreign Office reports from China and Mexico to learn that silver has purchased in commodities as nearly as possible what it did before the fall of its gold price; and further, that in a silver-producing country which is on a silver basis like Mexico, silver mining is no way hindered by the fall in its gold price, but is rather stimulated, as I said before,[1] by the premium on gold or by the increased purchasing power of that metal, which is almost invariably found united with silver.

W. We must expect fluctuations.

[1] See p. 16.

G. Whichever be the standard, gold or silver—or gold and silver, however linked together—there must be always fluctuations in value between the mass of the measuring metal and the mass of the commodities measured, but no one has ever attempted to disprove Mr. Jevons' demonstration that the two metals jointly must be less liable to fluctuation than one alone.

W. There can be no reasonable doubt of that.

G. Really I have made a full answer to all this before,[1] and I only advert to it again out of respect to Mr. Gladstone's authority (as you have quoted him), and in answer to his positive statements. It is *only* in the commodities measured by it that you can estimate the variableness of the measure of value; in silver, amongst others, if gold is the measure;[2] in gold, amongst others, if silver is the measure; in other commodities, excluding gold and silver, if those two metals are in any sense jointly the measure. In a Bimetallic country there is no price for either metal, though a small premium may sometimes be paid for the choice of one or other for export, and not unfrequently, as I told you before, of both at the same time.

As to what Mr. Gladstone says about the supply of the precious metals, I have given the true figures before,[3] and as to his strange adoption of Attwood's[4] follies and of Giffen's wild statements, I shall advert to these also before we have done.[5]

We may conclude that gold or silver are, either of them, equally well suited to be the standard of value, and are superior to all other commodities for that purpose on many accounts, and chiefly because their available stocks are less liable to vary in quantity than the stocks of those commodities of which they are the measure. Alone they are, either of them, much more liable to fluctuate, and therefore to cause disturbance of prices, than if linked together as money at a common ratio, agreed upon by the leading commercial nations of the world.

H. Silver alone would, I see, not please you a bit better than gold alone. It would be at least as liable to fluctuation. If it is over-produced, you would say, it will be depreciated, as gold was in the Fifties, and prices rise. If its production falls off relatively to commodities, it is appreciated, *i.e.*, prices fall. I think I have given a fair sketch of your views.

G. That is only half the story, as I have already said. It is right as far as it goes.

[1] See pp. 12 and 15. [2] See Appendix, Table J. [3] See p. 79.
[4] See pp. 132-38. [5] See pp. 322, 323.

H. But now you, and Goschen also, I remember, assume the appreciation of gold. What proof is there of it? Appreciation of Gold.

G. Depreciation of commodities *is* appreciation of the metallic measure, as I just now showed; but what you mean to ask is, I think, what reason we have for believing that that appreciation is owing in any degree to a change in the proportion of the supply of the metal to the demand for it as money.

H. Precisely so.

G. There, you put the saddle on the right horse. We contend that the mass of gold money in the world has much diminished as compared with the use of it which is now made in the world as the measure of commodities.

H. I remember William Fowler touched this point in his evidence before the Gold and Silver Commission. He said in effect "Gold has been produced in large quantities; it exists in large quantities; how can it be said to be scarce? It is *there*."

G. You are rather rough upon our friend. I don't think he meant to put the matter as baldly as you do. By that showing we might say "You have been cultivating 1000 acres on your farm, and have employed thirty-five men; you have taken an adjoining farm of 500 acres more; you have employed the same number of men, or only two or three more; and you complain of the scarcity of labour! How can labour be scarce? The men are *there*."

W. Fowler, I think, ran a tilt against the belief that there was a scarcity of gold.

G. The gold is there, as he says; and not only is it there, but it has been increased by the annual production. It cannot therefore be *scarce*, not positively scarce. But we contend that it is relatively scarce, when put into the scale against the mass of commodities which it has to measure. The vice of Fowler's whole argument is that he looks at the question through the spectacles very wisely used in his discount business, but quite unsuited to the wider view of the field of foreign trade. He has applied his experience of the cheapness or dearness of "money" in the discounter's sense of the word to the sufficiency or insufficiency of the stock of gold money as a measure of the increased mass of commodities now put in the opposite scale. The fallacy was fully refuted by Sir Louis Mallet.[1]

[1] See p. 212.

H. As far as I can learn, there is plenty of gold for the needs of commerce.

G. Yes; if commerce will only shrink enough! If we could be shown to be wrong in our contention, so much of it as relates to a fall of prices consequent in any degree upon insufficiency of the measure of value would fall to the ground; but our need of a par of exchange would remain as pressing as ever. What have you to say, Harrop, about the proportion between production and use?

H. The production of gold has been very large; and I see no reason to believe that the increased demand for its use as money has been nearly as great. Why, the amount added to the gold money of the world since 1870 can't fall short of £250,0000,00.

G. I think it can. You do not say how you arrive at your figures, but certainly you start from a wrong date.

The production of gold since 1st January, 1873 (which is the very earliest year we can take), to 31st December, 1893, according to the report of the United States Master of the Mint (in which Soetbeer substantially agrees) has been £434,572,000, of which we may count fully two-thirds as supplying wear and tear of the world's stock of gold, and so much of the annual production as is used in the Arts; so that, you see, the addition to the world's stock of gold money is at most £145,000,000, which is less by nearly one-half than your estimate.

S. Is not that a very large allowance for the Arts?

G. I must take the estimates of experts.[1] The yearly average so used in civilised countries in the years 1881-84 was stated in evidence before the Depression of Trade Commission to be—

Gold 90,000 kilograms, equal to about £11,000,000 sterling
Silver 515,000 „ „ £4,000,000 „

and we are told that the employment of gold for such purposes has greatly increased of late years.[2]

H. I think that what you tell us now is scarcely consistent with what you told us before—that *all* gold and silver was money.

[1] Giffen says "About two-thirds of the gold annually produced is "taken for the Arts; and if the consumption of India is included . . . then the demand for gold for non-monetary purposes appears almost equal to the entire annual production" (*Case Against Bimetallism*, p. 85).

[2] The estimate for 1897 (U.S. Mint Report, p. 57) is:—

Gold	. . .	88,784 kilograms.
Silver	. . .	972,945 „

G. What I said was "all *available* gold and silver *under a Bimetallic law*". We are now talking of gold only, the Bimetallic law suspended, and all uncoined silver having ceased to be money, while gold, at least in Europe, bears all the burden.

W. I suppose you can only make a rough estimate of what is used as money (whether in the shape of coin or bullion) and of what though used in the Arts is still more or less potential money. Use of Gold in the Arts.

G. Gold is more subject to waste than silver. Much of that used in the Arts is irrecoverable; whereas silver, save what is used in plating and what is destroyed by abrasion, is melted and used again. Have you any idea how much gold dentists use? An American dentist, calculating the number of dentists who use gold, and the average quantity used by each, and allowing nothing for the continent of Europe, where little is used, estimated it at £500,000 a year. The calculation (which I have no means of verifying) is that there are about 8000 dentists in America who use gold, and 2000 in England; and that on the average they use one pound troy each; so that, allowing nothing for any gold used by dentists in other countries the yearly consumption is 10,000 pounds troy, which, at nine-tenths fine would be £517,000 sterling. We must remember, too, that the use of gold for the Arts is very large in India. When we speak of hoarding in the East we mean in great measure its conversion into anklets and bracelets which is an Art-use of the precious metal. The gold is "there," no doubt, as Fowler says: but after deducting for wear and tear and irrecoverable waste, we have even then to compare the residue of the stock, including new production, not with what existed twenty years ago, but with the needs of the yearly increasing population of the world, and with the mass of commodities which they employ and consume.

H. The whole computation must of course be uncertain; but admitting your £145,000,000 of gold money produced from the mines, do you mean to say that the additional demand for gold as money has been more than that? Goschen, I think, estimated it at £200,000,000.

G. Goschen's estimate was made a good many years ago. Even now we must be content with an estimate, because the German amount is uncertain; but I take the figures from published sources. Here they are:—

Germany	£115,000,000 [1]
Italy	20,000,000
Russia	70,000,000 [2]
Holland	4,000,000 [3]
United States	120,000,000 [4]
Scandinavia	10,000,000 [5]
Austria	6,000,000 [6]
Bank of France	19,000,000 [7]
In all	£364,000,000 new demand.

So that, deducting the £145,000,000 of additional gold money, there is a sum of at least £224,000,000 taken into use as money, and not supplied by the production. Also we must take into account the as yet unsatisfied desire of certain States who are hankering after gold.

Appreciation of Gold.

S. You spoke just now about appreciation of gold. Now, I must say that in the eyes of a man of business that can be little more than an idea; a speculative theory rather than a fact. In any case, I confess that I see no connection between the so-called appreciation of gold and fall of prices.

Stocks of Gold.

[1] In 1897, Germany	£137,182,000
,, Italy	20,000,000
[2] In 1894, Russia, nearly £100,000,000; and in 1897	176,000,000
[3] In 1897, Holland	4,500,000
[4] ,, United States	189,000,000
[5] ,, Scandinavia	6,520,000
[6] ,, Austria Hungary	46,500,000
[7] This is possibly not all new demand in 1894, some of it being abstracted from country circulation.	
In France generally, 1897	166,300,000
Other Nations in 1897.	
United Kingdom, variously estimated at £89,000,000 and	100,000,000
Belgium	6,000,000
Switzerland	5,000,000
Spain	9,300,000
Turkey	10,000,000
Australasia	26,500,000
Egypt	6,000,000
South American States	15,000,000
Japan	16,000,000
Canada	3,300,000
Siam	4,000,000
Cape Colony	7,700,000
Transvaal	6,000,000
Minor States in 1897.	
Greece, Portugal, Roumania, Servia, Mexico, Central America, Cuba, Haiti, Bulgaria, Hawaii, Finland	9,565,000
	£970,367,000 [1]

Besides an unknown quantity in Indian hoards.

[1] Compare p. 80.

G. Connection? No! You are right there. They are *alternative phrases for the very same thing.* If you doubt it, you may as well say that you admit that three and two make five, but that the question whether two and three make five demands further consideration. Whether we say that we buy eight bushels of wheat for 32s. instead of 40s., or that we buy two sovereigns for ten bushels instead of for eight, the transaction is the same—there is no difference at all. In the former view we look on wheat as cheap; in the latter on gold as dear.

S. The question then would be, what has caused the dearness of the one or the cheapness of the other?

G. Yes. The effect may be produced by either or both of two causes—either by an increase in the production of commodities and by cheapness of transport, or a decrease in the demand for them, or both; or else by a decrease in the production of gold or an increase in the demand for gold, or both. The increase in the production of commodities has been happening since 1850, without apparent decrease in the demand; the decrease in the production of gold, while an enormous increase in the demand for use as money has been happening ever since that date, occurred in 1873, and has continued at about the same point[1] ever since the beginning of the period with which we are concerned, and therefore if gold is not dear (*i.e.*, appreciated) it would afford a singular exception to the law which governs price.

W. Was that what you meant when you answered me the other day[2] that "another thing might cheapen wheat besides a lessened cost of production"?

G. Certainly. If the use of gold increases while the production decreases, gold becomes dear and wheat and all commodities measured by gold are *ipso facto* cheapened. If Nature has in other ways cheapened the production of any of them, the dearness of the measure makes them cheaper still. If Nature has made them by other means dearer, the dearness of the measure cheapens them, or decreases the dearness; but no one in the long run is the better for the cheapness produced by such a cause. We rejoice at the cheapness that arises from abundance of commodities, but we deprecate the factitious cheapness that arises from increased demand for the metallic measure of value.

W. Wheat, for example; that, you would say, has been cheapened both by lessened cost of production (the opening,

[1] 1898. For production in the last five years see Appendix, Table E.
[2] See p. 20.

that is, of new and fertile wheat lands where labour is cheap, together with improved facilities of transport) and by appreciation of gold and its consequences.

G. You would probably include abundance as one of the causes.

W. That seems to be included in "opening new and fertile lands".

G. Yes; unless increase of population in those lands has found a home use for that fertility. Not too much wheat comes here. The average of English import and production together, for the eight years 1872-79 was 357·45 pounds per head, the price being 51s. 2d.; while for the eight years 1884-91 the average was 348·43 per head, and the price 32s. 10d.[1]

W. It does seem as if in that instance something else caused the fall, and not cheap production or over-production.

H. Cheapness of transit, which is a form of cheap production, must have done its part.

G. Yes; but not to the extent of 40 per cent. since 1873.[2]

H. You would admit, then, that the cheapness which springs from abundance is an unalloyed good.

G. For the moment, yes. And for the consumer certainly, unless he happens to be a producer also; in which case his enjoyment must be somewhat mixed.

W. One man's meat is another man's poison.

G. What is best for all is, that production and demand of all commodities, including the precious metals, should be so tempered, that the consumer, as consumer, should not be weighed down by too high prices of commodities; and that the producer should be able to live and thrive. If he cannot, it is worse in the end for the consumer.[3]

[1] Messrs. Lawes & Gilbert's figures of the consumption in this country for the thirty-one harvest years ending 1898 are:—

Eight years.	Bushels per head of the population.	Average price of English wheat per quarter. s.	d.
1868-9 to 1875-6	5·59	52	0
1876-7 to 1883-4	5·66	45	7
1884-5 to 1891-2	5·66	32	5
(Six years) 1893-8	6	27	0

[2] See also pp. 183, 189.

[3] See p. 241.

H. You are asking for what is impossible. Who is to do the tempering?

G. It can't be done; at least by the art of man. But we may ask that nothing shall be done which will impede the natural process. You have now taken away that which has been partner of gold in its money work, and have thus produced a factitious and wholly harmful cheapness.

H. To carry out your principles logically you should advocate inflation of the currency by an issue of "soft money".

G. Soft money! That is not at all in my line! It is your strict Monometallist, one who is horrified at the thought of that "inferior" metal (silver) being allowed to be on an equality with gold, who is willing to see an "*ad libitum* issue of notes on the credit of the state"—*i.e.*, on Consols—promises to pay issued on the security of—promises to pay.

H. What then *is* desirable, whether attainable or not.

G. We want no arbitrary contraction of the measure of value, no paper inflation of it. What is really to be desired, attainable or not, is enough money, or money metal, to serve for the wants of commerce; and progressively enough to serve for the progressive wants of commerce; to serve for expanding population, expanding industry, and expanding civilisation.

As to the harm that is done by a continued appreciation of the Standard of Value, let us call Lord Grey. His opinion, or rather prophecy, on this subject is very remarkable. It was given in conjunction with the late Lord Halifax, who fully sympathised with him, as well in his dislike of true Bimetallism as in his fear of the outlook of the existing state of Commerce. They said: "That if in consequence "of our determination to adhere to our present monetary "system, France, the United States, Germany and Italy "were to resolve that they also would maintain gold cur- "rencies, and should make such changes in their existing "laws as to the use of silver as would be necessary to keep "the gold coins they might issue in circulation, the demand "for gold must be so increased as, for a time at least, materially "to raise its value, and thus occasion much commercial "embarrassment and very serious pressure on all branches of "productive industry in most nations". This was written "June 24, 1881.

Jevons also wrote in nearly the same sense. Here is the passage. Read it, White.

W. (*reading*): "It stands to reason, of course, that if "several great nations suddenly decide that they will at all "cost have gold currencies to be coined in the next few years, "the annual production cannot meet the demand, which must "be mainly supplied, if at all, out of stock. The result would "be a tendency to a fall in prices."

H. Lord Grey is a very able and thoughtful man; and you admit that he does not consider the Bimetallic system feasible for England.

G. He certainly is; and so was his friend Lord Halifax. They acknowledged the disease, or rather the premonitory symptoms of it; but they could not bring themselves to use our remedy. They had, however, a palliative of their own, of which I will tell you more one of these days. You remember what Jevons said about the matter?

W. *I* don't; but I should like to. He was no more on your side on the main question than the two noble Lords.

Jevons.

G. You will find his views on Appreciation of Gold in his chapter xxvii. of his Essay on the "Value of Gold," pp. 80-85, of his *Investigations*.

H. I remember that chapter; written, I think, about 1860, but the case had not arisen then. Nobody had even invented the phrase "appreciation of gold".

G. No; "Depreciation" was the word in their minds; but it is easy to deduce his views on the former from his remarks on the latter, its exact opposite. Jevons wrote that essay in 1863; and the title of the chapter is—"Classification of Incomes according as they suffer from *De*preciation". Your clients, Harrop, were then the injured, not the *favoured classes*, and Jevons comforts them with the thought of the general prosperity (in which they were partakers) caused by the abundance of the precious metals.

W. That must be a very interesting essay of his.

G. That it is, and well worth your study at the present day. It is full of instruction. Every argument that I have used here (and others elsewhere) to demonstrate the appreciation of gold, Jevons uses (inverting it, of course, to suit the exactly opposite condition of affairs) to prove its then depreciation. Having established its existence, he shows that it lightens the burden

of debt (especially the National debt) and taxation: just as appreciation, as we contend, increases it.

He derides the allegation that the then existing prosperity resulted mainly from other causes, pointing out that those other causes were in operation before the gold discoveries, just as we have to show to a stiff-necked and stubborn generation that steamboats and railways have not been invented since 1873.

H. If I rightly remember the argument, he lays much stress on the improvement of the condition of the nation in general, and of its trade in particular, as atoning for all cases of individual hardship, and prognosticates a speedy removal of those hardships and general prosperity and social improvement promoted by the new activity and efficiency resulting from the fall in the value of gold.

G. He does. I was looking at the chapter the other day, and I see the mark is still in the place. Read it, Harrop.

H. (*reading*): "I cannot but agree with Macculloch,[1] that, "Putting out of sight individual cases of hardship, if such "exist, *a fall in the value of gold* must have, and, as I "should say, has already, a most powerfully beneficial effect. "It loosens the country, as nothing else could, from the old "bonds of debt and habit. It throws increased rewards "before all who are making and acquiring wealth, somewhat "at the expense of those who are enjoying acquired wealth. "It excites the active and skilful classes of the community "to new exertions, and is, to some extent, like a discharge "from his debts is to the bankrupt long struggling against "his burdens."[2]

After all, what he says is that time and continually renewed activity will bring all things right at the last. Transfer that to the present time and the present distress, and we may rest pretty well contented.

G. May we? Let us try how the story would sound, if, admitting the correctness of cause and effect alleged by Macculloch and Jevons, we assume an opposite cause, and deduce, of course, opposite effects. Give me the book.

"Putting out of sight individual cases of gain, if such "exist, *a rise in the value of gold* must have, and as I should "say, has had already, a most powerfully adverse effect on "the prosperity of the country. It tightens, as nothing else

[1] *Encycl. Brit.*, 8th edition. "Precious Metals."
[2] *Investigations in Currency and Finance*, p. 96.

"could, the bonds of debt and habit. It throws increased "danger and increasing loss in the way of the many who are "struggling to acquire wealth, somewhat to the advantage "of the few who are enjoying acquired wealth. It dis- "heartens the active and skilful classes of the community, "and is a drag upon all new exertions, and is, to some "extent, like a heavy and hopeless burden of debt on the "shoulders of a once prosperous man."

The former state of things is the road, through ease and plenty, to an ever-increasing prosperity.

The latter state of things is the road, through trouble and scarcity, to an ever-increasing adversity. Are we to "rest pretty well contented" with that?

H. Macculloch[1] thought, did he not, that the rapid extension of trade and the increase of wealth might cause the absorption of the new supplies of gold and so lessen the depreciation of the metal.

G. Yes; and the rapid decline of trade and the decrease of wealth will bring the diminished measure of value into correspondence with the diminished trade, and so lessen the relative appreciation of the metal. A pretty bad look-out for English commerce and for England.

H. Jevons must have seen all this, and yet Jevons, I think, remained hostile to your doctrines.

G. I don't know that. Jevons wrote the essay from which I have quoted in 1863, and his later writings, in which he took up an attitude generally adverse to Bimetallism were dated in 1881. Much had happened since then in his lifetime, and he could not, I think, have failed to apply the reasoning which I have deduced from his own writings to the changing circumstances of the time. Moreover, in his writings against Bimetallism, while admitting its theoretical correctness,[2] he gives reasons against its adoption which have been signally falsified by subsequent events, and he was too clear-sighted and too fair-minded a man not to have perceived and appreciated this. He thought that there was no evidence[3] that the excessive supplies of gold from Australia and California would fall off. They *have* fallen off both positively and relatively. He thought that there was no probability that gold would be appreciated and that prices would fall.

You have been rather hard of belief, Smail, but no one, I think, would now contest the fact that gold *has* appreciated, and

[1] *Investigations*, p. 15. [2] *Ibid.*, p. 306. [3] *Ibid.*, p. 392.

(which is the same thing) that prices *have* fallen. He thought that there was no probability that any great nation except the United States would soon want a considerable supply of gold; and he mentioned Russia, Austria and Italy as especially unlikely to require it. You all know this to be false prophecy, and that France, contrary to his expectation, has largely increased her store.[1] He thought the then fall of prices, which he estimated at 30 per cent., was probably due for the most part to the collapse of credit and speculation, and was but a periodic event,[2] of which we had had many prior instances. Here, I venture to say, he mistook cause for effect, and had he lived till now he would have seen that the "period," instead of lasting like its predecessors, one, or at most two years, had already extended to thirteen, with increasing instead of diminishing force.

H. Did he not describe discussion on Bimetallism as a fog,[3] through which the traveller wandered in vain?

G. He did use that somewhat uncomplimentary comparison, and he said that the traveller's wisest course was to stay where he was till the air should clear.[4] But if the air did *not* clear, the unpleasant result might be that he would die of cold and hunger.

W. I trust we have not been so hopelessly befogged in our discussions. I begin, for my part, to see daylight, and a way through the wood.

S. We have spoken of the causes of the appreciation of the standard; but we haven't yet established the fact.

G. You spoke, Smail, of appreciation of gold being little more than an idea,[5] and I gave you such answer as the assertion demanded. Have you any more wisdom to give us about it?

Appreciation of Gold.

S. I hold to this point; gold is simply a standard of value; and so long as our currency is convertible and we keep a certain reverse of the metal to assure the world of its convertibility—so long, that is, as our commercial system rests on a sound basis—though interest may rise and fall as the quantity at command becomes less or more, there is little chance, I venture to think, that gold as gold will be "appreciated".

[1] From £27,000,000 gold in the Bank in 1873 to £60,000,000 gold in 1892, and £74,563,840 on the 2nd August, 1894 (when the silver was £50,819,420). Since then the gold has been as high as £85,000,000; but has receded in May, 1899, to about £72,000,000. See Appendix, Table D.

[2] *Investigations*, p. 321. [3] *Ibid.*, p. 329. [4] *Ibid.*, p. 318. [5] See p. 178.

Gold is our Standard of Value.

G. Nothing can be more just than your first words. Gold is a standard of value; and if we use the words in the same sense, they are the key of my position, and dominate all your arguments, destroying them as completely as any argument of mine can do. What do *you* mean by the words "standard of value"? I think you mean what *I* mean when *I* say "*measure* of value".

S. Yes; that is what a monetary standard must be—a measure of value.

Our Unit of Valuation.

G. That it *is* a measure (in the sense of a unit of valuation) —besides any other quality it may have—is the very thing for which I contend. If either the measure shrinks, or the thing measured is enlarged, the effect is the same; the thing measured will contain more multiples of the measure. If both happen at once the effect is again the same, but intensified. But if you repeat that substitutes for gold have been found, supplying the alleged deficiency, I must then ask, have they been discovered since 1873? and what were they when they were discovered? They were *orders to pay* so many sovereigns, so many units of the measure of value. According as those units are parts of a large or a small aggregate, portions of an abundant or scarce commodity—parts, that is, of a cheap or dear whole—so must the orders to pay them, even if these are really an addition, a supplement, to them, and themselves part of the measure, rise and fall in value with it, and be appreciated or depreciated with its appreciation or depreciation. You spoke of buying a commodity, and paying for it in bills. If gold has become dear, *i.e.*, if the commodity has become cheap, the volume of those bills—of those banking expedients of which you speak—shrinks in exact correspondence with the increase in the value of the gold (compared with the purchased commodity); *e.g.*, copper used to sell at £100 a ton, and it now sells, we will suppose, at £50. The volume of your bills given in payment in 1850 would have been £10,000 for 100 tons. They would now be £5000; and so with all other commodities.

S. You argue, then, that the volume of paper at any given time is dependent, in this country, on the value of gold?

G. Yes; and dependent on the quantity of gold itself, in respect that its aid to the standard, whatever that aid be, must be dependent on its being exchangeable for gold; and the power of getting gold for it, or the belief in its exchangeability, must be affected by the amount in existence and obtainable somewhere in the world.

W. "Paying for it in bills," you say? That's one of the "banking expedients," Smail, with which as you wrote the other day you were to overwhelm me at our next meeting. *That* can't help to lower prices; *that* can't cheapen commodity, can it?

S. No, no; very true. No more it can! I have thought it over since I wrote to you. If I pay in bills I am able—I am indeed obliged to pay a *higher* price for the goods. Now, as to convertibility, I admit that I don't feel sure that, in times of stress and doubt and financial distrust, our present stock of gold is sufficient to maintain the convertibility of our paper money. Individually, I think the amount of the ballast somewhat dangerously low for the financial ship in bad weather; but that is another question altogether.

G. That the amount in the Bank of England will pay all comers, and that the amount in the other Banks will pay all the demands on them, is merely an affair of bankers' calculations, on which the public can form no sound judgment, and has nothing whatever to do with the relation of the unit of the measure of value to purchasable commodities.[1]

Our Medium of Exchange.

W. I think the bankers might look at home, and keep something more in their own tills! You said, just now "whatever other quality gold may have beyond supplying our unit of valuation". . . . You refer to it, I think, as our medium of exchange, our standard of value, and our store of value?

Our Store of Value.

G. Yes. Also our record of obligations; and bear in mind that it is metallic money alone, and not any banking expedients, which can be either a standard of value (recording the substance of obligations) or a store of value.

Our Record of Obligations.

S. But that money is certainly cheaper. It brings, I mean, less interest than formerly. In my younger days a prudent saving man looked to a 5 per cent. interest on an investment as a rate which he was entitled to obtain with good security, and the profits in trade and agriculture were very much in proportion to the returns from investments; but accumulations of savings have gradually brought down the return from safe investments to 3 per cent. and 3½ per cent., and so indeed, by reason of its very abundance, money instead of buying more buys less, brings a less return in income to its possessor, and in a corresponding degree men employing money in the production of commodities run greater risks for smaller profits

[1] See p. 250.

than in times past, and compete with each other with much narrower margins (but going farther afield) with greater areas and increased machinery of all kinds, looking for an aggregate profit on quantity to compensate them for a diminished return on the article. As profits decrease, processes improve so as if possible to make up for it.

Capital not identified with Metallic Money.

G. Yes, money is cheaper; but that is true *not* of metallic money but of capital. Capital brings less interest than formerly, and you admit the profits of industry and agriculture to have shrunk, but contend that they have only done so in like proportion with those of other capital. So that, the profit being less, you think that men have increased their production in order to make up by the multitude of profits for their smallness. But is this the fact? Are people so doing? Is more money going into industry and agriculture? Is that to be learnt from any trustworthy evidence before either of the Royal Commissions? Is it not rather the fact that because of the uncertainty of profit, and in many cases the probability of loss, in the ordinary channels of trade, men have either taken refuge in a quasi-co-operative business, becoming shareholders in industrial undertakings, hoping thus to increase profits, by diminishing working expenses, and to limit the possibility of loss; or else to take yet safer refuge in public loans and other permanent securities, paying increasingly higher prices for these, and thus obtaining only a low rate of interest.[1] Processes do improve, as you say, and that is a benefit to those who (as you also say) have the wit to employ them--not necessarily to the general trade of the country.

S. But take natural products, now, such as wheat. I can't help thinking that the fall in prices was largely owing to the opening up by railways and steamers of new sources of supply to the markets of the old world. The Indian ryot can, I believe, live on fourpence a day, and his labour does not enter very largely into the cost of production; but until the Indian railways made it possible for his surplus produce to reach the sea, it did not affect any European market, however cheap it might be. Freights are about one-third of what they were ten years ago, and it now costs less to bring a quarter of wheat from any port in America to Liverpool or London than to cart it from a farm twelve or fifteen miles from a market. Practically the whole producing surface of the earth is brought by railways, telegraph and steam-vessels within touch of our markets, and these changes have been effected so noiselessly, while we have all been going about our own business, that we

[1] Consols (2¾ per cent.), 110, 1896.

have not been conscious of the tremendous economical revolution which has been effected. And the same forces are in operation with regard to sugar, to wool, to timber; cheap money, cheap labour, and cheap transit all combine to produce a greater supply of such commodities at any prices which will leave a margin of profit.

G. Quite true; I agree with every word that you have just said. But I have shown already that it is impossible that any development of communication, however potent its effect to reduce prices, could *suffice* to account for the fall of gold prices since 1873. The level of those prices must be lower than it would otherwise be by the mere fact that gold has not been produced since then in quantities commensurate with the demands upon it.

S. You admit improved communication as a potent factor in producing low prices.

Improved Communications no New Factor since 1873.

G. No doubt; but the best answer is that which I gave just now:[1] Were steamers and railways and the telegraph invented since 1873? If they were, they may account for the extraordinary fall of prices since then; but if not, not. The truth is, that this great progress in all means of communication has been going on both under the continuous rise of prices and during the continuous fall. Much has been done since 1873, but much more before that date. It moderated the rise and intensified the fall. In 1850 there was a revolution in the means of communication; in 1873 and since that date there has only been development of it.

There is not the smallest ground, I think, for connecting the date of what you justly call this "tremendous economic revolution" with the date of the fall of prices. On the contrary, the largest economic revolution in communication dated from the same period as the gold discoveries, and that was followed by a rise in prices. The making of railways could not have produced a rise in 1850 and a fall in 1873.

If, then, improvements in communication and economies in banking were proceeding steadily both during the rise and the fall, some other cause than these must be discovered for the rise and fall.

S. I must admit that there is something in that plea, and I don't at once see the answer. I must think it over.

W. Let us get back to the causes of the alleged appreciation of the standard of value, *i.e.*, of the supposed dearness of gold.

[1] See pp. 183, 241.

H. I take it that some of the blame of its contraction must be laid on France and Germany. Is it not absurd—is it not, indeed, a great cause of the appreciation (if appreciation there is) that instead of wisely keeping, as we do, a small stock of gold, and letting it flow freely in and out in a moving stream, the Banks of France and Germany hoard it, allowing a large mass of it to lie motionless in a stagnant pond, where it is of no use to them or to any one else?

G. How is it stagnant? Don't you know that all that gold —some £67,000,000, as well as about £52,000,000 of silver, £119,000,000 in all—is circulating through France in the shape of notes, the total of which was upwards of £125,000,000 at the end of January, 1892, just as the gold in the Bank of England, though "locked up," is circulating here in the form of Bank of England notes. How, in that case, can what you call the "locking up" of that gold affect the quantity of the measure of value or cause its appreciation?

W. But looking back to the figures which you gave us just now as representing additional demand,[1] some of *that* gold may be in circulation by means of issues against it.

G. Yes; but issues on gold in substitution for issues on silver, or on nothing at all, stand in a different category from the French and English issues, and so *a fortiori* do the accumulations in war chests, against which no issues are made. They are not lockings up.

H. Can you say that the gold circulation in France stands on quite the same footing as ours? The Bank of England issues £16,800,000 on securities beyond what is issued on bullion.

G. Yes. Thus it probably adds just so much to the measure of value, but France, in respect that her issues on securities are not, I think, under statutory provision as those of the Bank of England are, takes nothing away from the measure of value. The Bank of France, you see, issues £6,000,000 beyond its gold and silver.

Inflow and Outflow of Specie.

H. But the inflow and outflow? The stagnation consists in the practical prohibition by the German and French Banks of the export of gold.[2]

[1] See p. 178.

[2] NOTE.—The German delegate to the conference categorically denied this allegation, saying that the Reichsbank has never on any occasion refused to pay its notes in gold.—*December*, 1892.

As regards France, at present it is not gold but notes which the Bank of France declines to give out.—*January*, 1893.

G. Why does anybody send gold out of England? For one of two reasons. Either a sum of money is owed to a foreign State or person who calls it in; or else the balance of trade is against this country and gold is sent abroad as an exchange operation, and this redresses the balance. I can very well conceive that there might be a real prohibition, but as matters now stand, your "practical prohibition" is no prohibition at all; for the moment the exchanges turn against France or Germany and in favour of England, gold is shipped hither, as it has been in no insignificant quantities since January, 1892.[1]

H. Always on payment of an agio.

G. The French shipper ships it to England because it is to his advantage to do so. The French banker, who has the choice of metals, seizes part of that advantage for himself, charging something per mille as agio. France gets the benefit both ways, apparently.[2] The exchange, however, is altered to

[1] Imports from Germany—

1892,	£181,311
1893,	165,837
1894,	309,223
1895,	421,192
1896,	411,750
1897,	278,392
1898,	3,908,707

Exports to Germany—

1892,	£6,401,484
1893,	5,193,122
1894,	5,767,798
1895,	1,803,036
1896,	5,660,928
1897,	11,948,619
1898,	12,377,283

These Exports included large sums due to Russia.

Imports from France—

1892,	£1,002,668
1893,	1,690,682
1894,	1,007,798
1895,	1,334,012
1896,	755,916
1897,	621,571
1898,	4,431,033

Exports to France—

1892,	£3,818,759
1893,	786,296
1894,	6,470,755
1895,	1,291,565
1896,	2,425,295
1897,	1,138,954
1898,	1,444,204

Total English Imports of Gold—

1892,	£21,470,832
1893,	24,232,086
1894,	27,580,926
1895,	36,006,038
1896,	24,468,337
1897,	30,808,858
1898,	43,721,460

Total English Exports of Gold—

1892,	£14,832,122
1893,	19,571,373
1894,	15,647,551
1895,	21,269,323
1896,	30,123,925
1897,	30,808,571
1898,	36,590,050

Total English Imports of Silver—

1892,	£10,746,382
1893,	11,913,395
1894,	11,005,567
1895,	10,669,682
1896,	14,329,116
1897,	18,032,091
1898,	14,677,799

Total English Exports of Silver—

1892,	£14,078,368
1893,	13,459,645
1894,	12,171,449
1895,	10,367,436
1896,	15,048,134
1897,	18,780,988
1898,	15,623,651

[2] *Enquête*, 1869, i., p. 79.

the extent of the agio, and the remitter gets so much the less to his credit; so the French banker is the only one who gains, and that at the expense of his own countryman. In no case has the outflow and inflow anything to do with increase or diminution of the measure of value, which is obviously not affected by the transference of the metal to and fro.

H. Do you contend that it is no advantage to England to have constant movement of the precious metals.

G. It is rather an index of advantage than itself a gain, except to the trafficker in bullion and exchanges. For him it is the material with which he works, the corn which he grinds in his mill. That which makes it possible is the foreign commerce of this country, and of that commerce it is one of the tools. Gold, where gold is money, is a store of value; it is *stored goods*. It serves as payment for goods bought, or as a means of obtaining goods which we wish to buy. Its transit for either of these purposes is a profit to the nation, but this mere machinery of transit, through speculative exchange operations, useful as it is, belongs to a much more confined class of trade.

W. You spoke of a foreign State or person being owed money here. Does not his having deposited it here indicate his preference for a banker (as England may in such a case be called) from whom he can always get gold?

G. It indicates his preference for a banker in whose commercial honour and in whose commercial resources he has the most confidence; in whom he finds those characteristics to which I referred just now in answer to Smail.[1] Your remark would be just if England had not been a banking centre, the centre of deposit during all the time when no foreigner cared whether he got gold or silver, the one serving his purpose as well as the other, as Sir Robert Peel said. No one then cared to accumulate gold as a war fund. Gold was and is unserviceable for war or wages. Now, indeed, an *auri sacra fames* has set in. The war-chest *must* hold gold, and gold is stored abroad where it can be most easily got at. Yet the exports of gold from France to Russia have been at least as great as those from England.

W. But if, *per impossibile*, Mr. Giffen's theories became realities, and Englishmen and all the rest of the world, being eager to get rid of gold, because it was the most convenient metal for money, and because it would pay more debt in each country

[1] See p. 160.

than it would in the undiscovered land to which it is to be sent, had banished it all, and if there were nothing left but silver; what then?

G. Even then the world would not come to an end, nor would the resources of civilisation be exhausted. Even as notes supply the place of gold, so would notes supply the place of silver, just so far as might be needed to calm the fears of Harrop and his banking friends. They may be easy, however. Gold won't disappear; nor has anybody's imagination been quick enough to show any possible reason for its doing so, or any possible mode of accomplishing the miracle.

Gold unserviceable for wages.

H. "Unserviceable for wages," you say? My banking friends tell me that if we are forced for the ordinary purposes of life to take silver instead of gold it will lead to great inconvenience in the payment of wages, and of small bills.

G. Would it lead to inconvenience? Something less than we should feel if we were forced to take £5 notes instead of gold. Notes are legal tender, just as silver would be, but no one would be practically forced to take either; but you can't pay wages with £5 notes and you can with silver, and practically with silver only—or silver notes. Your banking friends know quite well that there will be no force in the matter, and that just as now they give their customers precisely what they require, notes or gold, or tokens, under the old law revived they would still give what they require—notes, or gold, or silver, or tokens.

H. You tell us silver will not be convertible into gold, but notes are.

G. At the Bank of England. You will find some difficulty in paying wages with them at Oxford or Derby without the help of friendly bankers.

Alleged inconveniences of Bimetallism.

S. You both of you allege inconvenience, one in the use of gold, the other in the use of silver, for the ordinary purposes of life. How do you make out yours, Harrop?

H. First, as to wages: The wage-payer will have to bring down great masses of silver instead of the same value in the small bulk of gold. *Secondly,* as to our pockets: We shall have to carry about a heavy weight of silver instead of the light burden of a few gold coins; for *Thirdly,* it is obvious that unless a very large proportion of our gold coin is replaced by silver coin, the mere opening of the Mint would have none of the effect which you Bimetallists desire.

G. I will take your three points one after another, and the last first.

I observe that when a man has a doubtful position to support he usually begins with "It is obvious that". Now you may set it down in your mind that we have no desire to replace one single sovereign by four full-weight crowns. We don't care if not a single bar of silver goes to the Mint except for tokens. The mere fact that we can get the crowns if we want them is all that we desire. Take it, once for all, that what is needed is an OPEN MINT where one *may* have either metal coined if one wants it, not an increase of coinage of either. Does any one send gold to the Mint to have it turned into coins? His real mintage is at the Bank of England. The Bank provides a store of gold coins for all who are entitled to them and desire them, and so would it be with silver. None but the Bank would send it to the Mint, and no man would have a crown in his pocket unless he wanted it and asked for it.

This will certainly make, as it has always made, bar silver, as well as bar gold, international money. For home purposes, those persons or nations who choose or need silver will certainly have it, and those who choose or need gold will have it as certainly. Depend upon it, I shall never accept an offer of £4 19s. for a pound of silver while the Mint will give me £5 for it in legal tender coin. Thus the relative value of the precious metals being constant at home and abroad, it follows that the notion of your being forced to wear out your pockets with masses of silver coin is but a morbid imagination. I hope you will consider your second point also fully answered.[1] I told you in our first talk[2] what it was alone that could cause one metal to leave the country if both were money.

H. You haven't yet answered my question as to wages.

G. True, that was your first point. Well, your banker's "inconvenience" touches bankers only, and affects neither the wage-payer nor the wage-earner. The bankers *might* have to receive more silver, because it is only with silver that you can practically pay wages, but they would not in reality have to do any such thing. They would send down their sovereigns to their country correspondents, as they do now; the correspondents would pay them to their customers, and these would in their turn pay their men. How? Those whose wages are less than a pound a week must in any case have had silver provided for them, whatever might be our monetary law. To those whose wages are a pound or more a week, the sovereign is of little use till they change it.

[1] If not, see p. 320. [2] See pp. 50-52.

W. Mostly in the public house, as I have heard. But the banker's grievance must be that he might have to receive silver, not because it is wanted for wages—he knows that now, and sends token silver enough—but because he *might* have crowns in his till instead of sovereigns, and would have to send *them* as well as the token coins.

G. He need not have them unless he liked. If he had, *he* would have a very little more trouble—or rather expense—in counting and transmitting, but the wage-earner would receive a more convenient coin. A crown or double florin is more serviceable in the payments which he has to make than the sovereign, and does not need so much the help of the publican in his capacity of money-changer—for a consideration.

H. "Need not have them unless he liked," you say. But his customers might have paid them in, in which case he would have them in his till, will he nill he.

G. That only pushes the question a stage further back. What is to induce the customer to become possessed of them? Does he pay in a bag of sovereigns now?

H. It would not be the banker's customer, but the banker's banker, the Bank of England, who might use the debtor's right of choice, and force the crowns upon him, whether he would or no.

G. The Bank of England would treat its customer, the banker, as all other Banks treat their customers, and would pay them in whatever coin they might desire. It would be only in the case of export that the right of choice would in practice be exercised; and this we know is the case in the Bank of France.

Gold unserviceable for War.

W. You not only said "unserviceable for wages," on which you have discoursed learnedly, and, at least to me, convincingly, but you said also "unserviceable for war". Now, I do think that may be doubted. Is not gold more convenient for storing?

G. Certainly it is. Foreign nations do in effect store it against war, or for other purposes, and they don't need a Bimetallic law to help them to do it. Russia has I don't know how many millions, some of which may be for a war reserve; Germany also, it is said; and Austria is accumulating. All these can add to their store at pleasure from "the only place where one can get gold," because England is bound by law to give gold to him that asketh, if only he has bills of exchange in his hands.

As to war, again, States, now that silver is discredited, may hold gold to prepare for it; but scarcely at all *in* war. You cannot pay soldiers any more than you can pay workmen with gold. Out of £5,826,107 which we sent abroad for the French war, only £519,647 was in gold.[1]

W. War and wages stand in great part on the same footing.

G. I think they do. The war labourer uses the sword instead of the ploughshare, the spear or bayonet instead of the pruning-hook; but he is worthy of his hire all the same, and has to be paid it, so long as he lives and works. How? Directly or indirectly he must be paid (for his keep and otherwise) in the money of the country where he is serving, and that must be produced for him by remittances either of specie or of bills.

S. You could only get your bills on the city nearest to the seat of war, and thus push the difficulty one stage on. Besides, *inter arma silent leges;* and bills might be a risky and therefore a costly mode.

G. So it might, and so might the other be; but we will suppose bills. How is the belligerent to get them? In Europe, practically, with gold only, gold being at this time the only certain means of purchase whether of munitions of war or of bills of exchange.

S. Gold would always buy silver, which would be suitable for Eastern war.

G. Yes; and silver would now buy neither gold nor bills of exchange. If the old law were restored, gold and silver would have, as they used to have, equal purchasing power for war purposes or any other.

W. Now, then, we settled, I see, in our last talk that the Mint restrictions in France caused—or rather allowed—silver to fall in England, and wherever it was an article of merchandise, and that the final closure of the Mint to the white metal was, however unnecessarily, the consequence of that fall; and we have had a sufficient account of what induced France not to resume the coinage, the chief thing being that "England stopped the way". Now, might not the same causes which impel us to hang back from any monetary change have had some influence with France? She had not, indeed, the same prejudices to overcome that we had; but however clear her view of the evils of the new state of things, she may have

[1] See Report of the Bullion Committee, 1810.

feared to make another change, and feared also, perhaps, that if she did make it the system might again break down.[1]

G. Yes; and it is no doubt those fears, however baseless, which incline England to "stop the way".

Smail, I remember, said that "admitting the grievance, admitting the efficacy of the remedy, it might be unwise to use it".[2] He seems rather to incline to the idea, "surely all is for the best in this best of all possible worlds". "Leave well alone." Quite right, if it *is* well.

Difficulties in the way of Monetary Reform.

S. It is true that that in some degree expresses my views. I meant also to intimate that the remedy might be worse than the disease. You will not contend that there are no difficulties in the way?

G. Certainly not. The difficulties are of four sorts. *One* (initial) the portentous prejudices of the London press (which far transcend those of certain cultivated friends of mine); *another*, imaginary, the diverging interests of the several nations; a *third*, problematical, the dangers of the transition period; and a *fourth*, which greatly affects the third, the choice of the ratio.[3]

We may leave the first to stew in its own juice, and the second too; but the third is very important. It is, like the choice of the ratio, one of the things which must be left sooner or later to the representatives of the Powers.

H. The second difficulty, the conflict of interest in the several nations, does not seem to me by any means unimportant. It is precisely there that I think you must fail.

G. Why so? Their interests are divergent in many things, but identical in this, that they need for the purposes of commerce an internationally intelligible medium of exchange.

H. Very likely. But you won't get them all to think so.

G. Why should they?

H. They *must*, according to your doctrine, as I understand it. I never read a money article pointing out your errors, or a speech demonstrating the hopelessness of your endeavours, but I find this sentence: "*It is admitted on all hands that Bimetallism to be successful must be universal*," and it was only the other day that *The Times*, speaking of the troubles of trade, and, incidentally, of the progress of your cause, said:[4] "There are many

[1] See pp. 152, 153. [2] See p. 70. [3] See p. 34. [4] 4th August, 1893.

who think" (as you said the other day, White), "that the true remedy is universal Bimetallism". Now, must it necessarily be universal, or must it not?

G. I am much pleased to hear a little irony in your tone, my dear Harrop! You know the answer as well as I do. No Bimetallist ever made such an assertion. It is merely a very transparent Monometallist artifice; not at all belonging to the convinced and understanding Monometallist—rarest of birds—but to a teacher who knows little of the subject discoursing to pupils who know less. Why should it be universal? What France could maintain alone for sixty-two years or more, England or the United States could surely do; much more then could any two or three of the great commercial nations maintain it. True, if England, France or the United States or any two of them had set their seals to such a treaty, many another nation—probably all those represented at the Conference—would fall into line. But if they did not, Bimetallism would be none the less established, and on pillars strong enough to support it.

H. Some think France was able to maintain it because she had a Monometallic country on either side: England gold, and Germany silver.

G. *They* depended on *her* for the equilibrium of their moneys, and so far as they affected the equilibrium of her money, tended to disturb it by being the cause of agio, now on one metal now on the other.

We hear a good deal of the third difficulty, the violent dislocation and great distress which would be produced by the change. We have talked it over already, and may again.[1] It would be most useful if some one on the Monometallist side would give us chapter and verse for the dislocation; an exact description with instances, instead of vague vaticinations.

H. Vaticinations are necessarily vague. I should like to hazard one. If a general agreement is come to, a particular ratio agreed on—that is your fourth point, on which we have had plenty to say already[2]—and a treaty made, it will not be long before it is either abrogated by common consent, or thrown into confusion by the secession of one or more of the contracting powers. Where will you be then?[3]

G. That is a question for *you* to answer. I know that your prophet does not like to be asked to condescend to particulars,

[1] See pp. 40, 92. [2] See pp. 201, 202. [3] See pp. 30, 201.

but I should like you to tell me precisely what it is that you think might possibly occur and what harm could happen to anybody if it did.

H. Nothing, I suppose, if it was dissolved by mutual consent; yet I should like to know, even then, what we should do with our stocks of silver.

G. I really think it is hardly worth discussing, for no one has ever suggested an inducement for such a foolish act. We should, however, all be in the same case as that in which France and Germany are now; our silver (or gold) money becoming tokens, and our relations with gold (or silver) Monometallic countries returning to the inconvenient condition in which we now are as respects our commerce with China, Mexico, and other silver-using countries.

S. Gold as a token currency![1] You surely don't think that possible?

G. Why not? All things are possible to human folly! We have proscribed the money of the greater part of mankind, why not that of the lesser? It would be a monstrous absurdity, no doubt, but so was our action in 1816, and so would be the abandonment which we are discussing, and we must all the more treat it as possible. Some new Chevalier, frightened by the golden torrents from Africa and dreading a new deluge, may persuade us all that gold is a discredited metal and unfit to be used as money.

S. Did Chevalier propose that?[2] It would be a curious speculation to work out the probable market price of gold at this time if we had followed his advice.

G. It is a useless metal for home use, except in the shape of small payments, till money, and small ornaments. But go on with your catechism, Harrop.

H. What, then, if France should close her Mints, as she has done before? That would pull down the whole fabric, would it not, as it did in 1873-76?

G. That depends upon the strength of the fabric. Such a one as will, I hope, be built before long would not be so easily pulled down; not that it is likely, looking to the warnings of that time, that like causes would arise to produce such effects.

[1] See Appendix, p. 473.
[2] *Revue des Deux Mondes*, 1857; translated by Cobden, 1859.

We do not expect to hear of a vast war indemnity, payable in gold; of the victorious nation demonetising the whole of its money and pouring the demonetised metal into the only available Mint, the machinery of which was, as might be expected, unequal for the moment to so great a strain.

H. Why is it not likely? Why don't you expect all those things? I don't see why they should not all happen. Is war to cease in all the world? Perhaps it is necessary for your cause that it should. Perhaps a reign of universal peace is a preliminary necessity for the maintenance of Bimetallism!

G. We shall do without peace as much and as little as we did down to 1816, and indeed down to 1873. But it is not necessary to be a Bimetallist, or a Monometallist either, to prefer peace to war! All those things are possible—War, indemnity (to be paid in one metal), demonetisation. But I still think it improbable that, both metals being by the hypothesis equally money, one alone would be exacted, and highly improbable that the other would be again demonetised.

H. Why should it not?

G. England did a foolish thing in 1816, and has abundant cause to regret it. Germany did a foolish thing in 1872, and she has seen cause to regret it. I don't find that she has taken much by her motion; and the effect of it has not been such as to induce any other nation in like circumstances to follow her example. If any one victorious in a great war were so ill-advised as to do so, it would hurt none but the victor himself.

Closure of the French Mints.

H. This, then, is your explanation of the breakdown, as I call it, of the Bimetallic law in France and the Latin Union in 1873—the insufficiency of their Mints to bear the strain?

G. Yes; that was the primary cause. In 1873, as I told you before, £80,000,000 of silver was hanging over their Mints *in terrorem;* but £80,000,000 of silver was not enough to break down the ratio—it could not do what a much greater quantity of gold failed to do fifteen or twenty years before.[1] It was the sources from whence it came that affected them. It was the enemy, Germany, that was beginning to pour in the £80,000,000. France was glad enough to put a spoke in her wheel, and say: You shall not have any help from us, at any rate. The move was, I should say, rather political than financial.

[1] See pp. 76-81.

H. Surely there were other Mints besides that of France to help carry the burden of the German silver. You have mentioned the Latin Union; and there was Holland also, and the Scandinavian nations. They had no hostility to Germany.

W. But what could they do? As soon as Germany closed her Mint in 1872 it became clear that they must follow suit.

G. Why didn't they do it, then? The Utrecht Mint was not closed till 1873, nor the Scandinavian Mints till a later date. It is not clear why they should have been closed so soon; for the French Mint was open on the old terms till September, 1873, and the English market was always open without any fall of price till the same date.

They had, as you say, no hostility to Germany; but they had to act for their own interests, and as soon as they suspected that France (which *was* hostile) would take the final step, they thought, I suppose, to take time by the forelock, and closed their own Mints.

I repeat that it was mainly on France in that decade, as it had been on England in the second decade of the century that responsibility rested.

W. On Germany, would you not say?

G. Yes; Germany followed our bad example in 1872; but there was nothing that I can see between 1872 and September, 1873, which showed any necessity for France to begin to put restrictions on her Mints on that last date. It was that which was the real cause of the breakdown, as you call it.

W. I remember that you told us of some pamphlet[1] that gave all the story of the cause and course of the closure.

H. Yes; I took a note of it, and of the extracts from it which you gave us.

G. Now, Harrop, let us know by what steps you think an end is really to be put to the proposed convention, and what melancholy consequences you apprehend from its dissolution.

H. It seems to me that there are three ways in which, in case of doubt arising in any quarter whether the treaty should remain in force, the mischief of upsetting our new currency system might be done:—

I. A single State might do it.

II. All States but one might combine to do it.

III. Even individuals in a State intending to secede might do it.

[1] See p. 149.

G. A single State, "to gain its private ends," might doubtless secede from an international treaty. All States but one could denounce the treaty. And any individual in any of the States could play what pranks he liked. The question therefore is: What could induce any one of them to do it; and whom would such action injure?

W. Whom do *you* think, Gilbertson?

G. Themselves firstly and mostly. The nation supposed to be injured in either of these three ways would suffer by such action in much the same way as she may now under a Monometallic law, by the independent action of other nations on the money of the world.

The utmost that a single State could do would be to demonetise one or both of the precious metals, closing the Mint to its coinage. Let us suppose it to close the Mint to one, and silver to be that one. If its existing silver coins were retained as token money, the result to other nations, as regards their currency, would be *nil*. There would be one member less in the union, which would seem to be so far weakened, and that would be all.

W. But if the seceding State were to make a clean sweep of her silver, keeping only her token coins, which she couldn't spare—what then?

G. So much the worse for the seceding State! She would have to call it in, and give the holders legal tender money in its place. It would hurt nobody else, as I told you just now; the effect being less than what would now be produced if the same nation should suspend cash payments, with or without closure of the Mint to the coinage of both metals. The demonetised metal would be remitted in course of time from the seceding State to the other States whose Mints remained open; and she would thus obtain a credit balance abroad in place of an available currency at home. The net result will be a loss to the treasury of the cost of the operation, and, unless it was a very gradual one, a dangerous contraction of the currency of the country.

H. They would remedy that by filling the void with gold drawn from the other States whose Mints remained open to the coinage of both metals, in satisfaction of the credit balance which, as you say, they would have.

G. Yes; there would be a renewed scramble for gold; and one in which the assailants would come off second best; for

they would have to pay an ever-increasing agio to the Banks of the other States. Germany avoided this part of the loss, the gold being supplied by the war indemnity.

H. What I had chiefly in my mind was the second supposition—a combination of many or all States against one. Where would you be then?

G. They could inflict some annoyance on any single State which remained out of the plot; but at the cost of very great loss to themselves, and no gain. The thing is practically impossible, but if it were possible the *worst* that could happen would be a breakdown of the international agreement, with the results which we mentioned just now,[1] and the return of England and all other States to the present condition of monetary chaos.

W. In any case, I suppose, the secession of even one State from the Union could not take place suddenly; and still less could the secession of all but one. The treaty would be for a definite period, and would have to be denounced in due form, and with due notice.

G. No doubt it would. Harrop, you see, looks upon the Nations as a crew of mischievous monkeys, who will delight to burn their own fingers if only they may cast hot coals at us. He expects to wake up some morning and find the whole thing done while England sleeps! The Intelligence Department can't be so dull as all that!

H. I admit that such action could not take place without warning; and I must own that if such combination were possible England might choose to be in it—might even choose to set it on foot against some other nation.

G. She might. It would depend on the *quantum* of folly present in the then Government. A good deal of it has always been to be found in all Governments from Chancellor Oxenstiern's time till now; but I doubt England's having enough of it to cause her to use a sword with a red-hot hilt—to inflict the minimum of harm on her enemy at the cost of the maximum of mischief to herself.

W. I don't believe in a combination of nations for any such purpose; but fancied self-interest may make a single secession possible. I don't mean by demonetisation and remittance of the

[1] See pp. 201, 202.

metal on Government account, but by restriction of mintage after the fashion of France in 1873-75, or by a sudden closure of the Mint

G. Well, let us go so far as to suppose France repeating her action, with or without any of the causes which led to it in those years. It is certain that it would have no more effect on Great Britain than on other nations.

H. Perhaps not; but we have only to consider its effect upon Great Britain, and that may be serious.

W. What would it be? How would it work?

H. We need not impute any malice, but have only to look to the ordinary course of business.

Let us take the third case supposed by me, arising not from any overt act of the seceding state but of individuals. We should have to send Gold to Monometallic France, if the balance of trade were against us; and the French would send Silver to Bimetallic England if the balance of trade were against them.

G. Come, I am glad to see that you know there is such a thing as a balance of trade, and recognise that it is that which would be the motive force.

H. There is more than that. They might—and would, in their desire for the most precious metal—send silver to us, and draw our gold from us, without being affected by, and without affecting, the balance of trade at all.

G. Try it, my friend! Put yourself in the Frenchman's place. You send from Paris 100 kilograms of standard silver (3215 ounces)[1] to your London correspondent, and he credits you (I assume 15½ to 1) with about £800, which you desire him to send you in gold. For this, accordingly, he applies at the Bank of England.

H. And gets it, I suppose; and if I lose anything, it is only the slight cost of transit.

[1] One gramme = Grs. 15·43249.
One kilogram = Oz. 32·150727.
One kilogram fine = Oz. 31·28179, 222·240 fine.

Thus 1 oz. standard was coined in France into .	Fr. 6·39349
Deduct Mintage charges	·04793
	Fr. 6·34554
Less ten days' interest	·00521
	Fr. 6·34033

G. You would lose something else—your labour. Not, indeed, on a first operation such as this, which would be insignificant, nor, I suppose, if the operations took place in the ordinary course of mercantile business; but if it were continued or if the amount were large, you would soon find your mistake. You must not expect abnormal stupidity even in a Governor of the Bank of England. He would say ——

H. Ah—the agio—I had forgotten that!

G. The agio it is. You were eloquent about it the other day. The Governor would say: "Export of specie, and the exchange in favour of London? I smell a rat! Is it gold that you want? All right! The agio on gold to-day is 2 per cent." So you would have to take your choice between a loss of £16 on your £800, and a loss in exchange when you drew for your money. A bad operation!

W. The moral is that you can't fly in the face of the balance of trade.

G. Yes; and that you may be quite sure that no foreigner will undertake risky financial operations with the patriotic object of spiting England. If any did, their tactics would be as futile as those of the late Captain Bobadil.

H. At any rate, my answer was right when I did take the balance of trade into account. It was only saying in other words what you yourself said the other day:[1] "Gold would be attracted to France and silver to England".

G. Yes; you put the case as succinctly as it could be put, and *if* we must needs, as you suppose, send *only* gold, and *if* the operation could really happen as you described it, and *if* it went on for a sufficient number of decades, and *if* Australia and Africa and South America ceased to produce gold, or *if* producing gold, they ceased to pour it into England, and *if* England had no instinct of self-preservation and no powers of self-defence, and were inhabited, not "maistly," but wholly by "fules," such a thing might happen, and might cause some, but no great inconvenience; always supposing that the gradually diminishing stock of gold did not drive the world to follow the precept of Locke,[2] and declare silver the only fit standard.

W. You don't doubt that under some circumstances the operations supposed by Harrop could take place? The case must have arisen before now.

[1] See pp. 89, 171.

[2] See p. 158, and Appendix, p. 438.

G. It could not really take place, for so long as the Bimetallic law prevailed, even though France were to reject it, silver would always be, as it was until 1873-76, as good a remittance (even in some circumstances to France) as gold, and gold as silver, and that alone would prevent the exclusive remittance of gold from London to Paris.

W. But has not the case arisen?

G. Certainly it must have arisen sometime between 1819 and 1848. England always had a stock of silver in the Bank till about this latter date,[1] and when the balance of trade was against her, she could always pay her debts to France in that metal; but when it was against France, silver being merely merchandise here, France had, by hook or by crook, to pay in gold.

H. That is just what happened, isn't it?

G. I don't know. Very likely it did happen during some part of the time, but whether it did or not, nothing in France was "put out of gear". There was more gold there sometimes and less at other times; but both gold and silver maintained their purchasing and debt-paying power at all times without any variation.

H. Here is another objection to your Bimetallic treaty: Could not the troubles consequent upon such a war as that between France and Germany happen again, and make quick end of your international agreement?

G. By the hypothesis there would be no nation having its money of one metal only; and if any nation demonetised either metal, there would be many Mints open to receive it without undue burden on their powers.

H. But apart from the effects of victory, might not war, or expected war, break it all up? A nation might suspend cash payments.

G. So it might. And so, indeed, it might now without waiting for Bimetallism. Its specie would gradually find its way to other countries, the law still remaining intact and the Mint open. The influx of specie into other nations would obviously affect them less if their monetary system was Bimetallic than if it was Monometallic.

[1] See p. 311.

H. But it might close its Mint also.

G. With what object? Cash payments being suspended, where would be found a man, native or foreign, who would send any quantity of either metal to the Mint? Or, if you like to suppose a closure of the Mint without suspension of cash payment, then the closing of the Mint, say to silver, would be a fatuous resolve to prevent the metal most necessary in time of war from entering the country. The most ignorant Government would hardly commit such a folly as that. Of this you may be sure—the collection of gold as a war fund, or for other purposes, is far more easy now than it would be were our ancient law re-enacted.

Depend upon it, England is not to be deterred from the paths of wise reforms by such imaginary dangers as these. She is now undeniably suffering from the absence of a monetary agreement between the nations; and it seems to me the poorest of arguments against such an agreement to say that at some future time we might again disagree. You are hungry now, and propose to quell your hunger with a good dinner. Doctor Tirteafuera reminds you that it is of no use, seeing that you will be hungry again to-morrow, and orders the dishes away. But you eat your dinner all the same.

H. I don't think much of your parable; but you make a good fight for your position, anyhow.

S. If we had time, I should like to discuss the probable effects of such a change as you advocate; but we must defer it to another day, if you can give us one.

We have had a very interesting talk to day, and I thought we should have got to the bottom of the subject this time; but there are a good many things yet to consider: The Sherman Act, for instance, and the rumours about the Indian Mint.

H. And the danger of entangling England in treaties with other nations. We have had something about it just now, but I can't say that I am wholly reassured. When shall we meet?

G. As soon as you like. Will this day fortnight do?

H. Wednesday the 31st. That will suit us.

END OF THE FIFTH DAY.

THE SIXTH DAY,

31st May, 1893.

Dearness or Cheapness of Gold.
Dearness or Cheapness of Money.
Effect of Banking Expedients and Facilities { on Measure of Value. / on Medium of Exchange.
QUANTITATIVE THEORY OF PRICE.
    Cost of Production of Precious Metals.
OVER-PRODUCTION OF COMMODITIES.
    Falling Prices adverse to Prosperity.
    Producer *v.* Consumer.
    Indian Producers.
CLOSURE OF INDIAN MINTS.
    Indian Hoards.
    The "Practical Man". The "Respectable Man".

Chaplin, Cobden, Disraeli, Drummond, Farrer, Giffen, Harris, Jevons, Lowe, Mallet, Mill, Petty, Ricardo, Smith.

G. I DIDN'T realise that I had chosen the Derby Day for our symposium. I hope, Smail, that it didn't interfere with your sporting proclivities.

Gold is dear though "Money" is cheap.

S. It's five and thirty years since I was at the Derby! We've been better employed here. We were talking the other day, when we were here last, about scarcity and dearness of gold; and you gave us some interesting illustrations of it in a comparison with Jevons's remarks on the effect of the abundance and cheapness of gold in 1863.[1] The type-written notes you always send us are very useful, however short.

G. Perhaps before we comment on that comparison, if indeed any comment is needed, we had better establish the fact of the present dearness of the metal.

S. That is just what I should like to test. And, to begin

[1] See pp. 183, 184.

with, let me say, that whatever may have been the case in 1863 as to the cheapness of gold and its effect on commodities, it strikes me that what you say about its present dearness is inconsistent with the facts of the case as they come clearly before us. How can money be scarce (for that is in effect your allegation) and at the same time abundant? You won't seriously contend that with a rate of discount lower, almost, than it has ever been, that is to say, with money extraordinarily cheap, gold can really be scarce and dear![1]

G. What is money?

S. Eh? I didn't catch your remark. I was going to say that my impression is that there has never been a period in modern days when concurrently with the alleged scarcity of gold there has been a greater abundance of money made available by banking and financial facilities for stimulating the production of commodities of every kind; and, if statistical information is available, it would, I am sure, be found that in all parts of the world the amount of money, credit or capital—whatever you like to call the conventional currency which has been employed—advanced by bankers and others for these purposes, has been far greater during the last ten years than in any corresponding period of the world's history.

G. You must define your terms. That was the gist of my ejaculation just now. You use the phrases "abundance and scarcity of money" in a wholly different sense from that in which I use them when I speak of scarcity of gold—that is to say, when I speak of the lack of correspondence between its supply and its demand which makes it dear. *I* use the word money in its economic or scientific sense: *you* in the popular sense—the sense of the daily "money article".

W. I think we are in danger of being deluded by a phrase "*Money is cheap*". Cheapness must connote purchase in the market; but in a discount operation we don't buy money, and still less do we buy gold. We anticipate that which is our own. What is Discount.

G. No one really thinks that in discount there is a question of the dearness or cheapness of the metal—that he is buying

[1] Mr. MacLeod propounds this argument as if it was irrefragable, having apparently no suspicion that there is any difference between discounting a bill and buying a commodity. The former is in its essence a means of obtaining one's own property a certain number of days before it is due. The latter is a means of acquiring some one else's property by giving in exchange something of equal value. By the former you annihilate a portion of time. By the latter you effect a change of ownership.

gold—becoming owner of so much of that substance—that it was the property of some one else, and now becomes his own.

W. If we grant that it is gold that is in question at all, every one who thinks about it knows that when he sends in a bill having three months to run, for discount, he is simply borrowing the gold, with a personal engagement to return it at the end of that time, and with somebody else's engagement (called a Bill of Exchange) as a collateral security. When you borrow, *i.e.*, hire, a horse for three months from a job-master, does any one imagine that you buy the horse? Why then should any one suppose that you buy gold when you hire it for that period from a bill-discounter?

G. Your horse doesn't go upon all-fours, White. When horses are cheap, their hire is probably cheap also; but when gold is cheap—*i.e.*, when prices of commodities are high—its hire is dear. And the reason for this difference is obvious. Horses are a purchasable commodity; but gold—as money—is a purchasing commodity. Besides, it is, as you say, in no case gold that is bought in a discount transaction.

H. But Smail's contention was that we do buy gold, and buy it cheap, and that therefore it can't be dear. I can't help thinking that there must be some connection between the two things.

G. I don't see any real answer to what I have just said; but if Smail should still persist in his belief that discount is a purchase of gold, he will find that it leads to a very curious result.

Suppose you send in a three months' bill for £100 for discount. The banker buys (you say), and you sell, 100 sovereigns, deferred, or for future delivery. If "money" is *dear*, say 5 per cent. per annum, he pays you only £98 15s.; if "money" is *cheap*, say 2 per cent., he has to pay you £99 10s. The cheaper the "money" the dearer the gold!

H. Isn't it you who are the purchaser, and not the banker? You want something for yourself, and have to pay for it.

G. We both of us want something for ourselves, and to pay as little as possible for it. You don't suggest that I buy 100 sovereigns with 10s.? I shall gladly repeat that operation with you as often as you like!

H. You are quite right so far, that you don't buy the gold at all. It is the *use* of it that you buy, the use for a certain number of days.

G. Exactly so. No, not exactly. It is not the use of *gold* that you buy, but, as Farrer will tell you, the use of capital or credit. It is, as you say, the use of the thing, not the thing itself, that you buy. That the occasional use of capital is cheap at a certain season can't be accepted as a proof that gold, which is the measure of capital, is cheap also. Suppose that in any parish there should be a scant supply of ploughs for the work of ordinary seasons, the fact that some belated farmer has been able to hire one out of season, or in bad times, at a low price proves nothing at all as to the sufficiency of the supply or as to the value in exchange of the article.

H. Are there "seasons" in Trade?

G. Indeed there are—the Spring and Summer of Prosperity, and the Autumn and Winter of Depression. The Winter of our Discontent has now lasted some twenty years!

S. You contrasted the scientific and popular senses of the word "Money". Don't they coincide?

G. Sometimes they do. The low value of "money" in your sense of the word may be, and usually is, coincident with the first outburst of a large increase of the world's measure of value; and when that increase is in silver, the immediate influx into a silver-using country will tend to lower for a time the rate of interest there; when the increase is in gold, the immediate influx into this gold-using country will inevitably reduce for a time the rate of interest (or rather of discount) in this market.

S. That, I suppose then, was the cause of the low discount rates early in the fifties?

G. Yes; in 1852 the production of gold was £36,550,000, of which a very large part must have flowed into London in that year. The effect of this, under the Act of 1844, was that the Reserve of the Bank of England was greatly increased for the moment, and the rate of discount accordingly fell to 1½ per cent., and even to 1 per cent., per annum. But we are speaking not of a sudden inflow into the reservoirs of the Bank, causing them to overflow, nor of the low rate of interest thus produced, but of an increase of the quantum of the measure of value; and I assert, with all political economists past and present, and no one has at all impaired our assertion, that the temporary rate of discount in the English market is a wholly different matter, and affords no *test* whatever of the abundance or scarcity of gold money in the world.

S. I wonder if statistics bear you out?

G. Indeed they do; and they appear also to show that Harrop was in the right when he said that there must be a connection between the rate of discount and the dearness or cheapness, scarcity or abundance, of gold money in the world, but not at all in the sense in which he and you take it, that a low rate connotes cheapness.

If the rate did afford such a test, judgment, on the evidence of statistics, must go against your contention; for in the eight years from 1844 to 1851, when the stock of gold money in the world was very low, and trade was low also, the addition to the stock of gold, serving for all purposes, was £81,686,000, and the average rate of discount was 3·6125 per cent., while in the eight succeeding years from 1852 to 1859, including 1852, in which discount fell to its lowest, the addition to the stock of gold was £226,220,000, and the average rate of discount was 4·3457 per cent. You will find the details of the years in Sir Louis Mallet's addendum to the report of the Gold and Silver Commission.[1] Both periods included a year of crisis and of very high rates, so the comparison is a fair one.

Banking Expedients and Facilities.

S. Well, I think the world-wide extension of banking, and the savings of the present generation seeking profitable employment, have much more to do with the fall in prices and profits than any possible idea (for it is a little more than an idea to most men of business)[2] that gold is appreciated, or its assumed purchasing power become greater. The banking facilities, I mean, are all practically convertible: they are thus of the same value as gold, and may be called gold.

G. As to "savings"—surely they increase men's power of purchase, and tend to *raise* prices; and as to "banking facilities," please explain the way in which you think they "reduce profits and prices"? Some banking facilities tend to increase both. A loan from one's banker, whether on bills of exchange or securities, enables one to hold one's goods for better prices. Is it, then, banking expedients, banking machinery, that you mean—such as the said bills of exchange, cheques, bank notes (so far as they are fiduciary), post-office orders, postal notes, telegraphic transfers, and (you may add) transfers by book entry?

Their effect on Prices.

S. Yes; I was referring to the banking expedients.

[1] Report, p. 120. For the mode in which an increase of the precious metals affects the level of prices by slow degrees, see Questions 4675 and 4693, Gold and Silver Commission.

[2] See pp. 178-82.

G. Do you mean that these are so many supplements, so many additions to gold, as a measure of value—the equivalent of so much more gold from the mines? That is, I imagine, what you mean by saying that they "are of the same value as gold, and may be called gold". If these are practically so many more ounces—or tons—of gold, they must *inflate* the currency; and unless Mill and all our great economists are wrong, their effect also would be to *raise* prices, not to lower them; and every successive invention or development of such machinery should produce a further rise. How is it possible to conceive that an increase in the amount of that which serves as money, be it metal, paper, or transfers, could depress prices? If you had £100,000 more of your own to-day than you had yesterday, would you be more—or less—inclined to give a higher price for some commodity?

S. More, no doubt; and I suppose what is true of you or me would be true, likewise, of the community.

G. I am glad that you agree with me so far. Now, if the level of prices had *not* fallen, though the production of gold had diminished in proportion to the demands on it, it might be possible to attribute that strange phenomenon to banking expedients; but it is against every definition to be found in any book on such subjects, against, I may say, all mercantile experience, to suppose that prices are not directly affected by the relation between the quantity of money and the quantity of commodities.

H. I don't think, Smail, you can maintain that banking expedients *lower* prices by increasing the measure of value; though it is probable that in some indirect way they stimulate production and thus lower prices.

S. That was what I really had in my mind. But I suppose they must be held to make up in some way for any deficiency of gold.

And on Specie as Measure of Value and Medium of Exchange.

G. In some way—yes. We will see presently in what way.

H. I should put the argument in this way, as it strikes me.

You say, Gilbertson, that there is an insufficiency of gold for the needs of commerce, and that prices fall accordingly.

We say that banking expedients fully supplement gold, so that there is practically abundance of it.

You argue that if they do indeed increase the measure of value, they should raise prices.

We admit it, and say that in raising them they make up

for any deficiency of metal. In other words, we say, that the measure of value, made up of metal and banking machinery together, is fully proportionate to the increase of business and of gold-using population.

S. Quite so, Harrop; and that therefore we must look elsewhere for the cause of low prices and depression of trade.

H. Supposing always that low prices and depression of trade have anything to do with one another as cause and effect.

G. You now put your point of view very clearly: and I am glad to see that you need no further argument to show that increase of the measure of value cannot *lower* prices. What your banking expedients really do can be readily shown.

S. In any case you admit that these instruments, so far as they are used, are a supplement to gold, and a practical increase of the measure of value? When I buy a commodity, and pay for it, half in bills of exchange and half in cash (*i.e.*, by a cheque), or else all in bills, no gold passes or is needed.

G. A "practical increase" not of money as measure of value, but of money as medium of exchange. To learn how this operates, let us look a little more nearly at these banking expedients. What are they all? Mere tools of transmission. A cheque pays nobody. A horse or an estate is not appraised at so many cheques; it is not measured by cheques. A bill of exchange pays nothing. It is only somebody's order to somebody else to pay something to you or your substitute. You take it, or the cheque, because you believe that you will get paid through their means a certain amount of specie, if you happen to want it, or a credit which will enable you to buy what you do want; but the cheque, and the bill of exchange, are not duplicates of that specie, any more than an order to your servant to bring coals is itself coals. All these expedients, together with telegraphic transfers, and that greatest of all transfer systems, the Clearing House, are mere conveyances—carts, as Bonamy Price used to say.

W. It was gold that he called carts, wasn't it?—meaning, I suppose, to contradict emphatically the idea that money is wealth.

G. Yes—and his eagerness to insist on that obscured in his mind the certain fact that metallic money is a *part* of wealth—a form of wealth. Carts he might call it; but a little more thought would have told him that carts are no insignificant

part of the wealth of a carrier. He was right enough, however, gold is "carts". Carts for the conveyance of goods; and these banking expedients are carts for the conveyance of gold; accelerators—aids to the speed of transmission. They may be called an addition to money as a transmissible medium. They are a multiplication of time rather than of money; enabling that to be done in twenty-four hours which would otherwise take weeks, or months, or years. More than that; they enable that to be done which without them could never be done at all. Without them business on its present scale would be an impossibility.

What they all really do is to save you the trouble of carrying about sovereigns in your pockets, or in bags, or in wheelbarrows—if commerce without their aid would need such capacious conveyances.

Abolish the Clearing House, and try to think what store of specie would be needed if every banker had to pay his own cheques in cash! Abolish cheques, and you would go near to abolish Bankers! Abolish Bills of Exchange, and you would go near to restore the reign of Barter!

W. *The Times* says none of you can ever be got to face the every day phenomena of the Bankers' Clearing House. I don't remember how the writer applied his dictum.

G. What we really find a difficulty in facing are the wild and irrelevant statements about the Clearing House. It is quite evident that the writer of those words has never taken the trouble to read what has been written and said in evidence on the subject. However, I have made some contributions to it here; and if you agree with me you can instruct the world.

W. You would in that and in every case confine the effect of these expedients to the material one of saving the handling of specie?

G. They don't always diminish the need for gold even as a Medium of Exchange. Some of them, instead of supplementing gold, increase the need of it.

S. How do you make that out?

G. Why, look at telegraphic transfers. They are bills of exchange payable on demand, and being without advice may need a larger balance at the drawee's banker, a larger balance at the banker's banker (the Bank of England), and a larger reserve in the Bank vaults to meet them. Post-office orders and postal notes directly increase that need, because each one

(for more than £1) demands the deposit of gold at its place of issue, and of gold again at its place of payment. In this year (1892) there have been issued no less than £8,680,000 in orders for £1 each, and £3,260,000 in orders for 10s., of which latter, part was no doubt deposited in gold.[1]

S. Will you not admit any increase of the measure arising out of these expedients?

G. It is very difficult to say that there is, or is not, any such increase; or if there is, how much of it can be certainly referred to them. They may in some degree increase the measure. There must be some mean between the notion that forty cheques drawn on the same hundred sovereigns are equal to £4000, and the notion that they make no difference at all to the magnitude of the measure of value. In an indirect way and in some degree they probably supplement gold even as a measure, and so far as they do so their tendency is to raise prices.

Credit is a substantial part of them all, and it may be that thus they somewhat affect the measure of value. They certainly affect the price, but that does not show that they affect the unit of valuation. If we begin upon the subject of cash and credit we shan't get to bed to-night! Whatever effect Banking Expedients may have, the chief is the power they possess, some in more and some in less degree, to multiply indefinitely, as I have just now said, gold as a medium of exchange.

Remember, too, that metallic money is almost imperishable; but Banking Expedients are continuously perishing. Bills of Exchange and Cheques once discharged, in Clearing House or otherwise, disappear and are seen no more. £1000 raised from the mine brings with it an almost permanent addition to the money of the world: £1000 drawn at three months against produce may in some sense inflate the currency, but the bubble soon bursts.

W. It figures in the Clearing-House Returns.

G. Yes; and if renewed three times the same £1000 does duty in those Returns four times over.

W. I wonder who invented "Banking Expedients".

Bills of Exchange.

G. They say that Bills of Exchange were invented in the

[1] 1893, £8,520,000, £1; £3,390,000, 10s.
This year (first six months) £4,760,000, £1; £2,100,000, 10s., July, 1894. In 1898 there were 73,440,000 orders, of which £11,040,000 for £1, and £4,480,000 for 10s.

twelfth century; but every one who ever wrote a letter to his debtor in another town desiring him to make a payment to a creditor of the writer, used a Bill of Exchange, even though he didn't know it. I suppose the postal service must have greatly developed banking expedients. Sir William Petty hints at them, as a possible supplement to money, but rather as a means that might be invented in the future.

H. What does Petty say? I remember a quotation from him in Lord Liverpool's book; but I never read anything else of his.

G. It is a curious passage in a rare tract, called "Verbum Sapienti".[1] Here you have it. Will you read it to us? Sir W. Petty.

H. (*reading*): "It may be asked, if there were occasion "to raise four millions *per ann.*, whether the same six "millions which we hope we have[2] would suffice for such "revolutions and circulations thereof as trade requires. I "answer yes! for . . . Nor were it hard to substitute in "the place of money (were a competency of it wanting) what "should be equivalent to it. For money is but the fat of "the body politick: whereof too much doth as often hinder "its agility, as too little makes it sick. 'Tis true that as "fat lubricates the motion of the muscles, feeds in want of "victuals, fills up uneven cavities, and beautifies the body, "so doth money in the state quicken its action, feed from "abroad in the time of dearth at home, even accounts by "reason of its divisibility, and beautify the whole, especially "the particular persons who have it in plenty."

H. You argued the other day that improved production and improved means of transit were insufficient to account for the fall of prices; and now you argue that improved banking cannot account for it, and that we must look for some other cause. What is that other cause. I can't as yet accept your view that it is the insufficiency of the supply of gold to make head against the demand. However, we will take your quantities, as well of production as of additional sums used as money, for granted; but still I cannot but think that there is another fatal objection to the theory that any part of the fall of prices should be traced to that cause. If variations of price were due to changes in the standard of value, the unit of which is a constant quantity, those

Quantitative Theory of Price.

[1] About 1691. "Tracts on Ireland." Ed. 1769, p. 481.

[2] He had said in his "Tract on Taxes" (1662) p. 20, "That of all the wealth of the nation, *viz.*, lands, housing, shipping, commodities, furniture, plate and money, scarce one part of an hundred is coin," and that there were "scarce six millions of pounds now in England, that is but twenty shillings a head for every head in the nation".

variations must affect all commodities alike, subject to particular conditions in each case. But this is obviously not the case.

G. That is your old argument as to the ratio,[1] now doing duty as to price. I partly explained this just now in answer to a question of White's. The answer is that it *does* affect all commodities alike. A section of the Royal Commissioners, indeed, say as you do,[2] but they adduce no proof, contenting themselves, I think, with giving the evidence of those witnesses who thought so too. Of course, all have not *fallen* alike, because of those particular conditions to which you refer. Of course, some have *risen*, because of the particular conditions attaching to *them*. But the fall in the one case has been increased by a definite cause, amounting to x, and the rise in the other case has been diminished by the same x. In other words, all prices are *affected* by that which measures the commodities sold. If nature has tended to cheapen them in other ways, as I said when you were here last,[3] comparative scarcity of the measure will cheapen them still further. If nature has by other means done what should cause them to be dearer, scarcity of the measure will cheapen them, or render them less dear; and the cheapness produced by this latter factor will do no good to mankind.

S. I am glad to hear that you don't think the comparative scarcity of gold the sole cause of fall in price. That's one point gained.

G. If I, or any one, had ever said that the sole cause of the fall of prices was the shortening of the measure, we should make a like mistake to that made by you and Harrop, who seem to hold that it is only due to the other causes you mention. Not only the *cost* of production, but all excess of production, from that or any more casual cause, must necessarily affect prices.

Over-production.

W. Yes: the "greater supply" of which Smail speaks. That is what every speaker and writer on the Monometallist side always alleges as *the* cause of the fall of prices. What do *you* think of this allegation of over-production?

G. Over-production of things to be measured, *i.e.*, of commodities, will of course tend to reduce prices; just as over-production of the measure, *i.e.*, of money-metal, will tend to increase them. He must be a very daring disputant who will assert the former proposition and yet deny the latter. So long

[1] See p. 47.
[2] Report of the Gold and Silver Commission, part xxxii., pp. 32, 47.
[3] See p. 179.

as the cost of production does not exceed the price obtainable, over-production may continue. But it tends to cure itself; and no one can believe either in universal over-production of commodities, or in an over-production lasting twenty years.

W. I suppose it must cure itself; but the steps are not quite apparent.

G. Pretty clear, I think. Take *one* article—say Nitrate of Soda. It is produced in one country only, but in many factories. If it is over-produced, *i.e.*, if the quantity brought to market is so great that the price falls below the cost of production, those factories whose cost is the greatest will be the first to cease work, and the others in succession until production is reduced to a point of safety. So long as over-production continues the price must continue low; and the producer who can bring his wares to market at the least cost, and thus can rule the price, will take very good care that it does.

I have taken a peculiar commodity as an example, but it is the same with wheat: the wheat factories are many throughout the world, and the circumstances of each differ, in quality of soil, in cost of labour, in cost of transit, and in distance from market. The weakest goes to the wall: the countries where the cost is greatest cease in time, and in succession, to produce.

Thus, unless freights fall, and new lands are brought into cultivation whose produce is not absorbed by increasing population, over-production must cease, and prices so far as this branch of the subject is concerned, must rise.

But if, again, not only does the cheapest producer set the price, so long as he is bringing his produce into the market, but if there should be one producer who doesn't care *what* the gold price is, seeing that whatever it is the silver price is always the same to him, it is he who will set the price, and will be sure of his market. This is, or was till very lately, the case with India.

S. You say over-production can't last; but that it *has* lasted is precisely what *is* alleged. "Production has increased, is increasing, and has been continuously excessive; and the more it is in excess the lower do prices fall."

H. And the more the consumer rejoices!

G. So did the clown who killed the goose that laid the golden eggs—in anticipation!

W. Do you know anything of the statistics of over-production? There must be some.

G. Why should there be? Statistics are sometimes very inconvenient, and may seriously interfere with a popular argument, such as: "Over-production will always cause a fall of prices. There has been a fall of prices. *Ergo* there must have been over-production."

W. That's bad logic! Here's its fellow. "Cut the carotid artery, and the man will die. Here is a dead man. *Ergo* his carotid has been cut."

G. Yes; that is popular logic. Statistics, however, of production don't tell us much if taken alone. What is the use of learning that the production of wheat in the world has increased or diminished 10 per cent., unless we are told also whether the wheat-eating population of the world has remained stationary or increased or diminished?

What help to the determination of the cause of the fall of prices is given by the discovery that the production of that or any other commodity has increased, unless you consider the other side of the equation also? It is not only the wish to consume those commodities that we must take into account, but the power of the population to buy them. Now when industry is depressed, and wage earning is therefore diminished, the wish to buy remains, but the power fails. Effective demand falls off, and what there is must naturally from time to time fall short of the supply.

W. No doubt that is so; and I don't believe that, whatever they may be worth, there are any trustworthy statistics of the world's population, wheat-eating or otherwise. If we had them, we might make some sort of a guess whether the production of any particular commodity was in excess, or corresponded to the increase or diminution of the population. As it is I fear we must be driven to the popular carotid argument!

G. I think we can do better than that. What is of more importance to us is to know what has brought down the English price of wheat: and the imports, home production and population taken together, showing the consumption per head,[1] will give us what we want. No, not all. What we want is this: Our opponents have been singing the dismal song of over-production in every key for the last twenty years. Can they not vary the tune a little, if they would but pass for a while from assertion to proof, or even to an attempt at proof! Your demand for statistics was quite reasonable. Mine is reasonable also. I ask for comparative tables of production

[1] See p. 180 for these figures.

extending over a considerable number of years, comparing them with the increase of population in those years in the several producing countries. It will not be by any means an infallible guide, but it will be something better than the wild and unsupported assertions to which we have lately been accustomed. Here I have some statistics bearing on production which may serve your turn,[1] and help you to judge whether and when there has been an excess of production, and whether the fall of prices has been caused by it. I'll read them to you.

Take our Railways :— Railways.

Year.	Miles run.	Receipts.	Increase.
1854	8,053	£20,000,000	—
1873	16,082	£55,000,000	175%
1893	20,646	£76,000,000	38%

So in the first period the miles run increased 100 per cent., and the receipts 75 per cent. In the second period, when the population had enormously increased, the number of miles run increased by only 25 per cent., and the receipts by only 28.

H. I *hate* statistics!

G. You—hate—statistics? Ah, well! Satiety, I suppose! But you must have another dose of them.

Take our Registered Tonnage :— Registered Tonnage.

Year.	Tons.	Increase about
1849	3,000,000	—
1872	5,750,000	92%
1893	8,500,000	48%

Take our Exports and Imports :— Exports and Imports.

Year.	Imports.		Exports.	
1854	£152,000,000	—	£116,000,000	—
1873	£371,000,000	Incr. 144%	£311,000,000	Incr. 168%
1894	£404,000,000	Incr. 9%	£277,000,000	*Decr.* 11%
[1897	£391,405,006	*Decr.* 3%	£234,350,003	*Decr.* 18½%][2]

A very poor increase in imported commodities with which to effect a fall in prices of nearly 50 per cent.!

Take another set of statistics. *The Times* tells you, White, that "we can't face the phenomena of the Clearing House". Monometallists delight in vague talk about the figures of the Clearing House; some, like Farrer, even counting among the "phenomena" the possession of identical powers with the coin which it transfers. But the *comparative* statistics of the Clearing House are not at all to their taste.

[1] Hugh Roger. In the *Bimetallist* for July, 1895, p. 197.
[2] Added in the text to facilitate comparison.

Clearing House.

W. Those statistics of the Clearing House represent transactions, and the transactions represent commodities, both of home and foreign origin; and their magnitude must be a tolerably good indication of the quantity of commodities, whether produced in excess or defect.

G. Not exactly. They include enormous transactions in various Stock Exchange Securities which give no indication at all of excess or defect of production of commodities; nor indeed of the activity or dullness of Trade properly so called.

W. That's true enough; but as no one asserts that this factor in the Returns has diminished year by year in the last two decades, it would seem that if in any year there is a falling off in the total sum, it must probably rest with the other factor —the production of commodities.

G. Well, here you have them, for what they are worth:—

1868	(the earliest date we have) . .	£3,425,000,000
1873	(nearly doubling the amount) . .	£6,070,000,000
1889	(nearly 25 per cent. increase) . .	£7,318,766,000
1890	(nearly 2¼ per cent. increase) . .	£7,801,048,000
[1894	(nearly 2 per cent. *decrease*) . .	£6,337,000,000
1895	(about 19 per cent. increase) . .	£7,592,886,000
1896	(about ½ per cent. *decrease*) . .	£7,574,853,000
1897	(about 1·1 per cent. *decrease*) . .	£7,491,281,000
1898	(about 8 per cent. increase) . .	£8,097,291,000][1]

So you see in the first five years the returns increased by leaps and bounds, later years showing a progressive increase of no great moment, falling to 2¼ per cent. in 1890, and showing decrease in 1894.

These figures are not conclusive, of course; but they afford a strong presumption that there was an enormous increase of production in the six years ending in December, 1873, all prices remaining extraordinarily high; and a very trifling increase (5 per cent.) being shown in the ensuing decade, during which there was a continuous and severe fall of prices.

W. So then we must take it that Giffen was quite right in saying that there was no record of over-production sufficient to account for the decline of prices, which decline must therefore, in his opinion, have had a monetary cause.[2]

[1] Placed in the text for better comparison; the increase in 1895 over the preceding year, equalling the average of 1889-90, being caused by the excited condition of the South African and Australian Gold Securities on the Stock Exchange (1899).

[2] Report to the Statistical Society, 1888.

G. I am content to argue that its principal cause has been monetary. The effect on prices, whether for rise or fall, of the quantitative relation between the measure of value and that which is measured, is a constant one, no doubt; but it is necessarily diminished or increased by a multitude of concomitant circumstances—by abundance or scarcity of commodities, by use or disuse, by law, by fashion, by war, by peace, and by many other such causes, powerful to overbear, or to conceal, the effect of the increased or diminished quantity of the measure, but not powerful in the least degree, to obstruct its operation.

H. Are you sure, after all, that the shortening of the measure has anything to do with price?

W. Do you think, Harrop, that if you make the yard a measure of 30 inches instead of 36, you will get as much stuff in a yard of cloth as you used to get? or, if you make it 40 inches, do you imagine that you will get more cloth for your money than you used to get?

G. If we are wrong, White, we are wrong in company with all the great economists of the past. Our friend Harrop had better occupy the next few years of his life in writing a book—a *magnum opus*—to prove his point.

H. Thank you! I've other fish to fry. You have said a great deal about the effect upon prices of the quantity of standard money; but notwithstanding what you and White say, I don't yet feel quite satisfied about your quantitative theory. Is there no fallacy in the assertion that there is a quantitative relation between the metallic standard and the mass of transactions which it measures?

G. There is indeed! Where did you find that pretty phrase, Harrop?

H. In *The Times*, I think, and nearly in those words. I didn't invent it myself; but I believe there *is* a fallacy, and that all Smail said, and you admitted as to banking expedients, shows it. And now you grant that there *is* a fallacy.

G. A huge one! Your difficulty will be to find any one who has ever asserted it. What we say, and what Harris and Mill said before us, and Jevons and Giffen in our own time, is, that *there is a quantitative relation between the mass of metallic money and the mass of commodities* (not of *transactions*), which is quite another thing. It is no theory of *mine*. Did you never read Mill's book, Harrop? If you did, you must have forgotten Mill.

it. He says, "That an increase in the quantity of money "raises prices, and a diminution lowers them, is the most "elementary proposition in the theory of currency, and "without it we should have no key to any of the others".[1]

Ricardo. Ricardo says, "I assume as a fact which is incontrover- "tible that all commodities would rise or fall in price in "proportion to the increase or diminution of money".[2]

Mill was not infallible—but his authority is too great to be neglected without conclusive argument.

Harris. See also what Joseph Harris says on this point in his Essay on "Money and Coins" (1757), i., p. 35, section 22, a most valuable treatise, lucid in expression and cogent in argument:—

"There will require a greater or less bulk of money to "purchase the very same thing, according as there is a "greater or less quantity of money in circulation; that is, "according as the material of money is cheaper or dearer, "or in greater or lesser plenty".[3]

Hume. Remember also what David Hume says on the subject in his "Essay on Money," 1752: "It seems a maxim almost self- "evident that the prices of everything depend on the pro- "portion between commodities and money, and that any "considerable alteration of either has the same effect, "either heightening or lowering the price. Increase the "commodities, they become cheaper, increase the money "they become dearer; as on the other hand, a diminution "of the former and that of the latter have contrary ten- "dencies."

F. You spoke just now of Sir Thomas Farrer. He says, I hear, that the money, the excess or defect of which tends to cause a rise or fall in prices, is not gold, but the money of the banks, of the city, of common life, with which we pay our debts and effect our exchanges, and that it may be and is increased or diminished indefinitely without reference to our stock of gold.

Farrer's Conventional Currency. *G.* I wonder what that invisible indefinable money is?

H. I suppose it is what Smail called just now "the conventional currency" of the world, including, or rather representing, credit and capital; and to this I think you assented.

[1] *Principles of Polit. Econ.*, book iii., chap. viii., section 4. See also section 2.

[2] See also Huskisson, *Depreciation of our Currency*, 1810, pp. 26-27, and Sir James Graham, *Coin and Currency*, p. 18.

[3] Polit. Econ. Club Collection of "Tracts on Money," 1856, p. 373. See also P.E.C., p. 351, and Appendix, pp. 447, 448.

"Material of Money." This is the gist of the "quantitative theory," which depends not on *coin*, but on *all* money coined or uncoined, actual or potential—on what Oresme calls *matière monnoiable*.

G. Certainly I assented to the existence of such a conventional currency, and I pointed out that *that* currency was *capital*, and not metallic money. It is not a new discovery that prices increase with increase of disposable capital. What I denied was the assertion that gold could not be scarce and affect prices, because this conventional money was temporarily cheap either by reason of an influx of specie, or by reason of stagnation in business.

W. Farrer's argument seems to be capable of reduction *ad absurdum*. It would follow from it that if there was but one ounce of gold or one sovereign in the gold-using world, the conventional money would go on just as well, and serve all our purposes.

G. Yes. We should come to what Mill calls *mecutes* or "money of the mind". Money is a debt-paying instrument, and Farrer would find it hard to induce his foreign creditors, if he has any, to accept that conventional money (with nothing to back it) as a discharge of debt. What an argument in the mouth of a modern Monometallist! We must not, indeed, hold our friend Farrer responsible for the follies of his brethren—for statements that England is the "hub of the world" because "one can always get gold there"; nor indeed must we put into their mouths his argument that it is the conventional money which rules prices, independently of the quantity of gold money in existence, and that whether this gold money is much or little, or—logically—altogether non-existent (the metal being used "for other purposes") prices will be unaffected. "Keep your mind fixed," he would say, "on the fact that a pound sterling has been declared to be 123·27 grains of standard gold, and commerce will go on swimmingly without reference to the metal itself. Have a gold standard by all means; but don't trouble yourself about having any gold!"

W. One thing I see; and that is that if Sir Thomas Farrer is right, the Bankers need not "lash their beards" about Bimetallism or Monometallism; for if the metallic basis is of so little consequence, it must matter very little what the State does or does not do about it. Let him fight it out with Currie on the Herschell Committee. For my part I can't grasp the idea of price representing a defined portion of an indefinite, variable and unsubstantial mass of capital.

G. I should think not! How is that capital—the conventional currency—measured? What is the denominator to which a given "price" supplies the numerator? Is price so many fragments of an indefinite mass, or is it not rather so

many multiples of a certain number of grains of metal, which must be demanded, and if demanded paid, in order to complete a transaction?

W. The latter, no doubt.

H. I know Mill says, as you say, diminution of the world's stock of money causes a fall in prices. There are some who say that the converse is the case, and that it is the fall of prices which diminishes the quantity of money.

Does Currency govern Prices.

G. One who signs himself "Scrutator"—I think we do know the sweet Roman hand—puts your plea succinctly.[1] He says that instead of currency governing prices, prices control the use and demand for currency. It was quite unnecessary for him to bluster about "a fundamental truth," or to accuse our friend Farrer of "groping in a fog". If Scrutator had understood the difference between "currency" and the standard metal of which it is composed, or on which it is based, he would have seen that his strictures were wholly irrelevant. Otherwise he is right enough in his allegation, as I have often said in reference to your banking expedients, Smail.

H. You are maintaining two contradictory propositions, I should say.

G. Not at all. The lower prices are, the less is the volume of money *in daily use*, passing from hand to hand, whether it be in cheques, in bank notes, in bills of exchange, or in the specie on which all of them rest.[2] But what then? That doesn't impeach Mill's statement and mine, that increase or decrease of the stock of that specie *in existence*, or, what is in effect the same thing, a narrowing or widening of its use as money by the nations of the world, has an effect on prices for rise or fall.[3]

Rhodium.

The unit of price is a metallic one, and if the metal is scarce and dear—let us suppose it to be a metal (say Rhodium) ten times scarcer, and therefore, we will assume, ten times dearer, weight for weight, than gold or silver—it is obvious that you would have to buy 123·27 grains of it with ten times as much wheat as would buy a like quantity of gold. In other words, wheat would be ten times cheaper in the pound sterling of that Rhodium-using land than it is as reckoned in the pound sterling of England. I don't think the consumer would be the better for that cheapness.

H. I don't know that he would. But does anybody want Rhodium?

[1] *The Times*, 3rd July, 1893. [2] See p. 214. [3] Book iii., ch. v., p. 2.

G. I know nothing at all about it. If not, it would not be dear. I only *assume* the dearness for argument's sake. Diamonds would do, if they were divisible.

W. By the same rule, if the metal were silver (call it twenty times more abundant and therefore twenty times cheaper than gold, weight for weight) you could buy 123 grains of it with 1/20 of the wheat which you would have to give for the same weight of gold. Wheat would be twenty times dearer, but no one would be the worse for the dearness.

Quantitative Theory.

G. The quantitative theory, like other things, has two sides to it. It affects the measure, and the commodity measured.

W. I see. We have to settle which is the measure and which the thing measured.

G. That is according to the point from which you view them. If wheat is the commodity and gold the measure, then, as we have said, diminution of the stock of gold tends to cheapen wheat as measured in it.

But if you want to buy gold and have wheat to buy it with, then gold is the commodity, and wheat the measure; and when the stock of wheat is low it tends to cheapen gold as measured in it.

W. So that, looked at from that point, the unit of price is a bushel of wheat, and the price of the sovereign is reckoned accordingly.

G. The price of the thing is measured by the value, in the commodity, of the stuff of which the unit of price consists. In the usual acceptation of the word in our markets metallic money is that unit. Farrer's "Credit" is the belief, the trust, that the buyer will *pay*. Pay *what?* The solid stuff, be it gold or silver, which he promises to pay.

W. But how about paper money? The stuff is of no value at all. That's a stupid remark of mine! Of course, paper money isn't true money at all. The money is, of course, that which the paper promises to pay. If not, and if price were mere numeration, and the scarcity or abundance, cheapness or dearness of the substance of which the unit consists were of no moment, a £5 note would be of the same value as a 5-franc note, which is absurd.

G. I can't quite grasp that argument. I fear it would need more consideration and discussion than we can give it to-night.

H. I don't see how you can maintain the distinction which you draw between money in daily use among individuals, and money taken into national use, as gold was by Germany.

G. When the fall of prices cuts off a portion of the volume of money in daily use, the 30 per cent., or whatever that portion is, is merely laid by in temporary idleness, or used for other purposes. It is still money, and a spurt in trade from any cause will make prices rise, and cause it to resume its activity immediately. But if production ceases, or is insufficient to provide for wear and tear and for additional monetary use through increase of population or otherwise, there is no recourse: the metal in the bowels of the earth is, by the hypothesis, not available, and prices dwindle.

So if (to take extreme cases) the 300,000,000 inhabitants of China discarded silver and took to using gold money, it would be equivalent for the rest of the world to a diminution of the stock of gold. If the 300,000,000 in all Europe, except England, demonetised gold, and took to a forced paper currency, that would be equivalent, for England, to additional production of the metal and increased stock of it. There can be no doubt that in the former case our measure of value would be made dearer, and prices would fall. In the latter, the measure would be cheapened, and all other things being the same, prices would rise.

Now such changes as these in the distribution of the metallic money of the world are not adopted in a freak, nor at a day's notice, nor by the action of Nature; nor when done can they be undone without great difficulty; nor can the mischief be remedied by a good season, or by any fortunate conjunction of circumstances as would be the case with an ordinary fall of prices in any market, caused by abundant natural supply, or fortuitous cessation of demand for certain commodities. The reduction of the measure affects the price of *all* commodities, as Harrop rightly said it must.

H. I think I must accept Mill's authority.

Adam Smith.

G. If he and Hume are not enough for you, perhaps you will accept Adam Smith as a guide. The eleventh chapter of his first book is chiefly devoted to establishing and measuring the effect of the quantity of money upon the general level of prices. I have already referred to that chapter; but you may as well look at it again. I'll read you a couple of passages.

"When more abundant mines are discovered a greater "quantity of the precious metals is brought to market, and "the quantity of the necessaries and conveniences of life, for "which they must be exchanged, being the same as before,

"equal quantities of the metals must be exchanged for smaller "quantities of commodities. So far, therefore, as the increase "of the quantity of the precious metals in any country arises "from the increased abundance of mines, it is necessarily "connected with some diminution in their value."

"So far as their quantity in any particular country "depends upon the latter of these two circumstances [the "fertility or barrenness of the mines which supply the com- "mercial world] their real price, the real quantity of labour "and subsistence which they will purchase or exchange for, "will, no doubt, sink more or less in proportion to the "fertility, and rise in proportion to the barrenness, of those "mines."

Will that satisfy you?

S. You show a great array of authorities, but times change, and so might their views have changed had they lived till now.

G. They might; but as a whole series of events has passed before the eyes of this generation, confirming rather than condemning the quantitative theory, it seems unlikely. You have a catena of authorities whom you will scarcely match with others of equal weight: Harris, Hume, Adam Smith, Ricardo, Mill, writing before the demonetisation of silver had illustrated the theory; and you shall now have one whose ability and political insight you will none of you dispute, and which you, Smail, will especially honour. I have already told you what Mr. Disraeli said at the very opening of this chapter of monetary history. Now hear what, as Lord Beaconsfield, he said in the House of Lords, in 1879,[1] when the deplorable consequences of the closure of the Mints were beginning to appear. Disraeli.

"There is besides another cause which is in my mind "not peculiar to agricultural distress, but which is equally "applicable to commercial distress, and that is the effect "which the production of gold, at this moment particularly, "is exercising not only on commercial transactions, but on "the value of the other precious metals. I do not think I "can put the matter more clearly before your Lordships "than in this way: After the repeal of the Corn Laws there "was considerable suffering among all classes. Not merely "in the agricultural classes, but in trade generally, there was "great discontent and dissatisfaction. I do not myself "believe that it was the immediate effect of the repeal of the "Corn Laws, but it was a reaction after the great stimulus, "no doubt, which had been created in consequence of the "extraordinary expenditure on the railroad system in Eng-

[1] 28th March.

"land. Be that as it may, very great discontent existed, "and, suddenly, after three or four years, there was an "extraordinary revival in trade and a great elevation in "prices. How did that occur? One of the most wonderful "events in the History of the World happened, and that "was the discovery of gold in California. In 1852 36,000,000 "of gold were poured into Europe, and when your Lordships "recollect that the business of the world until that time was "carried on by an amount of gold which, I believe, never "reached 6,000,000 a year, you can at once apprehend the "effect of this discovery. In one year there came 36,000,000 "of gold, and in five years 150,000,000 of gold were poured "into Europe. The consequence was that prices were raised "immensely. But a most marvellous thing occurred shortly "after. There was a Commission of all the great States "of Europe, who took advantage of the holding of the Ex- "hibition at Paris to meet there with the consent of their "Governments to consider whether a uniform system could "not be established in the world, and they came to a resolu- "tion that a uniform coinage could be established, and that "advantage ought to be taken of the gold discoveries. "Whatever may have been the exact circumstances of the "case, which was in the result what I have indicated, the "Government of Germany, which had 80,000,000 of silver, "availed themselves of the great change of which I am "speaking, and substituted gold for their 80,000,000 of "silver: France resolved that the bimetallic currency should, "if possible, be replaced by an entirely gold currency; and the "example of those two countries was followed by Holland "and the smaller States of Europe. We cannot therefore "be surprised at the great revolution in the price of silver "when both France and Germany, the one with 60,000,000 "and the other with 80,000,000 of silver were anxious to "avail themselves of the change which had occurred, and to "substitute a gold currency. All this time the produce of "the gold mines of Australia and California has been steadily "diminishing, and the consequence is that while these great "alterations of currency in favour of a gold currency have "been made, notwithstanding an increase of population "which alone requires a considerable increase of gold "currency to carry on its transactions, the amount every "year has diminished until a state of affairs has been "brought about by gold discoveries the exact reverse of what "they produced at first. Gold is every day appreciating in "value, and as it appreciates in value the lower become "prices. This, then, I think, is the third cause—not dogmati- "cally stated but only with that diffidence which becomes "one who has to speak on an abstract and complicated

"subject which I think most earnestly requires the con-
"sideration of your Lordships, and which may lead to
"consequences which may be of a very serious character.

. . . . . .

"There is nothing in my mind which would be a more
"bitter mockery than to pretend by small adjustment of
"taxation that we can offer them a remedy in the distress
"which is produced by such vast, such numerous, and such
"complicated causes.

. . . . . .

"That the country is in a state of industrial depression
"seldom equalled Her Majesty's Government do not deny.
"Upon the question whether the great subject which I have
"intimated may require a more formal and public examina-
"tion I am not at this moment desirous of speaking in a
"spirit of dogmatism. It is not impossible that as affairs
"develop the country may require that some formal inves-
"tigation should be made as to the causes which are
"affecting the price of the precious metals, and the effect
"which the change in price of precious metals has upon
"the industry of the country and upon the continual fall
"in prices."

Now, then, you had better make up your minds. At present you are in the inconvenient position of (1) doubting whether diminution of the measure of value by the demonetisation of silver could have lowered prices, and (2) asserting that an increase of the measure by the remonetisation of silver would dangerously raise them!

W. Did you see an article on this subject in the *Saturday Review*[1] the other day?

G. I did indeed. It was a splendid instance of confusion. No doubt the writer of the article had been maintaining till now that the action of Governments cannot affect prices; and also that more or less production of the money-metal, more or less use of it as money, would have no effect on the rise and fall of the prices of commodities; but now he does not only step into the stream of authority which has uninterruptedly maintained the contrary, but plunges into it over head and ears, averring that "the adoption by the United States of Silver as a standard" (by which he means a temporary scarcity of gold in the Treasury) "would at once cause prices to be nearly doubled.

W. It would have some considerable effect, wouldn't it?

[1] 8th July, 1893.

G. Very likely it would; but no such effect as he supposes; nor any effect at all on prices, unless it increased the standard money.

S. You must bear in mind that there is another cause for a fall in prices not to be accounted for by a mere comparison of the quantities of supply and demand. A slight excess of supply over demand—a competition of sellers—lower prices, and a slight deficiency, as in the case of the coal famine, increases prices, out of all proportion to the measure of the real excess or deficiency. You may think me heretical or ignorant for saying so; but I stick to that belief.

G. So do I. But it is a phenomenon which invariably, in the case of consumable articles produced at the will of man, tends to correct itself, and can in no way account for fifteen years' steady fall in the level of prices.

Cost of Production.

W. Why have you to go so far afield to account for one or other being "the cheapest metal," or for a rise and fall in prices? What has become of our old friend, "cost of production"? "A hat costs a sovereign because it costs exactly the same amount of labour to produce a sovereign as it does to produce a hat." Every schoolboy knows that!

G. Possibly; but no one else! And I fear even the infallible schoolboy would be, as you were just now, unable to explain how he should get at the cost of production of the £880,000,000 of gold money in the world, the accumulated produce of thousands of years! What *is* "cost of production"? Mainly the cost of the labour, past and present, employed on it. The cost of production of a quarter of wheat, as part of the existing stock in any year, is the labour of last spring and of this autumn, *plus* the labour which produced the necessary seed-wheat; and *plus* (if any remains from last year) the enhanced labour which went to produce that remnant also.

W. What do you mean by "enhanced"?

G. Increased in cost by interest, storage, etc. Now apply that to the precious metals. It is not a fragmentary portion of last year's stock that remains, but the extant mass of the production of thousands of years, the initial cost of which is unknown and incalculable.

W. Is it wholly incalculable?

G. I dare say the friend I told you of in our first day's

talk[1] would make it easy for you! He said an ounce of gold costs exactly £3 17s. 10½d. to produce. He would only have to do a little sum, and could tell you off hand!

W. I rather suspect you of laughing at him—and me. It won't hurt me!

G. Why, think of it! The prices of consumable and perishable commodities are indeed governed by the cost of production, *plus* demand. If demand falls off, less is produced. If demand wholly ceases, none is produced, and the small remnant of the stock, if any, rots and is forgotten. But the stock of the precious metals is vast and comparatively imperishable; and it is the amount of that stock which must ultimately be the only factor in its value as money.

H. Value as measured in purchasable commodities.

G. Yes; as you said before. Speaking generally, cheapness of production governs the price of other commodities; but an ordinary year's production at however small a cost would have a comparatively trifling and very short-lived effect on the price of the metals, measured, as you say, in commodities; that is to say, on the prices of the commodities themselves. But if a new £880,000,000 of gold, the imperishable measure of value, were produced—no matter whether at a cost (including all vain searchings) of £6 an ounce, or by the Count of Monte Christo in a cave, at no cost at all—the effect, *viz.*, a large increase in prices, would be exactly the same.[2]

W. What do you mean by "vain searchings"? Do you include the cost of "prospecting," the loss of the capital of unsuccessful miners, and every other contingent expenditure on mining, in the cost of production of the metal?

G. To be sure I do. You can't count a victory as having been won by the number of men, many or few, who survive the battle, excluding their dead comrades, and excluding the reserves who have not been engaged. You must count the whole capital, directly and indirectly employed, that spent and that to be spent, that engaged in the work, and that written off as lost, before you can see how much any commodity costs you to produce, how many pounds an ounce your gold, or how many crowns your silver.

H. You talk as if you had been through the mill yourself.

[1] See p. 12. [2] A. Smith, *Wealth of Nations*, I., xi. (ed. 1838), p. 97, col. 1.

G. My personal experience is not great; but I remember what the Report of the Gold and Silver Commission says on the subject.[1] Still, I know something myself—*Experto crede*—I was long a Director of a Chartered Lead Company, dating from the days of William III., and I know how much we had to spend every year on what miners call "dead works," *i.e.*, sinking shafts, or driving adits, in the hope—more often than not false hope—of striking a vein. I learnt also that a lead mine was a silver mine as well; just as I had learned, in another capacity, that much of the copper ore brought to grass was argentiferous; which two facts greatly add to the difficulty of ascertaining the real cost per ounce of even a year's production of silver.

H. Ricardo, who, by the way, condemns your double standard, saying that it was necessarily an alternative one, distinctly attributes the equivalence of the precious metals to the identity of their cost of production.

G. I remember quite well what he says on both points. Here it is.[2] But he really knew no more about the cost of production of the existing stocks of the metals than White does. He had to "argue in a vicious circle". He held on strictly to his labour theory—a very true one for consumable commodities—and argued thus: Gold and silver are equal in value at a ratio of $15\frac{1}{2}$ to 1, because it costs $15\frac{1}{2}$ times as much to produce the gold as it does to produce the silver; and we know the cost is equal because the value is equal. Observe too that it is bullion, the *exportable* commodity, which he speaks of as increasing in price.

Cost of producing Silver and Gold.

W. I suppose one could find out the comparative cost of the present yearly production of the two metals.

G. Not with perfect certainty, because the cost differs in every year, and in every mine; but there are some curious particulars to be learnt about that. Take the typical mining

[1] Quoted in the Report of the Herschell Committee, pp. 9, 10.

[2] Gold and silver, like all other commodities, are valuable only in proportion to the quantity of labour necessary to produce them and bring them to market. Gold is about fifteen times dearer than silver, not because there is a greater demand for it, nor because the supply of silver is fifteen times greater than that of gold, but solely because fifteen times the quantity of labour is necessary to procure a given quantity of it (*Works*, 1886, p. 213). . . .

. . . It appears, then, that whilst each of the two metals was equally a legal tender for debts of any amount, we were subject to a constant change in the principal standard measure of value. It would sometimes be gold, sometimes silver, depending entirely on the variations in the relative value of the two metals; and at such times the metal, which was not the standard, would be melted and withdrawn from circulation, as its value would be greater in bullion than in coin. This was an inconvenience which it was highly desirable should be remedied (*ibid.*, p. 223).

districts in Australia, Broken Hill and Bendigo, both in full work and both under the best modern conditions. In the former the estimated or average cost of producing the silver is 1s. 6d. an ounce; and in the latter the cost of producing the gold is about 15s. 7d. an ounce, something short of 11 to 1.[1] In Broken Hill and Bendigo.

The real effect of the cost of production is the reducing in the long run the quantity of the metal, the cost of which is so great that it does not pay the producer to raise it; and the two metals being used for the same purposes, it is their respective quantities which would be a fair index of their relative value as measured each in the other.

W. I gather from this that neither the present cost of production nor the quantity produced during a few decades is an unerring guide.

G. There is no unerring guide; but the relative quantities of the metals existing in the world, and available, afford an approach to guidance.

W. I have been looking at Ricardo's *Works*, and his condemnation of the double standard does not seem to have been very trenchant. Ricardo.

G. He speaks of the "inconvenience" of the alternations of the two standards, using the word standard in the sense of "the chief coin in use," an inconvenience which, as he rightly said, Locke had pointed out; and he adds that it was not remedied till 1816. But the remedy of 1816 was not that which Locke advocated; and it was not till 1873 that it became manifest that that remedy, effective as it was in stopping alternations, brought other and worse evils in its train. Ricardo could hardly be expected to perceive that the French ratio which had been the cause of a small inconvenience, was when he wrote (1821) our preserver from a greater.

W. Thank you. Excuse me, Smail, for my interruption.

H. White has really a canine appetite for information.

S. His point as to cost of production was very interesting, and I am glad he asked the question. What I was going to say was, that your view that whatever the cost of production of

[1] It is a very curious coincidence that the production since 1850 to 1896 inclusive is about £1,163,000,000 of gold = (approximately) 300,000,000 ounces, and about 3,282,500,000 ounces of silver (*Statist*, 25th September, 1897, p. 670), something short of 11 to 1. See Appendix, Table E.

It is significant also that the production of silver and gold from 1873 to the present time (1897) is as 15·8 to 1, very nearly the French ratio of 1803.

the precious metals, the immediate effect on prices of the additional quantity must be inappreciable, seems to be right. But you won't contend that their value is not at all affected by the cost of their production.

G. I don't need to do so. I suppose they, like all other commodities, are, theoretically at least, affected by it. But it must take centuries to produce any appreciable effect; so that it is in practice no factor in the money problem.

S. Very well. Let us return to prices of other commodities. There is another thing to be accounted for. You speak of fall in prices, and I suppose some fall must be admitted. But how is it with articles of commerce, the production of which is limited and cannot be rapidly extended by capital or enterprise—as, *e.g.*, good French wine, or, indeed, any good wine or works of art? It will be found that prices are higher than they were ten years ago, that the purchasing power of money or gold is less than it was, and that for everything of which the production or supply is nearly a constant quantity there is an increased demand, because there is an increase in the number of persons who are able to buy and who have money at command; and if gold is money and money is gold, then gold for these purposes has undergone a process of depreciation instead of appreciation.

G. That accords with my answer to a remark of Harrop's. Certainly when anything grows dearer, gold is, as respects that commodity, depreciated; but I am speaking now of produce generally and its prices, not of particular articles. Mouton (Rothschild), first-rate pictures at Christie's, ancient MSS. at Sotheby's, rare coins and books, race-horses, match-horses, opera-boxes, fetch not only as high but higher prices than before. But they cannot be increased in quantity at will, and cannot properly be placed in comparison with commodities which indicate reproductive wealth. The same reasoning applies to them as to permanent investments: the unproductiveness of business makes men rest on their oars, content with what they have and willing to take a low rate of interest on Consols, and no interest at all on such purchases as these except the interest of enjoyment. They are content to put their money in a napkin—particularly if the napkin has been covered with colour by a good master.[1] It indicates also that the owners of these realised fortunes are becoming richer and more numerous, and that those whose labour is reproductive are becoming poorer.

[1] A Sir Joshua Reynolds fetched £11,000 at Christie's to-day, 7th July, 1894.

S. I have, I think, only one more shot in my locker. Why complain of low prices? They bring their own cure. And the cure is the disappearance of profits and of the capital which has been employed in production; but if there is still an accumulation of capital—unspent profits—going on, it will seek employment at any rates of interest in stimulating the production of the necessaries of life all over the world. The farmer and the landed proprietors have lost capital and income which they may not regain, but the community are still on the whole richer, and are increasing the stock of money which is as good as gold; while you cannot deny that sufficient gold is found to maintain the standard of value.

G. That is quite true, and as regards the (assumed) decennial periods of inflation and depression of prices caused by over-sanguine or over-despondent trading, there is nothing to be said against your assertion. But we are discussing a totally different phenomenon—one spread over longer periods, and caused, not by over-sanguine or over-timid speculators, but by uninquiring legislators.

If the farmer or landed proprietor, the cotton-spinner and mine-owner, had, as has often been the case, been launching into unjustifiable speculation, I admit that the country should not be called upon to interfere between them and the natural consequences of their acts. But it must be remembered that the foundation of the Bimetallic contention is, not that the country is not growing richer, but that the goods of fortune are being unequally distributed; and *that*, not by nature, nor only by individual enterprise and saving, but by the action of the (on this point) short-sighted legislation of 1816-19, and by the neglect on the part of this generation to weigh and consider the vital consequences to ourselves of the effect of the action of the German and French Governments in 1872-76, taken in conjunction with that legislation. And we contend that the consequence has been that the classes who live upon realised capital have either grown richer, or have been saved from loss, while those who have lost or lessened their capital and income are the industrious producers.

H. Roughly speaking, I should say the bimetallist is inclined to champion the debtor class against the creditor. He says "low prices are good for your client, high prices are good for mine. I work to get a rise of prices."

G. We champion neither one side nor the other, but the traders of England, who are both debtors and creditors. Possibly some idle creditors might be or fancy themselves infinitesimally injured by a change; but even in their case I greatly doubt it.

Now, Harrop, I hope you are satisfied on the question of prices; and I will have a turn at you on another point, which touches a question of Smail's. I remember a tirade of yours[1] professing to state my grievances, but really constituting an indictment of your own against Bimetallism. What was your main point?

H. It was the political aspect of the question, which I think must be decided, not by the scientific argument, but by considerations better "understanded of the people".

Falling Prices Adverse to Prosperity.

G. I remember. "The object," you say, of the Bimetal-"lists, "is to make things dearer, but the multitude want them "cheaper, and the multitude have votes. Indian cultivators "will suffer by your rise of prices, and our manufacturers with "them. Wages have scarcely fallen, and their purchasing "power has risen."

Well, now, if your minor premiss were only a little true your argument would be a very good one; for certainly the question will be decided by the voting multitude according to what they think to be to their advantage. But the "object of Bimetallism" is not, as you think, attained if prices rise. It will be attained in part if we can arrest a continuous fall, injurious in the long run alike to consumers and producers. That is one of our main objects.

The other, as you will see in my evidence, and in that of other witnesses, is the sound one, against which no Political Economist can, and no Monometallist ought to, say a word. It is that of which we have been talking—the restoration of the par of exchange between gold and silver-using countries, the establishment of one money in the world of commerce in place of the two disjoined moneys which now exist, producing between them a kind of bastard Bimetallism, begotten without the solemnisation of true and lawful wedlock between the parties. And in that Bimetallism, strange to say, Monometallists rejoice.

H. The par of exchange may be *your* object, but I am satisfied that rise of price is the dominant desire in the hearts of all Bimetallists.

G. As to the general objects of the party—for it is a party, and a large and increasing one—do you not see that while all of us have in view the general good of commerce, each man necessarily has most in sight his own sufferings and the sufferings of his own neighbours, and lifts up his voice accordingly. My manufacturing friends cry out at the protection

[1] P. 93.

which our evil legislation afforded to their Indian rivals. The Indian Government cry out at the annual loss which it has entailed on them, obliging them to maintain oppressive taxes, and abstain from remunerative public works. Henry Chaplin sees around him the distressed condition of that greatest manufactnre—the production of food—and he seeks to remedy that depression. The merchant sees prices falling, falling, falling; and the risks of his trade increasing as prices fall. He sees that the disruption of the par of exchange is bringing his trade with silver-using countries to mere gambling, and he is forced to give up that branch of business, and cries out for himself and for British commerce. The wage-earner is not the fool you take him to be, and he also is crying out pretty loudly. You, rather illogically, as I think, fix your eyes on H. Chaplin, and transfer what you wrongly deem his sole object to all these other interests concerned. If you ever come to be Chancellor of the Exchequer you will have to take a less narrow view.

H. Wait till I am, and you will see.

G. I can only say that I hope it may be when you are much older, and as much wiser as we all hope to be.

H. I am wise enough already, and so I think are we all, to know that the agriculturists are hoping for a rise of prices—that the general lamentation has all along been for the depressed state of trade and lowness of prices. You won't deny that.

G. Do you happen to know any trade, the persons engaged in which do not desire a sufficient rise in the prices of their wares to enable them to live by it? We have, as you say, all of us, the rise of prices in our hearts; but only so far as it springs from the general improvement of trade, and the increase of natural prosperity. No doubt depression of trade, by whatever caused, brings about lowness of prices, and this again reacts on trade and intensifies the depression. Am I to count either of you as desiring a fall of prices produced by a decrease of national prosperity and a decline of national wealth?

H., *S.*, and *W.* Certainly not.

G. Now, Harrop, let me clearly understand your point of view. You scoff at agriculturists, and, *pari ratione*, at all producers who desire a rise of prices. You adore cheapness, you say. Then a continuous fall of prices would be to your taste? Now do let me have a clear grasp of the matter. Would that be your idea of prosperity?

H. Well—the cheaper I can buy my bed and board, my clothing, and all the necessaries and enjoyments of life, the better I like it; and that is, I take it, the view of the majority of mankind.

G. Yes; and Carlyle will tell you what *they* are. They have votes, as you say, but you and the wise of mankind have something better to do than to *follow* them. Constant fall of prices will ruin all trades,[1] the trade of merchant, the trade of country-gentlemen, the trade of farmer, the trade of labourer and mechanic, and, last but not least, the trade of Chancellor of the Exchequer. Universal cheapness is another expression for universal distress.

Why do you stop at agriculturists? Your "cheapness" argument embraces *all* producers: and it is a bad look out for a country, if it lives upon its realised capital, and ceases to produce. That's what your doctrine of cheapness logically comes to! It means scant living for those who have, and starvation for those who have not.

S. I thoroughly agree with Gilbertson in this part of his story.

W. So do I; and I don't believe Harrop means half he says on the other side. Why, Harrop, you're a member of the Cobden Club. You won't run counter to your master's teaching, and the teaching of those who call themselves by his name!

Cobden.

S. I don't know *that*. The Cobden Club has got far ahead of Cobden! I don't remember what he says on this point.

W. I do. It was in a speech on Disraeli's Budget; and he was combating the notion that Free Trade would produce low prices. Free Trade, he said, would produce prosperity; and one probable result of prosperity would be advancing prices. I can't give you his very words; but I dare say I can turn them up when I go home.[2]

[1] See pp. 262, 263.

[2] "What is running in the minds of hon. gentlemen opposite—I believe the hon. member for Cambridgeshire (Mr. BALL) has shed tears on this subject—is sheer prejudice, that as Free Traders we mean low prices for everything. Now what we want is abundance. We do not say that Free Trade necessarily brings low prices. It is possible with increased quantities still to advance prices; for it is possible that the country may be so prosperous under Free Trade that whilst you have a greater quantity of everything than you had before, increased demand, in consequence of the increased prosperity, may arise, so that the demand will be more than the supply, and you may raise the prices of some articles. In some articles it has been the case; it has been so in wool and in meat, and we may not know yet what effect it may have in wheat itself."—RICHARD COBDEN, 13th Dec., 1852.

H. I admit that there was much in his argument; and in yours also about producer and consumer; but there are some nice little points in the question which need consideration.

G. I believe that in your general agreement with me on this point, you represent the opinion of all thinking men. I will admit that one of the effects of such an increase of the measure of value as the rehabilitation of silver might produce would probably be some gradual rise of the general prices of commodities, but it is impossible to say how much or how little it might be, or how much of it would be the result of the consequent revival of trade. You will see in evidence before the Royal Commission[1] on Gold and Silver, that there is likely to be but little inflation of the general currency of the world from the increase of the measure of value.

H. I hear it commonly said that gold has appreciated, *i.e.*, commodities depreciated, 30 or more per cent. You have told us that you don't attribute all this fall to the greater demands upon gold. If that were the sole cause the restoration of silver at the old ratio would reverse it, and the rise would be equal to the fall, can't you tell us what sort of a rise we might expect.

G. That I cannot. I never attributed *all* the fall to the demand for gold. Its causes are threefold: 1. Abundance; produced generally by improved communications. That is wholly good; and would certainly not be *checked* by the restoration of silver. 2. The direct action on gold of the events of 1873, and by other events consequent thereon. I have already said how impossible it is to assess the proportion of the 30 per cent. which is due to this. 3. The indirect action of the same causes, shown in the paralysis of trade. To this a large proportion is due; and any rise which would follow the cure of this malady would be an unmixed good to the whole nation.

One of the indirect effects of the measure would be that the protection which the present system has granted to the Indian and other cultivators would be removed, and the English producer would cease to be handicapped.

H. Ah, the producer! I knew he must come in again. Have you no care for the consumer? Consumers and Producers.

G. I beg his pardon and yours. I said a good deal about that the other day.[2] I will add that injury to the producer does no present good, and does much future harm, to the consumer.

[1] Questions 3734-40. [2] See p. 180.

We are all consumers, and most of us producers. The producers make; the consumers eat. These last have the advantage of your exclusive patronage, these *fruges consumere nati*; but I confess myself not quite able to swallow the new creed, of which our friend Bertram Currie seems to be the apostle.

S. What creed?

G. Oh, it is a confession of faith which is daily recited in honour of the great goddess Vilitas (which is, in the vulgar, Cheapness), and runs to this effect:—

"Producers are infernal scoundrels and public enemies, "and when we have destroyed the last producer the ravens "in the wilderness will feed the consumers".

H. Let us come to the interests of India herself. How are they really affected?

You spoke just now of the advantage which the present system gives to India; but I remember W. H. Smith pointing out a contradiction between Chaplin and Samuel Smith, who were both arguing in that sense, yet one said that India suffered, and the other that India gained.

Would India gain or lose by rehabilitation of Silver.

G. Do you see the contradiction? It requires better eyes than mine. Chaplin said the Indian Government were losing four or five millions a year. It is now, I think, six or seven. Samuel Smith said, and would say still, that the Bombay spinners were interfering with our manufacturers, and if we add to this that the Indian shippers have been enabled by the fall in the gold price of the rupee to accept a low gold price for their wheat and still to undersell the English wheat growers, the result is that the Indian spinners gained, and the Indian landowners were saved from loss,[1] but the Indian Government —that is, the whole people of India—lost, and are losing six or seven millions a year. I see no contradiction.

H. Not the whole people, for the people are not taxed any the more.

G. They can't be—directly; but so long as the Budget kept at an equilibrium, Government could, but for this loss, have remitted taxation to that amount, or rapidly extended the railway system, or done important sanitary work. I think the contradiction lies with you. Sometimes you say, "you must not make any change in our monetary laws. It would fatally injure our Indian fellow-subjects, destroying the Bombay mills

[1] See pp. 3, 219, 220.

and the profits of the tillers of the land"; sometimes: "English manufacturers and English farmers have no real cause of complaint. Our monetary system gives no advantage over them to India or any other country". You really must make up your minds. Either some Indian interests are gaining by the present state of things, or they are not. If they are, it is at the expense of our manufacturers and agriculturists. If they are not, India is confessedly losing ground all along the line.

W. You have made up *your* mind, I think. How would you sum up the balance of loss or gain to India?

G. I have no doubt that a monetary agreement between India and the United States, or with other nations, would have brought a great balance of gain to India. Some few traders might have suffered for the moment; the wheat growers would have lost the protection they have enjoyed as against us, in so far as England's wheat lands might again be profitably tilled; Indian manufacturers would no longer take away England's trade with China and Japan; but the finances of India would be restored, and English capital would again pour into India for the development of her natural resources and the reintegration of her trade with Great Britian.

H. You say that the Indians are protected, and at our expense; but I remember hearing Gladstone say that Bimetallism was only a phase of protection.

W. So are the laws of the land for that matter. They are intended to protect us against injustice of all sorts. Here, as Gilbertson has told us, we've given protection to our Indian fellow-subjects and to foreigners; and we might, I think, fairly protect Englishmen against the rivalry that we have so set up.

H. But *did* we see it up? and if we did, how did we do it?

W. Oh, you know well enough! Gilbertson told us all about it long ago as well as just now.[1] I didn't quite understand it at first, but I do now; and so do you, I suspect. It was by the demonetisation of silver in 1816, 1872 and 1876, the result of which has been that the Indian wheat grower has for many years been able to get the same or nearly the same number of rupees for the low gold price of his wheat in the English market,[2] as he used to do for the higher price of former years, while our farmers can't live on that lower price; and that the Indian manufacturer is able to cut out our manufacturers in

[1] See p. 3. [2] See p. 262.

their trade with silver-using countries, seeing that they both use the same metal as standard money and have no fear of abnormal fluctuations in the exchange. Besides this, you tell us that an advantage has been given to the owners of the gold which those laws have appreciated. Our law of 1816, you say, did the mischief which became evident when the counteracting force of the then existing fixed ratio was removed by the action of the Latin Union in 1876.

Protection to Gold-owners and Indian Producers.

G. Excellent! You have said your catechism very well—very creditably—almost in my words. Yes; the laws you mention have protected the Indian against losses which fall upon the Englishman. Now, protection, whether defensible or indefensible, must be equally defensible and equally indefensible, whether applied to Indian or European industries.

H. But I am not yet prepared to admit that that legislation gave protection to the Indian producer.

G. Aren't you? But as you can't dispute the facts so ably marshalled by White, it does not much signify what name you give to their results. As to the Indians, I say again you must make up your minds. Either they *are* protected by that legislation, or they are *not*. If they are, you should advocate the removal of that protection in the name of Freedom of Trade. If they are not, they will obviously take no harm by the reversal of the legislation of 1816. That legislation and its opposite cannot *both* be protection. Neither does it lie in our opponents' mouths to raise the cry of protection! Their own cry for their own behoof, so far as they are owners of fixed incomes or dealers in money, is protect our gold! For God's sake protect our gold!

H. You say the gold owners and the producers in India are alike protected. It must be then at the expense of somebody else. At whose?

G. I suppose the Cobden Club would say, "at the expense of everybody else". Certainly the same thing which protects some of the Indian producers taxes their whole country to the tune of £6,000,000 or £7,000,000.[1] But beyond that, it is at the expense of the English agriculturist; for the Indian wheat grower, as you say, White, gains at a low gold price the same profit which he gained before the price fell; while the English wheat grower can't grow his crop at that price, except at a loss. Where *he* ceases to grow wheat the Indian wheat-grower steps in.

[1] See p. 94.

H. Are you quite sure that it is India that hurts the English farmer? I should say that it is not India, but America that interfered with him.

G. India interferes both with England and America. The lower the price in England, the worse the return to the American shipper, and the fewer dollars he receives. The Indian, on the other hand, as I have said before, so long as the fall of silver goes *pari passu* with the fall of wheat,[1] gets none the fewer rupees, and the rupee buys him the same quantity of the necessaries of life. It was India, therefore, that ruled the price, so long as she had surplus wheat to sell for export, because the Indian could afford to sell cheapest, and the cheapest import, so long as it continues, dictates the price.

W. Indian wheat is poor stuff, they tell me. How should that rule our market?

G. For that very reason. Millers like to buy cheaply as well as other people, Harrop! Indian wheat, like the superior wheats, contains food-stuff. That which contains most, or best, will fetch the highest price, and the better class higher in proportion. But it is the cheaper which rules. As it falls so fall also the higher-priced wheats; and as it rises, so rise they. Very likely it *is* poor stuff, White; but millers are unexacting—at a price—and you are lucky if you get nothing worse mixed with your bread than Indian wheat!

W. In any case you seem to admit that you will hurt the Indian cultivator and the Indian spinner.

Effect of Bimetallism on India.

G. I admit nothing: I wait till you people have made up your minds with which horse you will win. One speaker in the debate of 1889 was sure that the spinner gets no advantage from the fall of the gold price of silver; and the same is said of the ryot, or rather of the landowner. Very well, then; it is clear that in that case he would suffer no loss by the rise of that metal. But you think he *would* lose, and I incline to that opinion. But as to the Indian producer, according even to Monometallist arguments, the adjustment of silver prices in that country is only a question of time, and any rise therefore caused by an equalising of gold and silver prices could only be an anticipation of what time would sooner or later do. The longer the adjustment is postponed, the worse will be the condition of the Indian.

[1] 1896. This has been less and less the case from 1892 onwards both because the Indian is no longer permitted to get the cheap silver which he may buy here coined into rupees in India, and because China and Argentine have pressed him as well as us in the race.

But if *one* must suffer, and no one can doubt that the Englishman does, cultivator for cultivator, I prefer to stand up for the English one. We unwittingly benefited the Indian by the tares which we sowed with whatever wheat there was in our legislation of 1816 (a bad seed which began to bear fruit in 1873), and we should do him no injustice, and should help ourselves, so far as our own producers are concerned, by reversing that legislation.

H. You treat it too lightly. My opinion is that the market would be destroyed for the Indian's wheat in Europe, and for his cottons in China. I believe such a proceeding in these days of Indian Congresses would produce a mutiny far more serious that the greased cartridges did.

G. I'll come to you presently; but I must have it out with White first. Where do I admit that the Indian cultivator will be hurt?

W. Didn't you say that the present system protected him? Well—if you take away his protection, you hurt him.

G. Whatever we take away, it is no more than has been given him at the expense of his English competitors. It will at worst bring him to their level—neighbours fare! Is that what Harrop calls "destroying his market"?

S. I don't think he will have much to complain of if that's all. I am with you there. Man for man, I stand for my own countrymen.

G. The advantage in price has not been *quite* all. There is something more. Much wheat-land in England has been thrown either out of cultivation or into pasture; and so far as India has filled the gap she has profited in that way also—at the expense of the British labourer, farmer and landowner. But these, like the Lancashire cotton-spinners, are only producers, and our own countrymen, and of course don't count!

H. With me they do.

G. No doubt they do, really. I was only pointing out the logical consequence of your words, which indeed have themselves more of Rhetoric than of Logic. For example, you don't really think the Indian troops would mutiny, and the population would rebel, because one Englishman was allowed to pay his debts to another Englishman in silver (which is Indian money) or gold at his option. I don't believe it; nor is it true that the Indian wheat trade will be destroyed.

H. They would see that you were sacrificing the interests of 250 millions of people in order to increase the salaries of a few officials by saving them loss in exchange.

G. Two hundred and fifty millions! Why, you haven't yet made up your mind whether any *class* in India receives benefit from the present condition of things, and can consequently be injured by its being reversed; and now you assume that the reversal will injure the whole population! But, besides that the 250,000,000 will be spared £6,000,000 or £7,000,000 annual taxation, you must be well aware that the Indian Government, who are at least as competent as you or I to decide as to what is best for India, have been urgent for the last ten years that the measure should be adopted which you call *sacrifice*, but which they call *prosperity*.

As to the Indian officials, there is no question of increasing, but only of restoring their salaries. You can't really suppose that *their* grievance is at the bottom of all the agitations, that Lancashire is in a ferment, and all traders with silver-using countries deeply alarmed, because a few public servants in India are unjustly treated. One way or another you Parliament folk will have to find a remedy for the grievance of the officials; and I hope you will do it honestly and wisely. For the rest, the fact is that you know, and the Government knows, that the complaints of the Indian Government and India generally have a deeper root than that, and are well founded; but the Home Government and their advisers in the Press all prefer to sit with folded hands, trusting that something will turn up.

H. Perhaps my sentence was too sweeping. I should like to look further into this Indian matter. Lord Herschell's Committee is to examine the whole subject, and report on it.

G. I hope they will. I hear that the Indian Government are pouring forth their complaints before it, and saying "if you won't give us what we ask, and what all of us who have studied the question believe will be good for you as well as for us, namely, an international system of Dual Legal Tender, in Europe and America, give us that which we think (or hope) will be good, at least for us in the present distress, *viz.*, a limitation of the coinage of the rupee, and consequent maintenance of its gold value".

H. Well; I don't like it myself any better than I did; but I must say that if the Indian Government is so much more competent than we at home to decide what is best for India, the Home Government must stand acquitted if they defer to their wish.

G. *Best for India!* Say rather, better than immediate ruin. But India is not all; it is also the business of the Home Government to consider what is *best for England;* and with that the Indian Government has no direct concern. We would not grant their request where the benefit to them was unquestionable, and no harm could have happened to us; and now we seem inclined to do what will be of very doubtful good to India, and of enormous harm to us.

W. You have told us what you thought of that scheme the first day we dined here.[1]

G. It would tend to precipitate the fall of silver, as measured in gold;[2] robbing England of much of her eastern trade;[3] but as to India, it is true that it might possibly limit the losses of the Government, if all turns out as they hope, and it is but natural that those who are responsible for Indian finance should catch at any straw. It is doubtless better to lose £5,000,000 a year than £7,000,000! I suppose, also, that it might steady England's trade with India. I can't blame the Indian for asking for it; but they will never get it.

H. My doubt is whether it is defensible on principle.

W. And mine, whether it would answer in practice. I suppose it will steady the exchange.

G. As to principle—the resources of vituperation fail me! The good folk who are horrified at the enormity of giving an artificial value—so they characterise it—to one portion of a country's money propose now, it is said, to give an artificial value to the whole of the money of India, appreciating it by diminishing its volume! It may steady the exchange; but that remains to be seen.

W. I am told by some that India is to have a gold standard; in which case the position will be, I take it, the same as that of France, as having an imperfect Bimetallic standard. By others I am told that it is to be a gold standard without a gold currency. Why not? They say it has been successfully tried elsewhere.

[1] See pp. 28, 29.

[2] It did fall 27th June, the day of the closure from 38⅜ to 30½, recovered a little in July, and went back on the repeal of the Sherman Act, 1st Nov., 1893, to 31½.

[3] Japan had 350,000 spindles at work in October last; she has now between 700,000 and 750,000; and there are at this moment orders in England for 40,000 tons of spinning machinery (May, 1894). The return for 1898 shows about 1234.

G. I don't know where. Peru declared some years ago, and again lately, that her standard was to be gold, but nothing whatever comes of it. You may perhaps get some traders to think or sell in shillings or pence, but that is merely a matter of convenience, and will have no economic effect at all. It is all very well so long as the balance of trade is in favour of the country; but let it once turn, or let its external debts overbalance the trade surplus, and you have all the economic evils of a currency whose nominal value is greater than its export value. You cannot have a "limping" standard unless you have one metal that is the true standard of the country, the other being practically, though not nominally, a mere token, but with full legal tender. A gold standard without a gold currency seems to me not to limp but to be lame of both legs.

H. You don't like it, I see. Neither do I. But need we apprehend a turn of the balance?

G. I don't know—nor does any one as yet. But in the case of India, I suppose the "home charges" do overbalance the trade surplus. She is a debtor country. You said just now, Harrop, that Bimetallism would destroy the Indian trade with China. That trade will no longer have the vicious protection which it now enjoys at the expense of British manufactures; but Bimetallism would certainly not destroy it. An artificial value given to the rupee will, however, do by that trade what our present law does by the English trade with the East. It will destroy the par of exchange; and so will it of course if a real gold standard should be attained.

W. What is the objection to a real gold standard?

G. Where would India get her gold? Must she have a gold loan of thirty or forty millions? or do you expect that her gold hoards will all be poured into the treasury? Or perhaps you look to a rush of British merchants, unable to buy silver, refused bills by the Indian Council, having to make remittances to India, and enforced, *coute que coute*, to send gold.

W. Oh, I know nothing, and expect nothing; but I heard that the plan was for the Council to sell bills to all who wanted them, and thus to make the Indian currency automatic.

G. Very well. Then *that* source of gold is cut off, and she will get no gold from England. In the other cases, the very people who are so fearful of putting a temporary loss on those who would have to pay more for their remittances in silver under a Bimetallic régime, are willing to subject them to the

continuous loss of having to send dearer gold. Why should we think the gold hoards will be poured into the treasury. The Indians don't now bring out their silver, though those who think about the matter must fear further depreciation in terms of gold. They have not brought forth their gold all this time, though they can buy cheap silver with it, which is still convertible into rupees, and which, under the new law, if it should come to the birth after this long gestation, will be convertible into nothing at all.

W. If they do bring it out, it will, I suppose, meet one of your difficulties. It will diminish the additional strain on the world's stock of gold.

G. Yes, so far as it goes; but whether by loan, or by any other expedient, the demand caused by the introduction of a real gold standard into India will add enormous weight to the burden of the appreciation of gold which now presses on commerce; and a remarkable thing is that the very people—bankers and others—who are clamouring that the stock of gold at the Bank of England is insufficient, can't contain their delight if they see hopes of India and other nations—the more the merrier—adopting a gold standard and having the need and the power to diminish our stock of gold and our reserve of notes, and always when we can least afford to part with it.

W. What will become of our commercial supremacy?

G. It will have to shift for itself! But the same people, again, are quite sure that it is the gold standard which has given England commercial supremacy over all other nations; and now their earnest desire is that she should no longer enjoy it, but that every other nation should adopt the same nostrum and be "supreme" also.

W. Every one as good as his neighbour—"and a great deal better too," as the Irishman says! The basis is folly; the altruism greater folly because inconsistent. If there were any sense in it, and if it were possible, India might like it; and the Indians *are* our fellow-subjects; but even so, I don't expect to see Lombard Street in ecstasies with the idea when they once understand it.

G. If the proposal becomes serious, they will understand it fast enough.

H. I doubt the Indian people won't find any advantage in it.

G. I should say not. Those hoards, so far as they consist of uncoined silver, are now all of them potential rupees. Think what they will be if you absolutely destroy the market for them, and the people find it out.

W. They will be very slow to find it out, I think.

G. The enemies of the British Raj will not be slow to open their eyes! Then if the United States cease their silver purchases, to what point will silver fall! The Monometallist conscience shrank from assenting to a ratio of $15\frac{1}{2}$ to 1, when the market price was 18 to 1; and now it is said that they propose a ratio of about 22 to 1 in India when the market price may be driven down to a ratio of 35 or 40 to 1! Truly the Monometallist gullet is an organ of very singular construction. It will swallow the largest camel, but a very small gnat will choke it! And when the eyes of the Indian are opened, and he knows that one half of his hoard is annihilated, how do you think he will like it? You were afraid, Harrop, of a mutiny in India if I should be allowed to pay you 25 double florins for the £5 I owe you. There would be indeed cause to fear it if we should be found robbing our Indian fellow-subjects!

H. I admit that if by our action we were really to pull down the value of their property, that would give them a material and tangible cause of complaint. The other was, I own, somewhat hyperbolical.

G. I should think it was! Some Monometallists are horrified at the idea that we "whose earnings are stored in gold," should lay sacrilegeous hands on our present monetary law, and yet they look with complacency on a change in the monetary law of India which might almost annihilate the hoarded earnings of that country, now stored chiefly in silver.

W. You spoke of hoards just now, and several times before, and of their value being almost annihilated by the new law. There are very different opinions on that, aren't there? Indian Hoards.

G. Yes. I spoke then in the somewhat heated language of other people who are supposed to know more than I do of the Indians and their habits.

But some, reputed to be equally conversant with them, say that the amount of the hoards is much exaggerated, and that they are mostly in ornaments.

Others, that ornaments are not hoards at all.

Others, that, whether they are hoards or not, they hardly ever went to the Mint.

Others, that they were sent into the Mint in very great quantities, notably in 1877, and in subsequent years of dearth.

Others, that by far the greater part of the imports of silver go into the Mint, and not into ornaments.[1]

Others, again, that they do indeed go into the Mint, but that the ornaments are made of melted rupees, as being ready assayed, and so more readily convertible.

Others say that the hoards themselves are mostly in rupees.

Others, again, that if they are in ornaments, and if there is in theory a loss on those ornaments, the people will be unconscious of it; while, if there is ultimately a rise in the purchasing power of the rupee, they will be quite conscious of that when they find that they can buy necessaries cheaper; and, particularly, that if they want ornaments they can in any case buy *them* cheaper.

W. What a muddle of conflicting evidence! Can you make anything of it?

G. No; I give it up. I can't distinguish between the facts, if any, and the fictions, if any. Herschell's Committee seems to have given it great attention, and to have had their eyes well opened to whatever danger may threaten from that quarter.

W. There are, apparently, some fallacies.

G. I think there must be. "Ornaments are not hoards," they say. They *must* be, whether you, or even their owners, like it or not. They could, till now, if they wanted it, send them to the Mint, or even pay their "gombeen-man" with them; and when they *did* want it they did so use them. Now they can't do so without heavy loss, and no one can yet guage the extent of the loss. I hear people say "well, they can get more ornaments at a cheaper rate". Cold comfort for one who has sold his wife's bangles for their weight in silver, and made a heavy loss, to be told that with the money, if it remains in his pocket, he may perhaps buy just such another with no further loss than the cost of manufacture.

H. You needn't assume that he has had to sell. He can buy a bangle for his wife at less cost than before, or buy a heavier bangle with the same sum as he used to spend on such vanities.

[1] July, 1893. Mr. F. C. Harrison's evidence before the Herschell Committee gives his estimate of the uncoined silver in Indian hoards as Rx.300 millions, in bullion, obsolete coin and ornaments, the hoarded rupees as considerably less than 50 crores, and the total silver in the country as 510 crores (Report and Evidence, p. 308).

G. Looking at the bangle as an ornament, his wife will be the gainer by such a purchase. Looking at it as an asset, he will be none the better off, but will be exactly where he was before the change, except that then the price of the metal was invariable, while now it varies, and is more likely to fall than to rise. I cannot think that the danger is a light one.

W. I have heard people argue that ornaments are not hoards, because they are not sent to the Mint; which is absurd. It is precisely because they are not sent to the Mint that they can be called hoards. When they *are* turned into money and used as such they cease to be hoarded.

S. If the United States should buy no more, and India should close her Mint, what would be the result? Silver would get to the bottom, and things would readily, but with some delay, readjust themselves.

G. Readjust themselves! Of course they would readjust themselves! They are always readjusting themselves, and have been doing it since 1873, and will continue to do it. It is this constant readjustment that is our grievance; for it means a constant interference with the free course of trade. The element of finality is altogether wanting.

But if, when you speak of reaching the bottom, you mean reaching a point when the relative value of silver and gold would become stationary, I would ask you why it should be stationary when silver is low as measured in gold any more than when gold is low as measured in silver? Why in the world should silver then become steadier than copper or castor oil? Of course, if the production of silver should cease, one cause which might disturb the relative value would be eliminated; but you would still have fluctuations in the supply and demand for gold, and also in the demand for silver; and as the supply of silver, if it continued, would be as likely as not to counteract one of the other three disturbing causes, its cessation might have done at least as much harm as good; and in no case would you have got a step nearer to the par of exchange.

H. There is plenty more to say, on this and on other branches of the subject; but that must be enough for to-day, at least, as far as I am concerned. I want to come to the direct interests of England. I have a formidable indictment against you on that head; but I should like to have the rest of our talk about it some other day. Will Monday next, or Monday week, suit you?

G. I fear I can't manage it so soon. I shall be back in

town for a few days at the beginning of June. Shall we say Saturday the 10th?

H. What do you others say? Yes; Gilbertson, that will suit us all.

The Practical Men.

G. One word more. I know that my arguments rest on the hypothesis that like causes produce like effects; and that to revert to the monetary system in force before 1873 or before 1816, *plus* an agreement between the chief commercial nations will remedy both the evils which have existed since 1873, and the inconveniences which, from lack of agreement, were felt in the monetary system of the seventeenth and eighteenth centuries. You have doubts as to the hypothesis, and have opposed to it the *dicta* of "practical men" whose arguments are much like those of the farmer in a vestry called to consider of a poor rate. "A'm "very coomfortable. A dwont zee that us dwont want no poor "rate. *A* goes agin it." That was a "practical man". Do you remember what Henry Drummond says about your PRACTICAL MAN?

H. No. Drummond was a very clever fellow, and even his crotchets were full of ingenious thought.

Drummond.

G. Stop a minute, and I will get you down the book. Here it is. The passage is in his *Elementary Propositions on the Currency*:—

> "The proportion of the magnitude of the heavenly "bodies to each other rests purely upon hypothesis. The "annual and diurnal revolution of the earth, directly opposed "to the daily sensations and eyes of the *practical* plough-boy "are founded on hypothesis. So absurd, indeed, did this "revolution appear to all sober *practical* men when it was "first demonstrated, that Copernicus dared not mention it "for many years; the *practical* men in Italy constrained the "Pope reluctantly to put Galileo in prison, and made him "learn penitential psalms by heart to purge away his "philosophy; and when Jacquier and Le Seuri published at "Rome so late as 1742 the theories of that speculative "heretic Sir Isaac Newton, upon the same subject, they "wisely inserted in a preface that they did not presume to "believe that which they had proved to be true, unless that "*practical* man the Pope should happen to be of the same "opinion."

What do you think of that?

H. Bravo, Drummond, say I.

W. That's like Bob Lowe's fulmination against the "respectable man of business". Lord Sherbrooke.

G. What was that? I don't remember it.

W. It was in an article in the *Fortnightly;* I think it was about Indian finance, some ten or fifteen years ago. I have no doubt I have got the volume at home. I'll send it to you one of these days.[1] You'll find it rather germane to our subject; though he is not recommending your nostrum, but one of his own. Time for bed, I should say. Good-night.

G. Good-night to you all.

[1] "It seems strange to say so; but it is, nevertheless, true, that there is "nowhere so much difficulty in obtaining a fair hearing as in matters of "finance a little out of the usual course. The parson, as is natural, prefers "his old *mumpsimus* to your new *sumpsimus*. The lawyer often listens with "impatience to the notions of an account more enlightened than that in "which his code was framed; but for thorough, unreasoning, and dogged "obstruction, commend me to a thriving and highly-respected man of business, "especially if the business be inherited. By that single fact he becomes an "oracle. Why should he waste his time in thinking, when the balance at "his bankers testifies for him that he is entirely master of the mysteries "of his profession? Why tire his eyes with reading when he is already "master of all that has and all that can be said on the subject? To try to "impart to such a person a new idea is a sort of insult; for it implies that "there is anything left for him to learn, which, as the mathematicians say, "is absurd. If it be difficult to argue with the master of twenty legions, it "is equally vain to propose anything new to this master of a prosperous "business. If you doubt this, look at the reception which the currency "question received from persons who are engaged in actual business. They "professed they did not understand it, which was, no doubt, perfectly true; "but not understanding it, they were equally sure it was wrong. The proposal "was no novelty; it was only a novelty to them."—*July*, 1879. The Man of Business.

END OF THE SIXTH DAY.

THE SEVENTH DAY,

10th June, 1893.

ENGLAND THE CREDITOR STATE.
- Prices.
- Who would suffer from Bimetallism?
- How would it affect Bankers, Statesmen, Manufacturers, Agriculturalists?
- How would it affect the Wage-earner?
- Protection.

AGRICULTURAL DEPRESSION.

MONETARY POLICY OF THE UNITED STATES.
- Idle Silver.
- Difficulties in the way of Bimetallism.

Bramwell, Farrer, Fielden, Hume, Jevons, M'Culloch, Mongredien.

W. WELL, Gilbertson, who is to open the ball this evening?

G. Harrop is burning to lead off. He has a rod in pickle for me, I remember.

H. The metaphors are rather mixed; but they will serve. The other day we settled the affairs of India—for the time at least; and now I want to bring you to the question of our own direct interests. We are the great Creditor State—that is my point—and all other states are our debtors. Are we to place it in their power to pay us thousands of millions in inferior values? [1]

G. I don't know what you mean by your "thousands of millions"; but I deny that silver will be in the least degree inferior to gold at the legal ratio, and I think I have shown this. If you had said that our gold money would be in some slight degree depreciated by the change, there might be something in your argument, but not much. Whatever depreciation there might be, it would be as nothing compared to the stimulus given to British commerce, not only directly with silver-using

[1] See p. 321.

countries, but indirectly in the general improvement of trade. What is the trifling amount of gold annually payable to us compared to improvement in a trade representing £750,000,000 per annum of exports and imports.

W. Do let me understand this. Who is it that is to be hurt, Harrop, and how will he be hurt?

H. By the rise of prices, obviously. He can now buy cheap, and he will have to buy dear. Rise of Prices.

G. But the question is *who* will be hurt. You have not answered that. I think I can lead up to the answer. To say that the State is damnified is a very vague allegation. The hurting must be done piecemeal. Some citizen must suffer. How? That which has to be paid to England is the balance of her imports and exports. What other nations owe us they must pay us—with goods so far as they can; and what they can't they must pay in specie. That specie you may say will not be as good as the gold in which they pay now; but if it is not as good, *i.e.*, if prices rise, the goods we send will cost more, and when the balance is in our favour we shall have to receive more specie.[1] It has been shown that it is impossible that the silver half of it can have less purchasing power than the gold half; but I admit, as I said just now, that there will be some diminution of purchasing power in the mass of specie, *i.e.*, that there will probably be some rise in prices. What we have to buy will rise, and so will what we have to sell.

I return to the three causes of the present fall.[2] Unless abundance of commodities ceases, prices will not rise on *that* score. They can then only rise either from relief of the paralysis of trade, or from depreciation of the measure of value. You will not deprecate a rise from the first of these two causes; and as to the second, any possible harm from a rise caused by it will be amply compensated.

H. How will the working man like such rise as there may be?

G. I was going on, when you interrupted me, to say that among the commodities so raised in price will naturally be that most important commodity, Labour.

Any apparent advantage to the labourer or to any one by the temporary cheapness produced by the contraction of the measure of value is a mere killing of the goose that lays the golden eggs. Trade losses and extinction of British capital

[1] See p. 260. [2] See p. 241.

must assuredly react on the British working man and hurt him far more than any small rise of prices of commodities can do, supposing such rise to reach him ; such rise being produced by that which puts bread into the mouths of an increased number of his fellows.

Industry and capital (the accumulated savings of industry) are the mainsprings of productive trade. When they are fully employed, all labour whether of body or mind, whether of thews or sinews, is prosperous ; and England prospers. When bad laws destroy capital, and hamper the liberty of labour, the productive classes, employer and employed, are impoverished, and England languishes.

It is the productive classes, the working bees of England, who have suffered by your foolish laws which contract the currency and paralyse trade, and who will suffer until you return to the old paths.

H. But my point is that in that return you will injure as many as you benefit. How about the owners of fixed incomes, whether derived from mortgages, from consols, from railways, from foreign stocks, official salaries, pensions, or other sources ?

G. Very estimable people, and in their way very useful to the world. But,—saving your presence, Harrop,—they must be classed among the drones. They are the people of whom Henry Grenfell once gave what he called " the thousand miles " of old maids and their parlour-maids, dwelling in villas round " the coast " as a typical example. If there should be any individual loss owing to an increase of the measure of value, it is probable that some of it would fall upon these unproductive and sterile holders of fixed income ; and that would connote a gain to somebody else.

But, *pari ratione*, a contraction of the measure of value caused by the demonetisation of silver must have given the holders of fixed incomes a gain *at the expense* of somebody else.

It is not our business to go about redressing wrongs *pour les beaux yeux* of the said damsels, or of their victims ; but it *is* our business, so far as in us lies, to work for the good of the country at large, irrespective of individual loss or gain indirectly caused.

H. What made Grenfell say that ?

G. A speech delivered at the Political Economy Club by our appreciative friend Lord Bramwell, who urged the view that injustice might be done to certain interests by the adoption of Bimetallism.

W. Do you mean that Lord Bramwell appreciated the merits of that system? I thought he opposed it.

G. He was much too wise a man to oppose it on any such grounds as are often ignorantly alleged. He told me that there was no great difference between us,[1] except from the pensioner and creditor point of view.

W. You spoke of fixed incomes, Harrop, and I think you included Railway dividends. That won't do! They are by no means fixed incomes. I wish they were: I am a Railway Director myself, and know something of that matter.

H. I spoke of Railway Debenture interest, and dividends on Preference Shares.

W. Of course they are more stable than dividends of Ordinary Shares; but what is it that affects these last?—I speak, of course, of Railroads whose prosperity is possible—it is the Trade of the Country. When that is good, Shareholders get good dividends. When it is bad, dividends dwindle. Even Preference Shareholders shake in their shoes, and sometimes even go barefoot. When they do, Debenture holders also begin to tremble. *Their* security is only the prosperity of the Line, and the prosperity of the Line depends upon Trade. Debenture holders are now living in fear of a steady course of diminution of their security; and so are Mortgagees, for the matter of that; and all the worse because that on which they depend is in a worse case.

Jevons.

G. Jevons gives the list which you have given, Harrop, of the classes affected by an alteration of the volume of the measure of value, but in much greater detail. It occupies chapter xxvii. of his Essay on the "Value of Gold," pp. 80-85, of his *Investigations*. I mentioned it before.[2]

H. This classification of creditors is not without its interests; but I want to get back to the general thesis. England is the Creditor State.

The Creditor State.

G. We are the Creditor State, sure enough; but the argument on which you relied some time ago [3] is without force, unless we are a Debtor State. You say we shall be "flooded" with silver, and our gold will go. I have shown that there is

[1] See correspondence in *Bimetallic Controversy*, p. 343. Also (*ibid.*, p. 131) his letter to *The Times* of 7th May, 1881, therein referred to; and Mr. Leonard Courtney's speech and letter in *The Times* of 3rd and 4th May, 1894.

[2] See p. 183.

[3] See pp. 86-90.

no place to which it should go under the circumstances of our being a Creditor State, and under a Bimetallic Law; but if we were a Debtor State, and had exhausted all our silver in our endeavour to pay our debts, we should *have* to send gold.

W. But as we *are* the Creditor State, I fail to see the harm that would happen to us if in addition to our existing stock of gold, we received what they are pleased to call "floods" of silver.

G. Harrop can't divest his mind of the double superstition that the silver in which we should be paid would be inferior in value to the gold in which he thinks we ought to be paid; and that "our gold would go". The first is contradicted by experience, and the second unsupported by any reason.

W. As a matter of fact we are on balance a Creditor State and not a Debtor State; and there is no harm in considering how and in what substance we should get paid.

G. No harm, and much good. It clears the air. A great part of the Balance of Trade which comes to us is the interest on loans to Foreign States. They pay us in cheap goods or dear gold. It is all one to us, but not to them. The prices of their commodities fall away as we have seen. The cheaper the goods the more they must send. When they can send no more, they must send us gold, for which they may have to pay. At last they can send no more, whether goods or gold; and they cease to pay at all. You have taken your debtor by the throat, but instead of getting his money you have stopped his breath! A poor result of appreciating gold (so far as that has been the cause) for the supposed benefit of those who were to receive dividends. Payment even in a non-appreciated metal is better than no payment at all.[1]

Impolicy of ruining debtors.

W. A sorry picture. I don't think that's the whole of it either. Even if you don't choke your debtor and ruin him and your trade with him, you damage your trade. I see, indeed, that the creditor gets a present advantage. He gets two bales of wool from Australia where he only bargained for one; or two chests of tea from India, where one would have paid a due proportion of the debt. The Indian tea-grower indeed seems to gain in that capacity, so long as the fall in the price of silver keeps pace with the fall in the price of tea. He suffers with all India, but as an individual he has some compensation. An Australian has none. "But what then?" says the creditor.

[1] See p. 321.

Australians are only colonists, and the creditor gets his pound of flesh—and a pound over, and goes on his way rejoicing!

G. Colonists or foreigners, they are customers of this country, and if you take from them two bales of produce where one used to suffice, they have the less left to sell, and the less nett proceeds with which to buy your goods. Their loss is the loss of our home industries, and of all in Great Britain who live by the the labour of their hands. If dwellers abroad who should consume our manufactures are impoverished, we also suffer, and the "consumer," for whom Harrop stands as champion, has the less to consume, as he earns less wherewith to pay. Production, and a good market for the produce, is the only hope of your consumer.

H. You won't, I suppose, say, White, that your "sorry picture" paints India; for the balance is in her favour; and, besides, our host told us that she profited by the fall in silver.

G. No, I didn't. I said, if you remember, that *some* Indians were protected by it—and at our expense. As to India, bear in mind that she is a Debtor State.[1]

W. But with a Balance of Trade in her favour!

G. Yes, but with an enormous capital debt, and a sum of interest and charges of some £17,000,000 a year payable in gold. The lower the prices here the more of the produce that she sends us goes to the payment of that sum and the less to swell the Balance of Trade in her favour.

H. She can send the more produce, on which you tell us she is saved from loss however much gold appreciates and prices fall.

G. So she can; and if she sends enough, the Balance of Trade will remain still in her favour. But I don't think you will say that it is for the good of India or of any nation to have to send double the amount of the produce of her toil to pay the same debt.

W. You think she must lose one way or another by a continuous fall of the prices of silver and other commodities.

G. Certainly she must; either by the Balance of Trade going against her, when she would have nothing wherewith to pay

[1] See pp. 394, 395.

it but depreciated silver; or else by having to send more goods at continually falling prices.

W. As to the Indian shippers being saved from loss, that can only be, as you said in our first talk,[1] Harrop, by silver falling equally with, or more than, other commodities.

G. No doubt. Suppose a certain quantity of Indian commodities, producing nett in London £2, and giving in exchange (in the days before 1873) 40 rupees. If the fall of silver—call it 50 per cent.—is now equal to the fall in the commodity, it is clear, as we have already seen, that the nett proceeds, though fallen to a £1, would produce the same 40 rupees.

W. But this state of things may not last.

G. No. But think where the Indian shipper would be if the rupee should really be fixed at 1s. 6d., and the Mint closed. Then, if his produce should fall 50 per cent. through continued appreciation of gold, he would be in evil case. He could buy silver, it is true, and very cheap, but he could not get it coined; and instead of receiving 40 rupees, he must be content with 13 rupees 6 annas.

W. That would check exports, and, as you say, turn the Balance of Trade against India.

H. Suppose the fixing of the exchange to be possible, the Government might fix a lower rate for the rupee—14d. or 1s. Then the difference would not be so great.

G. True. But the lower it goes the worse for the Indian Government—and for the taxpayer.

W. The whole question depends, does it not, on the assertion that the demonetisation of silver, and consequent appreciation of gold, affects trade adversely?

Falling Prices.

G. To be sure it does; and unless any one is prepared to deny that a period of falling prices, lasting already seventeen years, does adversely affect trade, it must certainly affect adversely all railroad securities; and the falling off in dividends in the case of individual shareholders, and the diminution of the security on which debenture-holders and mortgagees have to rely, are very poorly compensated by any ill-defined gain

[1] See p. 15.

which a general appreciation of the measure of value may possibly be given to private individuals.

A tendency to a rise of price, stimulating and kept in check by increased production of the commodities affected, is a characteristic of healthy trade. A continuous and long persisting fall in price is a note of decay.[1]

You know what David Hume said about it. David Hume.

W. No, I don't. What was it, and where?

G. In his Essay on "Money," 1752, he says:—

"If prices rise everything takes a new face, labour and "industry gain life, the merchant becomes more enterprising, "the manufacturer more diligent and skilful, and even the "farmer follows his plough with greater alacrity and attention. "If prices fall, the poverty, beggary, and sloth that must "ensue are easily foreseen."

H. I take it that somebody must be the worse for the rise.

G. No doubt. As M'Culloch says:— M'Culloch.

"Though like a fall of rain after a long course of dry "weather, an increase of the precious metals may be pre-"judicial to certain classes, it is beneficial to an incomparably "greater number, including all who are actively engaged in "industrial pursuits, and is, speaking generally, a great "public and national advantage."

H. The fixed incomes are now virtually paid in gold, or in other words, represent commodities now purchasable at gold prices. There we have some of the sufferers.

G. It is true that the events of 1873 gave them an advantage for which they never bargained. They have been quite justly entitled to this unearned increment all this while, whatever it may have been worth to them; but they are not entitled to demand that the mortgagor, and the State or person who pays the fixed income, shall not in his turn have the chance which fortunate legislation adopted for the general good may give him.

H. "Whatever it may have been worth," you say. It was worth this, that they got their goods cheaper.

G. Yes; if they wanted to buy goods (wholesale). But if they wanted to invest their surplus income: Consols are at 99 and they will be at 113 or 114 before they stop if Commerce goes on in its present line. *Is* that so great a gain?

[1] See pp. 238-40.

Bankers.

H. You say you are pleading the cause of Commerce. It appears to me that you will find the generality of bankers, who are certainly a potent factor in England's commerce, in the opposite camp.

G. Probably they also may suffer in some slight degree. Our protective policy has hitherto given them an advantage or what seems to them an advantage; and no doubt when it is withdrawn they will feel it, and will cry out—at the Conference and elsewhere. But what then? Commerce does not begin and end in Lombard Street. The banks are but the handmaids of Commerce—very useful ones, I allow.

H. You will find Lombard Street a very important power in the matter.

G. I *have* found it—more's the pity! They believe that they would lose by the change. I don't. They think they gain by the present condition; but it would be difficult for them to show it in plain figures in their profit and loss account. I have no doubt they lose by it. A 2 per cent. or 2½ per cent. discount rate[1] suits no banker; and such rate is, I repeat, an indication of depressed trade. Bankers live by the prosperity of their customers, and a restoration of that prosperity would be an increase of prosperity to them. However, Lombard Street has chosen to put itself shoulder to shoulder with the men who live on their interest, and toil not, neither do they spin. No doubt they will fight, and fight strongly, for their own hand. I am sorry that too many of our statesmen take their orders from them, and elect to support the drones against the working bees. *I am for the working bees; and I shall win.*

H. Statesmen? You know enough of that breed of cattle not to expect much from them! They haven't time now-a-days to look into such questions for themselves. Very few statesmen are, or even pretend to be *leaders*. They are all conservative by nature. Most of them, while their power lasts, and, if possible, while their lives last, anxiously conserve every mischief done by themselves or their predecessors. It may bring trouble on the nation, but it saves *them* much trouble. *Après eux le déluge!*

G. Bravo! Is Saul also among the prophets?

H. Ah, I fear I have made a temporary lapse into your mode of thought. Evil communications! After all, what I mean by it is that we must all wait for "pressure from without". I

[1] 1 per cent., June, 1894.

admit that it causes both sides to do some bad things; and it is amusing to watch their struggles to justify them. Sometimes a good thing creeps in unawares.

G. That's what *our* good thing will do. You will have plenty of pressure before long.

But meanwhile let us talk of the British cultivator, who is one of the working bees of whom I spoke. You say we should hurt him also, in company with all other English consumers.

H. And the manufacturer!

Consumers.

G. I'll come to his specific case presently: we are now talking of the general case of the consumers. No doubt those who like things cheap are more in number than those (if any such there be) who like things dear, and they have the power in their hands. But in that power-holding class there is enough intelligence to know that it is of no avail to have things cheap, if they have not wherewithal to buy them. To use your sixpenny illustration.[1] It is bad if a man has to pay sixpence a week more for the bread of his family, but worse if that which helps him not to have to pay it is the cause of his earning a shilling a week less wages; worse still if it helps also to throw him out of work and to have no wages at all. It is no wonder if he, too, cries out.

Wage-earners.

W. No doubt; but still that matter of the wage-earner puzzles me. You say that he cries out if employment decreases; and I dare say he does; but surely you won't say that he would not in any case be hurt by a rise in the price of commodities—say of bread?

How far Rise or Fall of Prices affects them.

G. Of course he would; and of beer, and of all food, and of shoes and coats and shirts, and everything else. So should we all, even the contemned producer, who is as much a consumer as any of us. It is all a question of *how much* the wage-earner will feel the hurt. And first comes the question, to which I referred just now, whether a small rise in the price of commodities will ever reach him at all; and a very difficult question too. It is probable that it does reach him in most cases, but with much diminished force; and it is usually a very long time on the road.[2]

H. But bread—the staff of life! That is, for the poor man at least, of much more importance than the other things you mention. He may go in rags, and have holes in his boots;

[1] See p. 94. [2] See p. 266.

he may even get no beer to drink if Sir Wilfrid Lawson has his way; but he must have bread.

Prices of Wheat and Bread compared.

G. No doubt; but the question before us is not whether he should or should not have bread to eat, but whether the increase or diminution of the cost of wheat does so far affect the price of bread as to do him real harm or good.

W. I suppose, as you say, it can't all come down to him.

H. I think none of the harm should come down to him; and of whatever good there is he should have the benefit.

G. Whatever you may think or wish, you may depend upon it he will have his share of both, in the nature of things. It is very difficult to get at the price of bread. It differs in different counties and towns, and even in different parts of London; but it will be fair enough if we take a single place. Look at these figures.[1] You will see that while wheat fell 24 per cent.—from 39s. to 29s. 1d.—bread fell but 9 per cent.—from 5½d. to 5d.

W. That, I see, is for about eighteen months. You should take a longer time, I think.

G. Yes—or a shorter. From 18th April to 25th April, 1891, wheat rose 13d. per quarter—4¾ per cent.; and the 4 lb. loaf rose ½d.—9 per cent. If you want a longer time, take a few years from 1839 to 1893. These are Mr. Chadwick's averages[2] —all taken, as were the others, from *The Middleman in*

	Bread per 4 lb. loaf.		Wheat per quarter.	
[1] 18th April, 1891,	5½d.		39s.	
25th „ „	6d., 9·09 per cent.	rise.	40s. 1d., 2·7 per cent.	rise.
23rd May, „	5½d., 8·3 „	fall.	39s. 6d., 1·45 „	fall.
21st Aug. „	6d., 9·09 „	rise.	40s. 3d., 1·9 „	rise.
10th Feb., 1892,	5½d., 8·3 „	fall.	32s. 3d., 25·8 „	fall.
30th April, „	5d., 9·09 „	fall.	31s. 3d., 3·1 „	fall.
3rd Sept., „	5d.		29s. 1d., 6·93 „	fall.

	Bread per 4 lb. loaf.		Wheat per quarter.	
[2] 1839 .	8¼d.,		70s. 8d.	
1849 .	6d., 29·411 per cent.	fall.	44s. 3d., 37·3821 per cent.	fall.
1859 .	5½d., 8·3 „	fall.	43s. 9d., 1·13 „	fall.
1887 .	4¾d., 13·63 „	fall.		
1893 .	5½d., 15·789 „	rise.		

The *Corn Trade Year-Book* for 1895 gives the world's production of wheat for six years as follows:—

	Quarters.	Price in England.
1890 .	285,500,000 . . .	31s. 9d., year's average.
1891 .	308,000,000 . . .	37s. „
1892 .	305,170,000 . . .	30s. 4d., „
1893 .	314,054,000 . . .	26s. 4d., „
1894 .	320,365,000 . . .	22s. 9d., „
1895 .	311,490,000 . . .	23s. 6d., ten months' average.

Agriculture, by R. H. Rew, Journal of the Agricultural Society, IV., 1—showing falls in wheat of 37½ per cent., 1·13 per cent., 16·952 per cent., and 30 per cent.; the corresponding prices of bread showing falls 29·41 per cent., 8·3 per cent., 13·63 per cent., and a *rise* of 6 per cent. Happy bakers!

W. Perhaps it is not the baker who prospers at the expense of his customer. They *do* say that "the dust of an honest miller's coat will cure all ills"!

G. Very hard on the miller! He is no worse than his neighbours. He has his own middleman to deal with. If you were to eliminate the baker, and make your own bread, your comparison would then have to be between the cost of *flour* and the cost of wheat.

W. In some cases, I think, a change of price does reach the wage-earner pretty quickly. I remember a rise in the price of beer being felt all over the country immediately on the delivery of Childers's Budget speech.

G. Beer is perhaps an exception to the rule of sluggish change of prices in the retail trades. It is more of a monopoly than many articles of consumption are. The great brewers rule prices, and the distributors are mostly dependent on and in touch with them, and readily respond to the movement at head-quarters. Moreover, beer is necessarily bought by the poor consumer for immediate use, and is always sold in suitable quantities. One of the causes why a fall or rise of price is slow to reach the small consumer is that he cannot buy to store; and the housewife who never buys more than a quarter of a pound of sugar (for instance) at a time, has to pay as much when sugar (to use your illustration again, Harrop)[1] is at 2½d. as she does when it is at 3½d. or 4d.

W. That was the first question—whether a small rise would affect her. The next was . . . ?

G. Whether, if the rise did reach the wage-earner, he would be the worse for it? Harrop says the consumer wants things cheap, and that the wage-earning class are the majority of consumers. So they are. He scoffs also at the producer; but he forgets that *the wage-earning class are the majority of producers also*, and that as production diminishes their earning-power decreases. The man whose wages fall off would be willing to see commodities dearer, if only his wages were

[1] See p. 94.

higher. The man who earns no wages at all takes mighty little interest in the price of bread. Your good intentions, Harrop, send him to the workhouse, where others have to feed him.

H. But I say again the wage-fund has not diminished, nor has the cheapness of commodities materially lowered the rate of wages.

G. I have never heard any one say that it had; but on the question whether the rate had fallen there was a conflict of evidence before the Royal Commission on Trade. There would be none now, even though for certain skilled workmen the rate still keeps up. What else is the cause of the strikes of which we hear so much now-a-days? The rate argument is delusive; for we must also consider whether as many of a family are employed as formerly.

H. That may be; but how about the wage-fund?

G. Cheapness of commodities would reduce the profit on production, which is part of the wage-fund. You think it is not reduced, but, even if I could admit that, I should still contend that the industrious classes would have been *better* off, than you say they are, if they were not thus handicapped, and if the medium of commerce were put on a better footing. I won't here try to decide the point between rival economists, and settle whether there is or is not such a thing as a wage-fund; but of this I am quite sure, that if a farmer or manufacturer can't make both ends meet, he must either reduce wages or men. In this year of grace, 1893, he is reducing both, as he has been for some years past.

S. I have heard that the men actually employed get the same or even higher wages than they used to do.

G. Well, you all three seem agreed that wages had not been reduced, and, that if they had been, the rise in the purchasing power of money more than compensates. But both statements are against the great weight of evidence, both before the Royal Commission on Depression of Trade, and before that on Gold and Silver. Read Mr. Fielden's evidence before the latter, as yet uncontradicted.

We learnt in those Commissions that though in some special trades wages had not fallen at all, and though in most trades the *rate* of wages had not fallen, yet the whole amount paid had very greatly fallen; also that, except perhaps in the case of bread, the fall of price had not penetrated, or had scarcely penetrated to the retail trade. To prove wages have not

fallen, it is not sufficient to say that Brown, Jones and Robinson, skilled hands, are in receipt of as high or higher wages than before, if by the same movement Smith, Wilson and Taylor are turned out of employment.

H. Your wage-argument is the old Protectionist one. The wage-fund grows, and is growing, out of savings—that is, out of increased wealth; and I believe that wages have actually risen.

G. It *is* the old Protectionist argument, more or less; it may have in that case been wrong, but right in this. The savings, I suspect, come from idle capital, not from industry. Wages, for reasons quite independent of the currency, have been rising in proportion to work ever since 1846. But as far as they are affected by the currency they have fallen since 1873. By wages I mean those of men employed in what is called reproductive labour—that is in the production of commodities useful to the world, not those of footmen or grooms, or such-like unproductive beings.

H. You have now to come to the manufacturers, as you promised.

Manufacturers.

G. Well, now for the manufacturers. Your argument as to them is like your argument about Indian exports.[1] It is in essence that of Mongredien, which may be thus condensed—The greatest blessing that England can have is a disastrous harvest. *Then* we have to buy large quantities of wheat from abroad, and, thank God, we have to pay for them! and our payment is in our manufactured goods. Thus our exports and imports swell, the volume of trade increases, and our prosperity advances by leaps and bounds!

H. You put it quaintly, but that is more or less what I mean.

G. It is true that the *volume* of trade affects the wage-earning class immediately: but it is also true that in the long run, and that not a very long run, the loss of profit on capital, of which you speak, and the loss of capital, of which you don't speak, but which extends farther than you know or are likely to know till you possess a mill or a farm of your own, affects the working classes more than any other class.

S. But you don't mean to tell me that a manufacturer will go on year after year working at a loss?

[1] See pp. 260, 261.

H. And you don't mean to tell me that the working man is the real sufferer? He must gain, for he at any rate earns his daily bread.

G. We'll take the masters first (with apologies to *our* masters, the men). Try it yourselves. Fancy yourselves owners of a mill or a mine on which you had laid out £100,000, and on which you expect 5 per cent. interest and a profit. What will you do if on any 31st December you find no interest earned, and £5000 to the debit of your profit and loss account?

S. Hold on for better times. Go on with the "Dead Works" of which you told us the other day, in Faith and Hope. "Dead Works!" How Calvinistic it sounds!

G. Quite so. They all go on; and if there is £10,000 to debit of profit and loss the next year? and the next? and so on?

S. Of course a time must come when one gives up the game.

H. When that becomes imminent, you retire and sell your mill?

G. Exactly; and realise your loss. But for *that* a buyer is necessary; and when you have found him you propose to put him into your shoes and set him to slide down the same inclined plane on which you yourself were placed. What does it signify to the country whether you or Jones own the mill? You have made the loss; and English trade is the loser. Jones would lose less, perhaps, but it might be only because he had less to lose, having paid you what you appeared to have remaining to the credit of capital, minus a heavy discount for the risk.

H. But you may close your mill?

G. People cannot close their businesses; farmers, traders, miners, manufacturers, never do so in real life till their business closes them. They may at any time abandon—*i.e.*, make a total loss; or they may shut up for a time, lose interest on the crumbs of capital which remain, and hold on with a hope—perhaps a vain hope—that times will mend. Now this is what has happened, and is happening to farmers all over the country. They have lightened the ship from time to time by throwing overboard one or two labourers, but they have only postponed the evil day. Their capital has melted away, and they are left lamenting.

W. But the labourers find employment with a new tenant, or with the landlord himself if he cannot let his land, so *they* do well.

G. Yes; the residue of them. They are, so far, better off than the mill hands. The *master* of these leaves off, perhaps, when he has lost two-thirds of his capital, and lives in comparative poverty. The *man* loses his daily bread, and starves. The masters know it now; ask the members for Manchester —ask Mr. Fielden, who has been both man and master; and the men won't be slow to know it, indeed large numbers know it already; and, as you say, the *argumentum ventriculosum* will have more weight than any scientific argument.

H. That is all very well, but why do the number of cotton factories increase every year, and why is new capital put into the business?

G. This is the story of Charles II. and the Royal Society over again. The answer is, that they *don't* increase; and new capital *isn't* put in, unless, as I suggested just now, in partial replacing of old capital lost. You may afford, or think you may afford to put £10,000 into a business which has cost its former owner £30,000; but that is not *additional* capital put into that class of undertaking. £20,000 formerly employed in it has been thrown into the sea.

H. I want to hear more about the agriculturists. I know what you say as to the cause of the mischief, so far as it depends upon monetary laws; but on whom does the lash fall? On the landlord, I suppose. Well; we can't legislate for a class, and that a wealthy class. Agricultural Depression.

G. Nor against one, I hope. What do you mean by landlords? Wealthy men, perhaps. But you must not forget that there are small landlords as well as great ones; and that your friends in Parliament, Harrop, profess to wish to extend the blessings of landowning far and wide. If the great landowner finds that he can't make both ends meet, your small one will be in evil case.

S. I suspect that they would soon lose their money, sell their land to greater neighbours who have other resources, and cause the whole thing to return to its present state.

W. There are some small landowners who *can't* sell their land. How about the clergy, Gilbertson? The country parsons are small landowners for the most part.

S. And are dependent on land even when they don't own it. So are their flocks, the poor as well as the rich. Impoverish the parson—make him poorer than he now is—and you still further impoverish the poor. The poor live by the land, they earn their wages on the land. If wheat can't be grown on the land its odds that they lose their money if the land is their own, or lose their wages if the land belongs to those who would employ them could they afford it.

W. Less and less wheat is grown every year in this country; and I have heard that for every 200 acres turned from arable into pasture six men are turned adrift;[1] and more, of course, if the land goes altogether out of cultivation, as is the case, I'm told, with thousands of acres in Essex and other eastern counties.

G. Yes; the average is said to be six. It all depends on the soil: some soils need more hands, some less. The most important manufacture of England is being ruined, and one source of its ruin must be sought, as I have shown, in the demonetisation of silver, but our Gallios care for none of these things!

[1] NOTE.

	Acres.
The number of acres under wheat in 1892 was	2,219,838
in 1893	1,897,524
Converted into pasture	322,314
The total number of acres of arable land in 1892, including corn, green crops, clover, sainfoin, etc., was	15,550,410
and in 1893	15,512,275
Converted into pasture	38,135
The total number of acres of arable (including the same crops) in 1873 was	18,186,691
and in 1893	16,151,142
Converted into pasture during 20 years	2,035,549

So that, on the above computation, more than 60,000 men must have been driven off the land and forced into the towns to struggle for wages with a continuously increasing population, or else sent to swell the ranks of the unemployed.

4th June, 1894.	Acres.
Since then the wheat acreage has been, 1894	1,927,982
1895	1,417,483
1896	1,693,957
1897	1,889,161
1898	2,102,220

So that, while the diminution in 1895 was no less than 802,345 compared with 1894, it has recovered in 1897 to 330,677, little worse than 1893, and in 1898 is no more than 117,607.

H. Where does the parson come in? You were talking about him, and went off at a tangent. The Clergy.

G. The parson! He is the small landowner *par excellence*. His glebe is producing 25 to 50 per cent. less than it did; he can't let it, and if he tries to cultivate it himself, either he has capital and loses that, or he has no capital and cultivates at a loss. I am speaking of the country parson.

H. But they haven't all got glebe, and certainly do not all depend upon glebe.

G. No, indeed. The rectors have tithe; and some of the vicars have *some* tithe; and the money returns of the tithe depend upon the value of one crop, to wit, wheat (and we have seen how that treats them).

H. Even in their case, which is, I admit, more pitiable than that of the wealthy landlords, we must not legislate for a class.

G. Nor against one, as I said before; and when you find one class suffering without any corresponding benefit to another class, you know that England is injured. If you have injured the landowning class by your monetary legislation, it would be a point of wisdom to endeavour to redress the injury. There may be some few of the "wealthy landlords," as you ironically call them, who don't feel the fall in the rents paid, or the lack of rents unpaid; but the great majority of them have to cut down expenses. When the squire retrenches, the labourer lacks work, the parson lacks the aid he used to get in attending to the needs of the poor. The contributions to charitable purposes are lessened, the subscription to the school falls off ——

H. There is always the School Board.

G. You say that quite in the tone of Mr. Scrooge. "Are there no workhouses?" "Are there no prisons?" But School Boards, like those other luxuries, cost money, you know, burden the rates, and add to the trouble. It is the poor man who suffers most in the end, the poor parson, or the poor parishioner. If I were a labourer, whether field-hand or artisan, I would consider whether my vote was of value or not: and when an election came on, if any candidate did not promise so to vote as to lighten my troubles, I would—know the reason why.

W. But the parson? He has but one vote, like the rest; and that does not count for much.

G. The parson and the peasant have common interests, and will make common cause. To whom does the parishioner turn in trouble, for advice, for assistance, and not only for spiritual but for temporal help? To the parson of the parish. Rosebery says that every manse is a centre of Toryism. Be that as it may, I venture to say that every parsonage should be a centre of Monetary Reform—a centre of Bimetallism.

W. I think there is a great deal in what Gilbertson says.

H. So do I—to this extent: that if the parson and his parishioners come to take his view, we, on both sides of the House of Commons, will have to give the matter more attention than we have hitherto done—or *they* will know the reason why.

S. Then there are the Colleges of Oxford and Cambridge. I suppose they too are among the sufferers.

G. I have been talking just now chiefly of clerics; and the colleges are no longer exclusively clerical. But, lay and cleric alike, they will suffer, with all landowning corporations.

H. They are landlords; and must sail in the same boat as their brethren.

G. Under what flag? The Bimetallic flag, if they are wise.

W. "Party per pale, *Or* and *Argent*."

H. Under whatever colours, they can't call themselves *small* landowners.

G. No—nor wealthy ones. Ask any Fellow of a College how his income of 1893 compares with his income of 1873. They depend entirely upon land, and suffer with the other landowners from all that has depressed agriculture; and with them all labour suffers; agricultural labourers directly, and artisans indirectly.

S. Protection would set *them* up, whatever it might do for others; but that they won't get.

G. Not till two Sundays meet, as they used to say in the nursery! But Bimetallism they *will* get, if they cry loudly enough; and that would do much towards setting them up.

H. Perhaps so. I am not convinced as yet. Let us hear

about the farmers. Landlords, no doubt, feel the present state of things in the lowering of their rents, particularly if their estates are heavily mortgaged. But how do their tenants suffer? Rents are reduced; tithe rent-charge reduced; wages, you say, reduced; prices on all they have to buy gone down; local taxation and income tax follow rents. I don't see that they are hurt.

G. *They* do, and not only see it but feel it! My dear friend, if all your statements were accurate, and if the reductions on the one hand and the low prices of farm produce precisely synchronised, they might live. But they don't synchronise, and there is plenty of time in the interim for the farmer to be ruined. As a matter of fact, they are failing all over the country, and in many places they would fail if they had the land for nothing. Morley's "golden grain" refuses to "wave over" Essex clays, and the land goes out of cultivation. How do you account for it, if not in my way?

H. Improvidence, I suppose.

G. They are not more improvident now than they were in 1870. Your reductions are very doubtful. You yourself say that wages are *not* reduced. *Rating* follows rents; but *Rates* do not. *They* increase. You mention the landlord's mortgages. Are not tenants also working on borrowed money? *They* have to pay their interest as well as the landlord has to pay his. If he can't he fails; and when they can't *they* fail. Not all those other things which you think are reduced have had any reduction. Railway fares and freights rather increase than diminish; drink and smoke cost as before; bread, if reduced at all, has not been reduced in proportion. All contributions to clubs, unions, etc., which are now-a-days deemed a necessity, stand at their old cost; readjustment is always coming, but does not come, or comes too late.

H. Supposing all this to be true, yet I must go back to the belief that your remedy may be worse than the disease.

G. It may; but I find no trustworthy evidence that it would be.

American Monetary Policy.

W. Let us come to another branch of the subject. You have attributed all the good, and most of the bad, to the Latin Union, who maintained the par of exchange for 100 years, and then, in 1876, destroyed it with a stroke of the pen. Surely the United States must bear some of the blame seeing that they also closed their Mints to silver about the same time.

G. No doubt they must; but who it was that was to blame is not known. It was done by a sort of "inadvertence," as the United States Delegates described it at the Conference of 1878; and it is said that President Grant did not know it when he assented to the law. The country has been in turmoil and trouble ever since, this being the chief bone of contention between the rival parties, and the cry of both sides being for "Sound Money".

W. What is "Sound Money"?

G. Ask Harrop. He will tell you "The Gold Standard, of course," meaning thereby "Gold the only legal tender". Chorus of Lombard Street bankers and Board of Trade officials, so many of them as know nothing about foreign trade, "Gold the only legal tender". And then will come a faint echo from Wall Street, "Gold the only legal tender—except dollars, and except silver certificates".

H. Not so very faint, I think. If all tales are true, there is no little enthusiasm for the Gold Standard, and a strong opposition to the clamour in some parts of the country for the free coinage of silver.

G. Quite so: it's all a question of definition. They gloss "Gold Standard" by "every dollar—silver or gold—to be equal to every other dollar". That's Bimetallism. The question is how to bring it about. The silver men say "Nothing is more simple: free coinage of silver at 16 to 1, and there you are"! Yes, that's Bimetallism; but it is National and not International Bimetallism, and carries its own dangers with it, some political and therefore real, and some imaginary. I think[1] it very doubtful whether they will get it; but if Europe should persist in refusing to join in an International Agreement, the "Free Silver" party in the United States *may* get the upper hand, and force the situation.

W. I wonder how Lombard Street will like that?

G. I wonder how anybody in Europe will like it?

W. You would, I suppose?

G. H'm: I should have to think about it. I should not like the suddenness, nor England having no finger in the pie. Remember our second day's talk[2] and your own ingenious

[1] See p. 396. [2] See pp. 38-41.

contrivances for minimising the danger. But this is one of the political questions of the day in the United States, and on such matters it is difficult to prophesy. There are half a dozen people in New York who would adopt *our* system, but they are of no account.

I guess that when the struggle comes at the next Presidential Election the silver men will be defeated, the *status quo* (which is by no means our system) maintained, the whole country crying out for free coinage of gold and silver as legal tender under an International Agreement—that is, for true International Bimetallism—and then we shall have the London Press throwing up their caps, and crying: "Great is Diana of the Ephesians! Hurrah for the victory of gold."

W. We shall see how your guesses turn out. I remember that you told us the other day that the Americans were zealous for an International Conference and a Bimetallic Agreement. I am sorry to say that I know almost nothing of the United States monetary matters. What were their old relations to silver? Did they produce much in early days, and coin much?

G. I think I can tell you pretty accurately. They were a "silver country" from the beginning of their independent existence in 1782 until 1873; but no amount of silver of any importance was produced in the country till 1861,[1] and very little coined; the money of commerce and the practical monetary unit being in their early times the Spanish milled dollar, and still continuing to be so for many years notwithstanding the establishment of a Mint by the Act of April, 1782.

W. But when they had a Mint of their own, and dollars of their own, surely the home-made dollar must have been the unit, mustn't it?

G. The home-made dollar was identical with the Spanish dollar—the same weight and fineness, but with a new image and superscription. So the Spanish dollar may be said to have remained the unit, until the Act of February 1857 took away the legal tender of this and of all other foreign coins (the French crowns and five-franc pieces, and the dollars of Peru, Chili, Bolivia, Mexico, and Central America, estimated at $75,000,000 in all, legal tender at various times) and made the United States dollar the only legal tender coin.

W. That was a very small amount with which to carry on

[1] $2,000,000 produced and coined in 1861, which was much more than the whole production or coinage of the previous sixty-eight years.

the commerce of the United States; for I have heard say that they coined no more than $8,000,000 in all down to 1873; and the Monometallists say that in that case the demonetisation of silver could have done them little harm.

G. Accuracy is not the forte of those gentlemen! It is true that no more than $8,000,000 were coined; but there were no less than $77,000,000 coined in half dollars, quarter dollars, dimes, and half dimes, all of which were full legal tender until 1853. Besides, *you* know better than to think that the mischief of demonetisation was limited by the amount of metal coined in the country.

W. So then the United States were "on a silver basis" all that time. Did any harm happen?[1]

G. No historian tells us of any; but we must remember that though the silver dollar was the unit till 1873, when the gold dollar was made the unit of value, there was plenty of foreign and home-coined gold money in the country, and that all of it till 1857, and the home-coined to the present moment, have been full legal tender.

W. So that all that time, though "on a silver basis," they were under the Bimetallic Law.

G. Yes; until 1873, when they followed a multitude to do evil, and so far demonetised silver that while they maintained its quality of legal tender, they closed the Mints to its coinage for the public.

H. I must say that I never knew so much of American Monetary History before.

W. Nor did I; but there is a thing which I often hear said out of doors on this question: "The whole agitation is got up," they say, "for the benefit of the silver-men—the silver-mining interest in America". What do you say to that?

G. They are a powerful interest in that country, and, of course, they fight for their own hand, and do their best to persuade, or coerce, their own Government; as, indeed, they have shown in the Bland and Sherman Acts. But what have we to do with them? We don't desire to benefit them as silver-producers. We don't even desire to protect our own fellow-subjects in Australia, who are silver-producers.

[1] See p. 348.

H. They are gold-producers too.

G. So are the Americans. The produce of the precious metals in the United States during the year 1892 was—silver £15,675,700, gold £6,780,964; and in the five years, 1881-1885, silver £448,000,000, gold £297,000,000. Though, indeed, while we are about it, I don't see why we should not protect silver interests as well as gold interests, Australians as well as Africans—and Mr. Pritchard Morgan!

W. What do you think of the Bland Act and Sherman Act?

Bland Act and Sherman Act.

G. Harrop just now suggested that the French knew their own business best; and so, I suppose, do the Americans. But as far as a stranger can see its merits and demerits, these Acts seem to have been a half-hearted compromise.[1]

The United States were, as I have said, a Bimetallic country from 1792, when they first coined money, till 1873,[2] when the coinage of silver was forbidden to the public "by a sort of inadvertence," as the United States delegate described it to the Conference of 1878. They had tried this experiment for nearly five years, when the agitation for the return to free coinage of both metals with legal tender became formidable. The first compromise was an attempt "to do something for silver," and was made in April, 1878, when under the so-called Bland Act the Treasury was bound to buy at the market price (practically the London price) not less than 2,000,000 and not more than 4,000,000 ounces a month, paying for them in notes (silver certificates) redeemable in silver on demand; such notes to be legal tender in public offices. They were in practice freely accepted then and now in all payments throughout the Union. The agitation continued, as it still does, and a further compromise was invented in the Sherman Act of 1890, whereby 4,500,000 ounces were to be bought, and have been bought, every month, and paid for in "Treasury notes," legal tender by statute, and redeemable on demand either in silver or gold at the option of the Treasury.

W. That's very near Bimetallism, isn't it?

Mock Bimetallism.

G. It is a Mock Bimetallism, another variety of pseudo-bimetallism. "Truth is but one, and error manifold." There are several more of them![3] In this one there is a superficial likeness in one point only, *viz.*, in the option given to the

[1] See p. 346.

[2] The suspension of cash payments during the Civil War made no alteration in the law of coinage and legal tender in coin.

[3] See pp. 315-17.

debtor, *i.e.*, to the Treasury, to pay in either metal; but the Secretary to the Treasury practically effaced that likeness by declaring his intention of paying in gold.

W. What in the world did he do that for?

G. The object, as stated by him, and since by Cleveland, was to maintain the parity between gold and silver money; and this, futile as it was, has been, as yet, in his sense successful.

H. Why, that is what you want to do. Why do you call it futile?

G. Not at all what I want to do. The Sherman scheme, far from being Bimetallism, was an attempt to maintain parity *without* Bimetallism. The parity which they have in the United States is a *National* parity between the *coins*, not between the metals, and how long they will be able to maintain it, time must show. As yet it has had but a short life, and has never been tried before that I know of, nor can be productive of any good that I know of. What I desire is *International* parity, obtained by means that have been tried, and successfully tried for a century; and which produce the effect of a practical equality at a ratio between the metals serving as money to the commercial world.

W. The United States succeeded in their object, such as it was.

G. I don't know that. Their object must have comprehended another thing, the maintenance of the price of silver for the benefit of native industry. They have seen the price go down from par to eighty-three cents.[1]

W. I need not ask why they could not maintain it, though France could. They had not the open Mint, and unlimited coinage for public account.

G. No. If they had had, the price could not have fallen within the country; nor without, so long as the law lasted.

W. You were talking, Smail, about a rise of prices consequent upon an increase of the measure of value. That would begin, if it took place at all, in the States; but I thought we had agreed that almost all the existing silver was in use.

[1] It fell afterwards to seventy-two and a half cents, while the law was still in force.

S. I suppose there must be some idle silver; *i.e.*, metal not at this moment used as money, and therefore liable to be added to the measure of value if the Mints were opened? "Idle Silver."

H. You told us once that all the existing stocks of the precious metals were money[1]—"potential money," I think you called them.

G. White did, and so they are under a Bimetallic Law; but they are in a sense actual money, even though uncoined, being, as I said before, quite as good as coin for international payments. No silver, therefore, and no gold, can be called absolutely *idle*, though some being less available and some more, have accordingly less or more influence on the mass. The only silver that any one can suppose to be idle is the "official stock" in New York, and that which is either on the way from the mines or in temporary deposit with bankers. The first amounted to 7,000,000 ounces two or three years ago, and is now [2] 160,000 ounces; and the second, which was estimated at 6,000,000 ounces, is now probably about 150,000.

W. Why should the second be less than the first?

G. The official stock is a deposit against warrants easily negotiable, and on which advances are made; and so far, therefore, as advances *are* made on it, it is *not* idle; but the other either earns no interest at all, being on the way from the mines, or is but a temporary deposit, and therefore is the first to be sold to the Treasury, and is thus kept lower than the "official stock".

By-the-bye, *perhaps* we may really count as idle the existing profit to the Treasury accruing in silver from the purchases under the Sherman Act of 1890; though if that also were coined, or issued on, it would fall into the circulation as the profit under the Bland Act has done, and would be no longer "idle". Profit through Seigniorage under Bland and Sherman Acts.

H. "Profit"! What can you mean? Don't we hear everywhere of the portentous *loss* which those purchases are bringing upon the United States Treasury? Why, they have bought myriads of ounces at a high price, which they could not sell even at the miserably low prices of the present day; and you talk of their *profit* on the transaction!

G. They could not sell them *at all;* and, I suppose, will

[1] See p. 58. [2] September, 1893.

never desire to sell them. They are, so far as they are represented by notes under the Bland Act, a part of the circulation of the country. A man's life-blood is worth very little in the market; but without it he dies. You must not look on the State as a merchant who values his assets on the 31st of December, and writes off the adverse balance to the debit side of profit and loss.

H. Surely, after what you said[1] just now about these Acts, you won't contend that they were beneficial to the State.

G. Certainly not. The people of the United States are the best judges of that; and I dare say they will come to a right judgment before long. What I contend is, that however disadvantageous they may be to the country generally, there is, at the worst, no calculable pecuniary loss to the Treasury.

H. What, not when they give gold for depreciated silver?

G. We'll come to the gold presently.

W. I think there must be a loss, even though it be not precisely calculable. But you talk of a *gain*. What does that mean?

G. Some loss must fall upon somebody as the consequence of any impolitic measure. But the present tangible gain to the Treasury is easily shown. Let us take the Bland Act first, and suppose, by way of illustration, a purchase of standard silver at $1 an ounce.

You sell to the Treasury one ounce of silver (nine-tenths fine)	480 grains
The Treasury pays you for it $1 of . .	412½ ,,
Represented by a note redeemable in silver; and they remain with . . . . in hand, for which they have paid nothing.	67½ ,,

This surplus silver is called "seigniorage" in America, being "the difference between the price paid for the silver and the face value of the coins".[2]

H. Your cloud of words and figures is not thick enough to hide the fact that the Treasury has given a dollar for stuff which it could not now sell for more than $0·70, if for so much.

[1] See p. 247. [2] Report of the Secretary of the Treasury, 1892, p. 307.

G. I have no wish to hide that fact, which simply shows that if the Treasury could have waited longer the profit would have been greater; but they were bound by the law.

As to the loss you suppose them to have incurred; if you were the holder of the note given in exchange for the silver, you would know better. The only responsibility resting upon the Treasury in respect of that certificate is that of paying you on its presentation one coined dollar of 412½ grains. *You*, indeed, may find, if you remit your dollar abroad for sale at its gold value, that you are thirty cents or so to the bad; but the Treasury remains with the 67½ grains of silver in its pocket. I told you that the loss had to fall on somebody; and you are the man.

H. "One coined dollar," you say. But under the Sherman Act it is a gold one.

G. We are talking now of the Bland Act. We shall come to the gold question when we talk about tbe Sherman Act, under which the notes are to be cashed on presentation, either in silver or gold, at the option of the Secretary of the Treasury.[1] There, on the table, you will see the Secretary's report for the financial year ending 30th June, 1891. You will observe (p. xxx.) that the total number of ounces bought under the Bland Act, *i.e.*, from 1st March, 1878, to 13th August, 1890, was 323,635,576·19 ounces standard, at an average cost of $1·058 per ounce fine, *i.e.*, $0·9522 per ounce standard.

The ounce being	480	grains
And $0·9522 at 412½ gr. per $, weighing	399·65268	,,
There remains a profit to the Treasury of	80·34731	,,

which amount, multiplied by the number of ounces bought, gives a total of about 26,000,000,000 grains, *i.e.*, about 54,000,000 ounces, not paid for, and therefore clear gain to the Treasury. These are in active circulation, having certificates out against them. They *could* have been sold—if selling was in question—say on the 1st July, 1890, at the then price of $1·05 per ounce fine, *i.e.*, $0·945 per ounce standard.

W. There does seem to have been a considerable profit. But as to the seigniorage of the purchases under the Sherman Act; that, you say cannot be sold, and is doubly "idle".

[1] ". . . 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 at a parity with each other upon the present legal ratio, or such "ratio as may be provided by law."—Act, 14th July, 1890.

G. I didn't say so. I said nothing about it; but this reminds me that I must correct what I said some time back[1] about "*every ounce* being in circulation". So much of this silver as remains unused in the Treasury must, I suppose, be really counted as "idle silver". What I said just now was that the *circulation* could not be sold. The profit, or seigniorage, under the Sherman Act, forms a kind of reserve for the Treasury, and if the law should permit its coinage, or the issue of notes against it, it would certainly be no longer "idle," but would be a part of the active circulation of the country.

W. Before you go to the Sherman Act, I should like to hear about that "life blood". Why can't the circulation be sold? They could issue "green-backs" to take its place till gold could be procured by the sale of the silver.

G. You contemplate "with a light heart" the abstraction from the circulation of the rest of the world of some £50,000,000 sterling in gold, a sum which is, I suppose, a not excessive estimate of the sale value of the American silver, even under those adverse circumstances. It will never really be done; though of course anything can be sold, and any folly committed; but it is in the highest degree improbable that that particular folly would be attempted. A forced paper currency has often been issued, and for sufficient cause; but never, I think, with the object of making sure of a heavy loss.

W. Yes; the outcome would, I see, be a heavy loss; and the sales would not produce nearly enough to take the place of the discarded silver in the circulation. But now about the Sherman Act.

G. The story is nearly the same as that of the Bland Act; but the figures are larger, and the apparent profit more. I have not worked out the result up to the present day, because the line will not be drawn for the fiscal year in America till the day after to-morrow; but the principle will be quite intelligible without them.

The amount purchased down to 1st November, 1892, was upwards of 120,000,000[2] ounces of fine silver, costing $0·969 per ounce fine, or $0·8721 per ounce standard; and if you

[1] See p. 83.

[2] The actual sum was 120,479,581 ounces. The average cost of the silver during the currency of the Sherman Act was $0·82 (168,674,682·53 fine ounces, costing $155,931,002·25), the average price during the year ending 30th June, 1893, being $0·7569 per ounce standard. The average price for the four months after the repeal of the Act was $0·735.—March, 1894.

deduct the 360·136 grains which that fraction weighs from 480 (one ounce) you have a gain of 119·864 grains per ounce. You can do the sum for yourselves, and make out the total profit.

W. The provisions of the Sherman Act seem calculated to get rid of the gold.

G. No; not the provisions of the Act, but the good pleasure of its administrator.[1] When gold is asked for in exchange for Treasury notes, the Secretary has chosen, since the 1st July, 1892,[2] to pay gold, that is to say, instead of paying a silver dollar for a dollar note he pays a gold one.

W. Doubtful policy, I should say. I read somewhere that more than a year's issue of notes had been presented for gold, to be exported. If so, that would go far to account for the lack of currency, which, as they say, was the cause of the crisis in the States last August and September.

G. Hardly, I think. We may take it that Treasury notes will have been issued from 13th August, 1890, to the end of this month on about 155,000,000 ounces of silver, adding a corresponding amount to the existing currency. The withdrawal—if there was a withdrawal—of a year's issue (54,000,000), or even two years' issue, in gold dollars for export could not cause a *lack* of currency as compared with former years. The worst it could do would be to counteract the annual increase under the Act.

W. What, then, did cause the lack of currency?

G. There was no absolute diminution of notes consequent upon the export of gold, for the law there is not the same as our law. The Treasury notes presented and cashed in gold are not cancelled as they would be here. The Treasury buys them with the gold, and they become the property of the Treasury, representing the silver that was originally paid in for them. They are issuable,[3] and are issued in payment of the expenses of government. They have, indeed, temporarily left the pockets of the people, which, if the export were rapid, might cause a slight scarcity; but the real scarcity was caused by hoarding of the notes, and that hoarding was caused by panic fear, and that fear, so far as can be ascertained, by the

[1] See p. 280.

[2] Report of the Secretary of the U.S. Treasury, 1892, p. 12.

[3] ". . . shall be redeemable on demand, in coin, at the Treasury . . . and " when so redeemed, may be reissued."—Act, 14th July, 1890.

uncertainty of mercantile affairs under the influence of the McKinlay Act and its projected repeal, and, perhaps, also by the agitation against the Sherman Act, and the uncertainty as to its repeal.

W. The Treasury would apparently lose the difference between—stay; I'll jot it down on paper and see how it looks in black and white.

S. It's a little puzzling in oral teaching. So far as I can make out, both loss and gain seem imaginary rather than real—theoretical rather than practical.

G. Yes; and we may add another puzzle of the same kind. The note, we know, may be reissued; but it may be again presented, and the whole passage would be played over *da capo*. But there is no reality in the gain, unless the seigniorage is brought into the circulation, and no reality in the loss either. The notion of loss all rests on the fallacy of valuing the monetary assets of a State as a merchant or banker values his securities at the close of the year, and on the supposition that the balance of trade could be perpetually against the country.

W. Here is the whole story. The Treasury parts with a gold dollar, and remains with a silver one, and the difference has apparently to be set against the computed gain of which you told us just now of 67·5 grains. It is only a computed loss, and one that can scarcely in any case become effective.

H. That's all very interesting, but, when you come to apply your teaching to England, people won't believe in your superior virtue and superior power. They will see that you are hopelessly trying to do what the United States, with all their power, have tried in vain, *viz.*, to establish an international parity between gold and silver.

W. *National* parity was what they tried to establish, and did establish, though they would be glad enough to get *International*, which is what *you* desire. You told us[1] that before, Gilbertson.

Contracting Out.

H. So he did. I had forgotten it. Well, you won't maintain your double currency; people will say that you are giving an artificial and transient value to silver, and they will defeat you by making special contracts to pay and be paid in gold.

[1] See p. 280.

G. Why should they not, if they like, and if they can? You said, or Smail did, that that was what happened in the eighteenth century. It was not so, as I have showed you;[1] but, if it had been, I fail to see either defeat or harm.

W. I think, Harrop, you prove too much; and destroy your own argument. Your line throughout our conversations has been to show that the return to the law of dual legal tender would be disastrous; and now you tell us that it would be inoperative.

G. Yes; we are to be flooded with silver; and silver is to be sternly and successfully rejected. We are to be denuded of gold; and we are to assure ourselves by contract of having as much as we want. We are to be ruined by having our debts paid in silver, and we are to have perfect liberty to stipulate that we shall be paid in gold, and full power to enforce our stipulations!

W. I suppose we *should* have that liberty, and that power.

G. Of course we should. We may stipulate now, and might then, to be paid in wheat, or in Guinness's porter, if we like; and whatever the stipulation the law will enforce it if it is a possible one.

H. If then we may stipulate to be paid in gold and in nothing but gold, what, I ask, becomes of your Bimetallism?

G. What becomes of our gold standard, if you may stipulate to be paid in silver token coins, or in ounces of fine silver as of course you may if you choose? It remains absolutely intact; and so would Bimetallism under your supposed stipulation.

W. And you would have, to boot, the re-establishment of a par of exchange.

G. Yes; and in all probability all internal English commerce would remain just as it is now. Gold would almost certainly prevail in England as it does now—for pocket-money and till-money—because we are accustomed to it; not because Englishmen would care to contract themselves out of the law and oblige their buyers to pay in gold. That is the vainest of all vain imaginations. Did you ever hear of such a thing in France? Did you ever hear of a bill being drawn on a Bimetallic country payable in gold only. I trow not.

[1] See p. 22.

H. I can't say I did; but I am informed by a high American authority that it has, no longer ago than 1888 and probably since, actually been done in the United States, and that in all important contracts there was a covenant to pay in gold. This is owing to the fear that the American market would be flooded with their hoarded silver. Farrer says that people have contracted themselves out of the law both in London and New York. People will here equally protect themselves against your enforced silver currency, and a nice mess you will make of it!

G. There is no *hoarded* silver in Europe or the United States; there is, as I have said above, some that has been supposed to be *idle* silver. Nothing is more easy than to make assertions such as that of Farrer's. The difficulty arises when proof is required. I should like to have dates and full particulars of the transactions.

Farrer.

H. Farrer is usually very careful in his statements, and deprecates too confident assertion in these matters.

G. He and I have often agreed that we ought neither of us to be too cocksure; but I think we each of us mean that the other ought not to be too cocksure. Anything that Farrer says is well deserving of attention; but I observe that between monetary agnosticism and economic infallibility there is but a step. He is now, I am told, saying that he knows much better than the Bimetallists what it is that they really desire; which is—though they mayn't know it—to depreciate or degrade the standard of value, by fixing the relative value of two commodities, gold and silver, which is impossible.

W. Pity he was not a convive in this symposium! We at least know better than that.

S. If it is impossible, as he says, you can't hurt us much by merely desiring it.

G. You know very well what it is that we do desire, and that, wise or not, there is no impossibility in it.

W. I should think not! We have *done* this impossible thing. We *have* established, as you said, Gilbertson, a ratio of 14·29 to 1 between gold and silver. We are not allowed to have the silver coined for private account, and its legal tender is limited to 40s. These restrictions may or may not be wise, but they have no bearing on the *possibility* of establishing a ratio. What you do for 40s. you *could* do for £400, or £40,000.

Farrer says also, so they tell me, that England has prospered under a gold standard for 200 years.

G. Oh yes; he's cocksure of that too; Sir Isaac Newton's and Joseph Harris's testimony to the contrary notwithstanding.

As to his contracting out transactions they must have taken place, if at all, before 1873 in New York, and before 1798 here; but depend upon it they never took place at all. Until some well-attested instances are adduced, *I* shall remain cocksure of *that*.

As to your drafts on the States, Harrop, your example goes far to prove my case. The covenants you speak of were demanded because the United States were not then, and are not now, a true Bimetallic country. If they were, and the Mint were open to the public for the coinage of silver, no one would do such a thing; nor, I repeat, did anybody ever do such a thing in or with a Bimetallic country. It is possible that in the excitement of the change a few people here might desire to make such contracts, and might even persevere for a short time, and till the futility of it became apparent. I should like to see a specimen contract. It would be a valuable monument of folly. Fancy yourself making one, Harrop, on the sale of an estate for £20,000. I should like to see your face when your buyer brought you twenty bags containing 1,000 sovereigns each! What would you do with them?

H. Nothing at all. I shall be content with twenty £1,000 notes, which I shall pay into Glyn's; but I should demand that they should be payable in gold.

G. Why? What is that to you? How will it affect your housekeeping expenses, or any relations of your life? All you have to care for is that the notes should be payable in the full sum of legal tender specie which they represent, and that that specie, be it gold or silver, or both, should be accepted at home and by our foreign creditors as money or money-metal. Specie, except where used for pocket-money or till-money—for the ordinary transactions of daily life—is mainly used for export and import, for the discharge of international balances; and by the hypothesis, gold and silver is accepted abroad for such discharge.

H. I am answered. But what is your distinction between *hoarded* and *idle* money?

G. *Hoarded* is that which you can use, but will not; and *idle* is that which you would use but cannot.

H. I must be going now. When shall we have our next merry meeting?

G. I have no engagements; so, if White concurs, and Parliament permits, you may choose your own day.

W. I can make my day suit theirs; but as I have, I think, a good many questions to ask, I should like a few days interval in which to think them out.

G. I shall be glad to hear them, and answer them if I can. Will Wednesday in next week do? Come and dine with me, and we'll finish our battle after dinner.

H. I am not sure that I can manage it before the 28th, if then; June is a busy month with me. I will see when I get home and will let you all know.

END OF THE SEVENTH DAY.

THE EIGHTH DAY,

28th June, 1893.

INDIA.

Herschell's Committee.
Brussels Conference.
Silver in the Bank of England.

PSEUDO-BIMETALLISMS.

"Disastrous Effects of the Adoption of Bimetallisms."
"Injury to Creditors."
"Consequent Crash."
"Inconvenience of Silver Currency."
"Depreciation of the Mass of Currency."
"Debtor's Option."

BANKERS.

England the Banking Centre of the World.
Only in England is Gold to be had for asking.

Barbour, Daniell, Farrer, Foxwell, Fremantle, Gaudin, Giffen, Goschen, Grenfell, Grey, Halifax, Harcourt, Harris, Harrison, Herries, Huskisson, Jevons, Kimberley, Locke, Lubbock, Newton, Price, A. Rothschild, Lord Sherbrooke, Adam Smith, W. H. Smith, Welby, Rivers Wilson.

G. I THINK we have hit upon a very appropriate day[1] for our symposium; and we can enjoy it at our leisure now that we have the night before us.

Closure of the Indian Mint.

At our last meeting, some three weeks ago, coming events were casting their shadows before; and it is high time that we should refresh ourselves with another glance at the retrospect and prospect, after all that has happened during this month. Monetary surprises have crowded upon us, especially in the last day or two. You were the only doubtful guest, Harrop, and I was very glad to find you disengaged, and ready to take a corner in our quartette.

W. And to play first fiddle as usual.

[1] The Indian Mints were closed on the 26th.

H. That is as it may be. Gilbertson is the conductor, anyhow.

G. Very well. Now then that our dinner is done, our knives and forks having played their Bimetallic parts, and that we sit again at our accustomed horse-shoe table, we shall find, I think, a long list before us, of points left untouched during our former talks, of things that have happened, and of things likely to happen, in India and elsewhere. We can discuss them at our ease, *κυλίκων περινισσομενάων*, as the late Mr. Phocylides was wont to say or sing.

W. That's Greek, I fancy. My Greek has perished. Let us have it in English.

G. "While the glass goes round," to wit, the Magnum of Leoville '78, which stands before you. Help yourself, and pass the bottle.

H. *You* must want something to keep your spirits up after that cargo of false prophecy which you discharged on us somewhere about September last!

G. About India? Yes. Put not your trust in Princes! I could not have believed it possible that our great men would have done what I so confidently foretold that they would never do! You know we all agreed in the belief that we were safe from that danger.

H. I confess that I *was* surprised. I thought I knew Harcourt pretty well, after more than sixty years' acquaintance, off and on; and I could not have believed that he also would relegate Political Economy to Jupiter or Saturn! Why, he has done that very thing which I alleged against you in our first talk. He has "fixed by law the value of two commodities". He has ——

G. Come, you mustn't be too hard on him! If he were only a little more economic and a little less political he would make a very decent Chancellor of the Exchequer! You must remember that he was between the devil and the deep sea. He had brought himself to such a pass in this Indian matter that he did not know where to turn. He had the groans of the Indians in his ears, and the recommendations of the Herschell Committee of May last before his eyes.[1] He was afraid that Bimetallism, his only other resource, would raise

[1] Report of Herschell's Committee, p. 10.

the devil; and he had, therefore, will he nill he, to plunge in this deep sea; and a muddy turbid sea he will find it.

H. Well—Peace be with him! I didn't expect *you* to be his defender. Is it, perhaps, that the policy which he has sanctioned does itself smack a little of Bimetallism?

G. It is no more Bimetallism than it is bigamy. Yet I confess that I am partly disposed to be in charity with him about it. He has made such interesting admissions, and supplied such excellent proofs of the correctness of my contention. In assenting to the closing of the Mints he has had to go counter to all his monetary convictions; but that is *his* affair.

The thing done is as bad as can be; but the doer was in for it, and he is scarcely so black as he is painted.

S. I can't forgive him for it; and I am sure that if our good friend W. H. Smith were still with us he would take the same view that he always did. He didn't like your Bimetallism, Gilbertson, but I am sure he would have liked this still less. It seems to me to have all the faults of your system and none of its virtues. It hasn't even steadied the exchange with India, nor kept it at its wretched 1s. 4d. per rupee.

G. It is the unexpected which happens, and it is possible that it may reach 1s. 4d. before long. But in my opinion it is none the less bad for that. It is one of the miserable pseudo-Bimetallisms in which some weak-minded people delight, and to which some stronger-minded turn with a light heart, when they daren't adopt the true remedy for fear of Lombard Street.

W. Aren't you rather hard upon the Indian Government. I had some acquaintance with Sir D. Barbour when he was here, and I should not call him either weak or timid.

G. Barbour? No! He is the last man of whom that could be said. He has been, at last, too strong and too bold for Harcourt. Well, like Bluebeard in Heber's poem, who had carried off somebody's "beautiful bride"—

He was perfectly right for himself to provide.

He had to look out for the finances of India, and had it not on his conscience to see that Great Britain took no harm. It was but an experiment that he was trying. He knew it, and said so; but it was an experiment which in case of success would save the Indian Treasury from bankruptcy, which as some thought was imminent, or at least from the not improbable

calamity of a further fall of the rupee. He and his predecessors had been for more than ten years pressing on the Home Government the necessity of making a Bimetallic agreement with other nations, or at least for permission to make such an agreement for themselves. The Home Government has perversely forbidden the latter and refused the former. They have rejected a system which had on its side the experience of centuries and the desire of the Indian Government, and have accepted one desired by nobody and tried by nobody.

W. It was desired by India, you say.

S. Not of free will. By their rejection of the one the Home Government forced India to turn to the other, and have in its turn been forced by India to accept this very doubtful policy. They found themselves in a dilemma, neither daring to retrace their steps, nor caring to fall in with the plan proposed by Barbour as a counsel of despair; but they have at last elected to sit on the second horn of the dilemma, and are waiting in fear and trembling for the consequences of their acts.

H. I don't envy their position! I was just going to point out the evils of the plan, when you interrupted me to say a good word for Harcourt. Now your hand's in, and you seem wrathful enough, you may as well pursue the indictment.

W. And about the *modus operandi?* Why in the world was it done with such secrecy and such haste, and without discussion in Parliament? It was a sort of revolution by telegraph?

G. As to discussion in Parliament, I suppose they thought that to throw such a matter on the floor of the House was to submit it to 670 men, of whom at least 600 had neither direct interest in nor knowledge of it, and who were quite incompetent to advise or determine.

W. I dare say they were right; but it seems an odd course for the present Government to pursue. Rather of the Henry the Eighth order of policy!

G. As to secrecy and haste, I think they must have had two reasons. 1. The moral view: They feared giving an impulse to speculation while the matter was being discussed; to which I should answer that there are said to have been many speculative shipments of silver, as it was; and that the market is best pleased to be kept informed—to play *cartes sur table.* If the policy of secrecy prevented one class of speculation it probably gave rise to others, and injured the non-speculative

merchants, who vainly relied on nothing of the kind being done. 2. The material view: They feared that if it became probable that the rupee would be enhanced by hook or by crook, silver would be sent into the Mint in large masses; and whereas they desire to control the amount, it would surely get beyond their control.

H. That means that you think it a good move in a questionable game. Very well, then, will you take up your parable against the general policy, or shall I?

G. I really don't know where to begin. Not, I think, with your point, Harrop.

H. What was that?

G. Fixing the relative value of two commodities.

H. I don't think you much like attacking that particular position: it touches your own too nearly.

G. Not at all. We'll begin with that, then, if you like.

W. What are the exact provisions of the law?

G. So far as they concern our question they are these:— The Indian Edict.

1. The Mint will be closed both to gold and silver.
2. Gold will be received in payment of duties at fifteen rupees to the sovereign.
3. The Mint will issue silver rupees against gold at the rate of 1 rupee for 7·53344 grains of fine gold (8·218296 grains standard), *i.e.*, 1s. 4d. per rupee. The ratio may be called 22 to 1; I have the precise figures here, 21·9023 to 1.[1]

Here, you see, they definitely fix a price for gold, reckoned in silver money.

W. But not for silver reckoned in gold?

G. No, indeed; that would out-Herod Herod. For the Mint to give gold coin for silver bar, and silver coin for gold bar, on demand, at whatever ratio, would be a peremptory and preposterous Bimetallism, fixing a definite and unalterable price by law for each metal.

W. How do you make out that?

[1] Taking Mint charges into account it is said to be 22·37 to 1.

G. The price of a sovereign in the Indian market is now 15 rupees 8 annas. If the law enables you to get a sovereign for 2700 grains of silver, you certainly would not give any one 8 annas, or any other sum to boot; so that there never could be a price of silver either above or below par; or of gold either; and a remittance to India of either metal would always find a certain market.

W. Mr. F. C. Harrison[1] says that that was one of the proposals of the Indian Government.

G. I know he does; and he ought to be well informed if any one is; but I can find no evidence of it. I think he must mean "gold for silver *coin*," but I can't find that either, in their proposals.

W. It is the recommendation of Farrer and Welby, and seems to be a very strong measure indeed; a kind of Treble X Bimetallism.

G. Yes; it *is* a quasi-Bimetallism. It has all the vices which some attribute to the Bimetallism of England and France, and I may almost say (like Smail) none of its virtues. It fixes the price of two commodities even more rigidly than the quasi-Bimetallism of the Herschell Committee and the new Edict; it opens the Mint to but one metal, it gives the rest of the world no Par of Exchange, depreciates the white metal, and appreciates the yellow.

H. It would go very much against the grain with me. However, it is not about what might be, but about what is, that we have to talk. The new Edict fixes the price of one commodity, which is quite enough for me! But I think there is something else more deplorable still. The sole money of India—I leave on one side the gold standard, at present purely imaginary—is now an inconvertible token coinage, of forced circulation, and depending for its amount, and therefore for its value, on the good will and pleasure of the Treasury!

G. You can't hit it too hard for me! Excuse me if I hurt your Monometallic feelings; but it seems to me just the sort of headlong plunge which what I may call, in Heraldic language, a "Monometallist Rampant *Or*" would make, at his wits' ends for a remedy, and not daring, for shame, to take the one which he knows in his heart to be the true one, because he has so persistenly decried it.

[1] *Economic Journal*, iii., p. 512.

W. Counsels not of perfection, but of despair!

G. Precisely. It will not be quite as you say, Harrop, that the circulation will depend on the Treasury. That is what they hope, and may perhaps attain, as soon as all hoarded rupees, and all rupees existing and to exist, outside the confines of British territory in India shall have been exhausted. So long as they exist, and can be brought into use, they necessarily interfere with the control which the Treasury hopes to exercise.

W. There is also the danger of illicit coinage; and the higher they force the rupee and the greater the divergence between its exchange value and its silver value the greater the danger. **Illicit coinage.**

H. Indian officials say there is no such danger; they say if there were such coins they would be instantly detected, and that none such are ever seen at the Mint or in Government offices.

G. The last places in which they would be seen; and the officials the last people who would see them! I remember that some full-weight illicit half-crowns, made in Barcelona, were paid into the bank about fifteen years ago, and were so good that none but an expert could have detected them. I don't know of how many hundred thousand they were a sample. After a while merchants can send gold, which will both accumulate a stock of it in the Treasury, and add to the silver circulation.

W. At whose expense will they send gold?

G. At their own first; at yours and mine afterwards, and at the expense of this country generally, by depleting our scanty stock of the metal.

W. Robbing Peter to pay Paul!

G. Yes—and England is Peter! Whether Paul will be paid is another question.

H. How is England damnified?

G. I don't think I can tell you anything you don't know on that score; but I will expand what I have said. If India ever gets a gold currency, or any gold is stored in the Treasury, it will add another to the drafts on the gold stock of the world,[1] gold will be still further appreciated, and as the operation will be necessarily progressive, it will probably involve a continuous

[1] See pp. 177, 178.

fall of prices, including the price of silver; thus hurting trade generally and both destroying British capital invested in silver-using countries, and taking away the hope of a Par of Exchange with such countries.

W. Some might say that Peter should stand for Indian interests also.

G. Of course he may. The Trade of India with silver-using countries will be subjected to the same disabilities as those which may hurt the British Trade; and it is very doubtful whether the Trade with gold-using countries may not suffer.

W. You said the silver money of India was now an inconvertible token currency. Mr. Harrison[1] says it is neither the one nor the other.

G. Farrer and Welby found their dissent on its being inconvertible. Mr. Harrison's argument seems to be that though the rupees are inconvertible it does not matter, at least for the present.

A token currency may be defined as one of which the face value is greater than the metallic value, and which has by law equal debt-paying power (within the country) with the full-weight coins of the other money-metal, either to any amount (as the five-franc piece in the Latin Union) or with the parts of those full-weight coins, to a limited amount, as the subsidiary coins in the Latin Union, England, and the United States.[2]

H. Rupees then are certainly a token coinage, for their metallic value is less than their face value. They only don't represent parts of full-weight gold coins, because there are as yet no gold coins in India to represent.

G. You must add that, as the Mint is not open to gold, and gold is not legal tender (except for duties) there is no real gold standard, and there is thereupon nothing of which the rupee can be a token. I doubt the correctness of my illustration and of Harrop's corollary to it. The silver franc is the standard (the unit of value) in France. A franc of full weight and fineness can't be a token of a franc—of itself. Therefore the five-franc piece is not a token as the word is usually understood.

In like manner the rupee is the standard (the unit of value) in India, however much the Indian Government may say or dream that 1s. 4d. will be the unit. A rupee then can't be a token of a rupee.

[1] *Economic Journal*, iii., p. 508. [2] See Appendix, p. 473 note.

Both coins, the full-weight franc and the full-weight rupee sin against the first principles of good monetary law in that they are not an automatic coinage, and that being full legal tender, their face value has by the act of the Government been divorced from their melting value.

As to Mr. Harrison's reported dictum, that the rupees are convertible, he can only have said it in the erroneous belief that the Treasury will give gold for them.

I won't say that the divorce between the value of the currency of a country and the value of the metal composing it is necessarily immoral, though immoral Governments have employed the same machinery to effect the same purpose, to wit, the payment of their debts; but it is certainly dangerous; and if the balance of Trade should ever turn against India, the danger will be only too clearly manifest.

W. But so long as rupees are full legal tender, and you can pay any debts of whatever amount in silver, you cannot call it a "real gold standard," even though the Mint is open to gold, and gold is legal tender.

G. Certainly not, unless indeed you make Mr. Harrison's statement correct, and adopt Farrer and Welby's suggestion of the convertibility of rupees into gold.

But I don't think any man responsible for the finances of India, or indeed, any man responsible for the finances of England, will advocate or permit such a dangerous course.

H. What do you say to Herschell's Committee?

Herschell's Committee.

G. What should I say, but that they were seven very able men, who did their best to come to a conclusion on a very difficult subject, on which they were heavily handicapped. The first fifty-nine paragraphs of their report are admirable. It is when they come to the effect of the proposals that they show—small blame to them—that the whole thing is a hazardous leap in the dark. I agree with much that Currie says; but I should deprecate anything that *forced* merchants to remit gold.

H. Why do you say they were handicapped?

G. None of the members had, so far as I know, much experience in mercantile matters; and if they had had, they did not "think it within the limits of his Lordship's Reference" to enter in detail on considerations suggested by British Trade with the East. For the like reason, as Farrer and Welby say, they were precluded from considering the one remedy which

in the opinion of the Indian Government no less decidedly than in mine, would have overcome the whole difficulty with the minimum of friction. The truth is they were bidden to consult for India, and (practically) forbidden to regard the interests of Great Britain; and our interests were of course left out in the cold.

W. I must say that the Home Government seem to have gone out of their way to take a very heavy responsibility on their shoulders.

G. Ah, well! Kimberley could scarcely help it under the circumstances; and as to the other criminals, the whole thing was scarcely more the fault of the present men than of preceding Governments, except so far as that this Government had a greater opportunity, and threw it away.

W. And they sinned against light and knowledge; for, in 1881, the same party being in power, they had perceived the harm that was being done to this country, and took some steps[1] towards remedying it.

Brussels Conference.

G. They had their opportunity at the Brussels Conference, and since.

H. Ah! There was another of your false prophecies. The Conference was to settle everything; and though it separated *re infecta*, all was to be put right last May!

G. Against stupidity even the gods fight in vain! Much more may a poor prophet be baffled. I only looked to what might have been reached by the use of a modicum of wisdom; but even that was denied to our rulers. They sent for the rival prophets from Lombard Street, who bade them go up against Bimetallism and prosper; and the result of their advice has been all this trouble with India. It will be long before they return at all in peace.

H. Why, they sent delegates to the Conference. What more could they do?

G. They should have done *less* than they did—and more than they did. Goschen, Chancellor of the Exchequer in Lord Salisbury's administration, invited by the United States to deliberate, sent a representative of each opinion to Brussels, and our friend Fremantle as an official, to hold the balance. The present Government packed the delegation with two extra

[1] See p. 303.

members, Rivers Wilson and Alfred Rothschild, able men both of them, believed by the Government and by everybody else to be of pronounced Monometallist opinions. Even so, they might have found some one to justify them; but to go into a Conference to deliberate on various remedies suggested against a common danger, and then to pronounce at once and decisively against one particular remedy, and that one not yet brought before the Conference, was neither justifiable as a matter of comity, nor consonant with common sense.

W. I saw in a money article the other day that it was "out of the question that the Government should combine to protect silver; the Brussels Conference having shown plainly the sundering of political interests there represented".

G. That is exactly what you would expect from the writer of a money article who has not troubled himself about the facts of the case. It was protection, not of silver, but of commerce, that was in question, and it was in the interest of commerce that Alfred Rothschild brought forward his proposals for the purchase of silver.

There is nothing more certain than that it was England alone which was the hindrance to agreement, and that while England had no *political* interest in the matter, her commercial interests were shamefully injured by the unstatesmanlike prejudices of our Government.

H. So then they did, you say, what they ought not to have done. What was left undone which they ought to have done?

G. I should have expected that, when the Conference was practically at an end, they would have tried by diplomatic action to find some escape from our commercial *impasse*.

H. How do you know they didn't?

G. I *don't* know; but I don't think they had it in them! Harcourt's parochialism—his dreams about the independence[1] of England in matters of commerce, would prevent it.

H. I must say that I rather rejoiced at the time in his action as to the delegates. I thought he was "dishing" your friends the Bimetallists.

G. Well; the whirligig of time is bringing its revenges! I think too they are well on the way, if our rulers don't look to it.

[1] See pp. 338, 339.

W. I dare say some of them still think that India is on the right road.

G. So she is—to the bottom of the hill! It is a road that has been trodden by several South American States. The paths are not identical, but they all lead to the bottom! No American State has, I think, committed itself to the particular downward step of closing the Mint to both the money-metals. That has been reserved for a dependency of England! Next will come, perhaps, a heavy import duty on silver. Then, perhaps, a prohibition of the import of that commodity—either measure depressing it still further, and putting another spoke in the wheel of our trade with silver-using countries, and doing Indian finance no real good. Then should come borrowing to help to pay debt. Then a *Moratorium*—that's the fashionable Latin for robbing one's creditors—and then *Repudiation*, and then *Revolt*. A splendid result for the labours of the Herschell Committee: and a glorious achievement for England!

W. I hope you will turn out to be a false prophet in this case. It seems a dreadful muddle—neither one thing nor the other, neither Monometallism nor Bimetallism, but a feeble shadow of both.

G. It is one of the many quasi-Bimetallisms, a shifty palliative.

W. The Bland Act, and indeed the Sherman Act in some degree, were, I suppose, more palliatives than anything else, though the latter pretended to be a kind of Bimetallism. There will be few mourners here, I think, when it is repealed.[1] By-the-bye, you told us once of another palliative, that of Lord Grey: and I have been always intending to ask you what it was.

Grey and Halifax Palliative. (1881).

G. Ah, that is very interesting, because it was the device of a very able man, who, though opposed to our view, was not, as so many are, an angry or unreasoning opponent, but one who was really trying to find a remedy for a known and acknowledged evil. I will show you his own words as settled between him and the late Lord Halifax. Will you read them to us?

W. (*reading*): "That authorising the Bank of England "to use silver at the market price together with gold as the "basis of its issues might avert this evil" [he is speaking of the appreciation of gold] "by leading other nations to adopt

[1] Repealed 1st Nov., 1893.

"similar arrangements, and would, at any rate, mitigate the "evils that would arise from a great extension of the use of "gold in the circulation of those countries, by diminishing "the amount of gold required by England, and affording "facilities for the employment of silver as an instrument "of exchange between nations."[1]

H. Thank you, White. What say you to that, Gilbertson?

G. It may sound, at first hearing, like the Sherman Act *minus* the compulsion; or rather like the Act of 1844 *minus* the restrictive clause.

W. What clause was that?

G. Clause 3, which forbade the Bank of England to hold more silver in the Issue Department than one-fifth of the total bullion. Lord Grey certainly did not mean that silver should by any possibility take the place of gold; but it would seem that he was willing to trust to the discretion of the Bank directors as to the proportion, knowing that they would have to preserve gold enough to pay their notes. This would be returning—so far—to the state of the law before 1844; and of that I should not approve; so long, at least, as no other sufficient change was made.

H. But Lord Grey expects other nations to do the like. Would that be sufficient?

G. It is satisfactory to know that Lord Grey contemplates an international accord without any of the alarm which you have expressed, Harrop. I suppose, at least, that he contemplates such an agreement: but *hope* of such an accord would certainly *not* be a sufficient guarantee. You may be sure that the Bank would not act on their rights under the present law, on any terms less safe than those proposed by the English Government in the Conference at Paris in 1881.

W. What were those terms?

G. That certain other nations should open their Mints to silver and gold as legal tender at a fixed ratio; our Government engaging not to close the Indian Mint for ten years; to raise the legal tender of token silver to five pounds;[2] and that the Bank should receive silver, at a price, into its Issue

[1] See *Bimetallic Standard* (1886), p. 180.

[2] This second condition was suggested but not proposed.

Department in accordance with the provisions of the law of 1844, as it had done before under like circumstances.[1]

W. At what price used they to take it?[2] What a pity that the negotiation came to nothing.

G. The Bank price was about 4s. 11¼d. in 1848-49; but it would, I suppose, be fixed once for all, so long as the foreign ratio lasted, at something below whatever par the ratio adopted might indicate, just as the price it pays for gold is fixed at a rate which is advantageous to the public, and pays the Bank for its trouble.

Indeed, it *was* a pity, as you say. What an amount of mischief it would have saved to the whole commercial world!

Proposals of 1881. "Bank to *hold* Silver."

W. Do I understand that the Issue Department was to hold one-fifth of its bullion in silver? As the notes are to be paid in gold, and as the stock of bullion in that department is the only visible and tangible security for the note, that looks perilously like watering that security.

G. Whatever it was, it was offered in 1881 by Harrop's political chiefs, his very particular friend, Harcourt, being in the Cabinet, so *he* is not likely to take your view.

H. Anyhow, I should like to hear what you have to say about it.

G. I have nowhere said that the Bank engaged to *hold* an ounce of silver. The gist of the law of 1844 was that it *must not hold* more than one-fifth of the total bullion. True it might come to hold one-fifth, though it has never been able to get so much. But if it did, you think it would water the security of the notes. You forget that the French Mint would be open and that if the Bank required to replenish its stock of gold, the silver could be sent to Paris where by law it would realise a definite number of francs per kilogram, convertible into gold by drafts on Paris. A much better security than the "credit instruments" dear to MacLeod, Farrer, and those who think with them that the quantity of our gold is of no moment; a much better security, so far as paying its notes in gold is concerned, than the Government Debt of £11,000,000 which is absolutely inconvertible.

W. But we are told that our Government can never think of making such proposals *now* to the Bank, nor the Bank of

[1] See pp. 308, 330.

[2] See pp. 159, 308-11.

accepting such proposals, because the state of things now is as different as possible from that of 1844.

G. Very different, no doubt; and so it was in 1881 when Gladstone's Government did make the proposal; but most assuredly the Bank would not have accepted it, except with the condition, which in fact they imposed, that the circumstances should be the same as in 1844, the foreign Mints being open at a definite ratio.

W. I know that, of course. I was only producing by anticipation the follies which we are sure to find in the London Press if ever the proposal is brought forward again.

"Francs received abroad are depreciated Silver."

H. I remember that precaution *was* taken in 1881. But you speak of francs receivable in Paris. I don't know how we came to overlook the fact that they would be depreciated money, being made of depreciated metal!

G. Are they? We have had all that out before.[1] The silver we send is a commodity like any other. Do we now, or should we then, get "depreciated francs" for our commodities?

H. Whatever may have been proposed in 1881, that proposal need not govern us now; and I must confess that I don't like the idea of the intervention of the Bank of England. Why should that body intervene at all? Their brother bankers in London do not, I believe, for the most part, take your side in the currency controversy.

G. I don't suppose the Bank would intervene *mero motu*, or as taking any side in that controversy. That is not really the point. The Bank has to consider two things. One, in its capacity as a bank, like any other in Lombard Street or elsewhere, where its own interest, *i.e.*, that of its proprietors, is its chief concern. The other, in the capacity, which without much stretch of language may be attributed to it, of a great Government department to which the management of the currency is entrusted. In this capacity, and as being in its relation to commerce the centre of banking and the heart of the commercial world, it has to consider the welfare of British commerce generally.

In either capacity its own interests are concerned, for whatever makes for the good of commerce generally, makes for the good of the Bank of England. What is good for commerce increases the credit balances of those engaged in

[1] See pp. 169, 170.

it, and it is on the credit balances of their customers that bankers live. It is a pity that some of them have seemed to take a narrower view of their own interests.

Bank of England and Bankers.

W. I am sure I have heard a banker say—indeed I think I have seen it in a London weekly paper, whose writers apparently claim to know much more about business than men of business, or even than bankers, that the chief, if not the only function of the Bank of England is—not to enter the lists against the more important gentlemen of Lombard Street, but to be the humble depository of their balances and thus the keeper of the great banking reserve of London.

G. It has some fragments of truth in it. The bankers *are* the servants of their customers, and thus the Bank of England is *pro tanto* the servant of its customers the bankers; but it has many more masters, of at least equal importance. The merchants are its banking customers, so also are the bankers, so also the private depositors and—greatest of all—so also is the State. We are indeed sometimes told by the exponents of the wisdom of ignorance to whom you refer that the Directors of the Bank of England are not trained bankers, and have not devoted any special attention to the handling and movements of money.

W. How do you train a banker? I know many Lombard Street bankers, and, so far as my ignorance can determine, very good bankers too; but I have not observed that any of them were born bankers. They are for the most part caught young, having had no previous business experience, and receive from their youth up excellent training in a bank. That, it seems to me, is nearly what happens to the Directors of the Bank of England. They also are caught young, only not so young as to be without previous mercantile experience, and they too have received excellent training in a bank, and I imagine, none the worse for their business education not having been confined to the very narrow range of mere banking.

G. The other bankers are not always confined to that narrow range. Many banks are governed by Directors as the Bank of England is, of whom no few have other business experience: and you will find that where a bank has directors of wider business experience, especially if concerned with silver-using countries, they don't take so narrow a view as some others do of the question before us.

W. What you say seems to show that the notion that the chief function of the Bank of England is to hold the bankers' balances, has no foundation in fact. Has it any in history?

G. Neither that, nor the contention which I have seen advanced elsewhere, that the chief if not the only function of the Bank is to act as the Bank of the State, to hold its balances, receive taxes or other debts due to it, and pay interest and other debts due from it.

W. That last can be set against another opinion that the Government should issue its own notes in its own offices—the answer to which is, I suppose, that it does do so, for the Issue Department is practically its own office, and that the attempt to set up an Issue Department in the Treasury would be very costly for the State and exceedingly inconvenient to commerce.

G. If you come to history; when the Bank was founded there was no bank at all of the same character as the great Joint Stock Banks, and none except Childs (founded in 1663) and Hoares (1680) at all like the banks of the present day; that they had accounts with the Bank of England in its early days is very unlikely, and even now, the west-end banks not using the Clearing House have only for the most part such accounts with the Bank as they need for their own convenience, and do not make any claim for especial consideration. As to the Government accounts; the first record of any projected arrangement for the collection of taxes occurs in 1704. The Bank itself as every one knows was established in 1693 for pure banking purposes, and its pure banking character was as to one of its functions even more strongly marked by the Act of 1844. The Bank holds to-day (28th June, 1893) for its depositors including the State £38,000,000,[1] besides £17,672,000, its own capital and rest (undivided profit), and its light-hearted critics say that its directors have no experience in the handling of money!

H. You make a good case as to the general position of the Bank of England; but I don't see that it touches particularly the question before us. Why should the Bank intervene?

G. We all agree that the commercial interests of the country and the personal interests of bankers are closely bound together, that the industries of the country, commercial and agricultural, cannot be permanently weakened without a correspondingly malign influence on the banks and on city finance. It will not, I am sure, be disputed by any one at all conversant with the subject, that in both branches there has been a considerable decline for many years, nor will any one throw a doubt on the commonplace of political economy that the absence of an equable medium of exchange, that is, of an approximate equiva-

[1] Present deposits £490,000,000 (fallen from £530,000,000, earlier in the year). Capital and rest £17,663,000, 13th June, 1899.

lence of money between all commercial nations, is the cause of a great part of that decline; so that it is plain that it is the interest of us all, and especially of merchants and bankers, and more particularly of the Bank of England, to do all that can be done to remedy the evil.

If then the Bank perceive that by reverting to their old action under the Act of 1844, they would facilitate any action of foreign Governments which should restore the par of exchange, it would clearly be their duty to do it. And if the Government could in any way promote this as they did in 1881, it would be a wise step on their part. To this end also, if they should unhappily be led to close the Indian Mints, as has been suggested, they will surely retrace their steps, both in the interest of India, and in the general interest of British commerce, as one more inducement to cause other Governments to such action as will benefit themselves as well as us.

Bank purchases of Silver.

H. About that price of 4s. 11¼d. How did they arrive at it? Was it fixed, or was it varied at the pleasure of the Bank? If the directors only bought the silver at their own good pleasure, just as they might buy securities for investment or with a view to resale at a profit, I don't see that the public were much the better for it.

H. My recollection of the offer of 1881 was, that the Bank should engage to buy and hold silver to the amount of one-fourth of the value of the gold bullion held by the Issue Department—in other words, of one-fifth of the total bullion.

G. One at a time, good people! Free will according to one, and compulsion according to the other! I will take your notion first, Harrop. Certainly no such proposition as you imagine was ever made by the Government of that year, or assented to by the Bank. What would have been the good of it? The most it could do would be to lock-up—as at that time—some £4,000,000 or £5,000,000 worth of silver; taking it off the market, much as the Bland and Sherman Acts did in the United States, at the current market price.

H. Yes; but if your doctrine is true, that price would correspond to the French ratio.

G. That's right enough! There would be that improvement on the American Acts, that we should have had what they had not, a French ratio to rule the price. Moreover, the Bank purchases would have been perhaps of some help to the French, who would have been then, by the hypothesis, reopening their Mints. But it would have been a lame and impotent step, of little real advantage to any one; and if the

other nations read our offer in that sense I don't wonder that they paid no attention to it. Only see how it would work! The Bank must *hold* the prescribed quantity, and when it was once in the vaults not an ounce could be sold, however pressing the demand, unless gold went out, and *then* they *must* sell! Nor could they then buy an ounce unless more gold came in to justify the purchase. The metal would indeed have been represented by notes, and therefore not "idle"; but it would have been, in your sense, Harrop, quite "stagnant"; your "Inflow and Outflow" would have been impossible, and the metal might have almost as well been put back into the mines.

W. Then if Harrop's view is wrong, mine must be pretty right; and I don't see much good in it.

G. I think you will when you hear all about it. In the original Bank Charter there was no restriction, whether as to the amount of its issue of notes or as to the commodities on which the Bank might advance them to the public. The directors advanced on what they pleased; but while they were forbidden to traffic in other commodities by way of buying and selling, they were expressly permitted to buy silver and gold to any amount, silver being the standard money metal throughout the world, and in England convertible into coin at the pleasure of the holder; and gold differing from other commodities in that it also was coinable into current money in England. And though 100 years later—in 1798—the free coinage of silver was in terms forbidden in this country (when no prohibition was of any practical effect owing to the suspension of cash payments), yet even then it was moneyable all over Europe at a definite rate per ounce. Throughout the last century, therefore, and through three or four decades of the present century, the Bank bought silver in the market as cheaply as it could—the price, of course, ruling itself on what a remittance of bar to France would have produced. Thus in 1830, when Attwood was persuading Herries and the House of Commons that the price was constant at 4s. 11d., the Bank bought as low as 4s. 10⅞d. and as high as 4s. 11¾d., its prices in 1831 being 5s. (highest) and 4s. 11¾d. (lowest), and throughout the two following years 4s. 11⅞d. (highest) and 4s. 10¾d. (lowest).

From 1842 onwards the Bank price gradually steadied to 4s. 11¼d., that being the highest price paid in that and the ensuing five years; the lowest price being in four of the years ¼d. or ⅜d. less. During all that time the Bank was under no obligation either to seek silver in the market or to hold permanently any that it had bought, but treated the metal exactly as it did gold, buying all that was brought to it and selling at a slight advance all that the public asked for; and this it continued in 1844 and onwards within the limits of the Act of that year.

W. Exactly as it did gold? Not *exactly*, I think. The buying price of gold was fixed, and the selling price but slightly variable; but of silver both the buying and selling prices were somewhat arbitrary. I think I see what was the real advantage offered by the Bank. The holder of silver was, in the absence of any such refuge, dependent on the market demand for export, and if there were no such demand he would have to hold his silver till there was. But with the Bank doors open he would have a market ready-made, and could realise his silver at once instead of having to wait for an uncertain opportunity.

G. You must remember that he could always send the silver to France himself, and would find his market there ready-made; just as here he can send his gold to the Mint at 77s. 10½d. instead of to the Bank at 77s. 9d., but he never does. The Bank price was, in fact, more favourable than the Mint price. I knew one banker who did once try the experiment of sending gold to the Mint on his own account. He went on repenting of it till he died. His direct mission to France would have the additional disadvantage that the precise result to him would be dependent on the exchange.

W. Do you happen to know what were the Bank's selling prices?

G. Yes, I have them here. The lowest buying price from 1830 to 1847 inclusive was 4s. 10¾d., and the highest 5s. 0¼d. The lowest selling price in the same period 4s. 11⅜d., and the highest 5s. 0¼d.[1]

[1] BUYING PRICE.

	Lowest.	Highest.		Lowest.	Highest.
1830	4s. 10⅞d.	4s. 11⅜d.	1838	4s. 11⅜d.	4s. 11½d.
1831	4s. 11⅜d.	5s.	1840	5s. 0¼d.	5s. 0⅜d.
1832	4s. 10⅞d.	4s. 11⅞d.	1842	4s 11⅝d.	4s. 11⅞d.
1833	4s. 10¾d.	4s. 11⅛d.	1843	4s. 11d.	4s. 11⅛d.
1834	4s. 11⅞d.	4s. 11⅛d.	1844	4s. 11⅛d.	4s. 11⅛d.
1835	4s. 11⅛d.	4s. 11⅞d.	1845	4s. 10⅞d.	4s. 11⅛d.
1836	4s. 11⅜d.	5s.	1846	4s. 11d.	4s. 11⅛d.
1837	4s. 11⅜d.	5s.	1847	4s. 10⅞d.	4s. 11⅛d.

In 1841 no silver was bought or sold by the Bank.

SELLING PRICE.

	Lowest.	Highest.		Lowest.	Highest.
1830	4s. 11⅜d.	4s. 11⅜d.	1838	4s. 11⅜d.	4s. 11½d.
1831	4s. 11⅞d.	5s.	1839	5s.	5s. 0⅜d.
1832	4s. 10⅞d.	5s. 0¼d.	1840	5s. 0⅛d.	5s. 0⅛d.
1833	4s. 10¾d.	4s. 11⅞d.	1842	4s. 11⅛d.	4s. 11½d.
1834	4s. 11⅞d.	5s. 0⅛d.	1843	4s. 11⅛d.	4s. 11⅜d.
1835	4s. 11⅞d.	4s. 11⅜d.	1844	4s. 11⅛d.	4s. 11⅜d.
1836	4s. 11⅜d.	5s. 0⅜d.	1845	4s. 10⅞d.	5s. 0⅛d.
1837	4s. 11⅜d.	5s.	1847	4s. 11½d.	5s. 0⅜d.

In 1839 none was bought; in 1846 none sold.

Total amount bought 1844-52, £2,020,525.
Total sold 1844-53, £4,640,665.

W. It comes to this, then; the Bank based its buying price on the calculation made by itself, or by the seller, of the amount he could obtain by sending the silver to the Paris Mint; and, when there was no English market, ready money and a definite price carried the day. The difference wasn't very great.

G. No, but it would serve. Certainly the offer of 1881 was understood both by the Bank and by the Government of that day as I have now described; and not as you imagined Harrop, as an offer to *hold* a minimum quantity; and provided that the $15\frac{1}{2}$ to 1 ratio was restored abroad, it was intimated that the Bank could always afford to pay about 59d. per ounce standard.

The Bank was always an open mart for silver, and continued to be so (though none was brought to it, except on one occasion, after April, 1848) until the events of 1873-76 caused it to be closed.[1]

H. I don't wonder that they stopped buying in 1848. They had made a considerable mess of it in 1847!

G. Somebody had made a mess in 1847; but I have never heard till now that the Bank had the chief hand in it, nor that the purchase of silver by the Bank or by any one else had anything to do with it. I wonder if you have the least notion of the amount of silver held by the Bank in those years.

H. I can't say that I have.

G. I thought not. Here it is:—

1845	Dec. 27 . . .	£1,582,026.[2]
1846	Dec. 26 . . .	2,469,490.
1847	Dec. 25 . . .	1,346,344.

The balances dwindled thereafter in

1848	Dec. 31 to . . .	507,909.
1849	,, ,, . . .	277,077.
1850	,, ,, . . .	51,667.
1851	,, ,, . .	33,375.
1852	,, ,, . . .	19,154.
1853	,, ,, . . .	nil.

After which the outside demand was so great that none was brought to the Bank.

[1] The official letter from the Bank of England (30th June, 1881) to Mr. Gladstone, Chancellor of the Exchequer, and a separate letter from the Governors to him of the same date; appended by Mr. Glanstone to the official letter, together with his answer (1st July) preserved in the Treasury.

[2] All these following sums are the figures of the Issue Department, taken from the published Returns. The actual amount of silver in stock in each year was of course greater, as it included till-money in the Banking Department in London and the Branches. Thus the Bank Return of September, 1844, shows £1,694,000 in the Issue Department against total silver £1,783,000 a difference of £89,000.

Bank of France buys Gold from Bank.

W. Wasn't there some transaction about silver with the Bank of France?

G. Yes; that was in November, 1860. The French Bank had need of gold, fearing lest if they gave out silver (which was at $15\frac{1}{2}$ to 1 then more valuable than gold) to their depositors, they might have a heavy drain upon them, and they wished to have a sufficiency of gold to stop their depositors' mouths, and therefore negotiated with the Bank to supply it.

W. But I remember a Governor of the Bank of France said a few years ago that the transaction was done for the convenience of the Bank of England.

G. That was a slip on his part. I was present when M. Mallet came over to negotiate the affair. The allegation is sufficiently answered by the fact that the Bank of France took all the risk, and paid the expenses of transit both ways. Mr. Bagehot gave an accurate account of the matter at the time.[1]

W. I wonder what the Governor of the Bank of France of whom I spoke thought the Bank of England wanted the silver for!

I believe I understand the matter now; and I should say the open Mint is no better in practical usefulness than the open Bank. Our Mint is open to gold, but we always go in preference to the open Bank, which pays us cash on the nail. Under the proposals of 1881 the Bank would be open to silver, and would pay us cash on the nail—up to a certain limit of quantity.

Clause 3 of Act of 1884.

When we got upon this subject we were in the middle of Lord Grey's Palliative, and went off at a tangent to discuss the Bank in its relation to silver. I see, by the way, that you call Clause 3 of the Act of 1844 a restrictive clause, and from what you have just now told us I make no doubt it was; but I remember that the *Economist* called it "a permissive clause," and stuck to it that that was its character.

G. As I have told you, the Bank had a right till 1844 to issue on *anything*, silver included, to any amount. Sir Robert Peel's Act said: "You SHALL NOT issue on more silver than one-fifth, in value, of your total bullion". If that is *Permission*, it must be confessed that it looks singularly like *Restriction*. Thyself shall see the Act.[2]

[1] See *Economist*, 18th March, 1896.

[2] Act 7 & 8 Victoria, Cap. 32, Section 3.

III. And whereas it is necessary to limit the amount of Silver Bullion on which it shall be lawful for the Issue Department of the Bank of England to

W. Pity the editor of the *Economist* did not take the trouble to read it before writing his article! But perhaps there is a former clause which gives permission?

H. Some one has said that the second clause gives the permission to issue on silver.

G. If so, it gives it also to issue on gold; you must add that. You know already that, but for the new restrictions of that Act, the Bank had the right to issue its notes on *everything*, including both the precious metals. No permission was needed, and none was in fact given by clause 2. Here are the words of the clause:—

"From and after such Transfer (of Securities to the Issue "Department in exchange for Notes) it shall NOT be lawful "for the said Governor and Company to issue Bank of "England Notes, either into the Banking Department . . . "or to any . . . person whatsoever, save in exchange for "other Bank of England Notes, or for Gold or Silver Bullion "received or purchased for the said Issue Department under "the Provisions of this Act, or in exchange for Securities . . . "under the provisions herein contained"; and then comes clause 3 limiting the amount of issue on silver.

W. That's a queer kind of permission, certainly! Now, then, let us go back to Lord Grey's Palliative.[1] The Bank, you think, would not desire its ancient liberty on his conditions, and would not have accepted his plan, even if other nations followed suit.

G. Why, no; what good would it have done?

H. It would have raised the price of silver, and prevented some of the embarrassments of the Indian Government.

G. A certain quantity of metal would have been bought, and would have been used as money, but it would have in no way *steadied* our exchanges with silver-using countries. It would have been but a sop—a palliative, like Alfred Rothschild's at the Brussels Conference, only somewhat better.

H. Had not Mr. Clarmont Daniell a plan something like Lord Grey's?

issue Bank of England Notes; be it therefore enacted, that it shall not be lawful for the Bank of England to retain in the Issue Department of the said Bank at any one time an amount of Silver Bullion exceeding one-fourth part of the Gold Coin and Bullion at such time held by the Bank of England in the Issue Department.

[1] See pp. 302-7.

Daniell's Bimetallism for India.

G. No. Daniell's plan—which was only to apply to India—was more frankly Bimetallist. The Indian Mints were to be open to both metals, and the coins of both, struck at a fixed ratio, were to be legal tender; gold, however, only for sums of R5,000 and upwards.[1]

H. That is practical Bimetallism, surely?

G. Yes; so he calls it; but the fixed ratio was liable to be unfixed, not by a change in the law, but, after the fashion proposed by Gaudin,[2] by a decree of the Government, issued (not too often) in conformity with what they might from time to time discover to be the market rate.

H. He altogether repudiates *your* Bimetallism, does he not?

G. Oh, yes, we are *Anathema!* He believes that if it were adopted Indian silver would be used to buy up the gold of the gold-using countries—which, however, the gold-users (unless having been "sworn at Highgate," they liked the silver better) would certainly refuse to sell, except at a highly deterrent price. He also thinks that silver, if coined in too great quantities, would be surplus silver still,[3] unmindful of the fact that the natural and only effect of surplus money in a country is to raise prices.

Bonamy Price's Bimetallism.

S. Did not Bonamy Price give his assent to this plan?

G. A modified assent. He did not enter into the arguments but confined his remarks to the proposal for unfixing and refixing the ratio. He says,[4] and rightly:—

> "Daniell's plan does not give two standards, but only "one—gold: the ratio of silver to gold, on the basis of the "metal market, being adjusted to the standard from time "to time. Both metals will be legal tender; but the "assumption will be that gold will be left unaltered, "silver being altered in value to it from time to time."

W. That's much like the Bimetallism which you attribute to Locke and Newton, I think, substituting gold for silver, and silver (as the subsidiary metal) for gold.

G. None the worse for that! *Minus* the arbitrary shifting of the ratio, I recommended it to Harcourt, you may remember.[5] Price liked it all the better for the shifting.

[1] Compare Huskisson's *Proposals for Silver*, p. 130, and Appendix, p. 465.
[2] See p. 51. [3] See p. 59.
[4] See Correspondence in *Bimetallic Controversy*, p. 321. [5] See p. 105.

"For 400 years," he tells us,[1] "the ratio in which the "silver coins should be rated to the gold ones was regulated "by proclamation from the Government. Why not examine "this precedent closely, and see whether it will not bear "repetition?"

For my part, I don't want 400 year old Bimetallism: 1666 is good enough for me. The methods of the Henrys and Edwards are somewhat too arbitrary. There is no law that cannot be repealed; no ratio, however fixed, that cannot be altered by legitimate authority. The difference between Price and me is that he supposes that the alterations would take place; I am sure that under a Bimetallic agreement between the chief commercial nations no such changes would take place. None took place here for one hundred years from 1717, even without an agreement.

H. Price's words which you quote were, I think, from a correspondence of his with Henry Grenfell. You had some correspondence with him yourself on the subject, hadn't you?

G. Yes, I had; and a very strenuous antagonist he was. Nevertheless the last words he ever said to me were: "How goes Bimetallism? It must come; there is no other remedy!"

W. I suppose you include all these among the Pseudo-Bimetallisms or Fancy Bimetallisms of which you spoke before. The Sherman Act at least must be one of them. Some seem to be exceedingly silly, and most of them either unworkable or inefficacious.

G. Yes; their name is Legion, and they are all of different degrees of badness! They are mostly bye-paths into which your Monometallist Pilgrim loves to stray, instead of pacing steadily on the beaten path of true Economy. Sometimes he turns into them in the hope of inveigling the orthodox Bimetallist into the grounds of Doubt and Giant Despair.

Pseudo-Bimetallism.

Of such are the imaginary systems, under which gold and silver are by law interchangeable in the market, and where every one must have both gold and silver always in his pockets. These are the Pseudo-Bimetallic wilds in which the rampant Monometallist best loves to range.[2]

Leap-in-the-Dark Bimetallism.

Another of them is the Leap-in-the-Dark just now taken by the Indian Government,[3] and another the Mock Bimetallism of the United States in 1890.[4]

Mock Bimetallism.

[1] See Correspondence in *Bimetallic Controversy*, p. 331.
[2] See p. 168. [3] See pp. 292-99. [4] See pp. 284-86.

Peremptory Bimetallism.

Another is the Peremptory Bimetallism of which I spoke just now,[1] a quasi-Bimetallism over which Farrer and Welby brood, and which F. C. Harrison discovered ready-hatched in the recommendations of the Indian Government.

Patent Bimetallism.

Amalgam Bimetallism.

Then we have a large group of Fancy Bimetallisms; among which are the Amalgam Bimetallism, under which the Mint must coin no gold coins and no silver coins (except, I suppose, Tokens), but only coins of an *Electrum* of both metals, mixed as may be prescribed by the law.

Silver-ring Bimetallism.

Akin to this is the Silver-ring Bimetallism, under which each coin shall be a gold disc inserted into a pierced disc of silver, the weight of each metal being in accordance with the established ratio.

W. I remember that plan, and the inventor's pamphlet. It had some pretty pictures of the coins.

G. It will never go further than that stage. The chief vice of these two plans is that remittance of either metal would be valueless, or rather, of uncertain value, until married to a corresponding quantity of the other.

Bastard Bimetallism.

To conclude this category, you have a Bastard Bimetallism, where two countries under the same dominion have different metals as their standard money, united by no legal ratio.[2]

Poly-metallism.

As a further development, you have the As-you-please Bimetallism, or rather Polymetallism, of a *Times* Leading Article, which contemplates all nations using each a different metal as standard money, and with no link between them.[5] A very babel of the children of commerce, where none perfectly understands the speech of his neighbour![3]

Veiled Bimetallism.

There is yet another category. The Imperfect or Veiled Bimetallism such as that practised under the Bank Act of 1844; where the note issues rested in part on silver, though the metal itself was not fully legal tender, and the Mint was closed to its coinage for the public.

Palliative Bimetallism.

To this we may add the Palliative Bimetallism of Lords Grey and Halifax.[4]

Limited Bimetallism.

Also the true, but Limited Bimetallism of Mr. Huskisson.[5]

[1] See p. 295. [2] See p. 238. [3] See p. 128.
[4] See pp. 302, 303. [5] See pp. 129-32.

Also the Old-world Bimetallism of Mr. Clarmont Daniell and Professor Bonamy Price.[1] Old-World Bimetallism.

There is also the harmless necessary Bimetallism of the Token Currency of England, the Latin Union, and the United States, which we may call Small-change Bimetallism. Small-change Bimetallism.

Also Lubbock's Patent Bimetallism whereby all debts are to be payable, half in Gold, half in Bar Silver, at a fixed ratio. This, he says, would be fair to all parties. It must not be confounded with a variety of it, which would treat coin as he would treat bullion. That would have the disadvantage of forcing full-weight silver coins into internal circulation.

Lubbock's own is, in effect, "Bimetallism for foreign consumption"—which indeed all Bimetallism is, more or less, seeing that it is chiefly concerned with export. Bimetallism for foreign consumption.

W. You told me once that you had a Fancy Bimetallism of your own.

G. Yes, "for Foreign consumption," like Lubbock's. It was perfectly harmless, and besides would have served to bring English settlements that are now silver-using more into accordance with other silver-using countries. I proposed opening our Mints to silver for the free coinage of full-weight double florins legal tender only to the same limit as the token. No one would ever use the heavy coins for internal payments; but they would be convenient for export as being ready assayed, and the plan would have been a reasonable and conciliatory addition to our proposals in 1881.

W. I think it would; but all these schemes are but a collection of shifts—some fanciful, some thoughtful; but nearly all of them attempts to solve the problem of coping with a proved and acknowledged evil.

G. I quite agree with you.

W. By the way, I saw a pamphlet a year or two ago (I think it was by Sir John Lubbock) the writer of which, in his zeal against gold and silver legal tender money, said "Why not Copper?" So there you have Trimetallism as a contribution to your list. Trimetallism.

G. I suppose Lubbock (if it was he) had been reading Lord Sherbrooke,[2] who asked why we should limit ourselves to *Bi-*

[1] See p. 314-15.

[2] *Nineteenth Century*, April, 1882; *Bimetallic Controversy* (1886), pp. 191-94.

metallism. I should answer that when we find a civilised nation that has copper for its Money of Account, and pays us in copper money for our goods, we'll think about it! A Monometallist must have his fling! Lord Sherbrooke repented of his heresy before his death,[1] and so I daresay has Lubbock. If not, he has happily time for repentance. The Monometallists are all sobering of late, and will become *hommes sérieux* in time!

W. —will have sown their wild oats.

G. Most of us have had some to sow! Ernest Seyd told us in 1871, but we laughed him to scorn, that people would attribute the depression of trade, which he foresaw, to every cause but the right one; and the event has proved his wisdom. He might have looked further, and foreseen that when they did acknowledge the existence of the ill, and its real cause, they would cast about for every quack remedy rather than call in the Faculty. The best of the suggested expedients are but endeavours to escape a return to the true, complete, and long-tried system, the Bimetallism of the times of Locke,[2] Newton,[3] Harris,[4] and Adam Smith,[5] where one metal may be called the standard, but both metals are freely coined with full debt-paying power.

Now that we have disposed of India,[6] and of the Brussels Conference, and had some sport with a brood of fancy Bimetallisms—rather wild they were—we may begin again where we left off, now some time ago.

We have been pretty fairly at amity to-night, and I don't well remember at what point we suspended hostilities. I think, Smail, you and White have some guns in position. Fire away.

S. Let me open fire. *You* alleged, just now, dislocation and distress as a consequence of the change in 1873; would there not be of necessity the same effect, but in part on other interests, if there were such a change as you propose?

G. Not necessarily. It would depend on the ratio adopted, and upon the steps taken to arrive at it. We talked about this before, when we were discussing the ratio.[7] Any sudden change which would at once, and largely, alter the relative value of gold and silver would no doubt be, as I then said, injurious to trade; but the injury would be, I think, of com-

[1] Mr. Grenfell received the following note from Lord Sherbrooke in answer to a request that we might reprint his article as above:—

"I shall feel much honoured in having my address published with yours. At any rate, I can say:—

Nec tam
Turpe fuit vinci, quam contendisse decorum."

[2] See p. 105. [3] See pp. 111-12. [4] See pp. 113-14.
[5] See p. 114. [6] See pp. 292-302. [7] See pp. 41-45.

paratively short duration, and you would find that those on whom the loss, so minimised, would fall would be the most anxious for the reform as restoring stability to the exchanges. Remember, too, that the change of 1873 produced a condition of continuous change; whereas the change now proposed would, after the first effects, prevent further changes. The change of 1873 was the unmooring of the vessel of commerce, and the good ship has been ever since drifting through dangerous waters towards the rocks. The supposed change of this year or next will have an opposite effect, for though prices will not and cannot be fixed, the par of exchange will be approximately fixed and with sufficient exactness. The thing to devise is how, by adopting a more or less distant date, to prevent any untoward suddenness.

W. Here would come in my plan.[1]

G. So it would. After all, the loss to British trade, as I have said before, would be for the most part on transactions extending over the first nine months at most, if the change was sudden. But it would be necessary, if possible, to take some such course as you suggested, in order to bring the inconvenience into the smallest compass. I have not forgotten your military metaphor. When, you said, an important strategic position has to be captured and held, we must expect a list of "killed and wounded"; and a good general will take care so to make his dispositions as to make the casualties as few as possible.

W. Why do you say "if possible"?

G. If the United States were to adopt 16 to 1 without previous agreement with us, no such precautions as you suggested would be possible.

"Injury to creditors."

H. About the danger of sudden change: I will quote a sentence which I took down from one of the papers:—

> "They would find some difficulty in dealing with the "case of the creditor who, having lent his money when the "market ratio was 1 to 20 was suddenly compelled to receive "payment at a ratio of 1 to 18. This would be simply "confiscation, plunder of 10 per cent. of his property, and "would give a shock to credit of the most ruinous kind."

That's an assertion which I don't expect you to admit.

G. If there were an enormous inflation of currency, or

[1] See p. 41.

anything equivalent to a debasement of it, there might be *some* sense in this, though the calculation is ridiculous. As it is, it is mere nonsense. I should like to cross-examine the gentleman.

I would ask him to "make the entries" and show me the ruinous loss in business-like fashion. Let us suppose that he lends 100 sovereigns (which he doesn't—he lends one of your banking expedients, Smail, an order on his bankers for £100 sterling); a Bimetallic law is passed, and he receives or might possibly have to receive, in repayment, 1000 full-weight florins (but he doesn't, being content with a like order on the borrower's banker for £100 sterling). All experience shows that if he did receive the florins they would not only serve to pay his bills, and to buy his commodities, as favourably as the sovereigns would, but that unless he wanted them for export, and asked for them, he would never be aware that there had been a change in the law, and if he did so want them he would feel no hurt.

W. Why is the calculation ridiculous? He *could* get 20 ounces of silver for his ounce of gold, supposing that to be the amount of his loan, and under the new law he might only get 18.

G. The arithmetic is right enough. The step from 20 to 18 *is* a 10 per cent. one. It is the *basis* of the calculation which is ridiculous. With each 77s. 10½d. that he had lent he could indeed have bought 20 ounces of silver, because silver was a *purchaseable* commodity discredited and cheapened. The 18 ounces you suppose him to receive in payment of his loan would be given him in a debt-paying, *purchasing* commodity, whose discredit had passed away, and which had become a legal tender money.

H. Money gets its debt-paying power from its intrinsic value.

G. And intrinsic value is nothing without demand; and the demand is by the hypothesis, restored.

"Inconvenience of a Silver Currency."

W. As to that matter of money—what disquiets me is that if you had your way we should be driven out of our accustomed paths in the transactions of daily life, in so far as money was concerned. For as we are now able to walk about with three or four sovereigns (if we have got such things) in our pockets, and eight or ten shillings in token silver, we may then have huge silver crowns, or at least double florin pieces thrust upon us, and shall have to carry them about to pay our small debts.

G. Did any one ever pay you a debt of forty shillings with eight crown pieces? Or did you ever pay any one else such a sum in such a form? Not you! And I don't think either of you would seize on the opportunity of the coins being 10 per cent. heavier to burden your own and your debtor's purse in such a way.

W. My disquiet is allayed.

G. I don't believe in any such consequence of the measure. Englishmen would pay their debts as heretofore with cheques and with bank notes, and with the two metals used as small change. Those nations which have been accustomed to use silver would chiefly use silver, and those accustomed to gold would use gold, as far as gold can serve their purpose. In fact, the change brought about by the adoption of the dual legal tender would, as Foxwell says, be no more felt in our ordinary monetary transactions than the earth's motion on its axis is felt in our ordinary life.

H. My disquiet is *not* allayed. There are other dangers besides those of which White spoke. My fear is not that *you* should pay *me* 20 florins instead of two sovereigns. I am more concerned with what we were discussing in our last talk[1]—"We are the Creditor Nation". It is quite plain that other nations would take advantage of a Bimetallic option to pay us their debts not in gold but in their overvalued silver. Creditor Nation.

G. Very well. And we also should pay our debts to them in *our* "over-valued" silver. Do you suppose that England owes no man anything? If we did owe nothing, and silver was, as you fancy, "cheaper" than gold at the legal ratio, you may be sure that we should speedily invest our superfluous silver in goods of those countries where there was no such fancy, and thus incur debts which we should have to pay.

W. I want to understand why either of us—say France or England—should send our silver away to redress whatever balance there might be against us. We three were all trying to show Gilbertson that silver, being heavier (bulk for value) than gold, would be a more costly mode of remittance. If there is anything in that, it would be deterrent to both nations. In any case, what is it that should induce a Frenchman to send us silver rather than gold? I understand you to say that, the ratio being equal abroad and at home, there would be no temptation to do so.

[1] See pp. 169-70.

H. He would send that which had least intrinsic value, and that is silver.

W. I don't understand what *you* meant, Gilbertson, by speaking of "over-valued" silver. I remember your telling us that it was always the *under*-valued metal which left the country.[1]

G. So it is. No one would send away coin which would buy more (being over-valued) in his own country than in the other: I was only echoing Harrop's words. I took him to mean that which was legal tender for more than what he calls its "intrinsic" value.

Intrinsic value.

W. But I don't quite understand what *intrinsic value* is. It can't be more or less cost of production; because it would cost more to bring up a useless piece of stone from twenty fathoms deep than to pick up a nugget. It must be, I suppose, something inherent in the substance itself. But the inherent qualities which distinguish gold from some other commodities are shared equally with silver.

G. There is no such thing strictly speaking as intrinsic value. What is the value of a piece of gold at the bottom of the deep sea, or on Robinson Crusoe's island? Almost the only distinction of value between money-metals is their respective purchasing power. Now no one has shown, or attempted to show, that while the French law of 1803 remained intact, one could buy less of the necessaries of life with four five-franc pieces than with one napoleon. They were absolutely equal.

W. So they are now, for the matter of that.

G. Yes. The thought that France would certainly pay her debts to us in silver appears to me to be a mere bugbear. She would pay us, as we should pay her, in that metal which happened to be nearest at hand at the time. Imports of silver or imports of gold, whichever, happened to be coming forward, would be taken for shipment when the exchange was against the country, instead of being sent in to the Bank or Mint; supposing always that there was no divergence of legal ratio.

"Consequent Crash."

W. That matter is despatched. But we have heard, I think, of another consequence of your law, carrying with it a shock to credit greater and more formidable than that suggested by Harrop's newspaper man? It is said, I think by Dr. Giffen, that the very introduction of a bill for the dual legal tender

[1] See p. 23.

would be immediately followed by such a financial crash as the world had never seen. I could not follow his reasoning, nor conceive such a course of events.[1] The whole thing reads more like an account of a nightmare than a serious forecast. That, however, is as likely as not to be my own want of apprehension. What do you say to it? Every creditor, we are told, would call in his debts at once; all the £600,000,000 banking liabilities would have to be paid over at once, and the result would be universal bankruptcy.

G. I am sure the inventor of that scare did not follow out his own reasoning carefully. He must have written *currente calamo*, copying, perhaps, without examination, the wild arguments of the debate of 1830,[2] and never stopping to think how far his calamities were within the bounds of possibility. Not only is there a fallacy lurking under his £600,000,000 liabilities, but we may well ask what record there is of a financial crash in 1797, when the suspension of cash payments was imminent. Did every creditor in England (including those who owed more than was owed to them) at once rush to call in their debts? Very likely some did, and not without good reason; but the commercial world did not come to an end.

H. Why had they better reason for alarm than the creditors of the present day in the case supposed?

G. The creditors of 1894 would have to receive a metal which by the hypothesis would be recognised as money practically over the whole world; but the creditors of 1797 were to receive paper which no one out of England would recognise. Neither have I read that any very disastrous consequences ensued in 1816-19 from a wild rush of debtors to pay their debts when they learned that they would have to pay them later on in an appreciated money.

H. Hadn't the wherewithal, I suppose.

G. What, none of them? None of them liked it, I daresay; but universal bankruptcy was still far off!

W. There must be some historical precedent, I suppose?

G. No; because Europe has been always practically Bimetallic. There has never before been any Monometallism to be abandoned.

W. What was it that was so to frighten creditors?

[1] See p. 135. [2] See p. 132.

G. The motive cause of the sudden madness which is to seize all creditors so soon as the bill is brought in, or read a second time, is that the ounce of gold due to each might be paid him in 20, 18, or even $15\frac{1}{2}$ ounces of silver, though the market price of that metal were 21 to 1 of gold.

W. Where is the fallacy? There must be a fallacy: Why, of course, it's the fallacy of Harrop's newspaper man![1]

G. No doubt. To begin with—How is creditor A. damnified? He could buy, he says, 21 ounces of silver for 77s. $10\frac{1}{2}$d. You pay him, he cries, only $15\frac{1}{2}$. Well, suppose it to be so—with those $15\frac{1}{2}$ the law would give him at the Mint his 77s. $10\frac{1}{2}$d. again in full weight legal tender money. But *could* he buy 21 ounces for that sum? You must see, that the same bill, the perusal of which would inform him that his debtor B. might pay him a debt of £1 with $15\frac{1}{2}$ ounces of silver, would inform C., from whom he (B.) might propose to buy the silver in order to deliver it, that he could send it into the Mint and get 5s. an ounce for it. Part of the stock-in-trade of a Monometallist disputant would appear to be the belief that all holders of silver, and, indeed of commodities in general, are idiots. But you may depend upon it, neither they nor the rest of the Trade of London will be so complaisant as to lose their heads in order to point a moral for the Monometallists.

W. Please don't think that I adopt his argument; nor this other, which seems to be based on the same low estimate of the brains of other people. We are told by some scribe that the first thing that would happen would be a rush to buy up silver, and make a profit of 18d. or 2s. an ounce.

G. Where will the seller be found? They forget that they have to count with that personage.

S. The "crash" is a craze, no doubt; but people *are* crazy sometimes. Tell us what *would* happen?

G. One wiseacre would withdraw his balance from his bankers; but seeing that no one followed his example, he would pay it in again in the afternoon, and the crash would be averted.

S. Is that all?

G. That is all that would take place on the lines which White indicated, but there would, I think, be some losses

[1] See p. 319.

suffered, springing, not from imaginary panic, but from the extra cost of such remittances as might have to be made to India for the liquidation of current transactions, and from the other causes mentioned before.[1] All new transactions would have to be made on the new basis, and would be adjusted accordingly.

S. But have we a right to mulct even these people?

G. We did not stop to ask that question the other day, when an edict of the Indian Government, issued with our permission, struck a heavy blow at the savings of the Indian people.

S. Come—you have admitted that no one can estimate that precisely, though I suppose the sum is certainly very large.[2]

G. True; and no one can rightly estimate the loss on the Indian remittances, even at the present price of silver, without taking into account the probable danger of a further fall of the metal to 1s. the rupee.[2]

"Crash in 1797 and 1816-19."

We did not stop to ask that question in 1797 and 1819. We considered only what was for the good of the nation, and did it. You can't make any change in the monetary laws of a country without hurting somebody; but *salus populi suprema lex.* It is the Statesman's business to see that the injury be as little as possible, and be done to as few as possible.

W. You seemed to think the other day that it might affect very many persons, and be very severe.

Mischief made by Monetary Measures of other States.

G. Certainly; if no pains were taken to regulate it. You can make *an* estimate, right or wrong, of the extent of the loss which some might suffer, by looking at what, as I told you just now, has happened within the last two or three years in the United States. The effect produced by the rapid falls and rises, consequent on their policy, is the same, though differing in degree, and sometimes in direction, as that which would be produced by a rise in the price of silver consequent upon a Bimetallic agreement between the nations, which would fix the ratio between the two precious metals much higher than the present market price.

W. If I understand it rightly, there would be one most important difference, *viz.*: That this last would be done once for all, and that it would be momentary. The others might be repeated indefinitely—indeed, every moment.

[1] See p. 42.

[2] Report of the Herschell Committee, p. 10, and *supra*, p. 253.

G. You have hit it exactly, and there is another point which arises out of this consideration. Any action of other nations will be taken, of course, without any care for the possible suffering of our manufacturers and traders. Englishmen may be brought to the verge of ruin by such action, as many were in 1891-92, and they will have no power of prevention, and no *locus standi* for complaint. Surely it would be well that we should have a voice in what so deeply interests us, so as to ensure concerted action in such important matters.

"Depreciation of the Mass of Currency."

S. You said a little while ago, in answer to Harrop, that the man paid in full-weight florins would find that they would buy just what the gold did, and that he would not be hurt. But you have admitted that there might be a rise of prices!

G. So there might; but as I have explained before, it is impossible to assess the precise amount of the rise that would spring from whatever addition there might be to the metallic measure.

W. Can't you give a guess at the increase of the measure of value if the old law were re-enacted?[1]

G. No! not one in which you could place any trust, unless I could tell the total amount of production of both metals in future years, and compare it with wear and tear and the needs of an increasing population.

There is, as I have said before, very little *idle* silver not now used as money.

H. Except the Indian hoards.

G. They hoard gold also. I think we must leave that Eastern propensity out of the account.

S. Those hoards, I suppose, form part of the quantity of money in the world, and operate to some extent on prices.

G. Certainly. They are potential money, and, indeed, are constantly contributing to the sum of actual money.

S. They are sometimes said to be "put back into the mines".

G. So they are; with this difference, that those mines can be worked, and will yield, at pleasure. It is, of course, quite possible to make an *estimate* of the increase of the measure

[1] See Questions 3734-6, Gold and Silver Commission.

of value under a Bimetallic law, and Professor Jevons has done it. He estimated the reduction of the value of money at 6 per cent.; and adds the reflection 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 ".[1] Yet he contemplated without fear the total disappearance of silver as money, which would involve an alteration of prices and of contracts of about 50 per cent.!

H. A gradual alteration.

G. He thought it would be gradual; but so far as it has gone it has been both fitful and rapid.

W. Some of your opponents find no difficulty in telling us exactly what the rise in gold prices will be. I read a pamphlet the other day, the writer of which asserted that the value of the sovereign would be reduced to 12s. 6d.

G. There would not and could not be any price of gold at all; but let that pass. 12s. 6d. reckoned in what? In the pound sterling of the joint standard, I suppose. That is to say, he thinks that the pound sterling, which under the re-enacted law would be 123·27 grains of standard gold, or 1893·54 grains of standard silver, would be worth no more than 77·05 grains of standard gold now are—would buy no more than five-eighths of a sovereign does now. I wonder how he gets his figures, and his result. I suppose he takes the price of silver of the day, assumes its increase to 60d., and thus solves his arithmetical puzzle. A very rough and ready calculation: liable to be upset by any change in the present market price of silver, and sure to be utterly destroyed by the proclamation of his assumed "Mint price".

W. But now, as to his economical puzzle?

G. He must mean, of course, that a sovereign would thence-forward buy no more than 12s. 6d. used to buy. Why? Either he must admit the quantitative theory, which would justify him in expecting *some* rise of price, or else he must believe that the re-enactment of the old law was the one thing needful for the restoration of trade, and that revived trade would, as was natural, bring with it a rise of prices, to which, springing from such a cause, no one would object. If it was on the quantitative theory that he was relying, then, to make so nice a calculation, he must begin by determining the exact increase, present and future, of the money of the world.

[1] *Contemporary Review*, May, 1881.

W. I suppose he was talking nonsense; that's all—talking, as many of us do, about things that he doesn't understand. I wish we could cross-examine him.

G. We should ask him whether he himself, for instance, would be willing to give a cheque for £1 for what he can now buy for 12s. 6d.; and what should induce him to be willing to do so. If *he* would not, why should any one? We should further ask him to give us his notion of the steps by which an increase in the measure of value made prices rise.

W. I don't think you would get much out of him. How do you explain it yourself?

G. It can only come by the enrichment of individuals. When a "flood" of money metal is poured out, the mine-owner (whether lessor, lessee, or neither), the miner, the digger, finds himself a wealthy man; he buys more, and gives more for what he buys; and thus a share of his newly-acquired wealth passes into other hands, who also buy more, and pay more for what they buy; and this process spreads by slow degrees all over the world. If prices rise suddenly, or less gradually, in any land other than the land which produces the great addition to the money metal of the world, it is less owing to the quantity of the measure than to the stimulus given to trade.

H. That theory of yours doesn't well accord with the present condition of the Stocks of Gold in the world. So far from enriching the successive holders of each ounce that has been raised, and thus raising prices throughout the world, the greater part of that which has been raised in the last few years lies heaped up in the vaults of the Banks of England, France, and other nations; and prices, as you yourself complain, go lower and lower.

G. It no doubt enriched the finder, so far as there was a profit on the finding; and the profit got distributed in the way described. That prices have not been raised has been fully accounted for already.

W. Whatever addition there may have been to the finder's wealth, there has not apparently been much added to the money of the world, seeing that the production has, as we are told, sufficed for little more than to supply wear and tear and the use in the Arts. I don't see how Harrop connects the accumulations in the Banks with the question of profit to the owners of the gold. They don't make a present of it to the Banks.

G. Let us take the Bank of England. The heaping up of gold is the result of the stagnation of trade, and proves not abundance of the metal but lack of employment for it.

England the Banking Centre.

W. Some people think that there is another danger besides a sudden rise of prices caused by the bringing in a mass of hitherto demonetised silver, and a consequent dislocation of current transactions. I mean the change of what has been since 1816 the fundamental principle of our currency. Our money now is gold and gold only. You want to raise silver to a parity with it at a certain ratio, and would allow the debtor the option of paying in either metal. But I have heard that an experienced witness[1] before the Gold and Silver Commission gave his opinion that our gold standard was the foundation of our prosperity[2]—that England is the metropolis of the commercial world, to which all nations resort to settle their exchange business, because here, and here only, they can always get gold.

Where all can get Gold.

H. In other words, we are the banking centre of the world. I incline to agree with that witness.

G. A very good thing too. No one can be more anxious than I that London should remain the "banking centre of the world". But *that* banking is not Lombard Street banking, but the work of merchants and of operators in Exchange. Lombard Street does not represent the whole of commerce, nor are bankers, as bankers, in a position to judge of the requirements of England's foreign trade. They are concerned rather with the internal movements of money, with the tools of commerce rather than with commerce itself.

W. I have talked to some of the Lombard Street men, and I think their objection hinges, or used to hinge, precisely on that point—on the inconvenience which they would feel as English bankers, concerned with internal trade. They did not perceive how much the movements of specie are confined to the settlement of international balances, and how little—except for pocket-money and till-money—they touch the settlement of internal affairs; and they feared an incursion of silver into the domains of gold in this country.

G. I have had my say about bankers before,[3] and showed how little they have really to fear from the restoration of our

[1] Mr. Bertram Currie.

[2] See this and other fallacies excellently treated by Sir Robert Edgcumbe, in *Popular Fallacies Regarding Bimetallism*, 1896.

[3] See pp. 67, 264, 306.

English monetary law, whether generally, or on the particular point to which White refers. They are beginning to think better of it at last. What they did think, and how little they realised that the matter which they deemed unimportant was of vital interest to their best customers, may be well shown by an extract of a letter written in 1882 by an eminent banker—holding the same kind of view, I should say, as the "experienced witness" to whom White alludes. Here it is. He would not now, I think, write the words which I have underlined.

"According to my view it is now too late for the United "States Government to adopt a single gold standard without "creating a monetary disturbance which no popular Govern- "ment would be likely to face.

"I have always been a Bimetallist for the Continental "Powers, believing that a return to the former system of "free coinage is the best way out of their present troubles; "and . . . I am now convinced that our interference [in "1881] did more harm than good, and in the future I hope "we shall keep *out of confusions which do not concern us*; "abiding by the offers which Fremantle and Mallet were "empowered to make, and which practically amounted to "nothing.[1]

"This seems to me the most likely method to lead to "a settlement.

"When the silver-owning nations find that England is "not inclined *to cut off its tail for the love of symmetry*, they "will have to betake themselves to possible remedies, and "after squabbling among themselves they will arrive at the "solution of the free coinage of both metals."

H. You have always assumed that it is the debtor who is to have the option of paying in either metal. Somebody told me that Sir John Lubbock strongly objects to the notion that a debtor should have this privilege—a privilege which he says is implied though not expressed. He would like the option—a valueless one if you are right in thinking both metals would be practically equal at the ratio—to belong to the creditor, if to any one. What do you say to that?

[1] These, as mentioned on p. 168, were stated to have been:—

1. The Bank of England to receive silver in its Issue Department, in accordance with the provisions of the Act of 1844.

2. The legal tender of token silver to be raised to £5.

3. The Indian Government to engage not to close their Mint to silver for ten years.

Number 2, indeed, amounted to nothing: for nobody pays a debt even of £2 in silver; and still less would any one pay one of £5. Number 1 was of great importance. Number 3 was supposed to be futile; for no one imagined that the Mint could ever be closed. How important this proposed concession was, subsequent events have shown.

G. There are many things to say. What can Lubbock mean by saying that the condition of the debtor's option is not expressed? It has been clearly expressed by me, and I should think by every one who has written on the subject.

W. It was expressed both in those very words, and in the phrase Legal Tender, in the evidence[1] given before the Gold and Silver Commission, of which Sir John was a member. But that is a long while ago, long enough for him to forget it; and he has, besides, not much time to spare for reading treatises on the subject.

H. Legal tender? That's not necessarily the same thing as "debtor's option," is it? Legal Tender.

W. Is it not? No one who is not a debtor can exercise the right of legal tender. A creditor, as a creditor, tenders nothing at all, legally or otherwise.

G. Lubbock does not need to be told that legal tender is of the essence of the system. Without it there is no true money. Who is it that exercises the option which the law gives between forty shillings and two sovereigns with which to pay a debt of £2, or between five sovereigns and a Bank of England note with which to pay a debt of £5? The creditor?—No one but the debtor.

Our friend has not given himself time to think the question out, and discover what his own case as a banker would be if he, a debtor liable to be called on for his debt every day but Sundays and Bank Holidays, and all day long, had to provide a stock of silver coin as well as gold coin to meet the caprice of his creditor the customer. There would be no inducement on the score of cheapness or dearness of one or the other sort of coin why the customer should choose one rather than the other; but the banker must be fully provided all the same.

[1] See particularly the answer No. 3461 given on the 4th of March, 1837, on which day Sir John was present. Here it is:—

"Mr. Henry Hucks Gibbs was recalled and examined. Bimetallic Law.
"Could you give us a brief account of the Bimetallic arrangements "which have been in force in the world during this century? If you "mean to say what the Bimetallic law was and must be, the Bimetallic "law is described quite clearly in my article in *The Fortnightly* of October "last. I. An open Mint to which every man may take either gold or silver "to be coined. II. A fixed ratio which the gold and silver coins are to "bear to one another. III. The enactment that the money so coined shall "be legal tender to any amount at the option of the payer."

See also the Report, Part III., p. 34:—

"Essential features . . . (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."

W. He could demand the metal that he most needed from his own debtors.

G. Certainly he could, and so could everybody; and the result of their doing so would necessarily be the compulsory coinage of vast quantities of full-weight silver coins, and the distribution of them throughout the length and breadth of the country.

Not a desirable result, in the eyes of Bimetallist or Monometallist. Under true Bimetallism there would be, as I have amply shown you, no possible chance of getting hold of one metal at a cheaper rate than the other, and no reason, therefore, why the debtor, even though a banker, should keep a greater stock of either metal than was quite convenient to him; and no reason why one single silver coin should be struck at the Mint beyond what might be found absolutely necessary for the trade of the country. I have shown you before that we are already "flooded with silver"—and like it. No importer of silver would take the trouble to send it to the Mint and have it coined, to his loss in interest; and the only bank therefore to which it could be sent in an uncoined state would be the Bank of England, where it would serve, as it has always served, as a stock on which to draw for export.

H. I can't say that I attach much weight to Lubbock's suggestion. My objection to Bimetallism is on the same lines with Harcourt's. It would sacrifice our monetary independence. You treat that too lightly. Let us have a talk about it some day.

We have talked of many things, and have many more to talk of. When shall we come again?

G. The sooner the better, as you will the sooner come to a right appreciation of the points about which we *have* talked. We have, I think, thrown some new light upon the questions of Indian and United States Currency, and on certain Fancy Bimetallisms.

H. I still have my doubts.

G. Come and air them! I suppose Parliament will hold you and Smail tight for two or three months yet—such is the hard fate of the legislators of '93—so any Wednesday or Saturday before December will serve. Settle it among yourselves, and let me have reasonable notice. Good-night.

END OF THE EIGHTH DAY.

THE NINTH DAY,

15th November, 1894.

"MONETARY INDEPENDENCE OF ENGLAND" IMPOSSIBLE.

Monetary Conference, 1867, and French Enquête, 1869-70.
Polymetallism.
Reserve of the Bank of England.

Rate of Discount.
Repeal of the Sherman Act, and its Consequences.

"Countries on a Silver Basis unable to pay Gold Debts."
"Payments in Wagon-loads of Silver under Bimetallism."

The Latin Union.

ORESME AND COPERNICUS.

Chesney, Harcourt, Hoare, Jevons, Locke, MacLeod, Rouland.

H. I HOPE the day suited you, Gilbertson. I think it was I who had to fix the time for our meeting, so it must be my fault that we did not forgather again before last year was out; but our taskmasters kept us in the House till the 22nd of December, and, as you know, till March last, so it could not be done.

G. The day suited me perfectly, and there is some advantage in having missed a year, for so many things have happened since we last met, that we have the more to talk about, in the many branches of this knotty subject. I suspect that you were as much to blame as any of your taskmasters, as you call them. Why didn't you keep them in better order? I will begin by thanking you for your note of summons, and for your reminder about Jevons's[1] comparison of a Bimetallic treaty to a chain, the breaking of each link of which would throw an increased strain upon the other links. Your note served as a warning that your point of attack to-night would be the danger of treaties, and gave me time to look to my defences. What do *you* think of Jevons's comparison? Not much I fancy. Jevons.

H. I know you will say it is a false analogy.

[1] *Investigations*, p. 324.

G. So will you. To give it any force it is necessary to show that there is any strain at all on the members of such a convention, and that the breaking of one link of a chain can put a strain on the rest. The fact is, there is no strain, and no one has attempted to demonstrate the existence of any. Giffen indeed talked of the "misery" (he meant "inconvenience") caused by Bimetallism in France. No Frenchmen, so far as I know, complained even of inconvenience, except in theory.[1] Such as it was, it was caused by the *absence* of a convention. War, says Jevons, and consequent suspension of cash payments, would throw floods of silver on the nations remaining in the convention. To this I add "*and floods of gold*". Suspension of cash payments, with or without Bimetallism, will always cause some disturbance of this kind; but obviously less under Bimetallism than under Monometallism.

It was the unwonted weakness of this article of his, and his misconception on many points of the conditions, needs and objects of a Bimetallic convention, which, in conjunction with other matters to which I have referred before,[2] made me think that he would have changed—perhaps did change—his opinion on fuller consideration.

H. That brings us to what I was saying when we last met. Under a Bimetallic system there is too much danger of your treaty being broken through the temptation which would be always presenting itself to one or other party to it to retire from it; and if they did once break away there would be no return. I have already given reasons for this; and I feel sure that if a nation ever did return, by way of experiment, they would certainly come back to one metal only.

W. It seems to me that Gilbertson has disposed of your reasons, as he has also of the conclusion that if they did return they would return to gold rather than to silver. The consensus of authority is the other way.

H. You are thinking of Locke's words: but whatever may have been thought in his time, and however wisely in the then condition of commerce, it seems to me evident that the world has *now* come to the opinion that gold is the fitter metal of the two. Why else did the International Conference of 1867 urge the abandonment of silver and the adoption of gold as the

[1] "*On parle de ces inconvenients comme s'ils avaient profondément inquiété le pays "ou profondément compromis son developpement. Mais c'est a peine s'il en a eu "jamais la conscience.*" ["People speak of this inconvenience as if it had deeply "disquieted the country, or greatly hindered its development. But in fact the "country has scarcely even become aware of its existence."]—M. Rouland, Gouverneur de la Banque. *Enquête*, 1869, i., p. 79.

[2] Pp. 181-83.

standard? Why else did France, after many months inquiry in 1869-70[1] come to the same conclusion? Why else did Germany hasten in 1872 to abandon silver and adopt gold? and why has all Europe followed her example?

G. If you will read the Minutes of the Conference of 1867[2] you will have a full answer to your first question. The whole aim of that Conference was the extension of the Latin Union, the establishment of uniformity of legal tender *Coinage* in the countries represented. That desire dominated all the proceedings, and much of the time was occupied in debating whether a 25-franc gold piece should be coined which should approximate to the English sovereign and to the American half-eagle. Monetary Conference, 1867.

Many members of the Conference, including of course the representatives of England and Portugal, desired the single gold standard for itself; but the motive force with everybody was the craze for the unification of money, which they imagined could not be accomplished if both metals were legal tender, although the existence of the Latin Union was a standing proof to the contrary.

H. I thought the establishment of the single gold standard was the principal object, and the unification of money a subsidiary point.

G. Give me the book, White. It is that big one on the table behind you. Hear what M. Rouland, the Governor of the Bank, said about that:[3] *Je dois . . . faire remarquer qu'il s'agit ici d'une Enquete sur l'etablissement d'une monnaie internationale. Or la 3e Question du Formulaire soulève précisément l'examen de l'utilite de cette grande mésure et des bases générales qu'il faudrait lui donner. En conséquence, mieux vaut, suivant moi, commencer . . . par l'etude du principe lui-même et arriver ensuite aux différents moyens d'exécution, savoir: la suppression de l'etalon d'argent, et enfin l'introduction actuelle d'une nouvelle pièce d'or de 25 francs.* Rouland.

W. That's clear enough; but did the *Conseil Superieur* take the same view, and with the same motive?

[1] *Conseil Superieur de Commerce, de l'Agriculture, et de l'Industrie. Enquête sur la Question Monétaire. Paris*, 1872.

[2] *Enquête, etc.*, vol. ii., p. 427. *Procès-verbaux de la Conference Monétaire Internationale.*

[3] "I must beg you to observe that the matter before us is an inquiry into "the plan of establishing an International Coinage. Now the third question "in the Order of Reference touches precisely the examination into the useful- "ness of this important measure and of the general basis on which it must be "founded. Therefore it will be best, in my opinion, to begin by a study of "the principle itself, and then to consider successively the different means of "carrying it into effect; to wit, the suppression of the silver standard, and "finally the actual introduction of a gold piece of 24 francs." *Enquête, etc.*, vol. i., p. 48.

G. Precisely. But I think there was more enthusiasm on the part of some of the Council for the single gold standard on its own merits. The strongest motives seem to have been: "England has it; therefore we ought to have it. Moreover "we have now abundance of gold, and could sell our silver with "a loss of at most ½ per cent."

H. They would have had a rude awakening if they had tried it! Germany has given us an object-lesson on that point.

H. I think there was a considerable majority in both bodies for the single gold standard.

G. Yes; and above all for the 25-franc piece. But you must remember that neither the majority of a conference nor the majority of a Committee of Inquiry necessarily express the opinions of the nations represented.

H. But if witnesses and judges all concur, there is a strong presumption that their joint opinion is a wise one; and I think I have heard that a large majority of the witnesses also gave evidence in favour of the single gold standard.

G. Yes; twenty-three to twelve. When Pascal was discussing certain points of theology with the Jesuits, and his antagonists cited a multitude of monks, who held opinions contrary to his and laid great stress on their numbers, he said: *Révérends pères, vous prenez des moines pour des raisons.*[1] Quality is of more importance than quantity; and I attach more weight to the opinion of the Governor, Deputy Governor, and two Regents of the Bank of France, one of the latter being the present head of the French House of Rothschild, than to the opinions of a good many of the other thirty-four witnesses.

Parieu and Chevalier.

H. There were, I suppose, some good witnesses on the other side also; M. de Parieu for instance.

G. Certainly there were; but M. de Parieu was one of the council, not a witness. So was M. Chevalier, who laid aside his fears[2] of sixteen years before and praised a single gold standard; and there were also some twenty more distinguished men on it.

H. There must have been some public interest enlisted in the matter, or neither Conference nor *Enquête* would have been appointed.

[1] "Reverend Fathers, you take Monks for Reasons." [2] P. 199.

G. There was not, I think, any general interest. The Emperor was rather zealous for the unification of money; and there were five petitions addressed to the Senate in January, 1870, in favour both of the international system of coinage and for a single gold standard; but the Senate rejected them, after a very long discussion. Napoleon III.

H. Still, I repeat that, whereas, by your own showing, silver was in old time the money of the greater part of Europe, and of all Asia and America, its inferiority for use as standard money has now been recognised, and it has been abandoned by the leading commercial nations of Europe.

If, then, you seek to reverse their verdict and restore it to the place it has lost, you will be fighting against natural laws, and with the inevitable result, sooner or later, of failure.

G. Are they natural laws? Do mistakes made by England and Germany in 1816 and 1872 necessarily come down from heaven? Then the ancient selection of silver must have been equally heaven-sent. *That* lasted during thousands of years; and when our present system, whose folly lay hid for 57 years, and has only stood forth unveiled during the last 20, shall have been rejected, that rejection also will be, according to you, a natural law; and so also will be the restoration of silver to its place, as a Cæsar to the Gold Augustus on the money throne of the world.

H. Very pretty! But you haven't got rid of Lord Liverpool's praises of gold, or his reasons for its selection.

G. He gives none. He says it is *equally* homogeneous with silver, *equally* divisible—which it is *not*—(for money purposes), not *more* subject to decay than silver is. He might, indeed, have said "slightly *less* subject" and, perhaps, that is what he meant; but I have a silver coin here of Constantine the Great as good as it was when it was struck; and Mr. Head will show you at the British Museum silver coins of Sicyon, 700 years older, in equally good condition. That's indestructibility enough for me!

H. After all, my objection to a monetary treaty is still this: It would make our currency system more or less dependent on other nations; and I venture to think that our boast ought to be that England should be in partnership with no other nation; but in her currency laws, as in all things, should be absolutely independent. Is Monetary Independence possible for England?

G. Ah, that boast is Harcourt's. I remember the fallacy in

his speech in Parliament, and I wonder that no one corrected him at the time.[1]

W. I saw his view very concisely put in *The Times* the other day:—[2]

> "One country should adhere to one standard metal; "but which metal that should be, gold, silver or copper, "is a matter to be settled, each for itself, on a review of "its own wealth, the physical properties of the metals and "their cost. We have gold, we can afford gold, and we "ought to adhere to gold."

Polymetallism.

G. That is Polymetallism, and is absurd enough! Let us add nickel, and platinum, and iron, and lead too, while we are about it, to be chosen by the several nations according to their ascertained poverty or wealth! The competition for the place of the poorest nation would not be very keen! If each nation is to have its own medium of exchange, why not each province? why not each city? Spain might choose lead, Glasgow pig-iron as its bullion, while Northampton would say there was nothing like leather. I make you a present of the suggestion, Harrop.

H. Come, you musn't father on me all the foolish fads of ephemeral writers, whose ideas are more fitted for the days of Queen Boadicea than for those of Queen Victoria.

G. No. You stand acquitted. After all, the suggestion is only the logical outcome of Harcourt's "independence," a making up of his prescription with a dash of Home Rule thrown in. If we confine the dictum of *The Times* to gold and silver, it is not so very absurd, because a link can, as we know, be established between them. Yet I suspect the writer whom you quote, White, knew nothing and cared nothing about the needs of international commerce, and really contemplated no link at all. He was reposing, with his eyes shut, on the comfortable pillow of bumptious ignorance.

W. I think the most ignorant must know the advantage, when he *has* chosen his metal, of having the same money for transactions between London and York; and it requires no great stretch of intellect to perceive that it would be well also to have the same between London and New York, or any other foreign country; or if that can't be, to have London's choice and New York's choice so linked together that Great Britain may have the same safety in foreign as she has in home trade.

[1] See p. 301. [2] 4th August, 1893. See also pp. 137-38.

H. Bravo, White! Now you have really hoisted the Bimetallic flag! I must seek other allies.

G. Don't mind him, White! I'll answer him, and make short work of his fancied independence. In the first place, under a Bimetallic accord between nations, England would not be dependent on others, but all would be interdependent one on another. In the next, if there is to be partnership of any sort, I should prefer, and I think you would also, that England should have some voice in the business of the firm. As matters now stand she has none; and the currency system of her empire is liable to be, and constantly is, put out of gear by the independent acts of foreign nations.

W. How do you make out that? Our system of currency is—rightly or wrongly—dependent upon gold, and upon there being a sufficiency of gold in the vaults of the Bank of England. You know better than I, Gilbertson; but I have been told, and indeed observation shows me, that if at any time there is a heavy demand upon the stock of gold—"Reserve" I think you call it—you can always bring in what you want by raising the rate of discount.

G. No; the "Reserve" is the *un*employed money of the Banking Department, whether notes or specie. The specie in the vaults of the Issue Department is all employed in the form of notes, either in pocket or till, particularly in that greatest till of all, the Reserve. The Bank does not mind a heavy draft on its stock of specie, unless it produces, or threatens to produce such a depletion of the Reserve as would make it really, or even apparently insufficient for the various liabilities of the Bank. You are right in saying that as yet we have had the power to command the tills of other nations by making export of specie expensive, and by making import remunerative.

W. Why do you say "as yet".

G. Because I have observed that the action of the rate of discount has become slower and slower every year, since the time when foreign banks have striven to accumulate Gold as their stock, instead of Specie, meaning gold or silver indifferently. This both makes the demand on England heavier, and increases the reluctance of foreigners to part with their gold, a reluctance which they indicate, sometimes by the natural impediment of Agio, and sometimes (it is said) by the less wholesome impediment of Government prohibition.

H. I hear the question asked, why, knowing that, does not

the Bank of England keep a greater Reserve so as to be provided against all contingencies?

Bank of England Reserve.

G. Greater than what? Greater than it does, or than it used to keep? It does keep a greater Reserve than it used to keep, and it does in my judgment keep a Reserve fully sufficient for its own needs, and therefore for the needs of commerce. It is a great pity that newspaper men should write about things that they not only do not understand, but cannot possibly understand. How should *they* know the character of the Bank deposits, and the consequent probabilities of calls on the Reserve. The Bank, like other bankers, used to think 33 per cent. of the deposits an ample Reserve. It is easy to conceive circumstances in which that would be too large, and as easy to conceive others when 50 per cent. would be too small.

"Bank borrows from France."

H. The writer whom I had in my mind intimated, I think, that the Bank was self-condemned when it had to "beg" from France and Russia to supply the insufficiency of the Reserve in November, 1890.

W. I remember all that nonsense, and I happen to know the real circumstances. There was trouble in the air, and the rate of discount had been gradually raised to 6 per cent.; and, for the reason, no doubt, which Gilbertson gives us, it was six weeks before it produced the desired effect of bringing in gold in any quantity.

The bullion was £69,138,000 on the 12th of November (the Reserve being £11,100,000, and the proportion which it bore to the liabilities 33 per cent.), but the danger though unknown or only dimly guessed by the public, had been for some time patent to the Governor; and when it was becoming imminent, and an abnormal demand seemed near at hand, he had to strengthen himself abnormally. In ordinary times he would have taken large sums off the market, by sale of securities or by borrowing on them; this, if I understand it, would have diminished the deposits and thus raised the *proportion* of the Reserve, but it would not have brought in a single note, nor a single ounce of gold; therefore, both to provide funds in case of necessity, and to maintain confidence, he took the prudent course of borrowing from abroad, receiving a million in gold from the Bank of France on the 14th (the day of the great failure), again on the 15th, and again on the 19th, against a deposit of Treasury Bills, thus strengthening the Reserve, and putting no stress on the market. And this is what your newspaper man calls "begging from France!" There are some people who don't grow "wise" even "after the event".

G. You seem to know all about it. But I may add to what you say, that if the Bank had determined to take money off the market, *i.e.*, to borrow a large sum in England instead of abroad, the question would arise whether they could have attained their object without producing the evil they sought to avoid. Suppose a sale in this market of a million consols: whence would the money come to pay for them? for the most part from the Reserve of the Bank itself, to which the buyers, or their bankers, or the brokers, with whom the bankers had placed their money, would have needed to have recourse. Such borrowing from the Bank would have necessitated a continuous rise in the already high rate of discount, a rise which would have created in any circumstances very considerable alarm and widespread danger.

W. The alarm would have existed already, and would have risen to panic when the circumstances were known, and the discounts were seen to be still rising, and, to add to the trouble, notes would perhaps have been hoarded as in 1866. The great necessity was to avoid alarm: and the action of the Bank, if it had raised two millions in two days in our market, would have of itself created it in a very perilous form.

As to my knowing all about it as you say, four years have passed, and it has only required a little care in collecting facts and a little reflection as to their bearing to know all that needed to be known; but at the time, and until the 14th of November, nobody except the Governor and his immediate counsellors knew what was feared nor what was being done, not even the partners of those whom he consulted.

One thing I don't know even now. What had Russia to do with it?

G. We had got £3,000,000 from France, and we got half as much from Russia, which bought of the Bank £1,500,000 of Exchequer Bonds, the money being remitted in gold on the 24th. And from Russia.

H. Well, the fact remains after all this talk, that the Bank was not sufficiently well found to weather a storm, and that it had the humiliation of seeking foreign assistance.

G. That would be very well, my friend, if it were not for the figures. Mark now how a plain tale shall put you down. I shall show you that she *was* well found. The bullion began as I told you with £19,000,000 on the 12th; gold came in almost every day in small quantities, under the slow compulsion of the 6 per cent. rate; so that without counting the £4,500,000 produce of loan and sale, it would have read on the 25th £20,055,000 against £19,138,000 as on the first day of the crisis. Including the sum borrowed, the amount was £23,055,000, and the Russian remittance of the 25th raised it

to £24,555,000; a very satisfactory sum, I should say, considering the alarming circumstances through which English commerce had been and was still passing.

The Reserve, I see, was £11,105,000 on the 12th of November, being 33·2 per cent. of the deposits, and rose gradually, day by day, till the 25th, when it was £16,284,000, *i.e.*, 43 per cent.

H. I must admit that I don't feel proud of my newspaper-man, as you call him. I fear he is but a blind guide.

G. You will not perhaps be surprised to learn that the Bank had no occasion to use a single ounce of the gold, but sent it back when the storm had passed, and at the end of six months, intact and in the same boxes in which it came.

W. It must have cost the Bank a pretty penny, and if my figures are right, all for the safety of others, rather than its own *sic vos non nobis*, etc. Happily the French Bank rate was low.

G. Three per cent. Of course the loan and its attendant expenses brought a money loss on the Bank, and probably saved money to others; but I don't think the Bank was wholly disinterested. The proprietors lost that £100,000, or whatever it was, but the interests of commerce are the interests, in the long run, of the Bank proprietors, and they might have lost much more if Mr. Lidderdale had pursued a less prudent course.

W. It was admirably prudent, and the talk of "humiliation" and "foreign assistance" can only spring from ignorance of the real facts. No one supposed that the Bank of France was disgraced by the act of its Governor in 1860,[1] nor has such a suggestion ever been made then or since. I wholly fail to perceive the ignominy of selling securities, or borrowing on them, in a foreign market rather than in an English one. The French Bank in 1860 wanted to replenish their stock of gold, and they came to—where they could get it best—the Bank of England. The Bank of England in 1890 wished to augment its Reserve, in case it should be needed: That could only be done by increasing the stock of gold; and this, as I said just now, no internal action could speedily effect. They went, therefore, where they could by arrangement get it most easily and without calling public attention, to the Bank of France.

As to the Bank of England's holding of silver, I wonder what proportion the £1,500,000 it held in 1845[2] bore to the output of silver in that day.

[1] See p. 312. [2] See p. 311.

G. It was about one-fifth. Ah, I see what you mean. Well, the like proportion of the average output of the last ten years would be (supposing the same ratio) about £6,000,000, or nearly three-quarters of the sum which it might hold under the present law.

H. It is very interesting. But why have we drifted into this excursus on banking?

G. It is to *your* address, my friend. You remember what I said as to the increased difficulty in bringing in gold by a rise in the rate of discount; now I wish you to consider this: you speak of combinations against England. Well, you know how strong a hold foreign governments have over their national banks. What more easy for them to do in concert, as one or other is said to have done before now alone, than to forbid the banks to part with their gold, thus putting a heavy impediment in the way of a replenishing of our Reserve.

I was drawn into saying all this by what White said as to the operation of the rate of discount; but I will now continue my answer to you.

H. Upon what point?

G. On the futility of your idea of "independence". What I have just said is one proof; the others are in past history. Passing over the fact that we have postal treaties, and treaties of commerce, and all, according to you, in derogation of our independence, remember that from 1803 to 1873 the monetary system of France kept the standard money of India safe from any fluctuation in its gold price beyond what is necessarily caused by the balance of trade, and maintained for the trade of England with silver-using countries an approximate par of exchange. In 1871-72 the action of Germany gave rise to the dislocation of the whole system, a dislocation which was finally effected by France in 1873-76. Holland and Scandinavia followed the example of Germany. Italy resumed cash payments, taking 16 millions in gold, increasing the mischief, and helping to entail grievous losses on the Indian Government and people, and on English commerce. In 1878, the United States decreed the purchase of large quantities of silver per month, and in 1890 they more than doubled the amount, causing by this last measure a rapid rise of price in London from 42½d. to 54½d. in nine or ten months. The President delivered an adverse speech in 1885, and the price went down 1d. an ounce in one day. In 1890 the new law sent it up 20 per cent.; not long after which a rapid fall began and has steadily continued till now, with no small disturbance to our commerce and loss to India.

"Universal Gold Standard."

W. How would it be if all the world demonetised silver, India, the Far East, and all,—gold standard for everybody, with token silver coinage for small change?

G. That is a moon for which Monometallist babies are always crying! However lovely it may be as a theory, no one out of the Island of Laputa could conceive its being put into practice. I need not point out the absurdity and folly of the suggestion, nor the calamities which the transition period would bring. The preliminary objection is, that the East will make no such change, and that we have no means of promoting it, still less of compelling them to accept it.

W. Well, you'd get your par of exchange.

G. Yes. But where would be the exchanges? If the thing could really be done we should all fall back for a long period into a state of barter.

H. I thought, White, that in your new-born zeal you were going to make the opposite suggestion—that all the world should *re*monetise silver. Pray exclude Great Britain.

W. Gilbertson has told us that he and his friends would be satisfied with that condition of yours, though they would think it an unwise exclusion; and I suppose, judging by what I remember of 1881, that you would have no great objection to make.

H. The rest of the world may do as it likes. *I* would not assent to a ratio of $15\frac{1}{2}$ to 1.

G. My dear friend, do you think the United States, or any other nation, will ask your leave? There lies the vice and futility of your whole attitude of opposition. The present view of the foreigner is to do nothing without England; but they are finding the position more and more intolerable in a commercial sense and may at any moment take heart of grace and act independently of us. They may choose a ratio of $15\frac{1}{2}$ to 1, or 16 to 1, or 12 to 1. We should be absolutely without *locus standi* for resistance, or even for remonstrance. Fifteen and a half to one would be, as I have said before[1] far more consonant than the present market price to the actual stocks and actual rate of production of the two metals, and would be beneficial in the ultimate result; but its hasty adoption would bring on us all the dangers of which we spoke in our second talk,[2] dangers

[1] See pp. 234-35. [2] See p. 42.

which would affect *us* more than any other nation, and to which Harrop, you and those who think with you are doing your best to expose us by preventing us from having our say in the arrangement.

H. I don't think it likely that they will. We have had a practical example of the panic that even the fear of such a thing caused in the United States this very year.[1] Look at the events of July and August last. They went far to justify those prophecies of Herries and Giffen of which we were talking when we last met, and of which you made so little account. Panic in New York.

On one sentence of doubtful import, uttered by the Secretary of the Treasury, depositors feared a change in the Standard of Value, and millions were withdrawn, the banks only averting general panic by issuing certificates of joint indebtedness. What do you say to that?

G. How do you suppose that certificates of joint indebtedness would avert a change of the Standard of Value? There is no authority for saying that there was any fear of such a change. The tendency was all the other way; for the Treasury was paying gold not only on gold certificates, but on Treasury Notes, which they were only bound to redeem in silver. A panic there was, but it was a banking panic, not a scare about the Standard of Value. Depositors feared, not that they would not be paid in gold, but that they would not be paid at all. Joint certificates *were* a salve for *that* sore. Gold had been indeed withdrawn in the twelve months ending June last for the ordinary purposes of commerce; but during the crisis, and all through July and August, there was little distinction between one class of currency and another; the only difference being that the premium on paper currency (12 per cent.) was higher than the premium on gold at any part of the time.[2] There is no evidence of hoarding of gold, but ample evidence of the hoarding of currency.

H. Well! I think I must admit that the action, wise or foolish, of other nations might put us into a difficulty.

W. It looks very much as if the United States would be giving us another object-lesson one of these days, following on their present policy. They have given us one this last year.

G. Very likely they will give us another. All these things

[1] See a letter in *The Times* signed C., and dated 7th April, 1895, commenting on Mr. Balfour's speech of 3rd April.

[2] See the New York letters in the *Economist* of 19th and 26th August, 1853, and the articles in the *Financial Chronicle* of New York in July—September of that year.

have affected, and must affect, England's money system; she was powerless to prevent or to defend herself against them. In sight of this it is absurd to talk of our being independent in our monetary policy. England is just as dependent on the other national units of the world as a merchant is on the actions of his fellow-traders. England has not a tide of its own, nor a private cavern of the winds, neither is it possible that she can stand isolated and unaffected by the actions of the rest of the world under the influence of their own monetary laws. Such independence is but slavery, for it involves, as I just now suggested, the absence of control by England of actions which deeply affect her own interests; and a desire for it can only spring from ignorance of the historical facts of the case.

H. I do see that India is dependent on other nations in monetary matters and that thus her currency has fluctuated, at all events as measured in gold; and I suppose you would wish me to infer that, though we don't see it so plainly, England's currency fluctuates for the same reasons.

G. As I pointed out before,[1] silver fluctuates as a commodity when measured in a gold money; gold fluctuates as a commodity when measured in a silver money.

Repeal of the Sherman Act.

W. We have been so much interested in Harrop's "independence," that we have not at once attacked, as we otherwise should have done, another more practical matter, the most important piece of monetary news that we have heard since we last met—the repeal of the Sherman Act, 1st November, 1893, just over a year ago,[2] giving us an object-lesson both in enactment and repeal.

H. It died a deserved death. The next question is: What is to follow?

G. An international arrangement I hope and believe, sooner or later, after much trouble and much controversy, of which we have seen the beginnings already.

H. But what will the United States themselves do *now*? They will have to replenish their stock of gold, and will come here for it.

G. They will do what they have been doing ever since. When they owe us money they have to pay us in gold, if we

[1] See pp. 172-73. [2] See pp. 278-80.

owe them money we shall have to pay them; not else. If we do owe it, we shall have no alternative but to pay gold, thanks to our present law. Very pleasant for them if they want it, but I fail to see the gain to us.

S. *They* won't find much difficulty, I fancy. If we don't owe them a balance, they can sell bonds over here and create a credit balance.

G. No doubt if there are bonds over here on American account, they can do as you say.

S. They may, and it is said they will, create new bonds, and so fill the void.

G. A bad business! I don't, however, see that they were or will be in such straits. The repeal of the Act, as I intimated in one of our June talks,[1] may have quelled panic, if there *was* panic and brought out hoards, if there *were* hoards of the metal; giving the Treasury, in that case, all the gold it needed.

H. But its silver—its "practically useless stock of silver," as I heard it called the other day. What are they to do with it? You told us that they could not sell it, and would not if they could. I expect you will say that it is *not* useless.

Can Silver Countries pay Gold Debts.

G. I *have* said so. It is a pity that so many of our public writers will write without thinking! One of them before the repeal said the United States were in danger of subsituting silver for gold in their currency; and then who would believe that they would be able to pay their gold debts?

I suppose the worthy man had never heard of such a place as Mexico![2] What he *meant* was, that a time might come when the balance of trade being against the United States and gold having to be exported, there might be a slight premium on the metal; or if, *per impossibile*, there were no gold to be found in that gold-producing country, more silver would have to be exported to redress the balance than used to be the case.

As to what they did with what you are pleased to call their useless stock—they did nothing with it. Mr. Bland wanted to utilise the only portion which as I told you before[3] could be called idle or useless, and carried a bill through both Houses in March last for the coinage of the seigniorage silver accumulated under the Act; but it was vetoed by Cleveland.

H. And very wisely.

[1] See pp. 285, 286. [2] See p. 349. [3] See p. 281.

G. Perhaps so; I don't pretend to know; but it has at any rate the advantage of enabling you still to talk about useless silver.

W. Silver, though our public instructors are pleased to call it worthless, will be found to have still *some* value for export. Another wise man tells us, in reference to a suggestion that the United States might possibly restore free coinage (as some Americans desire) at the old ratio of 16 to 1, without waiting for any international agreement, that it would wipe off 40 per cent. of the indebtedness of the Western and Southern States to the Eastern States. Is that so?

G. If it is, it must be because the abolition of free coinage at that ratio *added* 40 per cent. to the indebtedness of those states. It is only one of those wild statements which no one seems afraid to make on this subject, but which no one is willing to submit to proof by coming to close quarters.

W. I should like to follow up the supposed action of the United States. Suppose they did go "on a silver basis". What then?

G. Whatever they do, depend upon it, they won't consider our interests. They may possibly do as you say; or, hopeless of a general international agreement, they may agree with the Latin Union alone, hoping that other nations would come in. Or, indeed, they may restore Bimetallism on their own hook, and at their old ratio, by a stroke of the pen.

W. In either case they would be acting independently of England; which, as we said when we were talking one day last year,[1] might be to the great loss of many of us, at the moment, through a sudden rise, and to the great loss of all of us, if they failed to maintain it, through the sudden fall. (Happy results of your "Independence," Harrop.) But the Latin Union is perhaps out of the running at this moment. An agreement with India would be more within the range of practical politics. England would, of course, have her say as to that; and if the Indian Mints were opened that would perhaps be support enough for the United States.

"On a Silver basis."

H. Let us talk of something less improbable. The United States might go, as you say, White, on a silver basis. There is a strong party against it, but there is a strong silver party also in its favour, irrespective of the silver producers; and a

[1] See p. 42.

turn of the wheel might result in their adopting silver only and leaving us with gold only.

G. "On a silver basis": I have never been able to find two Monometallists who were agreed as to what those words meant. I remember hearing Mr. Foster say that a great efflux of gold would leave the United States "on a silver basis".

W. And *The Times* evidently thinks that if gold leaves a country, or even if it becomes scarce, she is *ipso facto* on a silver basis; but I apprehend that you have hit the mark, Harrop. They will be on a silver basis if silver is their only freely minted legal tender money; but not from the mere fact of gold, to which the Mint would still be open, becoming ever so scarce.

G. Yes; if they open their Mints to silver only, and close them to gold, the United States will be in the same position as India was before 1893, or Germany before 1872; and, as matters now stand, they would have the same advantage over our producers that other silver-using countries have; the result of which might be that English agriculturists and manufacturers would have the finishing touch put to their ruin.

But even so, there is no fear but that they would be able to pay their debts; even though English farming and English manufacturers suffered. The words which you quoted just now are only some of those thoughtless follies which so often flow from the pens of irresponsible newspaper-writers. Why, the gold debt of the United States, so far as it is held abroad, is but a flea-bite in comparison with their resources.

Mexico.

How does the writer you quoted suppose that Mexico pays her foreign debt? The principal sum is £21,700,000, and the interest £1,275,000, which, as well as the amortisation, is punctually paid.[1]

Now *she* is on a *real* "silver basis," on a silver standard pure and simple: yet she was never so prosperous as during the last twenty-five years. She lives and thrives; and so, *a fortiori*, would the United States in like case, their whole debt being only $15·77 per head of her population,[2] and of that a very large proportion held by their own people. Nevertheless your wiseacre says they could never pay it; and our Indian statesmen, rulers of a richer country than Mexico, exporting more merchandise than

[1] The population (1895) was 12,588,000, so that the debt is 34s. 4d. a head, the revenue increasing from $38,446,693 in 1889-90 to $51,500,000 in 1896-97. 6 per cent. stock quoted above par in 1899; and converted into a 5 per cent. stock at 99½ in July last: the new stock standing also above par.

[2] In March, 1899, it was $1,433,548,726, including Loans, Notes and Certificates (but excluding as before those represented by cash in the Treasury), for a population of 75,000,000.

she imports,[1] owing a debt of £223,000,000 (including debts incurred for remunerative public works), no more than 14s. 10d. per head of population, are crying aloud in fear of impending bankruptcy, and rushing into expedients which will plunge them deeper in the mire.

H. I am not sure that your comparison is wholly just. I take it that India has many pulls on her exchequer from which both Mexico and the United States are, now at least, wholly free. India has famine and constant wars, Mexico and the United States have neither.

G. That is so, no doubt. But the real question is how such abnormal emergencies are to be met. Small matters can be dealt with out of annual income reinforced by temporary taxation where that is possible; but if not, the only true way is that which we have followed—borrow for emergencies.

H. And throw the burden on posterity!

G. A share of it. Famine is inevitable in some cases, war is necessary in some cases. The relief of famine is a necessity for the generation in which it occurs, and a benefit to succeeding generations. Where war is necessary it is for the safety of those who wage it and for their descendants. Some present taxation must be imposed lest it be waged "with a light heart"; but I cannot conceive anything more inept than the endeavour to make both ends meet, either by an artificial regulation of the quantity of money or by any interference which should change the character of the currency shown by experience to be consonant with the habits of the people.

H. I deprecate any such change, Bimetallic or other.

W. No one has advocated Bimetallism, that I know of, as a means of raising the wind.

H. Let that pass. I think you have made another slight slip. You have taken the *whole* population of India, whereas you should only count that of *British* India (221,000,000), which would make the sum per head 20s. 10d.

G. That is a just correction, but the sum per head is not really 20s. 10d. sterling, seeing that a large portion of the debt is in Rx.

[1] Imports in 1898, 63½ crores; Exports, 87 crores.

W. I must fire one shot at you, Gilbertson, before I go to bed. Your answer the other day as to the fear which the creditor would feel of being paid in silver a debt now payable in gold[1] was *a fortiori* sufficient for what I now want to ask; but as the authority was a great one, I may as well remind you that one witness said to the Gold and Silver Commission that you would enable a debtor to discharge a debt of £50,000 by delivering so many tons of silver at his door. What do you say to that? They would have to be in coin, of course. I suspect the gentleman forgot that bars are not legal tender. Wagon-loads of Silver.

G. He forgot also that wagon-loads of silver bars come now as they would then; and are placed now, as they would be then, in the care of a bullion-broker. But if the debtor did take the fancy to pay his debt in tons of silver coins, I should like to know where he would get them at a day's notice. The inconvenience would be but little greater to his creditor than being paid in fifty bags of sovereigns, and I doubt the witness had never been troubled in that way. Nor, I think, have we heard complaints that in France the streets were blocked up with wagon loads of silver! These are imaginary evils.

H. There would be a good deal of friction, however, if once you had your way: I think I heard Brodie Hoare say in the House that if Bimetallism became law he for his part should pay cheques presented at his bank in silver, and see how people liked it.

G. There are two words to that bargain. I repeat what I said just now. Where would he get the silver coin with which to do it? Not a single piece would be coined unless the Bank of England found that there was a demand for it, just as now sovereigns are not coined unless they are needed for the uses of trade.

H. But he could send for them to the Bank of England; or he could have then coined for his own account.

G. If he did either, it would be because he wanted them in his business, or because his customers wanted them in theirs. Of course he spoke in jest, but if he should do it in earnest, and procure bags of silver with which to annoy his customers, or "to see how they would like it," the resources of civilisation would not be exhausted, and he would soon find that they had a remedy. There are other bankers not possessed of the same spirit of inquiry, and who would use—as he himself would in

[1] See pp. 86, 320, 321.

sober earnest—the time-honoured formula, "How will you have it?" Brodie Hoare might have his joke, indeed, but he would lose his customer.

W. Well, I'm off. For my part, I think Gilbertson has had the best of the battle. Good-night, you people.

Latin Union.

H. Don't go yet. What was it that you said about the Latin Union being out of the running,[1] emphasised by a shake of the head, when Gilbertson mentioned it? What did you mean by that?

W. Yes, I had forgotten that difficulty of mine. I want to know why you have several times in our conversations quoted the Latin Union as if it was an important factor in the question. That body no longer exists, they tell me, but is resolved into its component parts, with each of which, by the way, you would have to reckon. I am sure I read in some newspaper that it was dead.

G. When did it die?

W. In 1873, I suppose, or 1876, when the Mints were finally closed to silver.

G. I saw no such obituary notice in the daily papers, nor, indeed, anywhere else, till the *Economist*, two years ago (1892), spoke of its "collapse," using it as a convenient argument to show that there could be no durability in an international monetary agreement.

W. If it still exists, it is a proof, is it not, that an international monetary agreement is more likely to be durable than not?

G. To be sure it is. It has lasted now intact twenty-eight years; or if it has been indeed dead, it has behaved very oddly for a defunct. At its meeting in 1885, it decreed the prolongation of its existence for five years, since when it goes on from year to year with a year's notice required in case of denunciation. Meanwhile, it is fulfilling all its appointed functions. I heard, too, that it had a meeting to discuss the attitude which it should observe at the Brussels Conference.[2]

W. I confess that I thought that its function was to maintain

[1] P. 348.

[2] The Conference met and suspended its sittings till May last, but the action of the English Government made its re-assembling hopeless.

the price of silver, and that that having failed its occupation was gone.

G. There is not a word in the treaty about the price of silver. What should induce France or Italy in 1865 to be solicitous about maintaining the price of silver or gold? The two metals were with them on an equality (at a certain ratio) and the question of price of either certainly did not and as certainly could not arise. The only places of any importance, where a price for either metal existed, were silver-using Germany and gold-using England; and the Latin nations were not so solicitous for the welfare of either of us that they should desire to raise the price of any of the commodities in which we respectively dealt—unless, indeed, they were themselves producers of them.

W. Was there anything happening in 1865 which should make them apprehensive about silver?

G. The English price of silver had remained at a minimum level for sixty years or so, and was at the moment above that level; nor was there the slightest indication that anything would occur to disturb it. I cannot imagine that it could have occurred to any member of the Latin Union that it was necessary to take steps to "maintain" it. Can you?

W. No, nor any one who knew the facts; but then you know newspaper-writers seldom disturb themselves about such trivial things as facts. What *was* the purpose of the Union? I think you told us something about it before.[1]

G. Just what the treaty states, and what it has always fulfilled and is still fulfilling, *viz.*, to ensure the free circulation amongst its members of the gold and silver coins of each; to which end they were to be, as they still remain, of prescribed weight and fineness.

W. Were they not obliged to coin certain quantities of each metal?

G. Not at all. They were under no treaty obligation to coin, or to abstain from coining, either silver or gold; except that the amount of *token* coinage was restricted to so much per head of the population in each state. In 1873 they thought it good, first to restrict, and in 1876 to cease, the coinage of silver. Nevertheless they allowed each state to coin a defined quantity, to make up for wear and tear, the Mints being closed to the public. When the time comes they will open the Mints again.

[1] P. 112.

H. I don't think we shall live to see it.

G. Then we shall die before it happens! Happen it will, with England or without England, as sure as death.

H. Some one says you are only fighting a losing battle which has been waged since the world began.

G. Whoever it is, no one has ever produced a scrap of evidence of any such battle before the latter part of the eighteenth century.

MacLeod. *W.* Oh, that's MacLeod; and just like him! He didn't say, however, "since the world began," but he may have had the days of King Solomon in his mind, when "silver was of none account"; but that, of course, has nothing to do with Monometallism, or any other -ism. By the way, Harrop, have you seen his article just out?[1] There are some curious things in it. I see he falls, as Harcourt did, into the Attwood trap.[2] I remember that you told us about Huskisson and Herries in in the Attwood debate; but I don't think you told us that Peel used the strong language against Attwood's Bimetallism which MacLeod put into his mouth.

G. Peel's strong language in 1830 was somewhat coloured by his fatherly fondness for the Act of 1819; though, while he pleaded that it had had but ten years of life, and ought in reason to have a further trial, he did not absolutely deny that a better system might have been adopted in that year. He opposed both Attwood's resolutions. The first—which proposed the restoration of the silver standard, with Newton's ratio of 15·21—"would promote," he said, "calamity and ruin". The second—that for £1 and £2 notes—"would turn all to confusion and public ruin".

H. That's pretty strong.

G. It is; but his attack on the first resolution was based entirely on Attwood's statement that a man could pay £96 of taxes with silver for which the Mint would give him £100—a statement of which I think I have sufficiently shown the folly.[3] It was the *injustice* of this *result* against which he protested. It *would* have taken away our gold and given us silver—though not at the speed imagined by some of the speakers—because it undervalued gold and overvalued silver in comparison with Spain and the United States as well as with France. That

[1] The *Nineteenth Century*, November, 1894.
[2] See pp. 132-36. [3] See p. 135.

was a good reason for objecting, under the circumstances of the time, to Newton's ratio, but not for objecting to the principle. Peel would have been the last man to condemn a *principle* advocated by Newton; and Newton, for the very reason which led him to adopt the ratio of 15·21 to 1 proposed for re-adoption by Attwood, would have certainly opposed its adoption under the then existing circumstances, and would have recommended a ratio which should as nearly as possible represent an average of the ratios of other countries. Peel

W. You showed me the debate the other day; and I couldn't see that Peel did object to the principle of Bimetallism. He justified it, I should say, by the example of France.

G. Yes; he condemned the *idea* of duality in the standard. He said, as Locke did, that a Double STANDARD was *impossible*, but that what he rather oddly called a Double *Measure of Value* was possible.

W. That is much what he said in his 1844 speech.[1]

G. Very much; only that there—fourteen years later—he did not shrink from the notion of a Double Standard—a Mixed Standard he called it—using no doubt popular and not scientific phraseology.

H. I am sorry to say I have forgotten much of our last year's talk. Why don't you put it all into print? I remember that you used to take copious notes. I daresay Harcourt would like to read the whole thing. Perhaps he may have more time for it one of these days.

G. My dear friend, your suggestion is good, but rather late. The whole thing, as you call it, has been in type for weeks, and White has been reading the proofs for me. You shall have a copy soon; and Harcourt too, since you answer for him that he'll read it. If you will remind me, White, I'll have Sir Robert's words,[2] so far as they relate to a "Double Standard," put into print too.

W. No going to bed for me yet! We *must* have a talk of about that eccentric controversialist MacLeod. MacLeod.

H. Yes; I too want to hear something more about his article; but I daresay we shall have an answer to it some day, from your pen or another's.

[1] See p. 109. [2] See Appendix, p. 473.

G. No, no; you must be content with what I may tell you here about the Oresme and Copernicus part. There won't be time to-night to read you the extracts from those writers, but I have them all copied out, and will put them in print also. You will find them more intelligible *oculis subjecta fidelibus*, than if they are read aloud. I doubt if MacLeod's article is meant seriously. It's only what Terence O'Brien in "Peter Simple" calls "flap-doodle"—"the stuff they feed fools on".

H. What's the matter with the article? I haven't read it myself. Give us a general idea of it.

G. White has read it; we were talking of it before dinner. I needn't speak of details, for I treated them (by anticipation) quite sufficiently in our former colloquies, but I can give you my opinion of it in a nutshell:—

Mr. MacLeod's prepossessions have misled him. He says: "It is proved that the fixed legal ratio between the coins never had the slighest effect on the relative market value of the metals". But he does not disclose the proof, nor does he seem to have arrived at the fact that no one has ever supposed that it is the mere Royal Proclamation that a sovereign is to pass for 20s. or 22s. which can have a coercive effect on the market price of bullion; but that it is the open Mint which has and must have that effect. If it has not, let him give an instance of any one who would sell his bar of gold at less than £3 17s. 9d. an ounce or his bar of silver at less than 5s. an ounce,—if those were equivalent to our then Mint prices. The Mint being open the legal ratio would govern the transaction. But if the mint law abroad were more favourable to one or the other metal than our law was, we should export that metal to gain the advantage. The legal ratio prevailing abroad would, in like manner, as regards us, govern the transaction.

H. MacLeod brings some historical artillery to bear on you, they tell me.

G. His prepossessions colour his history also. He finds comfort in events and circumstances which, if they were historically true, had no bearing on the question at issue, and looks for support to wise economists of former centuries, who would certainly have condemned his views as unheard-of and heretical, and whose words give no possible countenance to his contention. He tells us also, and this, I suppose, is what you referred to, Harrop, of a conflict between Monometallists and Bimetallists, which has been raging, he says, for 500 years —a conflict for which there is not a tittle of evidence nor a shadow of proof.

W. Then there is a fancy picture of Charles the Great establishing the western system of coinage—at a Monetary Conference at Aix la Chapelle, no doubt—Present, Charlemagne and the twelve Peers! I beg to move for the production of the Minutes! If the story were true, I don't see how it affects the question.

That about Charles the Wise of France and Nicolas Oresme might be more to the point; and that also about Nicolas Copernicus. I think the fragments of monetary wisdom which he attributes to those two Nicolases are very good; don't you? Oresme, Copernicus.

G. Yes, I do—generally—so far as they are pure unadulterated Oresme and Copernicus; but before I can swallow Mr. MacLeod's judicious mixture, I should demand to have it carefully tested by an expert. Mr. MacLeod makes a muddle of the English monetary law, and I may reasonably doubt his interpretations of two Latin treatises of the fourteenth and fifteenth centuries.

There are thoughts in his summary, both of one and the other, so remarkably modern! 500 years too modern, at least. "*Natural and market value of the metals*"—"*disappears from circulation*". *You* know, and so did Locke and Newton, though possibly Mr. MacLeod may have forgotten what it was that regulated the "market value of the metals"; and that if one of them was rated at a higher relative value in one country than in another, it did not "disappear from [the world's] circulation," but became scarce in the latter country and abundant in the former. Yes; I accept Oresme[1]—but I should like you to see the original![2]

H. Do you say MacLeod misunderstands the English monetary law? What law?

G. He says the law of 1666 fixed no ratio between the metals. Of course it didn't. The ratio was fixed already by the laws of 1611, 1619 and 1663, which fixed the English ratio precisely as the French ratio was fixed in 1803. Laws of 1611, 1619, 1663, 1666 and 1803.

H. No one has ever doubted that that French law fixed a ratio of 15½.

G. I should think not. By the French law of 1803—

> One kilogram of silver was cut into 200 French francs; and one kilogram of gold into 155 pïeces of 20 francs, *i.e.*, into 15·50 times as many francs.

[1] He says (see pp. 365, 375), "transported into the neighbouring countries wherever they pass for more".

[2] See p. 359.

By English Law—

One pound of silver was cut into 62 English shillings; and one pound of gold into 44½ pieces of 20 shillings, *i.e.* into 14·485 [1] times as many shillings.

The French legal ratio, therefore was 15½ to 1; and the English legal ratio was 14½ to 1, or near it.

But, says Mr. MacLeod, "the public were to receive the coins at such a ratio as they pleased". Of course they were—by agreement—in England and in France too. But in neither country could any man demand in payment of a debt coins of one metal rather than coins of the other. They might bargain as much as they liked; but in default of bargain they had to accept whichever metal the debtor offered in payment.

W. I don't clearly see why MacLeod brings in the Bishop and the Astronomer. I suspect that their monetary principles rightly understood and truly set forth will be found to be common to both sides of the controversy.

G. He appears to suppose that Bishop Oresme was a kind of fourteenth century MacLeod rebuking the follies of a thoughtless Bimetallic Age; though in fact the nightmare of Monometallism had never disturbed his sleep. Nor, as it seems, does MacLeod consider Oresme's authority, great as it is, sufficient to impress upon us the fundamental truths of monetary policy. Our teacher must call in Copernicus also, who, "retiring," as Sir Robert Peel would say,[2] "from the sublime studies in which he chiefly passed his life," enunciates for our benefit, in choice English phrase, certain nineteenth century theories of monetary lore. Again, I *should* like you to see the original, and form your own judgment of Mr. MacLeod's accuracy.[3]

I suspect those fourteenth and fifteenth century worthies would have been not a little astonished if they could have foreseen that such a gloss would be put on their wise utterances, and that *they* would be called in as advocates of a system wholly foreign to the minds of themselves and their contemporaries.

W. He suits his argument to the capacity of the majority, that is, of those who have not studied the subject. The *Recipe* is simple, and the dose easily compounded:—

[1] Taking the difference of fineness into account. [2] See p. 109.

[3] Mr. MacLeod, I see, still maintains [in a paper issued this month by the Gold Standard Association] the accuracy of his interpretation, characteristically abstaining (both here and in his book on Bimetallism, 1894) from quoting the precise language of either author. He says he has no space for the quotations. I have; see pp. 365-82, where I have given the *ipsissima verba* of every passage having relation to our subject, together with a translation for the benefit of those to whom the old French and the somewhat crabbed Latin might be a difficulty (Sept., 1895).

Cull, from the works of learned but little read writers, irreproachable monetary maxims, *quantum suff.*, peel and trim to your liking; strew in some generally accepted economic axioms, and an arithmetical truism or two, such as "Two and two make Four"—"Nine is not equal to twelve," or the like. Mix well; label "Monometallist Creed," and administer to the patient *urgente Bimetallismo.*

It will not fail to superinduce a gentle languor and drowsiness of mind which will dispose him to swallow without repugnance all or any of the nauseous and noxious drugs of the Monometallic Pharmacopœia, and to believe without inquiry anything the hypnotic operator may tell him as to the rejection by the Bimetallists of the fundamental truths you speak of, and as to their acceptance of all the nonsense he may put into their mouths; and to accept complacently the fallacious assertions which may proceed out of his own.

H. Bravo, White! You have come on a good deal since last year, when you professed that you hadn't made up your mind.

G. A good many people have done that. White has been studying MacLeod to some purpose, and gives a very fair description of his article. We won't allow the prophets and professors of the Monometallist Persuasion to have any patent rights in the orthodox articles of Monetary Faith. The Monometallists, like most heretics, hold some things in common with the true believers, and have corrupted other things.

H. You say we ought to see the original treatises, of which MacLeod says he gives the purport. Is it worth while? and are they easily accessible?

G. Quite worth while, both in themselves as part of Monetary History, and also as exhibiting the curious inaccuracy of one of your teachers. No doubt the book is to be found in the British Museum. Guillaumin published both treatises in one volume in 1864. I can't believe that MacLeod ever read either of them. He glanced through them, no doubt, and seized a phrase here and there which seemed, in the absence of the context, to make for his contention. I have read the originals of both treatises, and read them carefully; that of Oresme in his original Latin, and in his later French recension; and that of Copernicus in the Latin, both of them edited by Wolowski, and contained in the volume published by Guillaumin. My examination fully bears out my conjectures.

The burden of both tracts is the diagnosis and cure of what Oresme calls the *Morbus Numericus*—the iniquity and folly of

the Prince who should debase the coin of his country either in weight or fineness.

Oresme.

Mr. MacLeod gives us the following five propositions as those which Oresme (whose treatise, he says, has "only lately" been brought to the notice of economists),[1] laid down as principles of monetary science. The words in italics are from MacLeod's article.[2]

I. [Which I have just now stated] "*That the Sovereign has no right to diminish the weight* [Chap. XII.], *debase the purity* [Chap. XIII.], *or change the denomination of the coinage. To do so is robbery* [Chap. XV.]."

II. "*That the Sovereign can in no case fix the value or the purchasing power of the coins. If he could do so, he could fix the value of all other commodities; which was indeed the idea of mediæval Sovereigns.*"

[I am sure that Oresme was too wise to dissent from this axiom; but he nowhere laid down, or even suggested, any such proposition.]

III. "*That the legal ratio of the coins must strictly conform to the relative market value of the metals.*"

[Oresme says nothing at all about "*market value*". See below for what he *did* say, *viz.*, in Chap. X. —that in *settling* the proportion of gold to silver money, regard must be had to the natural proportion of gold to silver.][3]

IV. "*That if the fixed ratio of the coins differs from the natural or market value of the metals, the coin which is underrated entirely disappears from circulation, and the coin which is overrated alone remains current.*"

[No such proposition appears either explicitly or implicity in the treatise. See Chap. XX. for what Oresme *did* say,[4] *viz.*, that if gold and silver moneys are debased they are carried abroad.]

V. "*That if degraded and debased coin is allowed to circulate along with good and full-weighted coin, all the good coin disappears from circulation, and the base coin alone remains current, to the ruin of commerce.*"

[The words *all* and *alone* are MacLeod's words, not Oresme's; nor did Oresme speak of *dis-*

[1] It was printed by Colard Mansion, of Bruges, about 1480, by Keet in 1515, by Margarinus de la Bigne in 1589, by Voegelin in 1609, and again "brought to the notice of economists" just thirty years ago by Wolowski.

[2] The Roman numerals marking chapters refer to those quoted in pp. 366-74.

[3] See pp. 362, 369. [4] See p. 375.

appearance from circulation,[1] or of *ruin*. What he did say was that if debased money is in circulation, the *gold and silver* goes into a neighbouring country where it is worth more. See his Prologue, p. 365. Also Chap. VI. p. 368.]

Copernicus.

Mr. MacLeod gives us, further, six propositions which he attributes to Copernicus, who, he says, had no knowledge of the treatise of Oresme.[2] That might well be; for however much these propositions accord with those attributed to the elder economist they are for the most part absent from the treatise of Copernicus which lies before me. Either Mr. MacLeod must have given a very perfunctory glance at the work, or we must suppose that the Warsaw edition of 1854 gives a widely different text from the Paris edition of 1864.

The conclusions ascribed to Copernicus are:—

I. "*That it is impossible for the Prince to regulate the value of the coins, or of any other commodity.*"

[Most true. But there is nothing of the kind in Copernicus.]

II. "*That all the Prince, or the law, can do, is to maintain the coins at their full legal weight, purity and denomination.*"

[That is the Prince's duty; but it is not all that he can do; nor does Copernicus say that it is. He says nothing about maintaining the denominations. That is Oresme, Chap. XI., p. 370.]

III. "*That it is robbery for the Prince to change the denomination, diminish the weight, or debase the purity of his coins.*"

[Oresme, again, and not Copernicus; who however does show forcibly the mischief of bad administration in monetary matters. See p. 377.]

IV. "*That it is impossible for good full-weighted coin and base and degraded coin to circulate together: that all the good coin is hoarded, melted down or exported: and the degraded and base coin alone remains in circulation.*"

[All this, except the hoarding—which is not mentioned—is implied; but no such definite proposition is laid down.]

[1] See p. 357 note.

[2] How is it ascertained that Canon Copernic (in 1529) knew nothing of the works of Bishop Oresme? They had been in print forty-five years.

V. "*That the coins of gold and silver must bear the same ratio to each other as the metals do in the market.*" [Copernicus says nothing in any way approaching to this proposition.] "*Oresme and Copernicus* QUITE AGREED *that it is impossible to keep gold and silver coins in circulation together in unlimited quantities at a fixed legal ratio differing from the market value of the metals.*"

[No such proposition appears in the writings of either of them; nor is there a trace of any such thought having been present to their minds. For their real view see below.]

VI. "*That when good coins are issued from the Mint, all the base and degraded coins must be withdrawn from circulation; or else all the good coins will disappear to the ruin of commerce*" [pp. 56[1] and 68[1] (p. 377)].

The gist of both treatises is, as MacLeod says, the same as that of Sir Thomas Gresham's letter to Queen Elizabeth, *viz.*, that if two shillings are in circulation together, one weighing say 94½ grains of silver and the other a less number, the necessity for and even the temptation to export will take the greater abroad and leave the less at home. And so with all other coins, whether of silver or gold.

The ground on which both Oresme and Copernicus stood was—

That the money of the country must be Gold and Silver [O., Chap. II. (p. 366), and C., pp. 48,[1] 62[1] and 72[1] (pp. 376-80)].

That there must be a fixed ratio between the coins of the two metals [O., Chap. X. (p. 369), and C., pp. 72-74[1] and 76[1] (pp. 380-82)].

That in settling the ratio regard must be had to the natural proportion or relation (*habitudo*) of one metal to the other in preciousness (*preciositate*) [O., Chap. X., and C., p. 72[1] (pp. 369 and 380)].

That that ratio when fixed must not be changed except by competent authority [O., Chaps. X. and XIV. (pp. 369 and 372), and C., p. 76[1] (p. 382), and for grave reasons, such as variation in the metals themselves—a great preponderance, for instance, in the production of one of them as compared with the other, which can rarely happen [O., Chap. X. (p. 369)] all change except for such causes being criminal, a prejudice alike to the Prince and people [O., Chap. XIX. (pp. 372-75) and C., p. 60[1] (p. 378)].

[1] Pages of the Paris Edition.

That if a new coinage is made, heavier or finer than the old, the old coins must be demonetised [C., p. 68[1] (p. 379)].

But, says Copernicus, it is within the competence of the community to make such changes as may seem needful,[2] and to determine, for instance, whether the ratio between silver and gold shall be 12 to 1, or 11 to 1 [C., p. 74[1] (p. 381)].

Thus it is evident that Oresme at least would have approved, theoretically, of a change in the ratio, say in 1870, when the production of gold had exceeded that of silver by about £250,000,000 in twenty years. Practically he would have been too wise not to see that no such heroic remedy was needed, when no one was hurt. The demonetisation of silver in 1816, 1872, and 1893 he would have deemed criminal; for though there may have been evils to remedy or difficulties to overcome, there were other obvious and less dangerous ways of meeting them.

The root of Mr. MacLeod's misapprehension is his failure to grasp the only sense in which the phrase "market value" can be used of money-metals.

Where the ratios differ the only "market price" which can be supposed to exist is the slightly advanced cost of the undervalued metal when demanded for export, which cost in part equalises[3] it with its over-valuation in the foreign country to which it is exported. The par of exchange cannot vary, but the cost of remittance does.

Between Monometallic countries the case is different. The par of exchange is never absolutely fixed; but so long as there is a Bimetallic law in another country it is always *approximately* fixed. There is always a market price for the metal which is not the money metal of the country; but it can never go *below* that which could be obtained by the remittance of the metal to the open Mint of the Bimetallic country.

In neither of these cases is there or can there be a market price of money metal in the sense in which there is a market price of wool or wheat.

We must suppose, of course, in both cases, that if there is an exchange of metal in bar for metal in coin, that the coin is honest money: If it is a case of exchanging gold or silver bullion against base or clipped coins, the case is altered; for then the coins have become a mere commodity, and one of very uncertain composition and value; while the bullion, containing a known quantity of fine metal, has more really the character of money; and between them there may naturally be

[1] Pages of the Paris Edition.

[2] Oresme, in his 22nd chapter, lays down the same law, as to the power of the community to make necessary changes.

[3] See Harris in Appendix, p. 451.

a market price.[1] But it is the coins that are bought, and bought on speculation.

For want of this perception of the true nature of his supposed "market price," Mr. MacLeod apparently sees no distinction in this respect between a currency of gold or silver coins, some good, some more or less clipped and debased, even to the extent of half of their legal quantity of fine metal, and a currency of gold and silver coins all of full weight and fineness, rated to one another in a proportion slightly differing from that in use in other countries. The former all admit to be dangerous to the State. The latter is productive of inconvenience—not (in some cases) without some little compensatory profit. The former can only be cured by calling in the debased coin. The latter can be cured by attention to the ratio. Oresme and Copernicus show us a remedy for the former, in honest rulers and an honest coinage. Locke and Newton show us a remedy for the latter, in wise rulers and a careful assimilation of our ratio to those of our neighbours.

Under the present circumstances of the world, we may hope to tread in the steps of the two earlier economists, while appreciating the wisdom of the two later ones; and may so far extend the precepts of these latter as to attain not only assimilation but identity of ratio between commercial countries. But that, it would seem, demands more wisdom than falls to the lot of some of our present rulers.

Here you have the promised extracts from Oresme and Copernicus; and you will observe that if Oresme forestalled Gresham in his monetary wisdom, so also did Copernicus forestall Locke and Newton in his desire to assimilate the monetary legislation of his country to that of other nations, and, particularly, to bring the Polish and Prussian silver into line with the gold ducat of Hungary.

[1] See O., Prologue, p. 365. Also p. 9 above; and *Lives of the Norths*, iii., p. 168, there quoted.

EXTRACTS FROM ORESME.

PART OF THE PROLOGUE FOUND ONLY IN HIS FRENCH RECENSION, AND NOT IN THE LATIN TEXT.[1]

CERTAINLY there must be great need of it (a Treatise on Money) at the present time, seeing that every man uses it up at his pleasure, giving it out at whatever price he pleases, which is a great reproach to the prince whose image it bears, and who suffers such a thing to be; for it is a direct attack on his dignity and lordship, and ends as an after consequence in the desertion of his country and the total confusion of his kingdom and of the common weal. For now-a-days there is more bargaining among traders over the price and value of the money than there is about the commodities in which they deal. Wherefore gold and silver have now come to so high a price, that if some remedy be not shortly found, it is to be feared that many and very disastrous inconveniences will occur in allowing and permitting that specie, that is to say gold and silver, should be transported into the neighbouring countries, wherever they pass for more, and thus that the kingdom should be minished, to the prejudice of the prince and his subjects. By which drain of specie the traders would suffer loss in their merchandise and goods, and would have no traffic in the kingdom, thus denuded

Car certainement, ou temps present il en seroit grant besoing, veu que chacun à sa volunté en use, en donnant la monnoie à tel et si hault pris qu'il luy plaist; qui est grant vitupère et déshonneur au prince dont icelle porte la figure de le souffrir, car c'est directement atempte contre sa haultesse et seigneurie; et, en après, en la désertion et confusion totalle du bien universel de son royaume et pays. Car aujourduy il y a plus à faire entre les marchands d'estre d'accord du pris de la Monnoie et la évaluacion, qu'il n y a de marchandise dont ilz traictent. Parquoy l'or et l'argent sont à present venuz à si hault pris, que, si de brief n'y est pourveu de remède, il est à doubter de plusieurs inconvéniens grans et moult dommaigeables en la tollerance et souffrance d'icelle, comme des matières, à savoir, or et argent, estre transportez ès pays voisins, là où le cours est plus hault, et par ce, diminuer le Royaume ou préjudice du premier et de ses subjectz. Par laquelle evacuacion de matières, les marchans souffreroient détriment en leurs mar-

[1] P. 2, Paris Edition. The translations are from the Latin original where it exists, the corresponding passages from the French Recension being appended for the purpose of comparison.

of specie; and what is yet worse, the exchange dealers and bankers, who know where gold fetches a higher price, by secret devices rob the country of it, and send it or sell it outside to other traders, receiving from them other pieces of gold of base alloy, with which they fill the land. Wherefore, it is to be feared that when it should please the king or the prince to bring his money again into order, all those who will be found encumbered with this bad money, will lose heavily; such, for example, as the Postulas, lately coined in the Liege district, to which they have given currency in this country, for half ecus of gold, though they are of such low alloy, that worse could not be found, and, what is yet worse, of irregular alloy, having no precise standard on which one may rely, and so also with the other deniers of base gold with very doubtful alloy. And also as touching the currency of the silver money with regard to the valuation of the mark, the impoverishment of the kingdom is to be feared, because it is worth more in neighbouring countries than it is here. And the rule of twelve marks of fine silver to a mark of fine gold is not observed therein, as those know who understand the science.

chandises et denrées, et n'auroient cours oudit Royaume, ainsi évacué de pecune; et encores, qui est pire chose, les changeurs et banquiers qui sçavent où l'or a cours à plus hault pris, chacun en sa figure, ilz, par secrètes cautelles en diminuent le pays, et l'envoient ou vendent dehors aux marchans, en recevant d'iceulx autres pièces d'or, mixtes et de bas aloy, desquelles ilz emplissent le pays. Par quoy il est à doubter que quant il plaira au Roy ou Prince remestre ordre en sa monnoie, que tous ceulx qui seront empeschez trouvez de celle mauvaise monnoie, n'y perdent largement; comme des Postulas, nouvellement forgies ou pays du Liege, ausquelz on donne cours en ce Royaume, pour demy escu d'or, et toutesfois ilz sont de si bas aloy, que mendre ne se pourroit trouver; et, encores, qui pis vault, irréguliers loy, et n'y a aucune vraye assiète ou pied, sur quoy on se puist actendre. Et ainsi des autres deniers de bas or, dont il doubte de son aloy. Et touchant la course de la monnoie d'argent, à la évaluacion du marc, il est aussi à doubter la diminucion du Royaume, parce qu'il vault plus ès pays voisins, qu'il ne fait icy. Et n'y est pas la regle de XII. marcs d'argent fin, gardez pour ung marc d'or fin, comme ceulx sçavent que le science entendant. . . .

CHAPTER II.

. . . It was convenient, therefore, that money should be made of precious substance of little bulk, such as gold, but of the substance used there must be sufficient abundance. Therefore, when gold is insufficient, one makes money of silver; or if these

II. CHAPTER.

De quelle matière doit estre la monnoie.

. . . Il convint donc que la monnoie fut faicte de précieux matière et petite en quantité, si comme est or; mais, de telle matière doit estre compétente habundance ou pays. Et quant l'or ny peult souffire, on fait aussi

two metals be insufficient or cannot be had, there must be a mixture or else a simple money of some other pure metal, such as used to be made of bronze or copper. . . . Again, it is not expedient that the substance, that is to say gold and silver, should be too abundant, seeing that it was for that very cause that copper money went out of use. . . .

monnoie d'argent. Où ces deux métaulx ne peuvent souffire ou trouver ne se pevent en habundance compétente, et donc ce devroit faire une Monnoie meslée ou simple d'autre pur métal, laquelle anciennement se faisoit d'arain ou de cuivre. . . . En oultre, il n'est pas expédient ne politique que telle matière, c'est assavoir, or et argent, soit en trop grande habundance, car, par adventure, pour celle mesme cause se dèpartit et fut reboutée la monnoie de cuivre, de l'usaige humain. . . .

CHAPTER III.

Money, as has been said in Chapter I., is an instrument of merchandise, and as it is good for the community and for individuals, that there should be merchandise both in wholesale and retail, and for the most part in the latter, it was therefore necessary to have money precious, portable and easily counted, to serve for the greater kind of merchandise. It was also expedient to have silver money, as being less precious, more suitable for wages, for change, and for smaller wares. . . .

III. CHAPTER.

De la diversité des matières des monnoies et de la mixtion.

La monnoie, comme dist est ou premier Chapitre, est instrument pour marchander, et pour ce que à la communaulté et à ung chacun appartient et est de nécessité de marchander et faire marchandises, aucunes foiz, mendre, et le plus souvent de petites: pour ce fut convénient et nécessaire avoir monnoie d'or, qui est précieuse, laquelle se pourroit porter et muer lègièrement, et aussi qu'il est plus habille à faire et conduire les grandes marchandises; il convient aussi avoir monnoie d'argent qui est moins précieuse, qui est apte et convenable á faire recompenses et equiparations, par changes, et aussi pour achapter petites marchandises de petit pris. . . .

CHAPTER VI.

(The following portion appears in the French version only.)

To render unto Cæsar that which belongs to him is nothing else but to pay him obedience, as says Monseigneur St. Peter,

VI. CHAPTER.

A qui est et doit appartenir icelle monnoie.

. . . Rendre á César qui est et appartient á luy, n'est autre chose que luy rendre obédience, comme dit Mons. Sainct Pierre, en la seconde Epistre;

in his second Epistle; but for a long time past this obedience has been denied him, and turned into such custom, that every one offers and presumes, against the King's commandment, to sell or set his gold or silver at such rate as he thinks proper, irrespective of the price put upon it and appointed by the King and the estates of his kingdom; whereby it has come to this, that to-day there is no man, gentle or simple, who taking a gold denier can know what it is, being dependent on the will of him who pays it to him, and who sells it as if it were ordinary merchandise; which is clean contrary to the first institution, invention and ordinance of money.

This being permitted, the gold of a country goes, and is diminished in quantity, being transported to another where it passes at a higher value. And thus, no rule prevailing, the kingdom is so impoverished that in course of time great mischiefs will happen both to the King and to the community. There is, besides, this other great evil: No one has any regard to the King's moneys which are clipped and deprived of their original weight, and the possessor passes them at the same rate of currency as the good coins of full weight. This course of action cannot last long, because of the confusion which it is likely to produce.

mais, depuis aucun temps en ça ceste obédience luy a estée ostée et venue en telle coustumance que ung chacun offre et présume, oultre et par dessus le commandement du Roy, vendre ou alouer son denier d'or ou d'argent à sa volunté, et oultre le pris y mis et constitué de par luy et les Estatz de son Royaume: par quoy la chose est à ce venue que aujourd'huy il n'est homme de quelque estat qu'il soit que ung denier d'or sache recevoir, sinon à la voulenté du donant, qui le vent, comme se se fut naturelle Richesse, qui est droictement contre la première institucion pour quoy monnoie fut trouvée et ordonnée, comme nous avons touché cy dessus. Par ceste tollérance, se part et diminue l'or d'ung pays et se transporte en ung autre où il se aloue à plus hault pris. Et ainsi, nulle regle tenue, se apouvrit un Royaume tellement que, par succession de temps s'en peut ensuivir de grans inconvéniens au Roy et à la communaulté. Eu oultre et qui encores est de plus grant inconvénient, l'on n'a regard aux deniers du Roy qui sont rongniez et desrobez de leur premier poix, et si les alouent les possessans au mesme pris de la course des bons qui ont leur vray poix. Ceste manière de faire ne peult avoir longue durée, pour la confusion qu'il s'en peut ensuivir.

CHAPTER VIII.

Before all things it is to be observed that never, unless for evident necessity, should any former laws, statutes, customs and ordinances affecting the community be changed. Thus, says

VIII. CHAPTER.

Des mutations en général.

Devant toutes choses il est assavoir que jamais, sans evidente nécessité ne se doivent muer les premières loix, statuz, coustumes et ordonnances touchant la communaulté. Ains, selon le philosophe Aristote, au second

Aristotle, in the second book of Politics, "no ancient positive law should be abrogated for a new one, unless there were a very notable difference in their goodness". . . . Still less if the change were for the worse; for then it would be intolerable and unjust.

livre des Politiques, la loy antique positive n'est nullement à abroguier ne effacer pour une nouvelle, voire combien qu'elle fut meilleure, se toutesvoies il n'y avoit moult grande et notable différence en la bonté d'icelle; . . . et encores plus, se telles mutacions estoient faictes en pires, car lors elles seroient intollérables et injustes. . . .

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CHAPTER X.

CONCERNING CHANGE IN THE PROPORTION OF MONEY.

Proportion is the comparison or relation of one thing to another; as, in the matter before us, there must be a certain relation, as to value and price between gold money and silver money. For, because gold is by nature more precious and more rare than silver, and less easy to find or obtain, the gold itself ought to be accounted the most valuable of the two in a certain proportion, as perhaps in the proportion of twenty to one, so that a pound of gold should be worth twenty pounds of silver, and a mark xx marks, and an ounce xx ounces, and so always in conformity. And it is possible that the proportion may be different, as perhaps xxv to three and any other.

But that proportion ought to accord with (*sequi*) the natural relation of gold to silver in preciousness, and it is according to that that this proportion should be settled, which proportion must not be changed at will, nor can be justly changed at all, except for reasonable cause, and a change in the metals themselves, which, however, rarely happens. As for example if

X. CHAPTER.

De la mutation es proportion de la monnoie.

Proportion est une comparaison ou habitude faicte d'une chose à ung autre, si comme en proportion de la monnoie d'or a la monnoie d'argent, doit estre certaine habitude et proportion en valeur et en pois; car selon ce que l'or est de sa nature plus noble, plus précieux et meilleur de l'argent et à le trouver et avoir plus difficile, certes il convient et est bien raison que le mesme poix d'or doit beaulcopt plus valoir et estre de plus précieuse estime, en certaine proportion, de l'argent, si comme, par aventure la proportion de vingt à ung, et ainsi une livre d'or vauldroit vingt livres d'argent, ung marc d'or, vingt marcs d'argent; et ainsi semblablement du grand au petit; et aussi est possible de faire une autre proportion de vingt-cinq a trois ou autre semblable évaluacion; mais toutesfois ceste proportion doit ensuivir le naturel habitude ou valeur de l' or à l'argent, en préciosité; et selon icelle doit estre ceste proportion instituée, la quelle il ne loist voluntairement transmuer, ne aller contre, ne si ne se peult justement varier, ce n'est pour cause raisonnable,

notably less gold should be produced than before the settlement, then it would be fitting that it should be dearer in comparison with the silver, and that it should be changed in price and valuation. But if there be little or no variation in the thing itself, such change should be no way lawful for the Prince.

For if the Prince could make such change *ad libitum*, he could unduly put into his own purse the money of his subjects, as for example, if he should value gold at a low price, buy it for silver and again raise the valuation of gold, and sell it, or the gold money; and he might do the same by silver.

[He explains the evils of these changes of ratio by comparing the action of the Prince with his action if he monopolised corn, like Joseph.]

CHAPTER XI.

Shows that a change in the denominations of moneys involves a change in proportion, and must not be allowed.

CHAPTER XII.

The same demonstration as to a change in the weights of moneys.

If the weight of the money be changed, and at the same time the valuation name and shape be proportionately altered, that is only to make a new kind of money, as, for example, to make a *denier* into two *oboles*, or the like, without any loss or gain, and this may sometimes be lawfully done (*posset licite fieri*) as a consequence of some material change in the money metals, which, however, can but very rarely happen; as has been said about another kind of change in Chapter X. But now I wish to say, as to any change in the weight or quantity of money

et par la variacion de celle matière en partie, laquelle advient peu souvant. Si comme, par adventure moins se trouvoit d'or que par avant l'institution de la monnoie ne se trouvoit, et lors conviendroit qu'il fut plus chier en comparaison de l'argent, et qu'il fut mué en pris et valeur; mais se peu ou guères il estoit mué toutesfoiz ceste chose n'appartient nullement au Prince de faire; car s'il muoit, à sa voulenté, la proporcion d'iceluy or, il, par sa voulenté, pourroit attraire à soy indeuement les pecunes et substances de ses subjectz, comme se il taxoit l'or à petit pris et iceluy rachetast pour argent; et en après, augmentast l'or en pris, et de rechief le vendist, ou la monnoie d'iceluy; et semblablement fist de la proporcion de l'argent, qui est chose pareille, selon son pris. . . .

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XII. CHAPTER.

De la mutation du poix de la monnoie.

Se le poix de la monnoie, se muoit et avec ce se varioit proporcionnallement le pris de l'appellacion et la figure, est faire autre gendre de monnoie, si comme qui feroit d'ung denier deux oboles, ou aucune telle chose, san, perte ou gaigne. Ceste chose se pourroit aucunement licitement faire, sans

made without alteration of name and price, that such change is, to my thinking, simply unlawful, especially for the Prince, in whom such action could not but be base and unjust. . . . Riches ill got will be as ill lost.

(The rest of the chapter gives reasons and illustrations.)

aucune réalle transmutation en la matière monnoyable, laquelle ne peut fors souvent advenir, si comme il est dit ou XE Chappitre.

(Maintenant je veux parler) d'une autre mutacion, qui se feroit sans muer l'appellacion et le pris d'icelle. Et m'est advis que telle mutacion est simplement illicite, espéciallement au prince, lequel ne peult nullement ceste chose faire, fors laidement et injustement, à son très grant vitupère. . . . Richesses mal acquisses malement se perdront.

CHAPTER XIII.

The matter of money is, as has been said before, either simple or mixed. If simple, it can be discontinued by reason of its defect; as for example, if little or no gold can be found, its coinage must cease; and if, again, enough should be found, it might be well to begin coining it anew, as has been done from time to time. Again, some substance ought to cease to be coined by reason of its excess; for which reason copper money (*æreа moneta*) has passed out of use. But these causes occur but very seldom; and for no other ought any pure or simple metal to be either adopted or rejected anew as matter of money. But if the money metal is not simple but mixed, the addition of alloy must be made only in the least precious moneyable metal . . . And in black money likewise, so that the pure may be known from the mixed. But the mixture in this case should always be in a definite proportion, such as ten of silver against one[1] or against three of the other metal, as may

XIII. CHAPTER.

De la mutation de la matière de la monnoie.

La matière du denier, comme dit est dessus, est simple ou mixte. Se elle est simple, elle se peult laisser, par default de matière, comme ce peu ou néant d'or se povoit trouver, il conviendroit laisser à monnoier; et, se de nouvel s'en retournoit souffisante habondance, lors ce devoit recommancer à faire Monnoie, si comme aucune foiz a esté fait, et aussi aucune matière se devroit délaisser à monnoier, pour l'abondance excessive qui s'en trouve. Pour ceste cause jadis cessa la monnoie de cuivre et se partit de l'usaige des hommes, comme dit a esté dessus, ou troisiesme chappitre; mais telles causes ne sont gueres advenues souvent; et en nulle autre manière n'est la matière des monnoies, soit pure ou simple, à relenquir, ne aussi à reprendre nouvellement; et se, en telle matière est aucune mixtion, elle se doit faire seullement ou moins précieulx métail par soy monnoyable, comme il fut permis oudit tiers chapitre. Et en la noire monnoie, afin que

[1] This provides, as will be seen in the French version, that the pure silver, even in the "black money," shall always bear an exact proportion to the pure metal in the gold coins.

be expedient, and as may be ordered by the wise lords learned in the matter.

[He proceeds to show that this proportion may be changed but never without reasonable cause, as above; and never by the Prince alone; and that to alter the fineness of the coins without cause is worse than to debase them by lessening the weight; because it is less easy to discover.] . . .

on cognoisse le pur et bon du mixte et composé, ceste mixtion aussi doit estre selon certaine proportion, si comme dix marcs d'argent contre ung d'or, si comme il est expédiant et par les saiges seigneurs en ce cognoissans ordonné.

[Hæc autem mixtio debet esse secundum certam proportionem, sicut decem de argento contra unum,[1] vel contra tria de alio metallo, vel alio modo, sicut expedit, secundum prius dicta in capitulo tertio.]

CHAPTER XIV.

Compound change of money is when several simple changes are joined in one, as if one should alter either the ratio, or the alloy, or the weight at the same time, . . . and, inasmuch as no simple change ought to be made, except for the real and natural causes already mentioned, which seldom happen, so a true cause for making a compound change of money can hardly, and perhaps never, occur; and if it should occur, then the reason is even stronger in the case of compound change than in the case of simple change why it should never be done by the Prince, by reason of the perils and inconveniences before mentioned, but by the community itself. . . . We may take it, therefore, as a universal law . . . that no change of money, whether simple or compound, should be effected by the sole authority of the Prince, and especially if his object in doing it is to get gain thereout for himself.

XIV. CHAPTER.

De la mutation composée des monnoies.

La mutacion composée de la monnoie est quant plusieurs mutacions simples sont mises en une, si comme qui mesleroit les porcions [*proportionem*] de la monnoie ou les mixtions de la matière ensemble, ou avec ce le poix; . . . car nulle simple mutacion ne se doit faire en monnoie, fors pour réalles et naturelles causes já dictes, lesquelles adviennent peu souvant, et par adventure; et jamais n'avint vraye occasion de faire mutacion composite de monnoie. Et se, par adventure, il advenoit encores, par plus forte raison que la simple, telle mutacion composée jamais par le prince ne se doit faire, pour les périlz et inconvéniens devant touchiez, ains se devroit faire par la communaulté. . . .

Proffitablement donc est á conclurre par les choses premises que nulle mutacion de monnoie, soit simple ou composée, n' est à estre faicte de la seulle auctoritê du Prince, et souvrainement où il vouldroit telle chose faire pour son gaing.

CHAPTER XV.

THAT GAIN WHICH MAY ACCRUE TO THE PRINCE FROM CHANGE OF MONEY IS UNJUST.

It seems to me that the principal and final cause which should induce the Prince to assume the power to make a change in moneys, is the emolument and gain which he may get from it. Otherwise he would make these many and great changes for nothing. I wish, therefore, to show yet more fully, that any such gain is unjust. For any change of money, except in the very rare cases above mentioned, involves falsehood and deceit, and cannot, as of right, belong to the Prince, as I have shown before. Whenever then the Prince unjustly usurps this thing which is in itself unjust it is impossible that he can justly get any emolument from it. Besides, whatever gain he gets by so doing for himself must necessarily be a loss to the community. . . .

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XV. CHAPTER.

Que le gaing qui vient au prince pour la mutacion des monnoies est injuste.

Il m'est advis que la principalle et finalle cause pour laquelle le prince veult avoir la puissance de muer la monnoie, n'est autre chose que pour y avoir et prendre gaing et émolument à son proffit; autrement seroit néant qu'il fist tant de manières de mutacions. Si veulx doncques plus plainement monstrer, à ce propos, que telle acquisition est injuste et mauvaise: Premièrement, toute mutacion de monnoie, puis que ces cas devant ditz, qui si peu adviennent, enclost et contient en celle tant de déception et de faulseté, que au prince ne doit appartenir de faire icelle, comme prouvé est cy dessus; dont vient que le Prince usurpe chose de soy mesmes injustement, il est impossible qu'il preigne le juste gaing ne émolument honneste; en oultre, en tant que le prince prent illec de gaing, il s'ensuit et est de nécessité que la communaulté y ait du dommaige. . . .

CHAPTER XIX.

Many and great inconveniences spring out of such changes of money, of which some mostly touch the Prince, some the Community, and some a part of the community. . . . First, it is too detestable and too base for a Prince to commit fraud, to falsify money, to call gold that which is not gold, and a pound that which is not a pound. . . . Besides it is with him

XIX. CHAPTER.

D'aucuns inconvéniens touchans le prince, qui sensuivent des mutacions des monnoies.

Moultz grans inconvéniens sourdent et naissent, par plusieurs manières, des mutacions des monnoies; desquelz aucuns les plus principaulx touchant le prince, les autres, toutes les gens de son Royaume, . . . Premièrement, dont il est trop lait à ung prince de commectre fraulde en falsifiant sa monnoie, appelle or ce qui n'est or, et livre ce qui n'est point livre connue. Il a esté dit,

that it rests to punish false coiners. How then can he enough blush if that is found in him which in another he would have to punish with a disgraceful death. Again it is a great scandal, and a vile act in the Prince if the money of his realm never remains in the same state but is changed from day to day, and is sometimes worth more in one place than in another on the same day. Also it is very often unknown while these changings go on, what one or another coin is worth, and one has to treat one's money as a merchandise—to buy it or sell it, and chaffer about its price; which is contrary to its nature; and thus in a thing which ought to be most certain there is no certainty at all, but rather inordinate confusion, to the disgrace of the Prince. Moreover, it is absurd, and altogether foreign to the nobility of a King to forbid the currency of the true and good money of his realm, and, for the sake of gain, to command, even to compel his subjects to use less good money; as if he should say good is bad, and bad good.

. . . . . .

en oultre, et est chose propre á ung Prince de condamner et pugnir les faulx monnoyers et ceulx qui en elle font aucune faulseté ou larrecins. Comment donc ne doit pas celluy avoir grant vergoigne, se on treuve en luy la chose qu'il devroit pugnir en ung autre par très laide et infâme mort? Encores est au prince ung moult grant scandale et pusullanimité, quant il souffre en son pays ou Royaume que sa monnoie jamais ne demeure en ung estat et valeur, ains de jour en jour se mue et varie à la voulenté du possessant, et aucunesfoiz vault plus une pièce d'or ou d'argent, en ung lieu on ville, que en ung autre, pour ung mesme temps et jour, comme il est encores aujourduy, et souvent ignore le peuple de maintenant, pour les dictes mutacious, combien vault le denier d'or ou d'argent; pour quoy il leur convient aussi bien marchander et vendre leur monnoie et denier, contre leur droit et propre nature, qu'il fait les marchandises, et aussi en la chose qui doit estre très certaine, il n'y a aucune certainté; ains très incertaine et dèsordonnée; confusion ou vitupère et dés-honneur du prince, qui de ce devroit prandre soli(ci)tude de pugnir les facteurs de celles mutacions. Item, chose moult vitupérable et de tous pays estranges á la noblesse royalle e(s)t defendre le cours de la bonne monnoie, en son Regne, et par sa convoitise commander, voire encores contraindre ses subgectz à user de la sienne qui est moins bonne, comme s'il voulsit dire que la bonne est mauvaise, et la scienne mauvaise estre bonne. . . .

CHAPTER XX.

CONCERNING OTHER ILLS WHICH TOUCH THE WHOLE COMMUNITY.

Among the many inconveniences which arise out of alteration of moneys, and which touch the whole community, one is touched on in the 15th chapter, that the Prince can by it

XX. CHAPTER.

Des inconvéniens touchant toute la communaulté.

Entre moult de inconvéniens venans par la mutacion de la monnoie, que touchent et regardent toute la communaulté, il en est ung duquel a esté touché on quinziesme chapitre, c'est assavoir, par lesquelles les princes pourroient

draw to himself almost all the money of the community, and pauperise his subjects. And for as much as some chronic sicknesses are more dangerous than others, for the very reason that they are less easily perceived; so the exaction of which I speak, the less it is perceived, the more dangerous is it in its operation; for the hardship of it is less noted by the people than that of other imposts; and yet none can be heavier, none more general in its effects, none greater.

Again, gold and silver are by such changes and such debasement diminished in the kingdom, because, however careful the watch [*custodia*], they are carried abroad, where they are placed at a dearer rate. For men always try to carry their money to the places where they think it will be most worth. On this therefore follows the diminution of the matter of money in the kingdom. Moreover foreigners forge similar money and bring it into the kingdom, and thus get the gain for themselves which the King thinks to get. Besides, the money metal itself is consumed, and a portion lost as often as it is melted and remelted, when such changes are made. Thus there is a threefold diminution of money material by means of these changes. Therefore it seems that they cannot long be continued, unless there be an exuberance of monetable matter produced either from the mines or otherwise; and so at last the Prince has nothing left wherewith to make good money. Moreover, by reason of these changes, good merchandise, or natural wealth is no longer brought in from other countries

attraire à eulx comme toute la pecune de la communaulté, et par ce tropt appouvrir les subjectz, et pareillment que aucunes maladies sont si contagieuses et plus périlleuses des autres, pour ce qu'elles sont plus sensibles et près des nobles membres; aussi telle evasion, comme est ceste mutacion, tant moins apparceue, de tant plus est périlleuse et dommaigeuse; car le grief qui par elle vient, n'est pas sitost sentu ne apparceu du peuple, comme il seroit par une autre cuillecte, et toutes foiz nulle telle ou semblable ne peult estre plus griefve ne plus grande; et, en oultre, l'or et l'argent, par telles mutacions et empiremens, se amoindrist et diminue en ung royaume, et, nonobstant toute la garde et defense que on en fait, sest transporte il dehors où l'on les aloue plus hault pris; car, par adventure, les hommes portent plus voulentiers leurs monnoies "aux lieux ou ilz scevent icelles plus valoir; de ce senssuivent doncques diminucions de matières et forger monnoie au royaume ou pays où l'on fait empirances. Item, ceulx des pays estrangers aucunesfoiz contrefont semblable monnoie et la porte ou pays où elle a cours, et par tel larrecin ilz emportent le gaing que le prince cuide avoir. Encores aussi celle matière, en fondant et refondant, se consumme; et appert en partie toutes et quantesfoiz que celles mutacions se font, et aussi la matière monnoiable se diminue par trois manières, à l'occasion d'icelles empirances et mutacions, pour quoy elles ne pevent longuement durer ou pays. Voire se ce n'estoit en la matière monnoiable habondant, par minières ou autrement; et ainsi le prince, en la fin, n'auroit matière dont il peult faire bonne monnoie et souffisante. Encores par ces mutacions et empirances des monnies cessent les marchans de venir de estranges royaumes et apporter leurs bonnes merchandises et richesses naturelles ou pays où ilz sçavent icelles mauvaises monnoies avoir cours; car la chose qui plus attraist le marchand à porter ses richesses naturelles et bonnes monnoyes en ung pays est ou bonne et certaine monnoie est et se fait.

to that in which the changes are made; because the merchants prefer to go to those countries in which they will receive good and certain money. Besides this, in the country itself the business of merchants is in many ways disturbed and impeded by such changes; which changes so long as they are continued prevent as is well known the correct calculation of the true amount of incomes, of pensions, of rents, taxes and the like. Neither can one well either give or lend money, nor will people freely give alms, by reason of these changes in the value of money; and yet not only a sufficiency of monetable material, but also the other things of which we have been speaking, as merchants and the rest, are, if not necessary, yet very useful to the human race; and the lack of them is very prejudicial and harmful to the whole community.

Encores, en la terre mesmes où telles mutacions se font, le fait de marchandise est si trouble que les marchans et mechanicques ne scavent comment communiquer ensemble, et pour ce, telles mutacions disans, es revenues du prince et des nobles et les pensions et gaiges annuelz, les lievaiges et les sentiers et choses semblables, ne se pevent bien ne justement tauxer ne payer, comme il a esté et est de présent; et, qui pis est, la pecune et monnoie ne peult donner ou croire l'un à l'autre; et ainsi, pour telles mutacions le monde est trouble et mesmes le service divin et les aumosnes caritatives des pouvres membres de Dieu, et sont refroidées et retardées, et toutesfoiz souffisance de nature monnoiable, marchandises et toutes les autres choses devant dictes sont nécessaires et très utilles à nature humaine, et le contraire moult préjudiciable à toute la communaulté.

COPERNICUS.

Copernicus thus begins his work entitled *Monetæ Cudendæ Ratio*, p. 48.

"Innumerable as are the scourges which ordinarly bring "about the decadence of Kingdoms, Principalities, and "Republics, yet the most potent, in my opinion, are these "four: Discord, Mortality, Barrenness of the Earth, and "Deterioration of Money. As to the three first; they are so "evident that no one can be ignorant of it; but as to the "fourth, that concerning money, it is taken into account by "few, and by none but the wisest; because the mischief is "not done at one blow; but little by little, and in an occult "manner, the State is ruined.

"MONETE CUDENDE RATIO."

[P. 48.[1]] Quanquam innumere pestes sunt quibus regna, principatus, et respublice decrescere solent, hæc tamen quatuor (meo judicio) potissime sunt: discordia, mortalitas, terre sterilitas et monete vilitas. Tria prima adeo evidentia sunt, ut nemo ita esse nesciat, sed quartum quod ad monetam attinet a paucis et nonnisi cordatissimis consideratur, quia non uno impetu simul, sed paulatim, occulta quadam ratione respublicas evertit.

[1] The paging is that of Wolowski's treatise.

"Money is standard gold or silver, by means of which "the prices of things are counted, according to the laws of "the State or the Prince.

"Money then is a kind of common measure of valuations; "and this measure ought always to be firmly fixed, and kept "to its established conditions. Otherwise the State will be "inevitably disordered, buyers and sellers will be often "defrauded, just as if the ell, the bushel, or any weight kept "not its certain quantity."

He goes on to treat of the necessity for the institution of money, the necessity for alloy—in definite proportion—the necessity for care being taken as to the quantity coined. He gives an account of the various modes in which money may be debased; and then passes on to describe the state of Prussian money before the [defeat of the Teutonic Knights at the] disastrous battle of Tannenberg, and the condition of debasement into which it fell thereafter; the *scote*, which contained before $\frac{3}{4}$ silver to $\frac{1}{4}$ copper containing at last but $\frac{1}{4}$ silver to $\frac{3}{4}$ copper, the weight remaining unchanged. He continues (p. 56):—

"As it is in no way convenient to introduce new and "good money while the old and worse money remains in "circulation, how much greater an error is it to introduce "new and bad money, while good old coins are still in "circulation. The bad not only depreciates the good, but "so to speak, drives it away. Under the administration "of Michael Rusdorff (1439) they endeavoured to obviate "the evil, and bring the money back to its former and "better state, and coined the new money which we now "call *grosses;* but seeing that the old money could not be "abolished without loss, it was most erroneously allowed to "remain in circulation with the new."

He gives examples of the successive depreciation of the various coins; and breaks forth (p. 60), into:—

Est autem moneta aurum vel argentum signatum, qua pretia emptibilium vendibiliumque rerum numerantur secundum cujusvis reipublice vel gubernantis ipsum institutum. Est ergo moneta tanquam mensura quædam communis æstimationum. Oportet autem id quod mensura esse debet rerum semper ac statum servare modum. Alioquin necesse est confundi ordinationem reipublice, ementes quoque et vendentes multipliciter defraudari, quemadmodum si ulna, modius, pondusve certam quantitatem non servet.

. . . . . .

[P. 56.] Cum autem minime conveniat novam ac bonam monetam introducere antiqua viliore remanente, quanto hic magis erratum est vetere meliore remanente viliorem novam introducendo que non solum infecit antiquam, sed, ut ita dicam, expugnavit. Cui errori dum sub magistratu Nicholis Rusdorff obviare vellent ac monetam in pristinum meliorem statum reducere, credebant novos solidos quos nunc grossos vocamus; sed cum antiqui viliore suon viderentur sine jactura aboleri posse una cum novis insigni errore permanserunt.

"Woe to thee, O Prussia, which by thy ruin alas! payest "the penalty for the ill administration of the Commonwealth. "For while both the current and intrinsic value of the coin "was everywhere vanishing, the new money was still issued; "and as there was not a sufficiency to pay for making the "new equal to the old, worse coin was always being brought "in upon the existing money, whose goodness was being "overridden and extinguished thereby, so that the sols and "the grosses became equal as currency, and for a pound of "pure silver one had to give xxiv light marks."

"There must have at length been very few relics of the "ancient dignity of our money left; yet there seemed to be "no intention of restoring it. But the habit which had "remained implanted for so long a time, of adulterating, "clipping and debasing the money could not cease, nor "has ceased to this day. For what will become of this "money, and what it now is, it is a shame and grief to have "to say. To such a degree of debasement has it come, "that xxx marks contain scarcely a pound of silver. What "remains then, if no help is found, but that Prussia, stripped "of gold and silver, will have nothing but copper money, "which will put an end to the importation of foreign "merchandise. For what foreign merchant will exchange "his goods for copper money? And who of our people will "be able to buy goods abroad with copper money?"

Cheap, *i.e.*, debased money, he says (p. 62), makes dear goods —meaning by money not brass or copper, but gold and silver which are the true base of money. He laments the ruin of

[P. 60.] Ve tibi Prussia que tuo, proh dolor! interitu male administrate reipublice penas pendis. Igitur estimatione simul et valore pecunie passim evanescentibus, a fabricatione tamen monete plane cessatum non est, et expensis non suppetentibus quibus equivalens priori redderetur posterior, semper priori pejor superinducta est quæ bonitatem precedentis oppressit et extinxit, quoad solidorum estimatio cum valore grossorum proporcionaliter convenerit et marche XXIV leves pro una libra cesserit argenti.

Debuerant autem jam tandem saltem reliquie tantille dignitatis monete permansisse, ex quo de ejus instauratione meditatum non est. Sed que tantisper inolevit consuetudo sive licencia adulterandi, expilandi et inficiendi monetam cessare non potuit nec in hunc diem cessat. Nam qualis postea prodierit et in quo statu nunc sit, pudet ac dolet dicere. In tantam enim vilitatem hodie collapsa est, ut XXX marche unam libram argenti vix contineant. Quid autem restat si non succurratur, nisi ut deinceps Prussia, auro et argento vacua, monetam mere cupream habeat. Unde peregrinarum mercium invectiones, omnesque negociationes brevi sint periture. Quis enim externorum mercatorum merces suas moneta cuprea commutare volet? Quis denique nostratium in peregrinis terris eadem moneta exoticas merces comparare poterit?

[P. 62.] Hinc illa vulgaris et perpetua querimonia, aurum, argentum, annonam, familie mercedem, opificem operam, et quidquid in humanis usibus est solitum, transcendere precium; sed oscitantes non expendimus omnium veram charitatem ex vilitate monete provenir. Crescunt enim ac decrescunt etiam ad monete conditionem: presertim aurum et argentum, que non ere vel

Prussia by the continued debasement of the coin, bemoaning the better time.

"What is clear enough," he says (p. 64), "by many "reasons, we declare by experience, which is our teacher, "to be the truth. For we see that those countries which "have good money flourish, while those which have worse "decrease and perish. Prussia flourished while a Prussian "mark was worth two Hungarian florins (*ducats*), and when, "as aforesaid, two Prussian marks and viii sols were ex- "changeable for half a pound, that is, for a mark of fine "silver."

"But while our money grows day by day worse and "worse, our country also, by this and other calamities is "being brought nearly to its last gasp."

He urges (p. 68) the necessity of demonetising coin, debased in weight or fineness, when coin of full weight and fineness has been issued. "The work," he says, "of coining the new money will be thrown away if an attempt is made to put it into circulation along with the old." This is the Gresham doctrine, set forth by Copernicus in 1526 at the request of Sigismuud I., King of Poland, instead of by Sir Thomas Gresham in a letter to Queen Elizabeth, in 1558. He writes further on the evils which oppress the people whose money is debased and

cupro sed auro et argento appreciamus. Nam aurum et argentum diximus esse tanquam basim monete cui incubat eius estimatio.

[P. 64.] Quod cum multis rationibus satis perspicuum sit, etiam ipsa experiencia rerum magistra verum esse dicimus: videmus quippe eas terras potissimum florere que bonam monetam habent, decrescere autem et perire que deteriore utuntur: floruit nimirum et Prussia tuuc quando una marcha pruthenicalis duobus florenis ungaricis emebatur et quando ut premissum est, due marche pruthenice et VIII. scoti selibra, id est marcha argenti puri, commutabantur. Interim vero vilescente in dies magis ac magis moneta descrescit et patria nostra atque hac peste et aliis calamitatibus usque ad ultimum pene funus perducta est. . . .

[P. 68.] Ut item in hujus nostri temporis confusionem quam commixtio nove monete cum antiqua peperit, deinceps non incidamus, necessarium videtur ut exorta nova, vetus aboleatur ac prorsus intereat, et justa proportionem valoris sui in officinis pro nova commutetur. Alioquin inanis erit renovande monete opera, et confusio posterior fortassis pejor priore. Inficiet enim denuo antiqua nove monete dignitatem: mixta equidem reddet summam a justo pondere deficientem et nimium multiplicatam sequetur que dicta est superius incommoditas. Cui si quis adhuc obviandum arbitretur per hoc videlicet ut remanentia vetera nummismata tanti minoris estimatur comparatione nove monete quantum eorum valor deterior est aut exilior; sed hoc sine magno errore fieri non poterit. Tanta enim est nunc tum grossorum et solidorum tum etiam denariorum multiplex diversitas, ut singula nummismata juxta conditionem valoris sui estimari et ab invicem discerni vix possent. Quo fit ut inducta monete varietas confusionem generaret inextricabilem, ac negociantibus et contrahentibus labores, molestias atque alia incommoda augeret. Itaque melius semper erit veterem monetam in reparatione recentis penitus abolere. Oportebit enim tantillum damnum semel equanimiter pati, si modo damnum dici possit unde uberior fructus et utilitas magis constans nascitur ac respublica incrementum sumit.

uncertain; and recommends certain measures for restoring it so far as possible and maintaining its uniformity.

He would so far reform the marks (coins), that twenty of them should contain one pound, *i.e.*, two marks (weight) of pure silver, and the other coins accordingly.

Then follows a chapter (p. 72). "*De argenti ad aurum comparatione.*"

"I have said above, that gold and silver are the base "on which the goodness of money rests; and what has "been set forth in the preceding pages about silver money "may for the most part be applied to gold money. What "I have now to do, is to explain the mode of exchange of "gold and silver. First then, we must find out what is the "ratio of value between pure gold and pure silver. Then, "to pass from genus to species, and from simple to com-"pound, there is the same ratio between gold and silver "uncoined, as there is between coined gold and silver of "the same fineness; and again, the same ratio of value "between coined gold and uncoined, as there is between "coined silver and uncoined, supposing the weight and "fineness to be the same.

"Now the purest gold coins to be found among us are "the Hungarian florins, for they have the minimum of "alloy—only just so much as has to be deducted from the "gold for the cost of mintage; and they are therefore rightly "accepted in payment for pure gold, weight for weight, the "value given by the stamp making up for the deficiency in "the weight of the florins.

"It follows therefore that the ratio of pure uncoined silver "to pure uncoined gold is the same as the ratio of the same "silver to Hungarian florins, supposing the weights to be the "same. But cx florins of full weight—seventy-two grains "each—equal one pound, that is to say, two marks (weight).

[P. 72.] Superius dictum est aurum et argentum esse basim in qua residet bonitas monete. Et que de moneta argenti exposita sunt, possunt etiam pro majori parte ad aueam referri. Reliquum est ut ex transverso auri et argenti commutandi rationem exponamus. Primum igitur investigare oportet que sit ratio appreciationis meri auri ad argentum merum sive purum: ut de genere in specie et a simplicibus ad composita descendamus. Porro eadem est ratio auri et argenti informium, que signatorum in eodem gradu, ac rursus eadem ratio auri signati ad informe, que argenti signati ad argentum informe sub eodem gradu mixtionis et pondere. Purissimum autem aurum quod apud nos signatum reperitur, sunt floreni ungarici; hi namque minimum habent admixtionis et tantum forte quantum opportuerat pro expensis deduci in monetariis, unde rite commutantur pro mero auro sub eodem pondere, dignitate sigili supplente defectum florenorum. Sequitur ergo eandem esse rationem argenti puri informis ad aurum purum informe, et ejusdem argenti ad florenos ungaricos, ponderibus non mutatis. At floreni ungarici CX justi et æqualis ponderis, per grana videlicet LXXII, implent libram unam (libram semper intelligo que continet marchas duas ponderis). Hoc argumento invenimus communiter apud

"By this argument we find that in all nations (p. 74) a "pound of pure gold is of the same value as xii pounds of "pure silver.[1] But we find that in times past xi pounds (of "silver) were equal to one of gold, wherefore it appears to "have been ordered of old that x Hungarian gold pieces "should weigh the eleventh of a pound: but if with that "same weight the same value remained to this day, we "should have conformity between Prussian and Polish "money, at the ratio which I have shown. For if one "pound of silver were cut into about twenty marks, two "marks instead of xl Polish grosses would represent pre- "cisely the value of one gold florin.

"But since it has been the custom that xii parts of silver "should be taken as equal to one of gold, the weight and "price differ to the extent that x Hungarian florins buy one "pound and one-eleventh of a pound of silver. If then of the "pound of silver plus one-eleventh of a pound twenty marks "were coined, Polish and Prussian money would be exactly "equalised at the right ratio, gross for gross, and two "Prussian marks would exactly equal a Hungarian florin "[or *ducat*] and the price of silver would be, for every half- "pound, viii marks and x sols, or thereabout.

"However, if we are to sit content under the debase- "ment of our money and the ruin of our country, and this "very small restoration and equalisation should seem too "difficult, and if we choose that xv Polish grosses should "remain equal to one mark, and the Hungarian florin to "two marks and xvi scotes, that also could be accomplished "without great trouble by cutting a pound of silver into xxiv "marks. That indeed was the case when xii marks were

ommes gentes [P. 74.] libram unam auri puri tantum valere, quantum argenti puri libre XII. Invenimus tamen et XI. libras olim pro una auri, quam ob causam ab antiquo constitutum esse videtur ut aurei ungarici X. appendant libre partem undecimam: quod si sub eo pondere idem pretium hodie duraret, expeditam haberemus conformitatem monete polonice et pruthenice secundum expositam rationem: factis enim XX. marcis circiter ex libra una argenti, provenirent ad amussim pro aureo marche due, loco XL. grossorum polonicalium. Sed postea quam usu receptum sit, ut XII. partes argenti sint pro una auri, dissidet pondus cum pretio ut X. aurei ungaricales redimant libram unam argenti et undeciman partem libre. Si igitur ex libra argenti et ejus undecima parte fiant marche viginti, erunt polona et prussiana monete recta ratione coequate, grossus ad grossum, et marche due pruthenice pro aureo ungaricali. Sed pretium argenti erit in selibras singulas marche VIII, et solidi X. aut circiter.

Verum si utique vilitas monete et patrie interitus placeat ac ardua nimis videbitur tantilla restitutio et adequatio, visumque fuerit ut XV. grossi polonici maneant pro marcha, et pro aureo ungaricali marche due scoti XVI.; id quoque iam dictis modis non magno negotio fiet, si marche XXIV ex argenti libra fiant. Ita sane contigit nuper quando adhuc marche XII. pretium essent in singulas selibras argenti et pro tanta pecunia florenis ungaricis commutabantur. Hec

[1] *Cf.* Oresme, *supra*, p. 366.

"the equivalent of every half-pound of silver, and were "exchangeable at that rate for Hungarian florins.

"I have given this as an example, and for a guide; for "the varieties of the constitution of money are infinite, and "it is impossible to describe them all. But common "consent after mature deliberation will be able to settle "one alternative or the other,[1] as shall seem most suitable "to the State.

"If once the money be correctly regulated, and without "error, on the basis of the Hungarian florin, it will be very "easy to regulate other florins also (according to their "contents of gold and silver) by comparison with them."

gratia exempli [P. 76.] et pro manuductione dicta sunt. Nam infiniti sunt modi constitutionis monete, nec est possibile explicare omnes, sed communis consensus matura deliberatione poterit hoc vel illud definire, prout accommodatissimum videbitur reipublice. Quod si moneta ad florenum ungaricum recte se habuerit et erratum non fuerit, facile etiam alii floreni juxta continentiam auri et argenti ad illorum comparationem taxabuntur.

The tract finishes with an epilogue on the restoration of the coinage, containing a sort of summing up of the whole treatise.

He repeats in it his recommendation that the pound of silver should be coined into twenty marks; *i.e.*, that the ratio should be 11 to 1, so as to make Prussian money accord with Polish.

Epilogus reductionis monetæ [P. 76]. *Primum* ne absque maturo procerum consilio et unanimi decreto moneta novetur. . . . *Tertium* ut in publicatione nove monete interdicatur et aboleatur antiqua. *Quartum* ut inviolabiliter et immutabiliter perpetuo [P. 78] observetur quod xx marche dumtaxat et non amplius fiant ex libra una puri argenti, dempto eo quod pro expensis opificii deduxi oportet. Ita nempe prussiana moneta proporcionabitur polonice, ut viginti grossi prussiani simul ac polonici marcham prutheniam constituant.

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[1] *I.e.*, whether the monetary ratio between silver and gold shall be 12 to 1 or 11 to 1, *viz.*:—

110 ducats weigh 1 lb. = 7,195 grs.[2]	1 ducat weighs grs. 65·409.
20 marks ,, ,, = ,, ,,	1 mark ,, ,, 359·75.
2 marks (to the ducat) = 7,195 ,,	65·409 × 11 = 7,195.
	ratio 11 to 1.

If 24 marks weigh 7,195 grs., 1 mark weighs 299·7,615.
$2\frac{163}{1000}$ marks (2 m. 163 c.) to the ducat = 7,993·97.
ratio 12·2 to 1.

[2] The pound of 2 Cologne marks.

W. We will study the extracts at our leisure, when you send them us; and I suppose we shall all agree that it is time for bed.

S. We have had many interesting conversations, and I at least will ponder over them. What say you, Harrop?

H. I have never committed myself, so I may vote as I please.

G. I think our time has not been wasted. It is obvious that currency questions are of great interest to all who are engaged in trade; and consequently to the National Exchequer; and, consequently again, to every tax-payer in the United Kingdom.

It is true that they greatly affect the producer, whom you, Harrop, are inclined to despise; but I don't think that even you will deny that the productive power of England has been the most important factor in her commercial prosperity. Productive power is that which in the long run enriches the country, and which gives the consumer bread to eat.

I don't think I shall offend, if I say that not one of you three, and very few of your neighbours had given the subject much thought till now, at least in its new development since 1873; and you will forgive me if I, who have given it close attention for the last sixteen years, have taken a somewhat didactic tone among my friends in council.

Bimetallism holds the Field.

W. You have taught *me* a great deal; and I am only a sample of the awakened public interest in the controversy. Wherever I go I hear Bimetallism in every one's mouth; on the stage, in novels, and in general conversation. Since we have had a Queen, whom God preserve, to rule over us, it may be that the ladies have been the true wielders of power in this land; and that (though the men are by long custom the mouth-pieces) the decisions are really taken *in camera* by their wives and daughters. It is very likely; and I observe that the women do not intend to let us men have the currency question all to ourselves. The other day my neighbour at a dinner-party said: "Oh, Mr. White, do tell me something about Bimetallism. What books can I read about it? I recommended, of course, a book[1] which no doubt you have all read, seeing that it is called by its author "Bimetallism for Babes—and Members of Parliament". She read it, and I must say that the questions she asked me afterwards showed that she had fully grasped the subject.

[1] *A Bimetallic Primer*, by Herbert C. Gibbs. Effingham Wilson.

H. I am not surprised at her venturesomeness! But 'tis a pity when charming women talk of things that they don't understand! I repudiate your suggestion that the wives rule either England or their husbands! But you say "novels". That is a serious matter. What novels?

W. I have seen it in several; in one, for instance called *The Lesters*, by Sir George Chesney. One of the characters says: "The Currency Question? I know nothing about it. "Isn't it something about—what's the word—Bimetallism?" His friend answers: "It's a pity you don't understand it. The "number of those who don't is diminishing; and the number "of those who do is increasing. The latter are called Bime- "tallists, and the former Monometallists."

G. Well said, Sir George! Must you go? Well, I hope this is not to be the last of our pleasant conferences.

H. I suppose we have nearly threshed the matter out, and it is just possible that some good seed may have been sown even in the stubborn soil of my mind: what crop may come of it I can't say. If you find anything new to discuss which either time or the action of other people may give rise, you will, I am sure, find no difficulty in bringing us together again. Our conferences can do no harm, whatever international conferences may do.

G. There will be some dropped stitches, no doubt; but it may be many months before anything new and of importance occurs. Meanwhile I will wind up this our ninth talk with one valedictory reflection. If it could be shown that all the contentions of the Monometallists and of the Bimetallists were absolutely equal, and that it was impossible to discover more weight in one scale than the other as far as the old arguments were concerned, I should still, on a totally different ground, advocate Bimetallism as a step forward in the right direction, inasmuch as it creates an international system instead of an insular or national one; and I believe that, whether you admit it this year or next, a time must come, and come soon, when we shall again have ONE MONEY THROUGHOUT THE WHOLE REALM OF COMMERCE. Good-night!

END OF THE NINTH DAY.

THE TENTH DAY,

9th November, 1897.

WHAT WILL CONTENT BIMETALLISTS.

Debates in 1894 and 1895.
Circulation and Standard.

QUANTITATIVE THEORY.

Universal Gold Standard.

INDIA A DEBTOR COUNTRY.

Balance of Indebtedness.

Intrinsic Value of Money.
Mint-Miracles.

MAINTENANCE OF A RATIO.

Is one Nation alone sufficient?
Dangers apprehended from such policy.
Inundation with Silver.
Loss of Gold.
Premium on Gold.
A Silver Basis.

RATIO 22 TO 1 SUGGESTED.

Recoinage difficulty.

MONETARY NEGOTIATIONS WITH FRANCE AND UNITED STATES.

Rejected but should be renewed.

GOLD STANDARD FOR INDIA.

Westland Dispatch, 16th September, 1897.
Evil of a "Managed" Currency.
English Token Currency not "Managed".

H. (*Meeting Gilbertson and White*) Ah! Well met, my friends! I haven't set eyes upon you for a long while—more than a year, I think. Going through the Park? All right; we'll go together. But what are you doing in Downing Street, of all places?

G. Wandering clubwards, that's all. I suppose, Mr. Parliament man. that you can't keep your feet from these pleasant

shades, even though another king has arisen who knows not Joseph.

W. We must take him to be a disembodied spirit—he looks like it!—haunting the scenes of his earthly life. There is no rest, even in the other world, for the politician! I wonder what ghostly message you had to convey, Harrop, to No. 13!

H. You're not far wrong. I had some other matters to talk over with the Chancellor of the Exchequer, and—odd that I should just fall in with you two—the Currency question happened, not unexpectedly, to come up. It brings back our monetary colloquies of two years back.

W. Nearly three years! It was in November, 1894.

H. Ah! well, time flies; I hadn't thought much of the matter in the interim. An unimportant debate or two in the House didn't awake much interest in me on so worn-out a subject! But there was a speech of Hicks-Beach's in '96, I think, which did arouse me a little. It was a capital one, and very much to the point; and so was Harcourt's in the same debate. When I say worn-out, I mean in this country—I don't venture to speak of other countries. But you! you have been defeated horse and foot—smitten hip and thigh with a great slaughter! I can only wonder that you can keep such a cheerful countenance. What have you got to say to it all?

G. I could say a great deal, both as to the "worn-out" controversy, as you affect to think it, as to the attitude of other countries, and as to the speeches to which you refer, but we haven't time now, for we shall be at the Athenæum in five minutes, and that is not a very good place for an undisturbed talk. Can't you come and dine with me to-day? You must take pot-luck, and must do without the turtle soup which the Lord Mayor would have given you.

H. I will, with pleasure. It's too late for me to travel back to Hampshire to-night. Lucky chance that I happened to be in town to-day.

W. I *always* happen to be in town. Nobody to grumble at my dining out, and no apologies to make. I shall be delighted to have another monetary chat! Eight o'clock, I assume, as usual. I shall want to know who it is that has been defeated, who has been the conqueror, and what he has got by his victory. All that you can ponder, Harrop, between this and dinner time. Also I shall have some questions to ask our host, arising out of our former talks.

AFTER DINNER.

H. Before we join battle I must give you a good story. Shaw-Lefevre told it me. A friend of his went to see a Lunatic Asylum; and one of the lunatics—a patient of the harmless sort, who was allowed his liberty—seeing the stranger, and taking him for a new inmate, said, "When did you come in? and what is your particular craze? We've all of us some craze or another, you know." Stranger—humouring him—"I don't know that I have any particular craze, unless perhaps you count Bimetallism as one". Lunatic—"A Bimetallist! You've no business here! You're not mad: You're only a d——d fool!" Lunatic view of Bimetallism.

G. Capital! An excellent story, and quite in character! It's just what a lunatic *would* think!

Now then, where shall we begin? Shall the old original "convinced Monometallist" set us agoing, or the newly "convinced Bimetallist," as I may call our friend White, and almost every other "man in the street" (as he called himself) if the man has taken the trouble to study the subject, and has mastered it enough to pass a very easy examination on it?

I think the Monometallist holds the field for the moment, in virtue of certain rash words which he threw at me this afternoon, and which seem to demand some explanation. Now, Harrop, "A worn-out controversy"—I should like to hear something about that. "Beaten horse and foot"—no doubt you will tell us in what field of battle we have been so mauled. But as to this last I leave you in White's hands.

H. Why, can anything be more worn-out than your cause? You have yourself confessed defeat though not in words; abandoning your project of an open Mint for silver in England, that is abandoning the Bimetallism for which you have been fighting all these years, and now crying for help to other nations.

G. I abandon nothing, and make no new cry for help. I say now what I have always said, that for the welfare of England and her commerce wise statesmen would do their utmost to restore the concurrent coinage of gold and silver legal tender money for public account with or without Great Britain as a full participator in the work.

H. "With *or without*"! Surely all your efforts in your talks with us and our late friend Smail—would he were with us still!—were directed to show that it was Great Britain that

would benefit and that it was Great Britain that stopped the way.

G. I said then what I say now, that she is most deeply interested, and that statesmen who would really study the matter would make sure that she should lead the way—but I cried, then as now, for foreign help, not so much because it was necessary as because it was desirable to have a wider basis than one nation alone.

H. You don't mean to say that England alone could maintain open Mints for both metals?

What would content Bimetallists.

G. Why not? I have yet to learn why, if France could do so for sixty-two years, we could not. But I care very little that England should do it, or should stand aloof, provided it is done by somebody. This is what I have always said. I and all Bimetallists will be quite contented if we can return to the *status quo ante* 1873;[1] and in that sense, and in that only, I am content to ignore the argument for English Bimetallism, and cry to other nations to do the work for us—and for themselves.

H. Ah! You may think and wish what you please, but if I know anything about life and death in things political, your patient is dead! When do we hear his voice in the streets? When have we heard it since . . .?

Debates in Parliament. Everett.

G. "Since our last meeting," you were going to say. I don't wonder that you came to a sudden stop! That was in November, 1894, and the memory of February, 1895, came over you, and you thought sudden silence your best refuge! Do you call Everett's motion nothing? A motion carried in a full House, after an important debate, the opponents—*Harcourt duce et auspice Harcourt*—deeming discretion the better part of valour and declining to venture upon a vote.

W. They said it was not a Bimetallist motion at all; but an academic motion for which everybody could vote.

G. It is a pity then that they expended so much breath and so much time in combating it, and that thus did Harcourt escape under the shelter of a cloud (of words) like one of Homer's heroes. Not a Bimetallist motion! They all knew better than that. It was a motion deploring "the continued divergence in the relative value of gold and silver," and urging on the Government to confer with other Powers as to the "measures to be taken to remove or mitigate the evil". Has any one abroad or

[1] P. 156.

at home suggested any other measure for remedying the evil but Bimetallism.

H. Even if we assume that the acceptance of the motion pointed to Bimetallism, it certainly did not amount to a recommendation that England should adopt the system.

G. I can't say that it did; yet if Bimetallism was the only remedy, and if other nations would not adopt it without England, it would have had to come to that.

To me it is wholly indifferent whether we adopt it or not, provided it *is* adopted by a nation or nations of sufficient population and trade; for then we should be Bimetallic *malgré nous*, in the only way in which Bimetallism is interesting to me, *viz.*, in the establishment of a practical equivalence of the two money metals, of a Par of Exchange.

W. If I understand what has been passing lately it would seem that the full co-operation of England is no longer insisted on as a *sine quâ non*.

G. No doubt. We shall have plenty to say upon that point; but perhaps we had better dispatch first the minor questions which you proposed to raise, and we can then come to Harrop's victory, his "horse and foot," "hip and thigh," and all the rest of it.

W. Well! I should like to know something of that which Harrop called "an unimportant debate or two" in the House. What debates do you mean?

H. You have just now heard a great deal about one of them, that of 1895, which I must still consider unimportant, seeing that nothing came of it.

W. Your friends in the House, Harcourt for one, did not think it so or they would not have occupied the House for hours in talking about it. If they meant to let it pass without a division, they should have held their tongues, and said it was harmless. I suspect the Whips had no little to do with the fiasco.

G. The importance of it lay in its disclosure of the weakness both of the opponents and of their arguments.

H. I don't see but that Harcourt's argument was logically correct.

G. Perhaps the conclusion was not unfairly drawn from the

premisses; but the fallacious character of the premisses has been, I think, abundantly shown in our former conversations. It is the old story—a confusion between Circulation and Standard Measure of Value. In discussing the Quantitative Theory, he says: "If it were true it would mean the more goods you "have to exchange the more metal you want. But that is not "true, for England conducts the largest trade with the smallest "quantity of gold." This as we three know refers to Circulation, and is in that connection quite true; but it has nothing at all to do with the quantitative theory, which is only concerned with the relative dearness of the metallic measure of value, not the local need for it.

Circulation and Standard.

Then came the old stock arguments about the Rush for Gold, and the Fragility of Treaties, subjects which we have thoroughly threshed out.[1]

Then an attempted justification of closing the Indian Mints, on which we shall no doubt have plenty to say this evening.

W. There was another debate in the following year. Was that also unimportant, Harrop?

H. I see no great importance in it, except that a Conservative Government adopted much of Harcourt's arguments.

W. And came to the same conclusion—that Whiteley's motion, almost identical with Everett's, could not be resisted. I should like to know what you have to say about it, Gilbertson.

Whiteley.

G. You have summed it up very fairly. There was, however, a good deal of difference in the debate—and in the animus of one or two of the chief debaters—though none in the conclusion arrived at.

The Chancellor of the Exchequer's speech, for example, may be contrasted to his advantage to that of his predecessor in the other debate. Harcourt's was a tirade, with much sound and fury, but Hicks-Beach's showed a real desire to grapple with the question. He fell into some fallacies, which have been discussed in our conversations, but I don't see how one in his position can possibly give sufficient time to allow of his so carefully picking his way as to avoid those pitfalls.

Hicks-Beach.

W. Harcourt did say one good thing, and said it emphatically—"that he had no objection to Bimetallism if England was not included".

G. Particularly important at the present moment, seeing that that is precisely what has been just now proposed. I wish

[1] Pp. 158, 198.

I had been in the House to hear his speech. It was full of cheap rhetoric, but it was also full of fun. It must have been very diverting! He makes very merry with the idea that we should ask others to do what we would not do ourselves.

W. When did we make that request?

G. Oh, never that I know of; but what signifies that, if an orator wished to throw dust in the eyes of his hearers? As a matter of fact it was but a few months before foreign nations sent a mission here to propose that *they* should do this very thing, and should not require us to join them. You must observe that this was not in response to any "cries for help" by English Bimetallists, but as the result of the expressed desire of both American parties, both anxious for open Mints, both, as yet, asking for the same ratio, 16 to 1, and only differing in that one of them desired co-operation with other nations, and the other was willing to do without it.

H. That's true, no doubt; but come back to Harcourt's speech.

G. Well, even he had learnt something since his former speech. He has learnt that fall of prices and appreciation of gold are the same thing, which is what we have been preaching this last twenty years; but he fails to see that it is bad if produced by one cause and good if produced by another. He has learnt that we pay our debts with commodities, and deduces from that fact that it is a blessing for us if our Debtor countries have to pay two bales of wool where they bargained to pay one. Perish Australia, if only Harcourt may have his joke!

W. You're rather hard upon him! It was a very good fighting speech to my mind, though it was a pity that he committed the blunders about the Latin Union[1] and the French *Enquête* of 1869,[2] which gave Balfour such an easy task in answering him. But come back to Sir Michael, whose praises you were singing. You can't sing them more loudly than Harcourt did. How do you like his "no surrender" about the Gold Standard?

G. As I always did. I am very indifferent as to the name affixed to our monetary system. Whether we return to the system in force before 1816, when we could pay our debts in silver or gold as we chose, or to that before 1873, when the only legal payment was in gold or convertible notes, we shall be, in practice, under the Gold Standard, so far as our foreign exchanges are concerned. What the Chancellor meant, how-

[1] Pp. 352, 353. [2] P. 335.

ever, was that he would not return to the *status quo* before 1816; but he promised to do his best to further the return to the *status quo ante* 1873. I wish his best had been a little better when it came to the pinch; but I daresay he couldn't help it.

W. That's what we shall come to, I think. This time it has failed; but at some ratio or other, one or more nations will open their Mints, and for myself I should prefer that solution as causing least friction—if we can get it.

G. Why then, Hicks-Beach will bow to the inevitable, and though he has sworn to die a Monometallist it was only—like a monetary Benedict—because he did not think he should live till he were a Bimetallist. It was a good statesmanlike speech; and it was only a pity that it was here and there disfigured by cheer-begetting fallacies, such as that it was "impossible to "fix a ratio that could be maintained independently of market "fluctuations"—impossible to do what had been done without a check for ninety years! and "one [metal] capable of being "produced in unlimited quantities," a matter on which neither he nor I, nor any one in the world knows anything at all. "Vague and extravagant hopes entertained by the advocates "of Bimetallism." Mine are neither vague nor extravagant. They limit themselves to the single desire for a Par of Exchange between silver-using and gold-using countries. That was attained in those ninety years, and will be attained again. I don't know that any Bimetallists desire more, unless it be the greater steadiness of prices that might be expected to follow.

Par of Exchange.

W. There have been some vague and extravagant hopes entertained, I fancy: An Universal Gold Standard, to wit; and if, as Sir Michael thinks, that is the "foundation of England's prosperity," why not of the prosperity of all the world?

Universal Gold Standard.

G. Crazy dreams haunting the brains of theorists! They are not entertained, I am sure, by Sir Michael or any other statesman, or by any practical man of business. You would want gold "produced in unlimited quantities," and a total change of mind in half the world, and that the half least susceptible of change.

W. Now then, for some of the points in our former talks on which my "canine appetite for information," as you called it, needs more food.

India a Debtor Country.

You have often spoken of India as a Debtor country,[1] while admitting that, as others assert, the Balance of Trade is constantly in her favour. Those who do assert this, and say

[1] Pp. 249, 261.

that she is not a Debtor, often add that she must be a Creditor country because gold and silver are constantly being remitted to her. Now, I think I see the answer to that, but I should like my notion confirmed or corrected. What do you say, Harrop?

H. I don't know much about India; but in the matter you speak of it can't differ from any other country.

G. No doubt. You must clear your mind from false analogies, if any such exist on this subject. The whole question as to that or any other country is: Does the money value of her exports, of whatever kind, exceed or fall short of the money value of her imports, of whatever kind?

Take India in her relations with England. Are the commodities which she sends us greater or less in annual money value than the commodities and services which we send or have rendered to her.

It is wholly immaterial to inquire what the commodities are which we send, or what the services (represented by Home Charges and interests) were and are.

We send her yarns and metals (silver, iron, copper, gold) and other things. It matters not for the present question what she does with them? She may make her copper into pans or pice, she may coin her silver into money, or use it as money uncoined, or make it into bangles, or bury it in the earth. Every commodity, however used, has to be paid for "in meal or in malt"; and the money value of all together is the only thing that touches our present question.

It is of some interest to inquire whether the operations are wholly, or only partly, in matters of Trade, and to know the actual balance of *Trade*; but it is the balance of *Indebtedness* with which we are here concerned, and that necessarily includes services, and the Debts due to English holders, or rather the yearly interest thereon.

Thus even though her exports of commodities exceeded her imports by £10,000,000 a year, yet India would be a Debtor country; for she has to pay some £17,000,000 for Government Home Charges.

H. These are Trade matters, which I don't pretend to understand, but your view seems to me right enough. Can't you give us the real figures instead of a computation?

G. I had better give you the figures brought down to date when I send you the "Minutes". We have not of course yet had the Statistical Abstract for this year, now so nearly ending,[1] but you will see that India is and must long be a Debtor country; for even if the Balance of Trade proper were £10,000,000 or

[1] I am now able to include 1898 as well as 1897.

£15,000,000, for she owes and has to pay some £16,500,000 for Government Home Charges, leaving her Debtor for a considerable sum in every year besides the interest and returns on private investment in India, which may be taken to be £7,000,000 to £10,000,000 per annum more. The table which I promised you will show the actual surplus export of commodities in sterling value:—

Year.	Net Export of Commodities.	Average Rate of Council Bills.	Sterling.
	Rx.	s. d.	£
1873-74 . . .	17,297,719	1 10½	16,000,000
1897-98 . . .	10,618,894	1 3·407	6,858,035
1896-97 . . .	19,733,091	1 2·451	11,839,848
1895-96 . . .	32,289,810	1 1½	18,000,000
1894-95 . . .	34,000,000	1 1	18,400,000
1893-94 . . .	15,000,000	1 2½	9,000,000
1892-93 . . .	30,000,000	1 3	18,750,000
1891-92 . . .	27,000,000	—	18,890,000
1890-91 . . .	8,500,000	1 6	6,375,000
1889-90 . . .	19,000,000	1 4½	13,000,000
1888-89 . . .	15,000,000	1 4½	10,250,000
			£131,362,883
	Average of 10 years .		£13,136,288

Against the average for the same period (of home expenditure chargeable to revenue) £15,684,083.

In the above table I have not taken into account enfaced rupee paper, which, as enfaced to England or re-enfaced to India, forms an addition to exports from India and imports into India respectively. Incorporating with the above these exports and imports, as shown in the following table, the average balance in favour of India is increased by R1,42,14,150.

ENFACED RUPEE PAPER.

Year.	Balance Re-enfaced to India = Imports into India.	Balance Enfaced to England = Exports from India.
	Rs.	Rs.
1888-89 . . .	—	74,80,000
1889-90 . . .	—	77,99,600
1890-91 . . .	—	5,23,72,500
1891-92 . . .	—	77,15,460
1892-93 . . .	1,57,19,800	—
1893-94 . . .	1,76,83,200	—
1894-95 . . .	53,95,750	—
1895-96 . . .	—	1,72,47,860
1896-97 . . .	1,28,40,900	—
1897-98 . .	2,67,61,620	—
	7,84,01,270	9,26,15,420

W. The computation was quite enough for our present purpose; but the real figures will show us the true amount of exports and imports; all but the private investments, and meanwhile I should like to know what you mean by "false analogies" in this connection.

G. I have heard it alleged that India *must* be a Creditor country, as otherwise we should not send her specie, as we do, every year; and the argument is based on our remittances of specie to France, which they say are never made unless the Balance of Trade is in her favour, and unless she is for the moment (as regards England) a Creditor. Now we send gold and silver to India, and therefore she in like manner must be a Creditor country.

W. That is indeed a very false analogy. We send specie to France, not to pay a debt which we owe her but merely as an exchange operation, to take advantage of the exchange being for the moment in her favour; but we send the commodities called gold and silver to India, because she wants them to put to such uses as may seem good to her.

G. Yes; but the same disputant says, that if the precious metals are sent in the form of money, or take that form when received, the case must be different.

W. I don't see it. Coined or uncoined it must go to India's debit in account, and on the supposition that the year's Balance of Trade was in her favour, and that such remittances were not part of it, they would have to be paid for separately.

G. Really it makes no difference whether you do or don't call them payment. The Balance of Trade is in favour of India, and these remittances *pro tanto* lessen it. The fact remains that she *is* a Debtor country, and all that tends to hurt her trade, such as the closing of the Mints, the endeavours to manage the currency, or force gold on a silver-using people, will make her more and more a Debtor.

H. I think we must agree that India is a Debtor country, but I don't see how that affects the question.

G. Nor does Sir James Westland. You will see when we come to his dispatch (pp. 416, 419-20).

Intrinsic value of money.

W. Here is another question on my notes. I remember that Harrop said, in one of our talks,[1] that money owed its

[1] See p. 322.

debt-paying power to its intrinsic value; and we wandered off into a discussion of what intrinsic value itself was. Let us follow the original proposition. I suppose *everything* has debt-paying power, and owes it to its intrinsic value, or let us say its usefulness.

G. Yes; if you can get your creditor to think it useful, and to take it on account, a pound of lead, or a pound of feathers will do as well as a fraction of a pound sterling—as money, in short.

W. But money is legal tender, which makes all the difference.

H. You mean, in fact, that money is the creation of law—Cernuschi's old fallacy, deriving nomisma (money) from nomos (law).

W. The derivation might be etymologically right, but practically wrong.

Mint-Miracles.

H. And so it is, in my opinion. The case can't be better put than it was by Giffen, who laughed to scorn your Mint-made miracle. Have you the *Nineteenth Century* here? this month's number, I mean.

W. I glanced at the passage; but I should like to hear it again, if you can find it.

H. Here it is (*reads*):—

"How could sober Englishmen, with their belief that "the monetary unit is a certain weight of the metal chosen "for the standard, even discuss money with those who "believe that money is the creation of law, and that some "miracle takes place at the Mint, by which a commodity is "converted into 'money,' instead of being the same in "substance, and in fact, after the miracle as before".[1]

What do you think of that?

G. Giffen wasn't serious. It is in his best style of invective; but it is only an address to a jury—a common jury, and not at all an intelligent one—the general public. My learned friend knows very well that the miracle *is* performed every day—the very same miracle—that your clothier or shoemaker perform it; when the first by his skill converts wool which you can't wear into a coat which keeps you warm, and the second by

[1] Giffen, *Nineteenth Century*, Nov., 1897, p. 685.

his craft converts leather, useless without his help, into shoes which keep you from the mud—coat and shoes are still wool and leather, the same in substance but not at all the same in fact. Take another commodity, useless in its present state—113·0016 grains of pure gold in one little package, and 10·27287 grains of copper in another little package, and offer them to your creditor as payment of the pound sterling you owe him, and he will show you the door not too politely. How is *he* to know that the gold is pure? But when that miracle-monger the Mint has mixed the mass, and completed the manufacture by putting its stamp upon it, your creditor *must* take it; for the law—the law which has made it into money—says so. Yet it remains, as Giffen says, "the same in substance" (though assuredly not "the same in fact") "after the miracle as before," and so does the leather in a pair of shoes. "Money," says Giffen, "is a certain weight of a certain metal chosen for the standard." But who chose the metal, and who defined the weight? The Law: and if you offer another metal, or a less weight, you will be sent about your business.

W. I am satisfied; etymology and fact seem to accord. We do a greater miracle than that. We take 87·27 grs. of standard silver, worth 5½d. in the market, to the Master of the Mint. He manipulates them, and makes his magic signs upon them; and, hey! presto! they are worth 12d., and are so accepted everywhere. How comes that? The Law does it all! The Law, and nothing but the Law!

You spoke just now about the possibility of the United States adopting a ratio of 16 to 1, *proprio motu*, and of a large party in that country desiring such action. But you said something once of such a policy involving dangers, some real and some imaginary. What dangers were they, and which were real. I remember *The Times* on a former occasion, several years ago, said that if the Americans opened their Mint, it would "knock the bottom out of Bimetallism". Was that one of the real dangers? I knew nothing at all about the matter then, but the phrase amused me.

G. No; *that* wasn't one of the dangers—no one would have liked the knocking the bottom out of that vessel better than I. Our side would, as I have always said, have got all it wanted—a Par of Exchange. The real danger lay in what I think I mentioned before, the heavy wrench of so great a change. It would have inflicted very serious losses, and brought many near to ruin as indeed the Sherman Act is said to have done as respects English contracts with the East. The disturbance, however great, would have been transitory; and the adjustment once reached all would have been well. In the apprehension

of that disturbance the Financial Secretary of India, Sir James Westland, in his dispatch of 16th September was not far wrong. The end would have been good (which he did not perceive), but the bill would have been heavy (which he did). He thought also that the Indian export trade would be destroyed. Were there no exports from India before the French Mints were closed in 1876?

W. That then was one of the imaginary dangers. What others were there?

Maintenance of a Ratio.

G. The fear that the disturbance would *not* be transitory, and that the opening of the Mints whether by the United States alone, or by the United States and France together would infallibly break down.

W. "Infallibly" is a strong word, and needs some argument, I should think.

G. Not at all! "Infallibly," like "obviously," is an adverb which is mostly used by disputants who have a plentiful lack of argument, and are in hopes that vehement assertion will serve instead.

No doubt the greater the wrench, *i.e.*, the greater the discrepancy between the current price of silver and the assumed ratio, the worse would be the lot of those who had contracts pending, and the longer would be the time necessary for recovering commercial equilibrium, but I fail to see why the ratio under France and the United States, or indeed under either nation alone, for that matter should break down any more than it did under France alone from 1785 to 1865.

H. The circumstances might be very different, and so they were, I fancy.

G. They were indeed. In those eighty years the variations in the stocks of the two metals were very great, for as I showed you before,[1] the production of silver from 1493 to 1848 inclusive having been nearly double that of gold, the latter metal had added £390,000,000 to the £640,000,000 by the end of 1865, while silver had added only £125,000,000 to the computed £1,200,000,000; but by the end of 1881 the total production was about equal, remaining, with much oscillation, in the same case now.

This of course is assuming 15½ or 16 to 1; but if a lower ratio—say 20 to 1—were adopted, gold would be far more

[1] See p. 72.

abundant than silver, and if production goes on as at present, so it would be even at the old ratio.

W. I wonder how much of the £1,200,000,000 silver is still extant, not half of it I should think. Now, as to the stability of a Bimetallic agreement. I don't see what the *number* of the States entering into such an agreement has to do with the matter. If it was the number of the people or the amount of the exports the test would be more trustworthy. France alone could well do what she did, but she carried more weight in those particulars than Holland and Belgium, together with any half-dozen of minor German or Italian States. I wonder how France then compares with France now, or with the United States.

G. You are quite right in your reasoning, and so thought the members of the Gold and Silver Commission in 1888, for they said unanimously[1] that "the operation of that system, "established as it was in countries *the population and commerce of* "*which were considerable*, exercised a material influence upon the "relative value of the two metals".

H. I remember that; but I remember also that six members of the committee, in their separate report,[2] assume that "the "United Kingdom, Germany, the United States and the Latin "Union should be parties to the adoption of a Bimetallic system "with a ratio approximating to the market ratio".

G. They did: We are not on the ratio question now, for we fully threshed it out before,[3] and shall have something more to say by-and-by.[4] But it is obvious, that what it really does depend on, to a greater or less degree, is the sufficiency of the external commerce of the nation or nations.

A sufficiency of commerce needed for its maintenance.

W. And the population.

G. And population, though it is needless to specify that, seeing that it is included in the other requirement. Without population to produce the exports and consume the imports you can't have much commerce! If one nation is not great enough in commerce to maintain the ratio, take two; if two are not enough to maintain it, take four, as the Six Monometallist Commissioners do. France, as you say, White, was good enough alone for eighty years, and it was not to get help in that respect[5] that she made the Latin Union and helped to

[1] Report, Part I., Sect. 192. [2] *Ibid.*, Part II., Sect. 105.
[3] See p. 30. [4] See p. 405. [5] See pp. 352, 353.

preserve the ratio among the four nations, to wit, Belgium, Greece, Italy and Switzerland, who formed it with her, but to establish uniformity of coinage.

W. I wonder if anybody thinks England would not have been strong enough!

G. France was, anyhow, and did it without a single break. Now her population was about 36,000,000 and her exports—produce and merchandise—in 1865 stood at £123,536,000, and her imports £105,672,000, besides specie £17,340,000 and £26,376,000, making total exports £140,876,000, and imports, £132,048,000. The population of the United States is now more than double what that of France was, and their imports of merchandise £108,000,000 and exports £197,000,000. If, again, you compare them not with France but with the Latin Union, the population of all five nations which maintained the ratio for ten years more without a check was but 75,000,000—about the same as that of the United States. I have before[1] exploded and demolished the bugbear of their being the "dumping ground of Europe for silver," and it will require very close argument to convince me that she could not maintain as high ratio without the help of Europe, though I admit that it would be morally more convenient that other nations should have it also.

W. I can't say that I feel quite clear about the demolishment.

H. Nor I either. I only know the ordinary theory that cheap money when redundant expels the dear money. The distinction you drew before,[2] showing that it all follows the regular course of trade, is of course right; but I want to see how it acts, or why it doesn't act, in the case supposed. You put the case, White.

W. Here it is, put as shortly as I can. You must be content with round figures; for though I have the exact figures somewhere, having taken them out the other day for another matter, they don't remain in my head. We will suppose the United States open to both metals, Indian Mints to silver only, and the European mints to gold only. India can't take much more than she has done lately, the European States none at all except for the Arts and for token coinage. What is to prevent all or most of the Production from going to America. The U.S. produces some 54,000,000 ounces (fine) a year,[3] which they

[1] See pp. 84, 348. [2] See p. 21.

[3] Report of Director of the Mint, 1898, p. 59. 53,860,000 ounces in 1897.

keep at home I suppose. Now, if we take the remaining production of the world at 129,000,000 ounces (fine)[1] and deduct about 20,000,000 (fine)[2] for net imports into India, that leaves a matter of 109,000,000 ounces (fine) to be poured into the United States every year! Now, even taking into account the way in which the expulsion of one metal is brought about, as you told us before, such an inflow as that must, I should think, expel the gold, and then the United States are "on a silver basis". A Silver Basis.

H. The gold could not go, as you said[3] it did here and in France, driven out by divergence of ratio, because by the hypothesis there would be no other ratio; but if they should have to pay a Balance of Trade in specie, it must be in specie recognised as full money in Europe, and that is gold.

G. You have made a pretty story between you; and allowing your *ifs*, the result would be pretty much what you say; but before we discuss your premisses, I should like to know what harm you expect from your conclusion. "On a silver basis:" We quite agreed that that would signify very little.

H. Very little perhaps to the United States, but a great deal to us, and to India, who as you tell us, have to depend on the possibility of remittances to the United States (as we used to depend on France) for the stability of the gold price of silver, and of the Indian Exchange. As gold went away from the United States there would be a premium on it, would there not? That would upset your exchange calculations. Premium on Gold.

G. You have hit upon a good point. I will return to it presently; but first I have an onslaught to make on White's figures.

As to the annual production of the world, which played so great a part in his argument, let us see what becomes of it all? I have the correct figures here. He takes the fine ounces produced by all countries together, excluding the United States, at 129,000,000 which I believe is right.[4] Of these India takes 28,644,614[5] (9,124,517[5] of which are re-exported to Ceylon and other Asiatic countries and to Africa),

[1] Report of Director of the Mint, 1898, p. 61. 129,236,090 ounces in 1897.
[2] *Ibid.*, p. 26, and Statist. Abst., pp. 213-15. [3] See p. 21.
[4] U.S. Mint Report, p. 61. [5] Statist. Abst., pp. 213-15.

		Ounces.
Russia took £6,638,633[1] worth, say		50,000,000
Used in the Arts exclusive of kilogr. 227,779[2] used in the United States, kilogr. 725,166[2]		23,314,614
Shipments from London to sundry countries	£18,780,988[1]	
Deduct for Russia and India, say	12,000,000	
	£6,780,988, say	54,000,000
	about	154,000,000

W. I must say that you don't leave me much to pour into the United States!

G. Less than nothing; but it must be remembered that these are the figures for 1897, and cannot of course be relied on with any certainty for any other year. In 1898, for instance, Russia takes £4,500,000[3] less, the East £2,800,000 more; and the total shipment from London was £3,000,000 less; but it serves as an indication that there is probably no surplus, and no visible stock.[4] Observe also that of the whole 183,096,090 fine ounces estimated produce of the world in 1897 the estimated *coinage* is 130,000,000 fine ounces.[5]

W. While we are about statistics, I should like to be sure about those 54,000,000 ounces. I take for granted that they stay in the country. Do you know if that is so?

G. Some do not stay; but I cannot account for them all.

The exact production was, fine ounces	53,860,000[6]
Coining value $69,637,000[6] + estimated imports $30,929,451[7] =	$100,566,451
Exports to England, Canada, Mexico, France, and the East	55,751,597[7]
	$44,814,854

which we must suppose to be all needed and used in the country. But the Mint report gives only $9,997,690[8] used in manufactures and in the Arts from Home production and im-

[1] Pixley and Abell Report. [2] U.S. Report, p. 57.
[3] The true figures have been inserted, as learned from the Report of 1898.
[4] Except the "Seigniorage". See pp. 281, 347.
[5] $167,760,297, U.S. Mint Report, p. 65. [6] *Ibid.*, p. 59.
[7] *Ibid.*, pp. 35-7. [8] *Ibid.*, p. 53.

ports, leaving $34,817,164, less whatever may have been used in subsidiary coinage unaccounted for.

W. The amount used in the Arts seems to be very small.

G. It does. There were indeed $1,103,460 more so used; but they were from old material melted down, and don't come into the present category. I suppose we may take the exports to be correctly stated, so that more must be either used in the Arts, or be in possession of silversmiths for use. Very likely, also, the amount of production is exaggerated, seeing that the net contents of ore must be only an estimate.

H. You haven't answered what I said about the premium on gold, but you seemed to think my objection a good one.

G. No. It was a good point to raise, but the objection was not of much weight. You would have to show, first that there *would* be any considerable premium on gold of an abiding character, and secondly that if there were it would govern the price of silver.

H. Well; if I remember rightly, what you demolished was the notion that other countries would send their existing silver coin to America; but White's contention is that the new production of successive years will necessarily go there and necessarily expel the gold. You must be right in making light of that fear; but I suppose *some* must go, and so far as that sent the gold away, so far would there be a premium on it, which would precisely to that extent affect the price of silver in England. I don't know much about exchanges; but that is what they tell me.

G. There was no lack of premium in France; but, as we saw before,[1] there was plenty of gold left, and the premium had no such *proportionate* effect on the price of silver in England, notwithstanding the great quantity which Germany was sending out. Whatever effect the premium has, it is only one of the factors affecting the exchange in the foreign country, and the exchange is only one of the factors affecting the price of silver in this, as you will see if you look again at the table which I gave you.[2] Another factor is this. Suppose for a moment that you were right, and that the whole £190,000,000[3] of gold could be poured into Europe, all prices would rise, as they did in the fifties, and silver would no longer need the protection of the open Mint in America.

[1] See pp. 60, 89. [2] See p. 152. [3] $925,100,000, U.S. Mint Report, p. 8.

W. The protection, you mean, that is given by the power of shipping silver to America for coinage if one chose to have recourse to it.

G. Yes; we settled long ago[1] that the English seller of silver was sure of a definite price, so long as there was a foreign country with an open Mint to which he could send his silver; but that that price was counted in francs, or whatever was the monetary unit of the country to which he might send, and that the minimum price would be precisely that sum, which at the current exchange he could get for those francs.

An inflow of silver, like an inflow of any other commodity, might turn the balance of indebtedness against the country, bringing on a demand for Bills for Remittance, and consequently a rise in the exchange; the remitter defends himself by sending gold instead of bills;[2] the banker who has the option of metals benefits himself by charging a premium. It is, as always, a fight between specie and bills; the specie, perhaps, has the best of it for a time, the drawer of the bills, feeling the more disposed to reduce his pretensions as each shipment of specie is made, has his chance after a time till the balance tends to turn the other way.

W. At that rate there can be no continuous outflow of specie.

G. It would be only conceivable on the impossible supposition that the population and commerce of the United States remained absolutely stationary, or was decreasing, that they imported every year so much more than their normal export of commodities, that they had to export £60,000,000 in gold every year.

W. Talking of production of the metals and rise of prices, a point occurs to me which I think we have not fully considered. Some years ago when we were talking of the remonetisation of silver, and the great increase of money, and consequent advance of prices which might be produced by it, we observed that the Monometallists, or those who spoke for them, expressed doubts whether an increase of the quantity of money affected prices; and, in the same breath, fears that the large production of silver would be a great danger because of the "inflation" which would result. If you have the book here you may be able to compare the actual new production of money that would have taken place, with that which *has* taken place by the production of gold alone.

[1] P. 8. [2] See p. 164.

G. That's an easy matter. Let us take the date of the Paris Conference (1881). The production of gold was £20,600,000. Had silver been added, we should have had £20,400,000 more, nearly doubling the gross production. If that would have caused a harmful increase of price, what must this year's production cause, which bids fair to reach £50,000,000 in gold only.[1]

H. If it would have been harmful then, it would be harmful now: but I don't hear any complaints.

By the way, you have demolished your own argument that there is a scarcity of metallic money for the uses of commerce

G. That was not my plea. I said that there was a scarcity of gold as a measure of commodities for countries using only gold. Besides, you must not forget the great increase of population, and, necessarily, of commodities since 1881.

W. You spoke of the United States being able to maintain a high ratio alone. How would your figures read if we assume 20 or 22 to 1? The latter by the way would just about fit the ratio beloved of Sir James Westland and the Indian Government.

G. That would open out quite a new field of vision for you. Any silver brought in under the new ratio (22 to 1) and used as money (whether in coin or represented by notes) would have 37·6 per cent. less purchasing power, as compared with gold, than it had under 16 to 1, and the same would be the case with all new silver produced in the country, so that whereas they now apparently find employment in one way or another for their own production (less the balance of export and import) say $44,814,854, they would I suppose still continue so to employ it, even though the Mints were open; but if not, and the new ratio were 22 to 1, it would be reduced to $27,964,469.

H. They would export none of course, which would give them some $55,000,000 more.

G. No doubt; and that would reduce by just that amount the quantity, already insufficient, for the uses of the rest of the world.

[1] And *this* year (1899) £60,000,000; with the result that trade is prospering and prices rising, to the great satisfaction of everybody, Bimetallist and Monometallist alike; except Harcourt, who no doubt still bewails the rise of prices —standing alone *Athanasius contra mundum?*

Now let us return to a cognate question raised in one of our former talks.[1] What would happen in the case of the secession of one or more of the parties to a Bimetallic Union?

I have shown before the extreme improbability of any great commercial nation submitting to the self-sacrifice which the demonetisation of one of its metals would involve. Now I do not in the least believe in the total exclusion of either metal from the commerce of the country; but let us for a moment suppose that your hypothesis, White, had become a reality, that the United States had opened their Mints to both metals at 16 to 1 or any other ratio, that the silver had become "the money chiefly in use" in coin and notes, and that we in Europe were doing very well with a plethora of gold, and abundant token silver. What then?

W. I don't think any one would believe in the possibility of the United States suddenly demonetising some £300,000,000 sterling.

H. If it were done by degrees no evil could happen, I suppose. The only thing that could be done if they did anything would be to restrict the coinage or even close the Mints, and perhaps sell some of the silver by degrees.

G. Imitating the mistakes of France, India and Germany! They would not have any temptation to imitate France, for there would be no one to pour £80,000,000 of demonetised silver into their Mints; nor to follow India's example, for by the hypothesis there would be no redundance, real or fictitious; nor—for the same reason—to follow Germany's.

W. Least said is soonest mended! I surrender my hypothesis. In our discussion of the adoption of 22 to 1 by France or America, you have forgotten one point. How about the present silver circulation. Suppose that should have to be recoined;[2] that would be 37·6 per cent. less silver money in the country than there was before, reducing it therefore from $527,812,111[3] to $329,354,738.

Recoinage.

And the notes too, so far as they are payable in silver, because they would be redeemable in big dollars of grs. 567·6 instead of grs. 412·5, diminishing accordingly the quantity of silver in the Treasury held against them, and now sufficient for them.

G. That would be a large order, and the Treasury would

[1] See p. 198. [2] See p. 41. [3] U.S. Mint Report, p. 41.

have to buy more to make up the difference. Let me see; there would be the Bland Act certificates, July, '97, $375,479,504,[1]

The old Legal Tender notes (Greenbacks) } Payable in lawful money of the United States.
The National Bank notes }

The Legal Tender notes 1890 are legally payable in silver, but practically in gold.

H. The operation seems to cause a loss which would be prohibitive. Why should they do it?

G. I don't know that they *would* recoin, if they did adopt the new ratio. It is said that France would not recoin in such a case, leaving the existing five-franc pieces as token coins, and spreading the loss over a great number of years as the pieces wore out year after year and were called in; but that the United States would choose rather to make a clean job of it and cut the loss at once, for the sake of concluding the controversy.

They would have in hand the unused seigniorage on the coinage under the Sherman Act of 1890, amounting to $20,290,281,[2] besides some millions on the subsidiary coinage, as a reserve in aid of the operation.

W. If either they or France did recoin, the new five-franc pieces or the new dollars would be inconveniently heavy,[3] but that could be remedied in the one case by half-dollars being the only large silver pieces in circulation (as our half-crowns are), and in the other by coining the écu of three francs; and in both cases, perhaps, by an extended use of notes.[4]

H. We must also consider the case of their not choosing to recoin. What would happen if France had to export her five-franc pieces?

G. That could only happen on the wild supposition that, adverse circumstances having made her a Debtor, instead of a Creditor country, she had sent away all her gold, and that, notwithstanding the consequent contraction of her currency, and the low prices caused by that, imports still continued to exceed exports, and the Balance of Indebtedness to be continuously against France.

If this did happen, she would be in the same unfortunate position as that to which the Indian Government are only too probably bringing their own country.

[1] U.S. Mint Report, p. 43. [2] See pp. 281-347, and U.S. Mint Report, p. 27.
[3] See p. 41. [4] See also p. 420.

W. Now, Harrop, let us have your story about the Battle and the Discomfiture. Who is it that has been smitten hip and thigh, and when did it happen?

H. You won't deny that your friends the Bimetallists have thrown their last cast, and failed; that we hear no more of their distinctive doctrines, that they have tried their best to find other allies, and gain their ends by a side wind, to fight the case on a side issue. Their allies have come to the attack, and have had to retreat *re infecta.*

W. You are omitting the frontispiece of your romance. You should give us a sketch-plan of the battle-field; but I may say at once that, beaten or not, I accept the description of the Bimetallist as "my friends". I am "the man in the street," and I think you will find that that type of humanity, given only an intelligent consideration of this subject, takes a very different view of it from what was fashionable some five or six years ago; and that if nothing is done to get India and England out of the intolerable monetary fix in which they now find themselves, you will be so far right, Harrop, that you will hear nothing more of Bimetallism, or Monometallism either; for they will all think alike, at least in the city of London, and all condemn the legislation of 1893, and the inept lack of legislation in this present year.

G. Well said, White! I think that, as you say, you will find the two parties both on one side, Bimetallists and Monometallists calling for (silver) Monometallism in India, and a few Monometallists—a residuum—calling for Bimetallism—the limping or one-legged variety—in that unfortunate dependency.

Bimetallist and Monometallist unanimous against Indian proposals.

Now, let me have a word with Harrop. You "hear nothing," you say, "about our distinctive doctrines," and we "are trying to find other allies". I have not altered my doctrines one atom, nor, so far as I know, have my Monometallist friends. I have said, and still say, that an International arrangement, including England, is the best solution of the whole matter, and that we should never feel or know anything about our Bimetallism except in the advantages reaped by our external Commerce. They don't agree with me. But we are both agreed in the advantageous solution which an International agreement, excluding England, would give us. That also is what I have always advocated as a successful though incomplete alternative. See pp. 29, 76 of our former conversations.

These, then, are our distinctive doctrines, of which you will yet hear, I fancy, a good deal from the Indian Government when it awakes from its dreams.

H. But it is a gold standard that they ask for, is it not? We had some talk of it before.[1] Proposed Gold Standard for India.

G. Yes, in name. A phantom gold standard, the character of which has never been defined, is to be forced on a silver-using country! They have not yet made up their minds how the forcing is to be done, nor how it is to be made effective.

W. I dare say they have, though they have not yet disclosed it to the world.

In one acceptation of the word Standard they have it already in fact though not in name. If India buys goods from England, she calculates the price she will pay *in gold*.

G. Yes, and in negotiating the purchase she judges whether it will answer her purpose, by calculating what she can sell the goods for when she gets them, *in silver*. So also when she sends produce to England, she calculates how much silver they will cost to lay down, and how that compares with the uncertain quantity of gold which she may receive from them.

England, dealing with India, and with the East generally, has like calculations to make, only reversed. Her trade with the East is a large slice of her whole trade. I have not heard that anybody thinks that a reason for her going on a silver standard. Why not? "What is sauce for the goose," etc. The only way of avoiding this necessity of a double calculation on the part of England would be to fix a minimum as well as a maximum (*i.e.*, a fixed par) of exchange of 1s. 4d.[2] the rupee, by making rupees convertible into gold on demand at the Treasury; so that each rupee shall be 16d. or $\frac{1}{15}$ of a pound sterling, as absolutely as a shilling is 12d. or $\frac{1}{20}$ of a pound sterling; but nobody has, I believe, advocated that very adventurous policy, except Farrer and Welby, who are not responsible for the finance of India.

W. But India (considering her for a moment as a country on a silver standard) had, in dealing with the Far East, before 1893, no such double calculation to make, any more than England has in dealing with Australia; and this being a manifest advantage would seem to afford an argument for India and England having now the same medium of exchange.

G. Certainly; but take care that your sovereigns don't cost you 40s. apiece! Of course it is good for the Indian Treasury that if it has debts to pay to a gold country it should have gold with which to pay any balance, if it can come honestly by it in

[1] See p. 28.

[2] Present exchange 1s. $3\frac{5}{16}$d., 26th July, 1899.

the ordinary course of trade of the country; but it is worse than futile to obtain it by the arbitrary method of closing the Mints to silver, or by the contraction of the currency of the country by that or any other means.

W. They have tried it, however: Besides the original demonetising of silver, which they could not help and which we would not allow them to remedy, they have demonetised their own silver, transferred to their dealings with the Far East some of the disadvantages which they had in their transactions with England, knocked down the value of the hoards of their own subjects, and struck a heavy blow at the general trade of the country which gives them their revenue, and all with the very uncertain object of making up a particular loss in their revenue.

G. Yes; that is what I call buying gold too dear. Besides the further doubt whether it is good for English commerce that we should foment the withdrawal of gold from our stores.

H. We must not forget that the gold standard is advocated by all those who have made the finances of India their study.

G. Nor that it is deprecated by the largest and most experienced traders between India and England—practical men who know the commercial phase of the question, and know also that what benefits Indian commerce benefits also Indian finance. They know what indeed the history of Indian commerce shows us, that it is not *necessary* that she should have any gold at all for her trading purposes. For her financial needs it will prove an illusory benefit.

W. I think we are going on too fast. I want to hear about the lost battle before we come to the terms which the conqueror is to impose on us.

H. Is it not a lost battle when you bring your allies the silver men from America and the few Bimetallists existing in France to make futile proposals to our Government, only to court deserved rejection.

G. Rather a travesty of the real facts, my friend. It smacks of the journalist rather than of the student or the statesman. You have forgotten our thrashing out of this matter in one of our former talks.[1] The "silver men" you speak of were Mr. McKinley and the Republican party, the upholders of "sound

[1] See pp. 275-78.

money" explained by the President in his canvass to be International Bimetallism, as against the National Bimetallism of Mr. Bryan and the Democrats; and the "few French Bimetallists" were the French Government of the day who had agreed with the United States Government as to the proposals to be made to us, and had sent Senator Wolcott as chief of a joint mission, to make them. You forget, too, that they were well received here, and acceptance of their conditions almost promised—with one reservation—by our Government.

H. That may be, but they were rejected, all the same; and I suspect it was the "reservation" that wrecked the craft, and that the Government knew it would.

G. I am quite sure that they did not; and I don't think you have any reason to impute such double-dealing to them. The reservation was that the Indian Government should approve the plan, and open their Mints to silver, such opening being the principal thing demanded by the mission, as a condition of the Mints of the United States and France being re-opened at the ratio of 15½ to 1, the Americans surrendering their 16 to 1, as I was always sure they would, for the sake of agreement. The Home Government had the best of reasons for believing that the Indian Government would welcome the proposal, seeing that in 1886 and 1892 they had earnestly desired it, and that the closure of the Indian Mints had been only proposed as a last resource when a Bimetallic agreement seemed unattainable.

But a new Council was in power in India, and the egregious dispatch of Sir James Westland (16th September), to the surprise I think of everybody, and the disappointment of all who had really looked into the question, persuaded our Government to give a decided rejection to the American proposals.

W. What were the precise proposals of the United States and French Governments? **Proposals of France and the United States, 1897.**

G. 1. They were to re-open their Mints to silver, at the old French ratio, 15½ to 1.

2. India was to open her Mints to silver as before 1893.

3. The sovereign was to be no longer legal tender in India.

4. England was to buy silver to the nominal value of £10,000,000 annually.

5. England to raise the legal tender of her token silver, say to £10.

6. England to issue legal tender notes based on silver.

7. Retiring the half-sovereign, gradually or otherwise.

8. England to coin Rupees, and silver Trade Dollars which

should be legal tender in Hong Kong and silver standard colonies and in England also up to the 40s. limit.

9. Coinage of silver in Egypt and the Colonies.

10. Bank of England to hold one-fifth of its bullion in silver.

11. Something approaching the Huskisson plan.

Nos. 5, 6, 7, 9 and 11 were obviously only suggestions not meant to be insisted on,[1] and No. 10 was the English proposal of 1881, with the addition of the objectionable word "hold," which word could not have been accepted, and on which they would of course not have insisted.[2]

No. 2 was a condition *sine quâ non*; and it is that condition which for one reason or another the Indian Government has refused.

H. I suppose No. 1 was also, as to the ratio of $15\frac{1}{2}$ to 1, a condition *sine quâ non*, and I don't wonder that the Indian Government, holding the opinion they did on that ratio, should have advised their rejection. And I don't see what our Government could have done but follow their advice, whatever their own opinion might have been, seeing that it concerned the finances of India, of which they naturally conceived the Viceroy in Council to be the best judge.

G. Did they? That was very confiding of them. They forgot how great and far-reaching might be the effects on English commerce, for the safety of which they and not Lord Elgin had to care. "What could they do?" you say. The proposals were made jointly by France and America, but it was France alone who at the last moment sprung the preposterous No. 4 upon them, which, of course, could not have been accepted, and which on the terms proposed would be absolutely useless and ineffective. It was, it is true, only a *suggestion*, replacing the American proposal that the annual coinage of tokens should amount to £ [sum unnamed] which would have been unworkable.

Proposals rejected. Why were not counter proposals made?

Surely the resources of negotiation are not unknown to diplomatists or to their masters in the seats of Government. They could have said, "No. 4 is inadmissible," and it would have been withdrawn. "As to No. 1 we should wish to accept it, but $15\frac{1}{2}$ to 1 is prohibitive." France might have insisted, though I don't know that she would; and as to the United States, I knew then and the Government might have known too, if they had only asked, that they were willing to negotiate on the question of ratio, and were much surprised that they were not given the opportunity.

W. But I say again, why should we have negotiated? An

[1] No 11, if accepted, would have made the other four superfluous. See p. 467.

[2] See pp. 304, 309-11.

inacceptable proposal had been made and, as you admit, properly refused. Is there any reason why we should have made a humble request to them to change their note?

G. None at all, unless it was for the good of England and India that there should be an international agreement. There was no "humility" in the matter, but a counter proposal in the common interest of England with her Dependency and of the United States.

W. I think our Government, however well inclined to defer to Lord Elgin and his advisers, might have asked them on what grounds they believed that three great nations besides India were not enough to maintain the ancient ratio or any other, in reason, but must be supplemented by others; and what numbers had to do with it. Did they need the republics of Andorra and San Marino?

H. There were only two nations, France and the United States.

G. You forget that England with her gold and, India with her silver, make together a sufficient makeweight to compensate for the absence of all the minor states.

H. Let us come back to the Indian Dispatch of 16th September. You have just now hinted at some defects in it. Westland's Dispatch, Sept. 16.

W. What else was the matter with it? I think Lord George spoke of its reasoning as accurate, and its criticisms on the American proposals as well founded.

G. The Dispatch had the unexpected effect of destroying the American proposals; but it was rather by strength of assertion than by strength of reasoning.

H. I have already said how little I liked the Indian proposals, and the Dispatch you speak of does not tend to make me like them the better. I detest all artificial expedients, Bimetallic or other.

G. Not all. The gold standard, alike the sham one advocated by Sir James and the real one in which we rejoice, are both of them absolutely artificial and arbitrary; but the English standard is automatic, and has always been so since 1666 whether in gold, or in gold and silver.

W. The Indian Dispatch looks forward to a time when their

"gold standard" shall be automatic too; and its authors rest greatly on the plea that they ought to link their system with ours, and adopt our gold standard; but do they propose any such thing?

G. You both know well enough that they don't. You know what our gold standard is and so, I suppose, does Sir James Westland. It is said that there is to be a Royal Commission on the subject. I hope some commissioner will try to get a categorical answer from Sir James, or from some one on his behalf, to the questions, "Do you propose that gold only shall be legal tender for debts above a small sum? What do you propose to do for the Rx.120 million estimated to be circulating in coined silver, and the 300 million estimated as hoarded in uncoined silver, besides the coin in hoards."

W. They say there was a gold standard in India formerly, especially in the Madras presidency.

G. I should like to see some proof of that. There were no few gold mohurs about, I dare say, but were they in the pockets of the people, or were they ever found beyond the towns, or even there except in the tills of merchants or the hoards of the rich? There, as in Bombay and Calcutta, gold will serve more or less automatically for the merchant's remittances to and fro or for those of the Treasury; but the main result of the plan is to provide, at least temporarily, for the necessities of the Treasury, neglecting the commerce and the material interests of the Indian multitudes.

H. Why shouldn't their silver be like ours, a token currency?

G. That would be the "last straw!" You have already closed the Mints to silver with the effect that the wretched ryot who was before entitled to one rupee for his 180 grains of silver, must sell 250 grains (if his shroff will let him off so easily) to get that same coin; and now you propose to say that if he owes 100 rupees, and has 100 rupees in deposit, he can only pay 20 of them and must be dependent on the tender mercies of the shroff to give him what gold exchange he pleases.

H. There are compensations. Everybody knows that the consequence of closing the Mints has been that the rupee has risen from 1s. 1d. or so to about 1s. 4d., so that the holder of rupees has got an equivalent benefit for the depreciation of his uncoined silver if he has any. How do we know, by the way, that there are hoards to the value of Rx.300,000,000?

G. We *don't* know. Nobody knows. That is the estimate of Mr. F. C. Harrison, an Indian Government official, based on the imports of silver less the exports, and less also the amount coined in the same period. The earlier holding to which these are added, is of course only an estimate.

H. Which makes the calculation not of much account.

G. It has at least *some* foundation, which is more than can be said for the *dicta* of those who dispute it, but have no more to say than that they "don't think it can be so much".

The allegation about the "equivalent benefit" is not only that the rupee has risen, but that it has been prevented from falling yet lower. But before we can assume *equivalence*, we must be quite sure (1) that the supposed fall would have been equal to the ascertained fall in the value of the uncoined silver; (2) that the amount of rupees held by any person is at least equal to that of his hoarded silver; and (3) that the rise of the gold price of the rupee is of any direct *benefit* to him at all.

W. A rise in the *value* of the rupee, *i.e.*, in its purchasing power, in other words, a fall in the prices of Indian commodities, would of course be a benefit to its holder. But no one I think alleges that there is any great change in Indian prices (except of some imported goods), still less that what change there has been is in a downward direction. What does it signify to the ryot that his money will purchase more or less of the money of another country, except so far as he may want the produce of that country or—possibly—so far as his taxation may be influenced by it.

The real point which touches him is that the action of the Government has halved the rupee value of his hoarded silver, while the rupees which he may get won't buy him more food than they did before. You can't get over that.

H. These disquisitions don't seem to me to affect the Indian very much. He won't understand them, and will only think that the decrees of fate and of the Sirkar are inscrutable.

G. You mean that they won't find us out. But if they happen to find out that they are wronged, it is not on fate that they will lay the blame. There is political danger if they once have their eyes opened.

Summary of Dispatch.

Now for Sir James's dispatch. I will read you my summary of it. These are his propositions:—

1. The rise of exchange from 16d. to 23d., which would follow on the adoption of a $15\frac{1}{2}$ to 1, would kill the export trade, at least for a time, causing paralysis of trade and individual suffering.

2. If the measure should fail, the headlong fall would be as sudden as the rise (with a new crisis), and to a lower level.

3. In case of failure, exchange must fluctuate with the value of silver.

4. If it did not fail, gold prices would rise in France and silver prices fall in India.

5. We are now on the eve of success, why should we throw away our position, without any certainty of success in the American proposals.

6. It is most probable that these proposals would fail; France, the United States and India could certainly not maintain the ratio.

7. The market value of silver could only be raised by transferring the coinage demand from gold to silver, but there is no room for more silver coin unless through disappearance of gold.

8. A three-sided agreement would be dangerous—either might withdraw.

9. We ought therefore to link our system with that of Great Britain, adopting the same monetary standard.

10. As to the ratio, Indian industries would suffer, perhaps permanently; and while the revenue would gain on the one hand it would lose on the other.

11. The present system is indeed one of artificial restriction; but it is but temporary, and hereafter the currency will be automatically regulated by inflow and outflow of gold.

12. The rupee will indeed be at a value above its metallic value. But what of that? so is the five-franc piece.

13. The policy of a gold standard was adopted in 1893. Why depart from it?

H. He has a good deal to say for himself, but I suspect that you are going to show us that his arguments don't go to the bottom of the question.

W. They seem to me to be defective in this respect; that while he does touch on the questions of trade and native industry, his mind is concentrated on the question of Government Finance.

G. I will take his points in order:—

Answers thereto.

1. Was there no export trade in India before 1873 when the ratio of 15½ to 1 was in full force. All great and sudden changes, such as the monetary action of England in 1816-19, the action of Germany in 1872, of France in 1876, of the United States in 1878 (Bland Act), and 1890 (Sherman Act), the repeal of the latter in 1893, and the Indian leap in the dark of the same year, necessarily caused harm to individuals who had on their

hands contracts still running, and they *may* all have after-effects of great consideration commercially and politically. These after-effects *have* taken place in consequence of what was done in 1893. *That* is a matter of history. We have the facts before our eyes. That evil effects will follow on the carrying out of the plans said to be contemplated by the Indian Government, or would follow the adoption of the American proposals, is a matter of prophecy. Sir James is quite sure that they *would* follow the American proposals, and prophesies accordingly. I also prophesy; and say that no evil effects will follow the plans of the Indian Government because if they are what is suggested they are so wholly impracticable that they will never be tried.

W. What *are* the plans. The present dispatch is only destructive or negative; but I have heard of some rumours from an Indian correspondent.

G. So have I. We will come to them afterwards.

2. Why should the fall be sudden or "headlong"? and on what calculation is the price of 9d. based. There would no doubt be losses suffered, for the reasons given under No. 1; but remember how slow the fall was after the closing of the Mints in 1876. I can see no reason why the price should be any lower than it is now, especially if we take into account the increasing production of gold as compared with silver.

W. I believe silver has touched the bottom, looking at it merely as a commodity which has almost lost its monetary quality in Europe. Moreover, even supposing the ratio broken elsewhere, it would not be done in a day, nor by simultaneous actions of all the nations concerned; and there again the experience of the seventies helps us. Meanwhile India would have regained for her currency a real automatic character, for princes and ryots, for merchants and for all industries, for home use and for foreign remittance. That which is good for the commerce of a country as a whole is good for its Government finance.

G. 3. Why should the exchange not fluctuate? So it does in Mexico, and Mexico prospers. Fluctuation in the ordinary course of trade does harm to nobody.

4. There would be some rise in France and England and other places in gold prices. It does not necessarily follow that there would be a corresponding fall in silver prices. Has there been a rise in silver prices either in Mexico or India between 1873 and 1893 in any correspondence with the fall in gold prices.

W. One of the arguments adduced[1] for the closing of the

[1] See p. 415.

Mints was that Indian prices had fallen, the rupee being worth more than it was; and now we are told that they would fall if they were opened. The answer is that it has *not* appreciably fallen as measured in commodities, and that whereas it did fall as measured in gold, no one will believe that it can both fall and rise from the same cause at the same time! Even if it be granted that there might be a tendency to fall, yet this would show itself chiefly in exportable commodities, and the effects of this would be neutralised to the extent of the rise in gold prices in France, England and other gold-using countries, which Sir James admits would be an attendant circumstance.

G. 5-6. What is the "success" to be when it comes? Stability of exchange? Perhaps. Sir James's plan aims at establishing a maximum exchange. The American proposal aims at establishing a minimum.

There is no absolute certainty of success for either course, and the cock-a-hoop assertion of Sir James does not tend to convince me. History does not show that an arbitrary change in the currency of a country makes for prosperity to the nation and government who adopt it. History does show that the ratio of $15\frac{1}{2}$ was maintained without a check for about a century under much more adverse circumstances than the present.

Not a word is said as to the likelihood of its failure beyond the mere *ipse dixit* of Sir James Westland.

7. Whither would the gold go? I ask this for the twentieth time, and no one even tries to answer. For the answer to the assertion as to the lack of demand for silver see your printed notes.[1] The demand for Silver is still considerable, notwithstanding the mischief that has been done to the metal. The export to the East was £5,949,285 in 1898, against £3,714,404 in 1875 and £11,881,885[2] in 1892. The argument of the Indian Government would be applicable to consumable and purchasable commodities, but does not touch money-metals serving as the measure of value.

8. Sir James forgets that the adhesion of France would almost certainly carry with it the rest of the Latin Union, so that the three-sided agreement would be probably seven-sided. He forgets also the probability that if one great nation alone opened its Mints, others would follow suit. As to the danger of withdrawals see pp. 198, 201 already in your hands.

9. "The same monetary standard." The idea springs from the superstition that there is some advantage in having the *standard* identical with that of the country with which the greater part of the external trade is done.

[1] See p. 8.

[2] The largest export since the great Famine of 1877, 15 years before. It was stimulated by the fear that the mints would be closed. So also, in a less degree, were the exports in the two next years, by the expectation of a 5 per cent. duty.

They are mere words, unless he means what no one has ventured to suggest—total demonetisation of silver as legal tender.

H. But surely it must be an advantage that in case of redress of balance the remittance should be in a substance of recognised and unchanging value as between the two countries.

G. Certainly, and that was practically the case before 1873-76, when the monetary system was in fact "firmly linked," for all practical purposes, to that of England. Our standard and currency being gold, it is of course desirable that India should possess and be able to send and receive gold; but that affords no reason for closing the Mints to the other metal, the money of the people. The convenience of commerce will always procure that which has been called in a like case the "Standard of Merchants" or the "Exchange Standard".

W. Sir James would say, I fancy, that you are leaving out of sight the needs of the Treasury.

G. No; but I object to all coercive or restrictive measures to supply those needs. Let commerce have full freedom to obtain and to use the money and the amount of it which best suits it, and that will be in the end the best for the Treasury.

10. Indian industries would no longer be unduly handicapped by Chinese competition, and though the low price of silver did help the Indian wheat-producer as against England, the profits on wheat-production have already been diminished by Argentine competition, and have not so far to fall. The last words of Sir James's proposition precisely express what is happening under a system of "managed currency". The revenue is saved from loss on one hand, but suffers by the loss inflicted on the people. A Managed Currency.

11. If an automatic action in gold is hereafter set up—which is very doubtful considering the hoarding habits of the people (see p. 251), and that gold is better for hoarding than silver—it will not be at all the standard money of the country at large, but only what Harris calls the "Standard of Merchants".

12. We have already seen the difference between the franc and the rupee (pp. 392-407). One is the money of a creditor country and the other of a debtor country.

H. You were to tell us how that affects the question.

G. There can be no question of exporting five-franc pieces to pay the debts of France, because the yearly balance is always due *to* her. But it is quite possible that India may have to send

silver or commodities brought by the condition of undischarged indebtedness to a reduced price to redress the balance due *from* her.

The peril is real in her case; but in the case of France it is remote and indeed imaginary. I don't know whether France holds any of her silver in bar; but (*ob majorem cautelam*) to provide against the impossible contingency of her having exported all her large stock of gold, and against the very possible case of there being a heavy premium on silver (which would make it advantageous to the Bank to give it out), she would probably provide that form of the metal which would be most acceptable for export. The export of five-franc pieces would be then out of the range of practical politics.

W. There is, moreover, plenty of room for France to increase her fiduciary issue in case of necessity; for she could do it even now with perfect safety, seeing that it is, relatively, very small.

H. India could always send gold, as France does.

G. So she could—if and so long as she has any to send, but when she has none, or when by any other means such as might occur if the Government policy of contracting the currency should be successful, she must send either silver, thus contracting it further, or (prices necessarily falling) two bales of jute instead of one.

13. I know of no such adoption of a gold standard. It is not enough to *say* that there is a gold standard. Is *that* a gold standard where the Mint was closed to gold, where gold was not a legal tender except at the Treasury for duties, and at the Mint, if, having a sovereign in your pocket, you wanted fifteen rupees—the real money of the country? Is it a gold standard where the whole internal commerce and currency of the country was in silver?

W. It is what children call making believe very much. But it may have the effect of sooner or later accumulating a stock of gold in the Treasury, which could be serviceable if they ever added the Farrer and Welby nostrum (p. 296) of making the the rupee convertible into gold, as well as *vice versâ*.

G. The most impossible plan of all; or, if possible, the most dangerous. The greater part of the silver coin in hoards[1] might be at any moment presented for conversion. Maharajah Scindia is said to hold eight crores, which he would at once convert.

W. The total must be a very large sum, I suspect. Do you know how much?

[1] See, as to hoards, pp. 250, 297, 415.

G. Not the least, nor does anybody. But Sir Antony MacDonnell says it is three times as much as the uncoined silver in hoards; and if Mr. Harrison is at all right in his estimate of Rx.300,000,000 worth of uncoined, and Sir Antony in his, it must be a pretty penny. That is *one* of the perils of a real gold standard in India. You have already heard some of the others (pp. 250, 296-97).

H. So much for the plan itself. Now, I am anxious to hear how the Government propose to carry it out.

G. At present all we know is from rumour. There are several plans afoot, Mr. Lindsay's and others; and so far as I can learn, the Government object to them all; and their parents all object to the plan of the Government whatever it is.

"Redundant" Currency.

They do say that Sir James has invented a new sense for the phrase "redundant currency," which has till now meant "more money than was at a given moment needed for the commerce of the country" (and strange has been the automatic force attributed to it[1]), but in the modern language of the Indian Treasury it seems to mean "more than suits the purposes of the Government"—more than is compatible with their forcing the exchange to its desired point. Strange indeed is the autocratic remedy proposed. What I hear is that they are to contract the currency artificially, melting some Rx.20,000,000 and selling the resultant silver, Sir James calculating—good easy man—that he would get the same price for the last million as for the first!

W. That's what I hear too. But I don't see why he shouldn't melt them if they *are* redundant. The fancy of redundant currency leaving the country of itself[2] is of course absurd; but still it does get sent out in the natural course of trade. Why shouldn't the Government be the channel through which they are sent, and if they are to be sold for their silver contents, what signifies it whether they are melted in India or here?

G. I can hardly believe that any Government in modern days should contemplate such an absurd interference with the ordinary course of monetary movement. It's only rumour; but where there is smoke there is fire; and there must be *something* evil in the wind. Don't you see that if these are melted and the Mints remain closed there is no means of restoring the silver coin to the circulation, however much the increase of population and of trade may need it.

[1] See p. 84. [2] *Ibid.*

W. I take it they must expect gold to flow in to take the place of the silver.

G. That is just what gold cannot do in a country where the rupee has been the largest coin in use by the mass of the people. It may flow in but it will not be into the pockets, but under the hearthstone.

H. I suppose the Goverment will retain the right of coining rupees if it should judge them to be wanted. That is, I think, the case in France and Germany, and in England too as to the token coinage.

English Token Currency not "managed".

G. Nothing can be more opposed to good monetary policy than that the State should take upon itself to judge how much silver coin is needed for the operations of trade. I have already spoken of the difference between France, a creditor country, with an enormous store of gold both in the Bank and in the hands of the people, and India, a debtor country, with no known store of gold at all. As to England; no English Government has ever undertaken such a thankless and impossible task. The quantity of our token coinage is regulated solely by the demands of trade; and the Government neither does nor can exercise any discretion in the matter, or impose any limitation whatever on the quantity issued.

H. I am surprised. In the first place, I thought the Chancellor of the Exchequer, being master of the Mint, could coin or not coin silver as he chooses; and secondly, I have always supposed that it was the very fact that he could and did limit the quantity which prevented the tokens from going to a discount. I may add the fact that though not legally convertible into gold, they are in practice and popularly exchangeable into gold, and they are so, simply because they are not over-issued.

W. Why should they go to a discount, limit or no limit? Is legal tender money *ever* at a discount?

H. Of course it is. Were not the legal tender bank notes, during the suspension of cash payments, at a discount?

G. White is quite right. They were never, properly speaking, at a *discount*. The commodity gold was at a premium, as it was called (just as it is in Argentina), and just as all other commodities were, though the usual phrase is that they were *dear*. Gold money is not now said to be "at a discount," though the holder of copper exacts more of it than he did, in exchange.

Though there was often a premium on silver or gold in France for export, neither the five-franc piece nor the napoleon were ever at a discount in payment of debt, nor was the £1 note, nor is the Argentine dollar note. They may be deteriorated in value as measured in gold or any other purchasable commodity, but they would always pay a debt of £1 or $1 respectively. So it would be with our token coins. If what you fancied, Harrop, was right, and it rested with the Master of the Mint to halve or double the amount in circulation at his own pleasure, and if it were possible for him to double it notwithstanding the forty shilling limit, it would not be at a discount, for you could always pay your forty shilling debt with sixteen half-crowns.

H. I don't think I can controvert all that; but, after all, my phrase is only a popular one, and meant just what you explain it to mean. I think it might pass.

G. Certainly, unless as now an argument is founded on its incorrect acceptation. As to your practical and popular convertibility of our token coinage, it is a pleasing fancy of yours, but it does not exist. Try it yourself. Ask for even two sovereigns in exchange for forty shillings. Your banker will oblige you, and so perhaps will any tradesman with whom you deal, and so, possibly, with some demur, will *any* tradesman if asked to do you that favour. Why? Because he can pay it away again under the forty shilling limit. But offer him a bag of 1000 shillings, and you will get a very different answer.

W. I don't know what a complaisant country banker may do, but I know what the Bank of England would do, with him or with me. It would charge so much per £100 for the accommodation, if it granted it at all. Not only can the Government not limit the issue (and I should be sorry for the Chancellor who should instruct the Deputy Master to refuse to coin what the public, acting through the Bank of England, demanded), but, though he is Master of the Mint and can coin what he pleases, yet if it is not wanted by the public it must remain at the Mint, or, if the Bank has asked for it as agent of the Government, in the vaults of the Bank for Government account, but nothing can be done with any of it beyond what the public demands.

H. Let us bring the matter to the concrete: How would the Chancellor proceed, if he wished either to restrict the issue or to increase it without reference to the demand?

G. We will take restriction first. I can't conceive a Chancellor desiring to restrict the coinage. It is the Exchequer alone which

makes a profit, and that a very considerable one, by the issue; and you won't make me believe that "to gain his private ends" any Chancellor will "go mad" and cut off so handsome a slice of his revenue.

But if he did so intend this is the process: a banker, say in the Midlands, needs (*i.e.*, the Commerce of the place needs) for payment of wages such and such a sum in shillings, and he applies to the Bank of England for them. If the Bank had no such sum in its vaults, a message would be sent to the Mint to supply the lack. If the answer should be "the Chancellor has forbidden any more coinage," why, then, as you say, White, I should be sorry for that Chancellor!

H. Of course he would never do it. He has no independent means whatever of guaging the needs of Commerce. But I have heard it said that, if he were to restrict the issue, the forty shilling limit might be removed without fear of the coins going to a discount.

G. With what possible object should he do that? He would allow us to pay a debt of £100,000 with a wagon-load of shillings, and with the same breath provide that we shall not have the shillings to pay it with. The shillings could not be at a discount, as I have shown, even if he failed to restrict them; but every one in every bargain would have the trouble of stipulating that he should not be paid in silver at a ratio (14·287 to 1) which would make it useless for paying foreign debts. Again, I should be sorry for that Chancellor!

W. Now about over-issue. You really answered it just now. Let us suppose that he orders £100,000 to be coined in shillings, though, by the hypothesis, they are not asked for, what would happen then?

G. If he *could* get them into temporary and local use (as was done to a small extent by Goschen's Dockyard experiment) he could not keep them in active circulation; and they would all, or almost all, find a resting place in the Bank vaults, having caused, during their brief life of activity, considerable annoyance to retail traders and bankers, and in some degree also to the marketing public. I should indeed be sorry for that Chancellor; and he would find himself little less embarrassed if (as would really be the case) he should be unable to get any of it into circulation for even the shortest time; for his profit on the purchase of silver would not be a realised profit, and he would find himself at once encumbered with a mass of "idle and useless silver". Except by successive small instalments, as occasion served, neither Bank nor Mint could get rid of any of it.

W. Nor could the Government by any other channels.

G. Certainly it couldn't. While it is powerless to impose a limit, it is itself limited, and so is the Bank, and so are we all—by the forty shilling law. Why, the Bank has now, it is said, some £1,500,000 in its vaults more silver than trade requires. If it were not for the forty shilling limit they might pay it all away in wages or to their customers, and there would be then really so much over-issue.

H. There *is* now, apparently; you say so yourself.

G. There is more than trade requires to-day; partly by dint of Goschen's plan (p. 424) and partly because a brisker trade *did* require it. When trade improves it will again be wanted.

W. Well, if the Indian Government does propose to "manage" the currency, and only limits the coinage of rupees as our Government "limits" the coinage of shillings, *i.e.*, by giving trade "unlimited" facility for getting what it wants, I don't see that my Indian friends will have much cause to complain.

G. I hope we shall none of us have much cause to complain. The intended committee will I doubt not be perfectly competent to look into the whole matter. It is not (so I hear, though it has not been publicly stated) to be a "departmental committee," *i.e.*, one of which all or even the majority are to be Officials; but merchants, and those especially connected with India, will have *at least* an equal voice; and we may trust, therefore, that it will come to a wise conclusion.

H. So say we all; and looking at the clock I should say that it is for us also to come to a wise Conclusion. We have had a long sitting and a very interesting one, and now let us go to bed and sleep it off.

G. You'll be none the worse for it in the morning. Good-night to you both. We have, I think, said all we can say upon the question with our present knowledge, and may now end our

APPENDIX.

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Sir Thomas Gresham's Letter to Queen Elizabeth.

[The spelling has been modernised.]

INFORMATION OF SIR THOMAS GRESHAM, MERCER, TOUCHING THE FALL OF EXCHANGE.

MDLVIII. *To the Queen's Most Excellent Majesty.*

May it please your Majesty to understand that the first occasion of the fall of Exchange grew out of the act of the King's Majesty, your late father, in debasing his coin from vi ounces fine to iii ounces fine. Whereupon the Exchange fell from xxvis. viiid. to xiiis. ivd. And this was the cause of the export of all your fine gold out of this your realm.

Secondly, by reason of his wars the King's Majesty fell greatly into debt in Flanders. And there was no other means of paying than by the remittance of Bills of Exchange, and by the export of his fine gold to meet them.

Thirdly, through the great privileges of the Company of the Steelyard, and the granting licences to that Company for the carrying of your wool and other commodities out of your realm; and this is one of the chief points of importance in your Commonwealth to which your Majesty should now attend, namely, that you never restore those privileges to the wharves [1] of the Steelyard Company which have been the chief agents in the ruin of this your realm and of its merchants.

Now, with the intent to redress this evil, in the year 1551, the King's Majesty, your late brother, called me in to be his agent, and put great trust in me, both for the payment of his debts in foreign

[1] "Steydes" in the original letter; meaning Steads or Staiths, the house and premises of the Company, being on the bank of the Thames. It lay to the south of Thames Street, between Allhallows Lane and Cousin Lane, adjoining Dowgate; two little lanes called the Steelyard long marking its position and preserving its memory, until they were swallowed up by the Cannon Street Railway Station.

The "Gilda Theutonicorum" or "Easterlings," afterwards (temp., Edward IV.) known as the Company of the Stilliard or Steelyard (sometimes called the Stylehouse), a body of German traders, supposed to have settled in London as early as 976, obtained trading privileges from Henry II., Richard I., and John, and were settled in Dowgate by Henry III. (by which time they had become a branch of the Hanseatic League) ejected by Edward IV. and reinstated by him. Their privileges were finally withdrawn, and the members of the Company banished in 1598. The cities of Lubeck, Bremen and Hamburg, by whom the House of the Steelyard had been rebuilt after the Great Fire, sold the property in 1853 for £72,500 to an English company.

See Stowe's *Survey;* Herbert's *History of the XII. Livery Companies;* and Anderson's *History of Commerce*, vol. i., pp. 290, 332, 383 and 385. Anderson quotes (from Sir Robert Cotton, p. 697) statutes of 1460, 1504, 1552, 1553 and 1554, relating to the Company of the Steelyard.

parts, and for the raising of the Exchange—then standing at xvs. or xvis. the pound sterling; while your current money is at the present time not worth so much as xs. First I did my best to persuade the King and my Lord of Northumberland to put an end to the Company of the Steelyard; for if that were not done there would be no hope of raising the Exchange; because while your own merchants not affiliated to that body pay 14d. export duty on cloth,[1] the Company pays but 9d.; and in like manner for all import duties on foreign goods your own unaffiliated merchants pay 12d. in the pound, while the Steelyard people pay but 3d. which is 5s.[2] difference in the hundred. Now, seeing that on this consideration they could keep down the Exchange, while it was to the Exchange that they looked as a guide in buying their commodities, they were not careful to give a lower price than your own merchants, when they were sure of 5 per cent. advantage in their payment of duties; and this in process of time would have ruined your whole realm and the merchants thereof.

Secondly, I persuaded the King's Majesty, your brother, to open a credit[3] with his own merchants; and when a good opportunity arose I agreed with them as to a particular shipment, when the Exchange was still at 16s. that every one should advance 15s. to the King on every piece of cloth exported on his account to Antwerp, payable at double usance, *i.e.*, so many[4] months date, at 20s. in London, which the King's Majesty paid them royally, which amounted in all to £60,000. And so, six months later, I did the like with the commodities imported by them from Flanders for the sum of £70,000, on the condition of paying 20s. for every pound sterling. By this means I made money plentiful and scarce at pleasure; and brought all into the King's hands, which raised the Exchange to 23s. 4d.[4] By this means also I not only brought the King's Majesty, your brother, out of debt, whereby I saved him 6s. or 7s. in the pound, but kept his treasure within the realm, as Mr. Secretary Cecil knew quite well.

Thirdly, I caused all foreign coins to be no longer legal tender; so that they should be brought into the Mint to His Majesty's greater profit;[5] but at this time the King, your brother, died; and as my reward for the services I had done, the Bishop of Winchester sought to ruin me, saying that whatsoever I said in these matters I was not to be believed. And most unwisely the said bishop went and valued the French Crown at 6s. 4d., and the Pistole[6] at 6s. 2d., and the silver Rial at 6d. Whereupon the Exchange fell immediately to 20s. 6d. and 21s., and has so remained ever since. This, then, was the course by which I brought the Queen's Majesty your sister out of debt to the extent of £435,000.

[1] In original "on a cloth custom," *i.e.*, customs duty on each piece.

[2] The difference is 9d. in the pound, *i.e.*, 3¾ per cent. (£3 15s.) not 5 per cent.

[3] In original "come in credit," *i.e.*, obtain a loan.

[4] See the letters to Sir William Cecil for details of the operation, and for the sense of "double usance" *i.e.*, two months.

[5] In original foredeal [*Germ.*, Vortheil]. [6] Pistolott [pistolet in Ruding].

Fourthly, by this your Highness will plainly see, that as it is the Exchange which devours the substance of all Princes, to the entire destruction of their commonweal if it be not carefully looked after, so also the Exchange is the most important and valuable of all things to restore fine gold and silver to your Majesty and the realm, and is the means by which to make all foreign commodities and your own commodities and all kind of victuals cheap. It keeps, moreover, when carefully attended to, your fine gold and silver within your realm. As—for an example to your Highness—the Exchange being at present at 22s. all merchants seek to bring their remittances into your realm in fine gold and silver; for if they should do it by Bills of Exchange, they would have to disburse 22s. Flemish to obtain 20s. sterling; whereas by remitting gold and silver the remittance produces 21s. 4d.; thus saving them 8d. in the pound; and this profit, if only the Exchange should remain at 22s. for a few years, would give you a wealthy realm, inasmuch as the specie would remain here for ever; every one finding it 5 per cent.[1] more advantageous to send his remittances abroad in Bills of Exchange than to send them in gold or silver. Consequently, the higher the Exchange rises the more will your Majesty and your realm and commonweal flourish; and the Exchange is only kept up by Art and by the Providence of God; for the coin of this your realm does not correspond in fineness, that is in intrinsic value, even to 10s. in the pound.

Finally, if it please your Majesty to restore this your realm to its ancient good estate—First, there is no other way left to your Highness but when time and opportunity serve, to bring your base money into fine, that is to say to a fineness of 11 ounces of silver to 1 alloy; and the same with the gold money after the proper rate.

Secondly, not to restore the Company of the Steelyard to its usurped privileges.

Thirdly, to grant as few licences as you can.

Fourthly, to run into debt beyond seas as little as possible.

Fifthly, to keep up your credit, and especially with your own merchants; for it is they who must stand by you in your necessity, in all cases.

And thus I most humbly beseech your Majesty to accept this poor writing of mine in good part; which will embolden me, from time to time, as opportunity serves, to put your Highness in remembrance of these matters according to the trust which your Majesty has placed in me; beseeching the Lord to give me the grace and good fortune that my service may always be accepteble to your Highness; as knoweth our Lord, whom I pray to preserve your noble Majesty in health, and long to reign over us with increase of honour.

By your Majesty's most humble
and faithful obedient subject,
THOMAS GRESHAM,
Mercer.

[1] This is not exact. It would appear to be £3 6s. 8d.

Letter from Sir Thomas Gresham to Sir William Cecil, dated 1st March, 1558-9.

(From J. W. Burgon's *Life and Times of Sir Thomas Gresham*, vol. i., pp. 257-262.)

[The spelling has been modernised.]

It may like your honour to understand, that £30,000 Sterling, after 23s. 4d., maketh Flemish £34,833 6s. 8d.,[1] and after 22s. (as the exchange now goeth in Lombard Street) £33,000, which is the half of the Queen's Majesty's debts that be owing in April and May next. And for the payment thereof, and for keeping up of the Exchange, the Queen's Majesty hath none other ways and helpe but to use her Merchant Adventurers. Wherein I do right well know they will stand very stout in the matter, by the reason of this new custom; as also for the £20,000 that her Highness doth owe them. Nevertheless, considering how much it doth import the Queen's Majesty's credit, of force she must use her Merchants; and for the compassing thereof, her Highness shall have good opportunity both to bargain and to bring them to what price her Majesty and you shall think most convenient; as the like proof was made in King Edward, her late brother's time.

First it is to be considered that our English Merchants have at the least 50,000 or 40,000 (xlm) cloths and kerseys lying upon their hands, ready to be shipped; which they will begin to ship when they shall know to what point they shall trust for their custom.

Secondly, this matter must be kept secret, that it may not come to the Merchants' knowledge that you do intend to use them; and to lay sure wait when their last day of shipping shall be, and to understand perfectly at the customers' hands, at the same day, whether all the cloths and kerseys be entered and shipped and water-borne. And being once all water-borne, then to make a stay of all the fleet, that none shall depart till further the Queen's Majesty's pleasure be known.

Thirdly, that being once done, to command the customer to bring you in a perfect book of all such cloths, kerseys, cottons, lead, tin and all other commodities, and the Merchants' names; particularly what number every man hath shipped, and the just and total sum of the whole shipping. And thereby you shall know the number, and who be the great doers.

Fourthly, upon the view of the customers' book, you shall send for my Lord Mayor, Sir Rowland Hill, Sir William Garrat, Sir William Chester, Mr. Alderman Martynne, Mr. Alderman Baskefylld, Lyonell Dockat, William Bowrde, Rowland Heywood, Waltyr Marller, Harry Becher [and] Thomas Ryvet: and move unto them that, "Whereas you have shipped to the number of A. B. which be ready to depart to the mart, so it is that the Queen's Majesty is indebted in Flanders for no small sum; for the which, you, my Lord

[1] This is wrong. The true sum would be £35,000, nor can we make it right if we suppose the error to lie in the rate of exchange: 23s. 3d. would give £34,875, £41 3s. 4d. too much; while 23s. 2⅞d. would give £34,828 6s. 8d., *i.e.*, £5 too little.

Mayor and the City, do stand bound for the payment thereof. And for that it shall appear unto you that her Highness is not unmindful for the payment of the same, [she] hath thought good to use you (as heretofore her brother King Edward did): whereby the Exchange may be kept up and raised, and to enrich this realm of fine gold, here to remain; as likewise we may have our commodities, and foreign, at some reasonable prices. Whereby you Merchants may flourish in the commonweal, as heretofore you have done. And for the accomplishment of the premises, the Queen's Majesty doth require at your hands to pay in Flanders 20s. sterling upon every cloth that is now shipped, after the rate of 25s. Flemish for the pound sterling, and her highness shall pay you here again at double usance. Which sum must be paid in Antwerp; the one-tihrd part the 1st May, one-third part the 20th May, and the other third part the last of May."

Upon the utterance hereof, they will grant to nothing till that they have assembled the Company together. Now, having all their goods in the Queen's power, there is no doubt but that her Majesty shall bring them to bargain at such reasonable price as you and the rest of my Lords shall think convenient: wherein you may qualify the price of the Exchange as you shall think most meetest, whereby they may [be] the better willing to serve hereafter; considering how much the Queen's highness is indebted unto them already. Giving your honour to understand I do not so much press upon the great price, as I do at this present to bring them to make offer to her Highness to serve at some reasonable price.

Finally, you may not come lower than to have for every pound sterling 22s. Flemish (for so the Exchange passeth at this present). But I trust it will be at 22s. 6d. ere they have finished their shipping. Advertising you, if the Exchange be better in Lombard Street than 22s. in any wise, to make them pay after that rate; or else they do no service, but for their own lucre and gain—which in no wise I will not have them accustomed unto at the Queen's Majesty's hands.

To conclude, eftsoons, if you can bring them to 22s.; and if the Exchange be better, according as the Exchange goeth to pay there, at the days aforesaid, and here at double usance (which is two months); it will prove a more beneficial bargain to the Queen's Majesty and to this her realm than I will at this present molest you withall; for it will raise the Exchange to an honest price. As for example: the Exchange in King Edward's time (when I began this practice) was but 16s. Did I not raise it to 23s., and paid his whole debts after 20s. and 22s.? whereby wool fell in price from 26s. 8d. to 16s., and cloths from £60 a pack, with all other our commodities and foreigners; whereby a number of clothiers gave over the making of cloths and kerseys. Wherein there was touched no man but the Merchant, for to serve the Prince's turn; which appeared to the face of the world that they were great losers; but to the contrary, in the end, when things were brought to perfection, they were great gainers thereby.

Fifthly, what bargain soever you do conclude with the Merchants, to remember specially that they do pay their money in valued money

(otherwise termed permission money); for that the Queen is bound to pay it in valued money; which may not in no wise be forgotten. For it may chance to cost the Queen £3 or £4 upon every hundred pounds, to come by the valued money—such scarcity there is thereof; which, in the sales of our commodities will cost the Merchants nothing; for that they may sell their commodities to pay in permission money for the sum they shall pay for the Queen, which will not be 20s. permission money upon every cloth. Which matter, move not to the Merchants until such time as you have bargained and agreed upon the Exchange; that being done, it may not be forgotten.

An Order for the Coinage of Guineas.

[*MS. Mint Records*, vol. vii., p. 52.]

CHARLES R.

Our Will and Pleasure is and Wee Doo hereby require and authorise you to cause to be Coyned all such Gold and silver as hereafter shal be brought into our Mint and delivered unto you in the name and for the use of the Company of Royall Adventurers of England trading into Affrica with a little Elephant in such convenient place upon our gold and silver coynes respectively as you shall judge fitting which Wee intend as a marke of distinction from the rest of our gold and silver moneys and an Incouragement unto the said Company in the Importing of Gold and Silver to be coined. And that our Twenty shillings peece of Crowne gold to be coyned by the Mill and Presse may be even Twenty shillings in value after the rate commanded and allowed in our late Proclamation for the raiseing the price of gold in this our Kingdome of England, or as neere as conveniently may bee. Our further will and pleasure is, and wee doe hereby likewise command and authorise you to cause the pound Troy of our Crowne gold hereafter to be cut into forty and fower peeces and an halfe the whole peece being to passe for Twenty shillings and the halfe for Tenn and soe the rest of our gold coynes accordingly in proportion. And this shalbe your sufficient warrant for soe doeing. And the Warden Comptroller and Assaymaster of Our Mint and the rest of Our Officers there are to take notjce of Our Will and pleasure herein that our said moneys may passe accordingly. Given at Our Court at Whitehall the 24th day of December 1663.

By his Maties command

HENRY BENNETT.

To Our Trusty and Welbeloved Sr Ralph Freman Knt and Henry Slingesby Esqs Masters and Workers of our Mint or either of them.

The Statute establishing Free and Gratuitous Coinage of Silver and Gold in England.

18 *Caroli II.*, C. 5. (1666).

An Act for encouraging of coinage.

Whereas it is obvious, that the plenty of current coins of gold and silver of this kingdom is of great advantage to trade and commerce; for the increase whereof, your Majesty in your princely wisdom and care hath been graciously pleased to bear out of your revenue half the charge of the coinage of silver money; (2) for the preventing of which charge to your Majesty, and the encouragement of the bringing gold and silver into the realm, to be converted into the current money of this your Majesty's kingdom, we your Majesty's dutiful and loyal subjects do give and grant unto your Majesty the rates, duties or impositions following, and do beseech your Majesty that it may be enacted; (3) and be it enacted by the King's most excellent majesty, by and with the advice and consent of the lords spiritual and temporal, and commons, in this present Parliament assembled, and by the authority of the same, 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 and six, bring any foreign coin, plate or bullion of gold or silver, in mass, molten or allayed, 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; (4) 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; (5) and for every pound troy of sterling or standard silver that shall be brought in and delivered hy 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 proportionately for a greater or lesser weight; (6) and for every pound troy of gold or silver that shall be brought in and delivered to be assayed, melted down and coined, as aforesaid, that shall be finer upon assay than crown gold or standard silver, there shall be delivered for the same so much more than a pound troy as the same doth in proportion amount unto in fineness and value; (7) and for every pound troy of gold or silver that shall be brought in and delivered to be assayed, melted down and coined, as aforesaid, that shall be coarser or baser upon assay, or worse in value than crown gold or standard silver, there shall be delivered for the same so much less than a pound troy as the same doth fall short in fineness or value; and so for a greater or lesser quantity.

II. And it is hereby further enacted by the authority aforesaid, That there shall be no preference in point of assaying or coinage;

but that all gold and silver brought in and delivered into the mint, to be assayed and coined, shall be assayed, coined and delivered out to the respective importers, according to the order and times of bringing in and delivering the same into the mint or mints, and not otherwise; so as he that shall first bring in and deliver any gold or silver to be coined, shall be taken and accounted the first person to have the same assayed, coined and delivered; and he or they that shall bring in and deliver any gold or silver next, to be accounted the second to have the same assayed, coined and delivered, and so successively in course; (2) and that the gold and silver brought in and coined, as aforesaid, shall be in the same order delivered to the respective bringers in thereof, their executors, administrators or assigns successively, without preference of one before the other, and not otherwise; (3) and if any undue preference be made in entering of any gold or silver, or delivering out of any money coined, contrary to the true intent and meaning of this act, by any officer or officers of the mint or mints; then the party or parties offending shall be liable by action of debt, or on the case, to pay the value of the gold or silver brought in, and not entered and delivered according to the true intent, meaning and direction of this act, as aforesaid, with damages and costs to the party or parties grieved, and shall be forejudged from his or their place of office; (4) and if such preference be unduly made by any his or their deputy or deputies, clerk or clerks, without direction or privity of his or their master or masters, then such deputy or deputies, clerk or clerks only shall be liable to such action, damage and costs, as aforesaid, and be forever after incapable of serving or bearing office in any mint in the Kingdom of England. . . .

V. And for the further encouragement and assurance of such as shall bring any gold or silver into his Majesty's said mint or mints to be coined; (2) be it enacted, and it is hereby enacted by the authority aforesaid, That no confiscation, forfeiture, seizure, attachment, stop or restraint whatsoever shall be made in the said mint or mints, of any gold or silver brought in to be coined, for or by reason of any imbargo, breach of the peace, letters of mart or reprisal, or war within any foreign nation, or upon any other account or pretence whatsoever; (3) but that any gold or silver brought into any of his Majesty's mint or mints within the Kingdom of England to be coined, shall truly and with all convenient speed be coined and delivered out to the respective bringer or bringers in thereof, their respective executors, administrators or assigns, according to the rules and directions of this act.

Extract from the Report of John Locke and other Commissioners, 1698.

We are humbly of Opinion that it is necessary, Guineas in their common currency be brought down to 21s. 6d. at least; And further humbly conceive that Your Excellencies may fitly do it by giving directions, That the officers of the Receipt of his Majesty's Exchequer, and all others the Receivers of His Majesty's Revenue, do not take

them at a higher rate. This appears to us the Most Convenient way, because it may, at all times, be a ready and easy remedy, upon any further variation that shall happen in the world in the Price of Gold; or even in case this now proposed Lowering of Guineas should not prove sufficient: For it being impossible, that more than One Metal should be the true Measure of Commerce; and the world by common Consent and Convenience, having settled that Measure in Silver; Gold as well as other metals, is to be looked upon as a Commodity, which varying in its Price as other Commodities do, its Value will always be changeable; and the fixing of its value in any Country, so that it cannot be readily accommodated to the course it has in other neighbouring Countries, will be always prejudicial to the Country which does it. The Value of Gold, here at the price of 21s. 6d. a Guinea, in proportion to the Rate of Silver in our Coin, will be very near as fifteen and one-half to one; the value of Gold in proportion to Silver, in Holland and Neighbouring Countries, as near as can be computed, upon a Medium, is as fifteen to one; so that by bringing down the Guinea to 21s. 6d. Gold will not here be brought to so low a Price as in our Neighbouring Countries; Nevertheless, we are humbly of Opinion that the Abatement of sixpence in the Guinea will be sufficient to stop the present disproportionate Importation of gold; because the Charge for Insurance, Freight, Commission, and the like, will eat up the Profit, that may then be made thereby, and hinder that Trade; but if, contrary to our Expectation, this Abatement should prove too small, Guineas may by the same easy Means be lowered yet further, according as may be found expedient.

Reports made by Sir Isaac Newton, Master of the Mint, concerning the state of the Gold and Silver Coins.

To the Right Hon. the Lords Commissioners of His Majesty's Treasury.

May it please your lordships;

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 in 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 one ounce allay, is cut into 44½ guineas; and a pound weight of silver, 11 ounces two pennyweight fine, and 18 pennyweight allay, is cut into 62 shillings; and, according to this rate, a pound weight of fine gold is worth 15 pounds weight six ounces 17 pennyweight and five 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

14lb. wt. 11 ozs. 12 dwt. 9 gr. of fine silver in bullion; and, at this rate, a guinea is worth, but so much silver as would make 20s. 8d. When ships are lading for the East Indies, the demand of silver, for exportation, raises the price to 5s. 6d. or 5s. 8d. per ounce, or above; but I consider not those extraordinary cases.

A Spanish pistole was coined for 32 rials, or four pieces of eight rials, usually called pieces of eight, and is of equal allay, and the sixteenth part of the weight thereof; and a Doppio Moeda of Portugal was coined for ten crusados of silver, and is of equal allay, and the sixteenth part of the weight thereof: Gold is, therefore in Spain and Portugal of sixteen times more Value than Silver of equal weight and allay, according to the standard of those Kingdoms; at which rate a guinea is worth 22s. 1d.; but this high price keeps their Gold at home in good plenty and carry away the Spanish Silver into all Europe, so that at home they make their payments in Gold, and will not pay in Silver without a premium; upon the coming in of a Plate fleet the premium ceases, or is but small; but as their Silver goes away, and becomes scarce, the premium increases and is most commonly about six per cent., which being abated, a guinea becomes worth about 20s. 9d. in Spain and Portugal.

In France a pound weight of fine Gold is reckoned worth 15 pounds weight of fine Silver; in raising or falling their money their Kings' edicts have sometimes varied a little from this proportion in excess or defect, but the variations have been so little that I do not here consider them: By the edict of May, 1709, a new pistole was coined for four new lewisses, and is of equal allay, and the fifteenth part of the weight thereof, except the errors of their mints; and by the same edict fine Gold is valued at 15 times its weight of fine Silver; and at this rate, a guinea is worth 20s. $8\frac{1}{3}$d. I consider not here the confusion made in the monies in France by frequent edicts to send them to the Mint and give the King a tax out of them; I consider only the value of Gold and Silver in proportion to one another.

The ducats of Holland, and Hungary, and the empire, were lately current in Holland, among the common people, in their markets, and ordinary affairs, at five gilders in specie, and five stivers; and commonly changed for so much Silver-monies in three guilder pieces, and guilder pieces, as guineas are with us for 21s. 6d. sterling; at which rate, a guinea is worth 20s. $7\frac{1}{2}$d.

According to the rate of Gold to Silver in Italy, Germany, Poland, Denmark, and Sweden, a guinea is worth about 20s. and 7d. 6d. 5d. or 4d., for the proportion varies a little within the several governments in those countries. In Sweden, Gold is lowest in proportion to Silver, and this hath made that Kingdom, which formerly was content with copper money, abound of late with silver, sent thither (I suspect) for naval stores.

In the end of King William's reign, and the first year of the late queen, when foreign coins abounded in England, I caused a great many of them to be assayed in the mint and found by the assays that fine gold was to fine silver in Spain, Portugal, France, Holland, Italy, Germany, and the northren Kingdoms, in the proportions above-mentioned, errors of the mint excepted.

In China and Japan, one pound weight of fine gold is worth but nine or ten pounds weight of fine silver; and in East India it may be worth twelve: and the low price of gold in proportion to silver carries away the silver from all Europe.

So then, by the course of trade and exchange between nation and nation in all Europe, fine gold is to fine silver as 14 or 15 to one; and a guinea at the same rate, is worth 20s. 5d. and 20s. 8½d., except in extraordinary cases, as when a Plate fleet is just arrived in Spain, or ships are lading here for the East Indies, which cases I do not here consider: And it appears by experience as well as by reason, that silver flows from those places, where its value is lowest in proportion to gold, as from Spain to all Europe, and from all Europe to the East Indies, China, and Japan; and that gold is most plentiful in those places, in which its value is highest in proportion to silver, as in Spain and England.

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 to the public.

In the last year of King William, the dollars of Scotland, worth about 4s. 6½d. were put away in the north of England for 5s. and at this price began to flow in upon us: I gave notice thereof to the lords commissioners of the treasury; and they ordered the collectors of taxes to forbear taking them; and thereby put a stop to the mischief.

At the same time the lewidors of France, which were worth but seventeen shillings and three farthings a piece, passed in England at 17s. 6d.: I gave notice therefore to the lords commissioners of the treasury; and his late majesty put out a proclamation, That they should go but at 17s.; and thereupon they came to the mint; and £1,400,000 were coined out of them; and if the advantage of 5½d. in a lewidor, sufficed at that time to bring into England so great

a quantity of French money, and the advantage of three farthings in a lewidor to bring it to the mint, the advantage of 9d. half-penny in a guinea or above, may have been sufficient to bring the great quantity of gold, which has been coined in these last fifteen years, without any foreign silver.

Some years ago the Portugal moedors were received in the west of England at 28s. apiece; upon notice from the mint that they were worth only about 27s. 7d., the Lords Commissioners of the Treasury, ordered their receivers of taxes to take them at no more than 27s. 6d. Afterwards many gentlemen in the west sent up to the treasury a petition, that the receivers might take them again at 28s. and promised to get returns for this money at that rate; alledging, that when they went at 28s. their country was full of gold, which they wanted very much; But the commissioners of the treasury, considering, that at 28s. the nation would lose 5d. apiece, rejected the petition; And if an advantage to the merchant of 5d. in 28s. did pour that money in upon us, much more hath an advantage to the merchant of 9½d. in a guinea, or above, been able to bring into the Mint great quantities of gold, without any foreign silver; and may be able to do it still, till the cause be removed.

If things be let alone till silver money be a little scarcer, the gold will fall of itself; for people are already backward to give silver for gold, and will, in a little time, refuse to make payments in silver without a premium, as they do in Spain; and this premium will be an abatement in the value of the gold; and so the question is, Whether gold shall be lowered by the Government, or let alone till it falls of itself, by the want of silver money. It may be said that there are great quantities of silver in plate; and if the plate were coined, there would be no want of silver money: But I reckon, that silver is safer from exportation in the form of plate than in the form of money, because of the greater value of the silver and fashion together; and therefore I am not for coining the plate, till the temptation to export the silver money, which is a profit of 2d. or 3d. an ounce, be diminished; for as often as men are necessitated to send away money for answering debts abroad, there will be a temptation to send away silver rather than gold, because of the profit, which is almost four per cent.; and, for the same reason, foreigners will choose to send hither their gold rather than their silver.

All which is most humbly submitted to your lordships great wisdom.

ISAAC NEWTON.

MINT OFFICE,
27th September, 1717.

To the Right Hon. the Lords Commissioners of His Majesty's Treasury.

May it please your Lordships,

In obedience to your Lordships' order of reference of the 19th instant, that an account be laid before your Lordships of all the gold

and silver, coined in the last 15 years; and how much thereof hath been coined out of plate upon public encouragements; and what copper money hath been newly coined; it is humbly represented, that since Christmas, 1701-2, to the 19th instant, there hath been coined in gold 7,127,835*l.*, in tale, reckoning 44½ guineas to a pound weight troy, and 21s. 6d. to a guinea; and in silver 223,380*l.* sterling, reckoning 3l. 2s. to a pound weight troy, and that part of this silver, amounting to 143,086*l.* sterling, was coined out of English plate imported upon public encouragement, in the years 1709 and 1711; and another part amounting to 13,342*l.*, was coined out of Vigo plate in the year 1703 and 1704; and another part, amounting to 45,732*l.* was coined from silver extracted from our own lead-ore; and the rest amounting to 21,220*l.* was coined chiefly out of old plate melted down by goldsmiths; and some of it made out of pieces of eight.

The graver of the Mint has been hard at work, ever since the last session of Parliament in making the embossments and puncheons for the half-pence and farthings, and taking off a few dies from them; the making of an embossment, and a puncheon, for half-pence, takes up the time of about six weeks; and there have been two embossments; and two puncheons, made for, the half-pence, and one for the farthings; and now these are finished and some dies are made from the puncheons, it will take up a little time to examine the copper, and settle the best method of preparing, sizing, nealing, and cleaning it, and making it fit for the Mint; this being a manufacture different from that of coarse copper, and more difficult, and not yet practised in England; and as soon as this method is fixed, we shall begin to coin in quantity.

All which is most humbly submitted to your Lordships great wisdom.

(*Sgd.*) ISAAC NEWTON.

MINT OFFICE,
23*rd November*, 1717.

Extracts from the Essays on "Money and Coins," 1757 and 1758, by Joseph Harris.

POLITICAL ECONOMY CLUB COLLECTION, 1856.

Essay I., p. 44. Part I. Section 31. P.E.C., p. 382.

In *England* the silver monies are to contain 111 parts of fine silver and 9 parts alloy; and 62 of those coins called shillings, are to weigh a pound Troy: That is, the pound Troy with us, contains 11 ounces, 2 penny-weights of fine silver, and 18 penny-weights of alloy; and of a pound Troy of this standard silver, our money pound called the *pound sterling*, contains 20/62 parts, or the pound sterling is = 20/62 of $\frac{1}{1}\frac{1}{2}\frac{1}{.}$[1] of a pound Troy of fine silver. And this standard has continued with us invariably, ever since the forty-third year of the reign of Queen Elizabeth.

The standard of our present gold coins, is 11 parts of fine gold and 1 part of alloy, and 44½ guineas are cut out of a pound Troy; so that a guinea is = 1/44½ of 11 ounces of fine gold.

[1] "$\frac{1}{1}\frac{1}{2}$ 1" in the original. I have suppressed the superfluous "1".

I., p. 45. Part I. Section 32. P.E.C., p. 383.

It is carefully to be remembered, that by the *standard of money*, is always meant, the quantity of pure or fine metal contained in a given sum; and not merely the degree of purity or fineness of that metal, but the fineness and gross weight are both included. Thus the standard of a pound sterling is 3 ounces, 17 penny-weights, 14 22/31 grains Troy of fine silver; which is equal to 3 ounces, 17 penny-weights, $10\frac{2}{3}$ grains of silver, 11 ounces, 2 penny-weights fine, which is our standard of fineness. The standard of a shilling is 73 20/39 grains Troy of fine silver, or 80 28/31 grains of silver $\frac{111}{12}$ fine.

The standard of our money, strictly speaking, remains the same, so long as there is the same quantity of pure silver in the respective coins having the old or given denominations; though the coins may be varied, by making them, either of finer silver and lighter, or of coarser silver and heavier.

I., p. 46. Part VII. Section 34. P.E.C., p. 384.

VII. *There can be but one standard of money.*

34. Hitherto we have considered both silver and gold, as being either of them a fit material to be made, or used as money. But although there may be good reasons for coining each of them; yet it is very certain that only one of these metals can be the *money* or *standard of commerce*, in any country. For the standard measure must be invariable, and keep the same proportion of value, in all its parts. Such is silver in respect to silver, and gold to gold; that is, an ounce of silver is always worth just an ounce of silver, and two ounces of one or the other of these metals, is just double the value of one ounce of the same. But silver and gold, with respect to one another, are, like other commodities variable in their value; according as the plenty of either, may be increased or diminished; and an ounce of gold that is worth a given quantity of silver to-day, may be worth more or less silver, a while hence. And therefore it is impossible, that both these metals can be a standard measure of the values of other things, at the same time; and one of them must be a mere commodity, with respect to the other.

I., pp. 47-51. Section 35. P.E.C., p. 385.

Silver the money or standard measure of the greatest part, if not of all Europe.

35. Silver coin is, and time immemorial hath been, the money accompt of the greatest part of the world; and in all countries where it is so, *silver* is truly the *standard measure of commerce;* and all other metals, gold as well as lead, are but commodities rateable by silver.

In *England*, accounts are kept or reckoned by the *pound sterling;* which, as hath been before observed, is a certain quantity of fine silver appointed by law for a standard. It is according to this

standard that the public revenues are established; lands are let; salaries, stipends, and wages settled; and universally, all sorts of contracts both public and private, are made and governed by this standard. And although it be supposed, that with us, more payments, or of greater value, are made in gold than in silver coins; yet that doth not alter the standard, whilst the accounts are kept in silver; so long, in all our internal dealings at least, the gold can be only a commodity, supposed to be worth so much silver as it passeth for. And the case would be the same, although our silver coins should grow yet scarcer.

I., p. 47. Part VIII. Section 36. P.E.C., p. 385.

VIII. *Silver the fittest material, hitherto known for money.*

36. All nations having, for so many ages, made use of silver for the standard measure of the values of other things; that alone seems to me a sufficient reason for continuing the same standard; and the altering it now from silver to gold, was the thing itself practicable, would beget great perplexities in all kinds of dealings and accompts. But further, silver being of a more moderate value than gold, is for that reason, better suited for the purpose of money. For the integer and its several parts should bear an exact and due proportion of value to each other; and this would be impossible if they were made of different materials. There must be coins of about the values of shillings and sixpences, and it would be better if we had some that were still smaller. Those sorts of coins are the most frequently wanted, and there is no doing without them or some substitutes in their stead. But these substitutes, being made of a different metal from the standard money are not themselves to be reckoned money; for the using such would be a deviation from the true use and intent of money; and would subject the people where they passed to losses and perplexities. A coin of a shilling, or even of half a crown value, would be too small in gold; and therefore at present gold is much too valuable for a standard of money. And it would be a ridiculous and vain attempt, to make a standard integer of gold, whose parts should be silver; or to make a motly standard part gold and part silver. These different materials could not long agree in value; and silver being the most common and useful coin, would soon regain its antient place of a *standard measurer*.

Silver, I think, is less subject to variation in its value than gold. For silver having been distributed in great quantities all over *Europe*, as well in coin as in plate of different sorts; a sudden influx, or efflux of it, by a quicker or slower production of the mines, doth not so soon affect the whole mass. The wages of day labour being also usually paid in silver, may be another great reason of a more even and permanent value of this metal. But without laying much stress upon the greater variations in the value of gold, which perhaps may be also partly owing to its being everywhere in the eyes of the laws a mere commodity; I think it is sufficiently evident that silver at present is a much fitter standard to measure with, than gold.

Silver a fit standard, though its plenty varies.

37. It may be here objected that as the value of silver, like all other commodities, must needs be variable, according as the plenty of it is increased or diminished; silver cannot be a fixed standard, like that of mere extension as a yard or a bushel, for measuring the value of other things. It probably cannot; and perhaps silver is now quantity for quantity, of three or four times less value, than it was two or three centuries ago. But yet, silver being durable well-known, esteemed, distributed in considerable quantities over all *Europe*; and its growth, plenty, goodness, or intrinsic qualities, not immediately depending upon seasons of weather and other casualties, the alteration hath been, for the most part, gradual; and is not likely hereafter to be very considerable of a sudden, though it may in a long course of time. And, therefore, silver is as good standard measure of money, as the present state of things will admit of: and very fit and useful to be continued as such.

We are at present but little concerned with what might be the value of silver in former times; and as little, with what may be its value hereafter. The prices of things will naturally conform to the standard, whilst the alterations in it are slow and gradual, and not forced. But, from the nature of things, the proportion of money to goods, is ever subject to some variations: and all that can be done to prevent the inconveniences that might thence arise, is to limit contracts within a moderate term of years. For, in contracts, quantity only is to be considered; and no regard can be had to the future value of money, without deviating entirely from its use as such, and rendering all contracts uncertain.

I., p. 50. Part IX. Section 38. P.E.C., p. 388.

IX. *Gold coins should pass as money.*

Although silver is the only standard measure of all our contracts; yet gold having every other quality fitting it for money, excepting its being too dear; it may be very fit and useful to coin gold, to ascertain its fineness; and to let these coins pass in lieu of money, at some[1] given rate. For gold coins are very convenient in large payments. But it should not be said or understood, that a guinea, for instance, should be always an equivalent for the same quantity of silver. For as gold, like other commodities, must be ever subject to alter in its value, with respect to silver; the price of this dazzling metal can be no otherwise settled, than *pro tempore*. And in all contracts the price of gold at the time of payment is only to be considered; and not what price it might bear, at the time when the contracts were made.

[1] As there can be but one standard of money, and silver is and ought to be that standard; *Mr. Locke* was, and others are, of the opinion, that gold coins should be left to find their own value, without having any established legal rates. But this is a matter, I think, of too much importance to be entrusted to private judgment; and, if left at large, might subject the nation in general to great impositions, by a combination of the traders in coins. But of this subject, and also of copper coins, more hereafter.

I., p. 52. Part xJ. Section 40. P.E.C., p. 390.

XI. *Money finds its own value, according to the whole quantity of it in circulation.*

40. The quantities of all commodities are proportioned, according to the demand or vent for them; and their ultimate prices include the prime cost, and the profits taken by the several dealers, thro' whose hands they pass: If the quantity of any commodity exceeds, or falls short of that proportion, its price will fall or rise accordingly; and sometimes, a change of fashion, or humour, may reduce the price of a particular commodity, almost to nothing. The prices of things in general are proportioned sufficiently near, according to the above rule; or according to their prime cost to the manufacturer, and the progress they make from him to the consumer. But some things, as above observed, are subject to be reduced by caprice much below this standard; whilst others are raised much above it, by the arts and avarice of monopolisers. And although the silver and gold mines, are in few hands; yet, perhaps, there is nothing whose value is so little in the power of men to regulate, or that keeps so even a pace with the quantity sent to the great market of the world as bullion. For,

Money, exchanging universally for all commodities, the demand for it is without any limits; it is everywhere coveted, and never out of fashion: And therefore, on the one side, the whole quantity of money, cannot exceed the whole demand; and on the other side, the whole demand must not exceed, or it must rest satisfied with the whole quantity. For money is not like food, cloaths, and other things, that must be proportioned to our bodies.

Therefore, as soon as money becomes properly diffused throughout any community; the value of the sum total of it in circulation, will be equal to the whole quantity of commodities in traffic, in that country: For so much money and goods as lie dormant, or are out of currency and traffic, fall not within the present consideration.* And so far as gold and silver, make the money of the world; so far, the whole quantity of these metals in circulation, may be said to be equal in value to all the commodities of the world, exchangeable by them: And as the total of the one is to the total of the other; so will any given part of the one, be to a like part or proportion of the other.

And hence, the value of a given quantity or sum of money, in any country, will be less or more, according as the sum total, or the whole quantity of money in currency, is greater or less, in proportion to the whole of the commodities of that country, exchangeable for money: Or, *the value of a given sum of money will be always, pretty exactly, in a reciprocal proportion to the sum total, or the whole*

* There is always a great part of the property of mankind, lying dormant, or out of traffic: But as things are continually shifting, and those commodities and those sums of money, which are out of trade to-day, may be in trade to-morrow; the prices of things always fundamentally depend upon the above rule; that is, on the proportion of the total of things to the total of money (*note in original*).

quantity in circulation, that is, the more money there is in currency, the less will be the value of a given sum in proportion to other things; and *vice versâ*. Hence again, it naturally follows, that *if*, in any country,* *the whole quantity of money in circulation, be either increased, or diminished; the value of a given sum will be accordingly lessened or increased; and that in proportion, as the said sum becomes thereby, a lesser or a greater part of the whole stock in currency.*

The above proposition is a very fundamental one as to the property of money, and the doctrine it contains is undoubtedly proved, so far as the nature of the thing will admit of, by universal experience: nor is there room for any doubt to remain when it is considered that money, by its very institution, is an exchange for all commodities, and applicable, as money, to no other purpose whatsoever. Money being universally diffused, no one hath the power to command the market, or to settle the prices of things, and every one being desirous to have his share of things according to his income; all the money, in the long run, will be brought into the great market of the world; and its value, or the prices of things, will naturally be adjusted, notwithstanding any efforts to the contrary, according to the proportions above explained.

I., p. 56. Part xii. Section 42. P.E.C., p. 394.

Value of bullion not according to the prime cost at the mines.

42. The value of bullion doth not, like most other things, keep pace with the prime cost, at the mines. If the mines continue working, so that the quantity of bullion is increased beyond the consumption; altho' the expense to the proprietor of the mine continues the same, or even be increased; yet, if the additional quantity be thrown as money into circulation, and is not hoarded, or worked up into plate, etc., the value of a given part of this bullion will be diminished; and that in proportion, as it is now a less part of the whole, than it was of the whole stock in circulation. The owner of the mine must either take less profit, or proportion his works more adequately to the consumption of his products.

An increase of any commodity beyond the consumption, will, after the same manner, depreciate the value of a given part; but, perhaps, in no case so uniformly as in that of bullion or money.

II., p. 22. Part I. Section II. P.E.C., p. 452.

The established standard of money should not be violated or altered on any pretence whatsoever.

*Thus, if in any country,[1] a given sum A be the hundredth part of the total money of that country: If that sum total be doubled, the value of the sum "A" will thereby be reduced to one-half, as being now but a two hundredth part of the whole; and had the sum total been reduced to a half, the value of A would have been doubled (*note in original*).

[1] In any country. See p. 59 and *supra*.

II., pp. 24-25. Part II. Section 13. P.E.C., p. 454.

II. *Established standards should be inviolably kept, and more especially that of money.*

13. The standard measures of a country being once established and known, any deviations from these afterwards could answer no good purpose; but, on the contrary, they must needs be attended with mischievous consequences; they would disturb the arithmetic of the country, confound settled ideas, create perplexities in dealings, and subject the ignorant and unwary to frauds and abuses.

But of all standard measures in any country, that of money is the most important, and what should be most sacredly kept, from any violation or alteration whatsoever. The yard, the bushel, the pound, etc., are applied only to particular commodities; and should they be altered, the people would soon learn to accommodate themselves in their bargains to the new measures; and it is but rare that these have any retrospect to preceding contracts. But money, is not only an universal measure of the values of all things; but is also at the same time, the equivalent as well as the measure, in all contracts, foreign as well as domestic.

The laws have ordained that coins having certain demoninations, well known to everybody, should contain certain assigned quantities of pure or fine silver. This makes our standard of money, and the public faith is guaranty that the mint shall faithfully and strictly adhere to this standard. It is according to this standard, and under this solemn guaranty, that all our establishments are fixed; all our contracts, public and private, foreign and domestic, are made and regulated.

Is it not self-evident then, that no alteration can be made in the standard of money, without an opprobrious breach of the public faith with all the world; without infringement of private property; without the risque at least of producing infinite disorders, distrusts, and panics amongst ourselves; as all men would become thereby dubious and insecure as to what might farther be done hereafter, without creating suspicions abroad that there is some canker in the State; without giving such a shock to our credit, as might not afterwards be easily repaired.[1]

II., pp. 36-37. Part v. Section 22. P.E.C., pp. 466-67.

V. *The various pretences for debasing the standard of money stated.*

22. . . . . .

7. Some say that gold is our standard as much as silver; and therefore that no argument can be used as to the one, but will hold equally with respect to the other.

8. Others go yet farther; and say that gold only is our standard; that you may debase silver coins as you please, and treat them as mere tokens, without giving any one a right to complain.[2] This is

[1] See pp. 105 and 112-13. [2] See p. 114.

making short work of it indeed, and with one stroke abolishing our poor old standard: And in support of this it is said, that gold is the standard of merchants; and therefore is, or ought to be, the national standard.

There is an obvious necessity of bringing the rates of gold and silver coins, to a juster proportion to each other, than they bear at present; and as something should be speedily done, it is said in favour of gold—

9. That, as we have greater plenty of gold coins, and of far greater value than we have of silver: should we lower the price of gold, we should undervalue our own treasure; therefore, say they, curtail the silver standard.

II., pp. 38-39. Part vi. Section 23. P.E.C., pp. 468-69.

23. Silver and gold with us are measured by the ounce Troy; and the legal rate of an ounce of either of these metals in coin is called the *mint price;* that is, silver being the standard, and the coinage with us being free; the number of pence that an ounce troy of standard silver is cut into is called, perhaps improperly, the mint price of silver; and the number of pounds, shillings, and pence, with such a fraction as may happen, that falls to the share of the troy ounce of gold, according to the legal rates of guineas is called the mint price of gold. Thus, because 62 shillings are cut out of a pound troy of silver; 62 pence, or 5s. 2d. is said to be the *mint price of silver*. And 44½ guineas being, by the indenture of the mint, cut out of a pound troy of gold, and guineas now passing at the rate of 21 shillings, this makes the present *mint price of gold* with us to be £3 17s. 10½d. the ounce. In both cases the fineness is understood to be according to the established standard, *viz.*, the silver to be 11 *oz.* 2 *dwts.* fine, and the gold 11 *oz.* or 22 *car.* fine.

Bullion can never be lower, but may frequently be higher than mint price.

P. 24. Whether the coinage be free or otherwise, if the mint be always ready to make its returns in coin; neither silver nor gold bullion, can fall in our market below mint price; for the mint is always open to receive them both, at those respective rates: But one or both of those metals, may be frequently higher than mint price.

II., pp. 41-44. Part vii. Section 25. P.E.C., pp. 471-74.

25. *If gold and silver coins are not rated in due proportion to each other, as they are at a medium in the neighbouring countries; that metal in bullion, which is lowest rated, will raise and keep constantly above mint price till that cause be removed.*

25. It hath been showed in the preceding, that coin and bullion will not always exchange in equal quantities one for the other although we had only one sort of coins, as silver, for instance, in currency; and the case would not be very different, though we had both silver

and gold coins, if the legal rates of these were established in a due proportion, as they are at a medium in the neighbouring countries. For, bullion being a commodity, its price will fluctuate a little, so as sometimes to be above coin; and it hath been showed that it can never be lower than mint price. But the difference upon the above accounts, can only be at particular times, and then not very considerable.

Silver bullion in England hath been for above half a century past, constantly higher than mint price, excepting only at a very few intervals of a short continuance. This hath been chiefly, and in a manner wholly, owing to gold being rated higher at our mint in proportion to silver, than it is in other countries. For the causes considered in the preceding, affect equally both gold and silver; and their influence upon both, may be deduced from the share they have had upon gold. For, gold only coming into our mint, the deviations of gold bullion from mint price, show, accurately enough, the effects of the several concurring causes before mentioned, upon the price of bullion both gold and silver; and they show also, that these effects are but small, and usually of no long continuance.

To illustrate the case before us: Let us suppose that in *England* gold coins are rated five *per cent.* higher in proportion to silver; or if you would rather consider it so that silver coins are rated so much lower in proportion to gold than in the neighbouring countries. This supposed disparity of five *per cent.* is threepence upon a crown piece, and about a shilling upon a guinea; that is, gold coins with us are rated a shilling in the pound sterling too high; or, which is the same thing, silver coins are rated a shilling in the pound too low, in respect to guineas. But the law reaching only to coins, and bullion being free, the market will adjust the disproportion which the law had made, and either silver bullion will rise above coin, or gold bullion will fall below the rate of guineas, till, as above said, the legal disproportion between gold and silver is adjusted. But no bullion can fall below the rate of coin, whatever that rate be; the mint being always ready to exchange coin for bullion at the legal or mint price. Therefore the difference, in the present case of silver being lowest rated, will fall entirely upon the silver, that is, whilst the mint becomes a standard for the price of gold bullion, silver will rise in our market the above-supposed difference of five *per cent.*, or to above 65 pence the ounce, or to five shillings and threepence for as much silver as there is in a crown-piece. For the merchant will always make that metal his standard, which is highest valued at the mint, and in the present case, he will not part with his silver at a less rate in proportion, to gold, than it will fetch him in other countries.

Both gold and silver in the eye of commerce, are commodities; and that equally, whether they be in the shape of coins or bullion; and the market prices of both with respect to one another, will be nearly the same everywhere, without regarding the Mint prices in different places. Gold, as above instanced, being highest rated with us, will be brought here in great plenty; especially whilst any heavy silver coins are to be had in exchange for it. But no silver can be brought in here, or worked into plate, till the market price of it hath

rose, so as to make it equally profitable to import either silver bullion or gold; and silver being excluded from our mint by the higher valuation there of gold, no more silver can stay here than what is wrought into plate. For a guinea fetching here as much of anything as can be purchased for 21 shillings, and in Holland, suppose, fetching no more than may be purchased with 20 of the same shillings, a merchant here will not part with a silver ingot at a less rate than that of a guinea for 20 shillings. If the refiner or silversmith will not give him at that rate, he will send his ingot to *Holland*, and there purchase with it, either gold, a bill of exchange, or some other commodity, that will fetch him here as much as the money he had asked for the said ingot, all charges being paid, which are pretty nearly equal for the transportation of both gold and silver.

Trade is too quick-sighted to be overreached by laws; and gold and silver are too universally known and coveted, to suffer any disparity in respect of one another. The *European* markets are never glutted with either, and they will fetch proportionably everywhere. Gold being then overrated at our mint, silver bullion will get up as much above coin, as this overrate amounts to; and, in like manner, should gold coins be undervalued, gold bullion will rise as silver had done before. These metals have everywhere a reference one to the other; and without this, the terms higher or lower rated, could have had no place.

II., pp. 57-64. Parts xvi., xvii. Sections 36-37. P.E.C., pp. 487-94.

XVI. *Silver only, and not gold, is the standard of our money; and not the less so because gold coins have a fixed rate by law.*

36. It hath been before showed, that there can be but one standard of money; that in these parts of the world, silver is, and time immemorial hath been, the money standard; and that it is the fittest material, hitherto known, for a standard.

We never heard till lately, a word mentioned of gold being the standard of money: former projectors saw the absurdity of calling any thing the standard, besides that by which all the accounts of the country were kept, and all contracts measured. But their successors are grown desperate; and such is their fondness for gold, that any thing will serve them as a plea both for debasing silver, and for making gold the standard; at least, they would have it bear a share jointly with silver: And for this, gold coins having a stated price by law, they think is a sufficient argument. However this fact, at first sight, might mislead some people; yet, it is very certain, that the argument built upon it, is overthrown by the very words of the law itself. Is not a declaration that a guinea shall pass for twenty-one shillings, a plain reference to shillings, as a standard measure of the value of a guinea? But, it cannot be said on the other side, that a guinea is a measure of the value of shillings; it is impossible that any whole should be made up of the parts of a material different from itself. The laws, the language of the country, the common consent, and common sense of all men, have unanimously

concurred in making silver our only standard. Every body knows that pounds, shillings, and pence, denote certain specific quantities of pure silver; and whilst all contracts whatsoever are measured by these, it would be a strange perversion of language, to call anything else the standard. My receiving a certain amount of guineas, in consideration for a certain sum, or number of pounds sterling doth not make gold money or a standard; any more than if I had received to the same value in lead, wheat, cloth, etc., would these commodities have thereby become money. Gold being coined, alters not the case; the coining only ascertains the quantity of metal, contained in the several pieces, at their utterance out of the mint, and we have proper measures at hand, for determing the quantities of other commodities. There is a necessity of coining gold to ascertain its fineness; otherwise it would be a commodity too precarious to be meddled with in common dealings; a difference of fineness imperceptible to the eye, making a very great one in the real value.

But you will say, that gold coins, excepting the difference of colour and of some other properties of the metals, have as much the appearance of money as silver coins: Granted; and so have copper coins too; and so might pewter ones, etc., but this is nothing to the purpose; it is not the mint, but the laws, and the universal concurrence of mankind that make money. You will say again that the laws oblige me to take gold as, or instead of money. True; and I have before showed the propriety and conveniency of ordaining that gold coins should pass at certain rates, *pro tempore*, as, or instead of money. But still, this doth not make gold money. These rates are not to be fixed arbitrarily, but are to be regulated by the price which gold then bears in respect to silver as a standard; and these rates are, and always have been, considered as subject to this rule, and so to be altered again and again, whenever the case may so require. Under this limitation it is very convenient that gold coins should pass as, or instead of money, but not as being themselves money, or the standard measure of the values of other things. It is a fundamental characteristic of money, that, as a measure, it continues invariable; that is, that a payment in the standard coins, of any specific sum or quantity of money agreed upon, is, whenever made, a full discharge of that contract; without regarding at all how silver may have varied in its value with respect to commodities in general, by an increase or decrease of its quantity. But gold coins are to be considered in another view: Payments in them may not be by quantity for quantity; it is by the rates only which gold coins bear in respect to silver as a standard, at the time of payment, that contracts are discharged; and not according to the rates, which these coins might have at the time when the contracts were made. In this view only, gold coins are to be considered; and, in this view, they are upon a footing with any other commodity; though less liable to a sudden and great change in their value than most things.

Much of the difficulty upon this subject hath arose, from the not attending to the difference between money and commodity; and, again, by confounding with the standard the lightness of the coins passing by tale, and making every coin, as it were, to be itself a

standard. But this is bringing into the argument what the common sense and common practice of men never thought of. The nature and condition of tale-money hath been already explained; and I think, it is sufficiently manifest that all contracts and the prices of commodities are measured by the standard, and not by the intrinsic value of coins, in countries where they pass by tale: Nor where they both pass promiscuously, is there any difference with regard to payments made either in gold or silver coins; in all cases, the silver standard is alike the measure referred to. I do not here enter into the merits of passing coins by tale; I have only aimed at showing what it is that constitutes tale-money. But gold coins, although they passed only by weight, would so far partake of the nature of tale-money, as not to have the prices of things, etc., regulated by their rates or intrinsic value; but only, as above observed, by the established silver standard.

XVII. *Gold being made the standard by merchants, doth not make gold to be the national standard.*

37. It hath been before observed, that merchants will reckon by that metal which is most common in large payments; all coins are with them, in effect, mere bullion; they have no regard to names, or local institutions; the real quantity of pure silver or pure gold, which they give in exchange for other commodities, is what they reckon by. And it is very manifest, by the course of exchange between us and all the world, that gold here is the standard of merchants; and this for them is most profitable, because gold here goes farthest in the purchase of our commodities; but with what loss to the nation, doth not fall within our present consideration.

But the transactions of[1] merchants do not make a standard for the rest of the world; and indeed, as hath been before observed, they have in effect no money, as they do not consider it in the same light that others do; coins with them being mere merchandise, as much as cloth, iron, or any other commodity. And therefore no considerations from the practices of merchants, or from the course of exchanges, have absolutely anything to do in the present debate. In all countries, the business of settling the standard of money, is purely a national concern, which the rest of the world have nothing to do with; and merchants, as such, are of no country. If you alter the standard, whatever effect it may have among yourselves, the course of exchange will set the matter even as to the rest of the world. If you lower the price of gold, the exchange in appearance will turn proportionably in your favour; if you debase your silver standard, it will go seemingly against you, to the full amount of this debasement. That is in both cases, the exchange will really set the matter even; and therefore, as before observed, the consideration of exchanges hath nothing to do in the present argument.

[1] I consider merchants here and elsewhere, solely as foreign dealers without regarding their private transactions with shopkeepers, etc., in the places where they dwell: in this last light they are upon the same footing with all other private dealers.

The great inland commerce of this country, is chiefly carried on, scarce as it is, by silver. Labourers, handy-craftsmen, and manufacturers of all sorts, are paid their day wages in silver. What they receive is palpably, and manifestly their standard; and as labour is the main foundation of all riches, what goes to pay the price of it, will be the real standard of the nation, even though laws were enacted to the contrary. Laws though they may, and perhaps too often do, perplex, yet they cannot eradicate settled ideas. Workmen of all sorts here, have fixed ideas annexed to shillings; they do not know, perhaps, the precise quantity of silver which they ought to contain; yet they know that there is an old established law. that hath settled this matter. Whilst this law is not abrogated or tampered with, they think themselves safe; they are content with their usual wages, without scrutinising into the precise quantity of silver in the respective coins; whilst the same laws subsist, they expect these coins will fetch them as much necessaries as usual, and they look no farther. You may raise or lower the price of guineas, as the case may require, without affecting the price of labour; and therefore without affecting the price of any home commodity, in the first instance.

It hath been observed before, and the thing is sufficiently manifest, that the ideas of silver are annexed to pounds and shillings; and no law can transfer those ideas to gold, or to anything else. The farmer understands that he has contracted to pay a certain number of pounds sterling for rent: This rent may be satisfied or discharged with gold, barley, horses, etc., these commodities respectively, being supposed at the time to be worth so much silver, or so many pounds and shillings as they reckon for. And what reason is there for fixing the idea of standard to any one of these commodities, preferably to the rest? The same reasoning may be extended to all other things; for all things may, and often do, answer the purpose of money; but this doth not make commodities to be money, nor money a commodity. The rent is equally discharged with gold or barley, according to the respective rates, which certain quantities of these commodities have at the time of payment. Nor does the more uniform and certain quality of the one, make any difference in the present argument; it preserves indeed the price of a given quantity, at a more equable rate; but it is subject nevertheless to have that price altered, as the great market of the world may govern; and for such an alteration, no one can have just cause to complain: But the case is very different with respect to silver.

Thus, I think, it is very manifest that silver, and only silver, is the standard of the country, of all contracts and establishments there, whatever may be the standard at the *Royal Exchange*. And I think that it would be impossible at present, to transfer the standard from silver to gold. Enact what laws you please; what measures and pays the price of labour, will be ultimately the real standard of the nation; and gold is at present too dear for the payment of day wages, and for the purchase of small necessaries. Enough hath been said before, to show the iniquity of altering the standard of money; and, I think, that enough also has been said, to show the vanity and

folly of such an attempt. But to instance again, only in the case of labour: If shillings be debased, suppose a fifth, or any given part, either by changing their usual rate of 12 pence, or the 1/20th of a pound sterling, or by putting less silver in them; the workman will soon understand, that he must have the part lopped off made good to him, by increasing his nominal wages. This matter is so obvious, that he cannot be imposed upon, and the very attempt of doing it, might be attended with fatal consequences.

I., p. 22. Part II. Section 22. P.E.C., p. 372.

There will require a greater or less quantity of money to purchase the very same thing, according as there is a greater or less quantity of money in circulation, that is according as the material of money is cheaper or dearer or in greater or lesser plenty.

Extracts from the *Wealth of Nations* (1776) by Adam Smith. Edition 1838. Book I.

Chapter v., pp. 17, 19 and 21.

In the progress of industry, commercial nations have found it convenient to coin several different metals into money; gold for larger payments, silver for purchases of moderate value, and copper, or some other coarse metal, for those of still smaller consideration. They have always, however, considered one of those metals as more peculiarly the measure of value than any of the other two; and this preference seems generally to have been given to the metal which they happened first to make use of as the instrument of commerce. Having once begun to use it as their standard, which they must have done when they had no other money, they have generally continued to do so, even when the necessity was not the same.

The Romans are said to have had nothing but copper money till within five years before the first Punic war, when they first began to coin silver. Copper, therefore, appears to have continued always the measure of value in that republic. At Rome all accounts appear to have been kept, and the value of all estates to have been computed either in *asses* or in *sestertii*. The *as* was always the denomination of a copper coin. The word *Sestertius* signifies two *Asses* and a half. Though the *sestertius*, therefore, was originally a silver coin, its value was estimated in copper. At Rome, one who owed a great deal of money was said to have a great deal of other people's copper.

The northern nations who established themselves upon the ruins of the Roman empire seem to have had silver money from the first beginning of their settlements, and not to have known either gold or copper coins for several ages thereafter. There were silver coins in England in the time of the Saxons; but there was little gold coined till the time of Edward III., nor any copper till that of James I. of Great Britain. In England, therefore, and for the same reason, I believe, in all other modern nations of Europe, all accounts are kept, and the value of all goods and of all estates is generally

computed in silver; and, when we mean to express the amount of a person's fortune, we seldom mention the number of guineas, but the number of pounds sterling which we suppose would be given for it.

Originally, in all countries, I believe, a legal tender of payment could be made only in the coin of that metal which was peculiarly considered as the standard or measure of value. In England, gold was not considered as a legal tender for a long time after it was coined into money. The proportion between the values of gold and silver money was not fixed by any public law or proclamation; but was left to be settled by the market. If a debtor offered payment in gold, the creditor might either reject such payment altogether, or accept of it at such a valuation of the gold as he and his debtor could agree upon. Copper is not at present a legal tender, except in the change of the smaller silver coins. In this state of things the distinction between the metal which was the standard, and that which was not the standard, was something more than a nominal distinction.

In process of time, and as people became gradually more familiar with the use of the different metals in coin, and, consequently, better acquainted with the proportion between their respective values, it has in most countries, I believe, been found convenient to ascertain this proportion, and to declare by a public law that a guinea, for example, of such a weight and fineness should exchange for one-and-twenty shillings, or be a legal tender for a debt of that amount. In this state of things, and during the continuance of any one regulated proportion of this kind, the distinction between the metal which is the standard, and that which is not the standard, becomes little more than a nominal distinction.

In consequence of any change, however, in this regulated proportion, this distinction becomes, or at least seems to become, something more than nominal again. If the regulated value of a guinea, for example, was either reduced to twenty or raised to two-and-twenty shillings, all accounts being kept, and almost all obligations for debt being expressed in silver money, the greater part of payments could, in either case, be made with the same quantity of silver money as before, but would require very different quantities of gold money; a greater in the one case, and a smaller in the other. Silver would appear to be more invariable in its value than gold. Silver would appear to measure the value of gold, and gold would not appear to measure the value of silver. The value of gold would seem to depend upon the quantity of silver which it would exchange for; and the value of silver would not seem to depend upon the quantity of gold which it would exchange for. This difference, however, would be altogether owing to the custom of keeping accounts, and of expressing the amount of all great and small sums rather in silver than in gold money. One of Mr. Drummond's notes for five-and-twenty or fifty guineas would, after an alteration of this kind, be still payable with five-and-twenty or fifty guineas in the same manner as before. It would, after such an alteration, be payable with the same quantity of gold as before, but with very different

quantities of silver. In the payment of such a note, gold would appear to be more invariable in its value than silver. Gold would appear to measure the value of silver, and silver would not appear to measure the value of gold. If the custom of keeping accounts, and of expressing promissory notes and other obligations for money in this manner, should ever become general, gold, and not silver, would be considered as the metal which was peculiarly the standard or measure of value.

In reality, during the continuance of any one regulated proportion between the respective values of the different metals in coin, the value of the most precious metal regulates the value of the whole coin. Twelve copper pence contain half a pound, avoirdupois of copper, of not the best quality, which, before it is coined, is seldom worth sevenpence in silver. But, as by the regulation twelve such pence are ordered to exchange for a shilling, they are in the market considered as worth a shilling, and a shilling can at any time be had for them. Even before the late reformation of the gold coin of Great Britain, the gold, that part of it at least which circulated in London and its neighbourhood, was in general less degraded below its standard weight than the greater part of the silver. One-and-twenty worn and defaced shillings, however, were considered as equivalent to a guinea, which, perhaps, indeed, was worn and defaced too, but seldom so much so. The late regulations have brought the gold coin as near perhaps to its standard weight as it is possible to bring the current coin of any nation; and the order to receive no gold at the public offices but by weight, is likely to preserve it so long as that order is enforced. The silver coin still continues in the same worn and degraded state as before the reformation of the gold coin. In the market, however, one-and-twenty shillings of this degraded silver coin are still considered as worth a guinea of this excellent gold coin.

The reformation of the gold coin has evidently raised the value of the silver coin which can be exchanged for it.

In the English mint a pound weight of gold is coined into forty-four guineas and a half, which, at one-and-twenty shillings the guinea, is equal to forty-six pounds fourteen shillings and sixpence. An ounce of such gold coin, therefore, is worth three pounds seventeen shillings and tenpence halfpenny in silver. In England no duty or seignorage is paid upon the coinage, and he who carries a pound weight or an ounce weight of standard gold bullion to the mint, gets back a pound weight or an ounce weight of gold in coin, without any deduction. Three pounds seventeen shillings and tenpence halfpenny an ounce, therefore, is said to be the mint price of gold in England, or the quantity of gold coin which the mint gives in return for standard gold bullion.

Before the reformation of the gold coin the price of standard gold bullion in the market had for many years been upwards of three pounds eighteen shillings, sometimes three pounds nineteen shillings, and very frequently four pounds an ounce; that sum, it is probable, in the worn and degraded gold coin, seldom containing more than an ounce of standard gold. Since the reformation of the gold

coin the market price of standard gold bullion seldom exceeds three pounds seventeen shillings and sevenpence an ounce. Before the reformation of the gold coin the market price was always more or less above the mint price. Since that reformation the market price has been constantly below the mint price. But that market price is the same whether it is paid in gold or in silver coin. The late reformation of the gold coin, therefore, has raised not only the value of the gold coin, but likewise that of the silver coin in proportion to gold bullion, and probably too in proportion to all other commodities: though the price of the greater part of other commodities being influenced by so many other causes, the rise in the value either of gold or silver coin in proportion to them, may not be so distinct and sensible.

In the English mint a pound weight of standard silver bullion is coined into sixty-two shillings, containing in the same manner a pound weight of standard silver. Five shillings and twopence an ounce, therefore, is said to be the mint price of silver in England, or the quantity of silver coin which the mint gives in return for standard silver bullion. Before the reformation of the gold coin, the market price of standard silver bullion was, upon different occasions, five shillings and fourpence, five shillings and fivepence, five shillings and sixpence, five shillings and sevenpence, and very often five shillings and eightpence an ounce. Five shillings and sevenpence, however, seems to have been the most common price. Since the reformation of the gold coin the market price of standard silver bullion has fallen occasionally to five shillings and threepence, five shillings and fourpence, and five shillings and fivepence an ounce, which last price it has scarce ever exceeded. Though the market price of silver bullion has fallen considerably since the reformation in the gold coin, it has not fallen so low as the mint price.

In the proportion between the different metals in the English coin, as copper is rated very much above its real value, so silver is rated somewhat below it. In the market of Europe, in the French coin and in the Dutch coin, an ounce of fine gold exchanges for about fourteen ounces of fine silver. In the English coin it exchanges for about fifteen ounces, that is, for more silver than it is worth according to the common estimation of Europe. But as the price of copper in bars is not, even in England, raised by the high price of copper in English coin, so the price of silver in bullion is not sunk by the low rate of silver in English coin. Silver in bullion still preserves its proper proportion to gold; for the same reason that copper in bars preserves its proper proportion to silver.

Upon the reformation of the silver coin in the reign of William III. the price of silver bullion still continued to be somewhat above the mint price. Mr. Locke imputed this high price to the permission of exporting silver bullion, and to the prohibition of exporting silver coin. This permission of exporting, he said, rendered the demand for silver bullion greater than the demand for silver coin. But the number of people who want silver coin for the common uses of buying and selling at home, is surely much greater than that of those who want silver bullion either for the use of exportation or for any other use.

There subsists at present a like permission of exporting gold bullion, and a like prohibition of exporting gold coin; and yet the price of gold bullion has fallen below the mint price. But in the English coin silver was then, in the same manner as now, underrated in proportion to gold; and the gold coin (which at that time too was not supposed to require any reformation) regulated then, as well as now, the real value of the whole coin. As the reformation of the silver coin did not then reduce the price of silver bullion to the mint price, it is not very probable that a like reformation will do so now.

Were the silver coin brought back as near to its standard weight as the gold, a guinea it is probable, would, according to the present proportion, exchange for more silver in coin than it would purchase in bullion. The silver coin containing its full standard weight, there would in this case be a profit in melting it down, in order, first, to sell the bullion for gold coin, and afterwards to exchange this gold coin for silver coin to be melted down in the same manner. Some alteration in the present proportion seems to be the only method of preventing this inconveniency.

The inconveniency, perhaps, would be less if silver was rated in the coin as much above its proper proportion to gold as it is at present rated below it; provided it was at the same time enacted that silver should not be a legal tender for more than the change of a guinea; in the same manner as copper is not a legal tender for more than the change of a shilling. No creditor could in this case be cheated in consequence of the high valuation of silver in coin; as no creditor can at present be cheated in consequence of the high valuation of copper. The bankers only would suffer by this regulation. When a run comes upon them, they sometimes endeavour to gain time by paying in sixpences, and they would be precluded by this regulation from this discreditable method of evading immediate payment. They would be obliged in consequence to keep at all times in their coffers a greater quantity of cash than at present; and though this might no doubt be a considerable inconveniency to them, it would at the same time be a considerable security to their creditors.

Three pounds seventeen shillings and tenpence halfpenny (the mint price of gold) certainly does not contain even in our present excellent gold coin, more than an ounce of standard gold, and it may be thought, therefore, should not purchase more standard bullion. But gold in coin is more convenient than gold in bullion; and, though in England the coinage is free, yet the gold which is carried in bullion to the mint, can seldom be returned in coin to the owner till after a delay of several weeks. In the present hurry of the mint, it could not be returned till after a delay of several months. This delay is equivalent to a small duty, and renders gold in coin somewhat more valuable than an equal quantity of gold in bullion. If in the English coin silver was rated according to its proper proportion to gold, the price of silver bullion would probably fall below the mint price even without any reformation of the silver coin; the value even of the present worn and defaced silver coin being regulated by the value of the excellent gold coin for which it can be changed.

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The money of any particular country is, at any particular time and place, more or less an accurate measure of value according as the current coin is more or less exactly agreeable to its standard, or contains more or less exactly the precise quantity of pure gold or pure silver which it ought to contain. If in England, for example, forty-four guineas and a half contained exactly a pound weight of standard gold, or eleven ounces of fine gold and one ounce of alloy, the gold coin of England would be as accurate a measure of the actual value of goods at any particular time and place as the nature of the thing would admit. But if, by rubbing and wearing, forty-four guineas and a half generally contain less than a pound weight of standard gold, the diminution, however, being greater in some pieces than in others; the measure of value comes to be liable to the same sort of uncertainty to which all other weights and measures are commonly exposed. As it rarely happens that these are exactly agreeable to their standard the merchant adjusts the price of his goods, as well as he can, not to what those weights and measures ought to be, but to what, upon an average, he finds by experience they actually are. In consequence of a like disorder in the coin the price of goods comes, in the same manner, to be adjusted, not to the quantity of pure gold or silver which the coin ought to contain, but to that which, upon an average, it is found by experience it actually does contain.

By the money price of goods, it is to be observed, I understand always the quantity of pure gold or silver for which they are sold, without any regard to the denomination of the coin. Six shillings and eightpence, for example, in the time of Edward I., I consider as the same money price with a pound sterling in the present times; because it contained, as nearly as we can judge, the same quantity of pure silver.

Chapter xi., pp. 86-87.

The quantity of the precious metals may increase in any country from two different causes; either, first, from the increased abundance of the mines which supply it; or, secondly, from the increased wealth of the people, from the increased produce of their annual labour. The first of these causes is, no doubt, necessarily connected with the diminution of the value of the precious metals; but the second is not.

When more abundant mines are discovered, a greater quantity of the precious metals is brought to market, and the quantity of the necessaries and conveniences of life for which they must be exchanged being the same as before, equal quantities of the metals must be exchanged for smaller quantities of commodities. So far, therefore, as the increase of the quantity of the precious metals in any country arises from the increased abundance of the mines, it is necessarily connected with some diminution of their value.

When, on the contrary, the wealth of any country increases, when the annual produce of its labour becomes gradually greater and greater, a greater quantity of coin becomes necessary, in order to circulate a greater quantity of commodities; and the people, as they

can afford it, as they have more commodities to give for it, will naturally purchase a greater and a greater quantity of plate. The quantity of their coin will increase from necessity; the quantity of their plate from vanity and ostentation, or from the same reason that the quantity of fine statues, pictures, and of every other luxury and curiosity, is likely to increase among them. But as statuaries and painters are not likely to be worse rewarded in times of wealth and prosperity than in times of poverty and depression, so gold and silver are not likely to be worse paid for.

The Prohibition of the Coinage of Silver.

1798-99.

(38 Geo. III., C. 59.)

AN ACT to revive and continue, until the first day of January one thousand seven hundred and ninety-nine, an act, passed in the fourteenth year of the reign of his present Majesty, chapter forty-two, videlicet, on the thirteenth day of January one thousand seven hundred and seventy-four, intituled, *An act to prohibit the importation of light silver coin, of this realm, from foreign countries, into Great Britain or Ireland; and to restrain the tender thereof beyond a certain sum;* and to suspend the coining of silver (June 21, 1798).

Whereas an act was passed in the fourteenth year of his present Majesty's reign, intituled, "An act to prohibit the importation of light silver coin, of this realm, from foreign countries, into Great Britain or Ireland; and to restrain the tender thereof beyond a certain sum"; which act was to continue in force for a limited time, and is now expired; and whereas it is proper, under the present circumstances, that the said act should be revived and further continued; be it therefore enacted by the King's most excellent majesty, by and with the advice and consent of the lords spritual and temporal, and commons, in this present parliament assembled, and by the authority of the same, That, from and after the passing of this act, the said act and all the provisions thereof, shall be and the same is hereby revived, and shall continue and be in force until the first day of June one thousand seven hundred and ninety-nine.

II. And whereas his Majesty has appointed a committee of his privy council to take into consideration the state of the coins of this kingdom, and the present establishment and constitution of his Majesty's mint, and inconvenience may arise from any coinage of silver until such regulations may be framed as shall appear necessary: and whereas, from the present low price of silver bullion, owing to temporary circumstances, a small quantity of silver bullion has been brought to the mint to be coined, and there is reason to suppose that a still further quantity may be brought, and it is therefore necessary to suspend the coining of silver for the present; be it therefore enacted, that from and after the passing of this act, no silver bullion shall be coined at the mint, nor shall any silver coin that may have been coined there be delivered; any law to the contrary in anywise notwithstanding.

III. And be it further enacted, That all persons who delivered

silver at the mint for the purpose of the same being coined, previous to the ninth day of May one thousand seven hundred and ninety-eight, shall be entitled to receive from the officers of his Majesty's mint, such a sum for each pound weight thereof, as shall be equal to the full value of the coin into which the bullion would have been converted, if the same had been coined according to the regulations of the mint.

IV. And be it further enacted, That this act may be altered, amended, or repealed, during the present session of parliament.

Monetary Law of 1803.

Law relating to the fabrication and verification of coins of the 7-17 *Germinal* [*7th to 17th Seedmonth, 28th March to 7th April*] *year XI. of the French Republic* [1803].

IN THE NAME OF THE FRENCH PEOPLE.

BONAPARTE, First Consul, PROCLAIMS as law of the Republic the following decree, rendered by the Corps Legislatif the 7 germinal, year xi, conformably with the proposition made by the government the 19 *ventôse* (19th windmonth, March 10), communicated to the tribunal the next day.

DECREE.

General dispositions.

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

TITLE I.

Of the fabrication of coins.

ART. 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.

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

ART. 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.

That of the two-franc piece, ten grammes.

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

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

ART. 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.

ART. VI. There shall be coined Gold pieces of twenty francs and of forty francs.

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

ART. 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.

ART. IX. The tolerance of fineness of the Gold Coins is fixed at two thousandths outside, the same within.

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

ART. 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.

ART. XII. When the material shall be below the monetary standard it shall bear the charges of refining or of separation.

The amount of these charges shall be calculated on the portion of the said material which must be purified in order to raise the whole to the monetary standard.

ART. XIII. There shall be coined pieces of pure copper of two hundredths, three hundredths, and five hundredths of a franc.

ART. XIV. The weight of the pieces of two hundredths shall be four grammes.

That of the pieces of three hundredths, six grammes; that of the pieces of five hundredths, ten grammes.

ART. XV. The tolerance of weight shall be for the copper pieces a fiftieth outside.

ART. XVI. The imprint of the Coins is regulated as follows: On one of the surfaces of the Coins of Gold, of Silver, and of Copper, the head of the First Consul, with the legend, BONAPARTE, PREMIER CONSUL; on the reverse, two olive branches, in the middle of which shall be placed the value of the piece, and outside the legend RÉPUBLIQUE FRANÇAISE, with the date of fabrication.

On the pieces of gold and copper the head shall look toward the left of the spectator; on the silver pieces it shall look to the right.

The rim of the five-franc pieces shall bear the legend DIEU PROTÈGE LA FRANCE.

ART. XVII. The diameter of each piece shall be determined by regulations of the public administration.

A PAPER ON THE CURRENCY.

Presented to the British Government by Mr. Huskisson (a Minister of the Crown).

18th February, 1826.[1]

IN all the circumstances of this country there is nothing more calculated to create anxiety, and call for early consideration, than our want of adequate preparation in respect to the arrangement of our currency and finance, to meet those demands which war may at any time render necessary.

Our riches and power are greater than at any former period; but our wealth is a mine placed by the side of a volcano; and our strength may fail us at the moment when we may require its greatest exertion.

It is unnecessary to show that, in point of currency, the country is not prepared for the drain of a war.

We must now be convinced that we could not have met the contingency of a bad harvest, and we are aware that without either of these occurrences, even the inevitable recoil of the late overtrading proved all but fatal to the solvency of the Bank.

The plan for gradually diffusing over the country a metallic circulation, in lieu of the one and two pound notes, will unquestionably effect a considerable diminution of this evil, but will it be a sufficient remedy, either in point of amount, or perhaps in point of time? I certainly think not.

In proportion as sovereigns take the place of small notes in general circulation, the Bank of England will be comparatively safe against all sudden calls, which panic may occasion, for internal use, although the amount of their own treasure may be kept considerably lower than it has been upon the average of the last three or four years.

An external drain, in the ordinary course of commerce, may mostly be foreseen; its symptoms are known, its approaches are gradual, its amount may be checked; and against the effects of such a drain, therefore, the Bank may protect themselves by such a proportion of treasure to the amount of their notes as it would at all times be prudent to keep, to be prepared for internal exigencies. Beyond this limit, the Bank Directors cannot be expected to hoard bullion. It is no part of their business, nay, it would be a violation of their duty to their proprietors to accumulate treasure, useless and unproductive to themselves as bankers, for the purpose of providing for the contingent wants of others or of government.

When those wants occur upon a large scale, the Bank therefore will not be able to meet them, and if they are supplied from the metallic currency in circulation, there will not only be great pressure, and consequent risk of a panic, with all its usual consequences, but even without absolute panic, a rapid contraction of paper, both by

[1] Wellington Dispatches, vol. 25 (1826), p. 98.

the Bank and all country banks; and, by the latter, a simultaneous effort to increase their store of gold, in order to be prepared against the possible consequences of a run.

I agree with Mr. Baring that such a state of things, after great disasters and suffering, would, at the end of one or two campaigns, either paralyse our exertions, or lead to another suspension of cash payments. What the immediate effects, and what the final consequences of such a suspension might be, are considerations which I shall not now enter upon.

To avoid it we must give a broader foundation to our metallic currency, one sufficient to protect us, without violent fluctuations, not only from the effect of any ordinary disturbance in the foreign exchange, occasioned by the course of commercial speculation, but also from the greater pressure which may be brought upon the money market by a bad harvest or a war. There appears to me but one mode by which this can be effected, without pushing further than is now intended, or would at any time be prudent, the principle of substituting a gold coin for circulating credit in the transactions of the country.

Silver, it is well known, is the basis and standard of the metallic circulation of all other civilised countries. It was so of this country in former times. It continued to be a legal tender by *weight*, though not by *tale*, according to the standard of the Mint (5s. 2d. an ounce) until the year 1819.

Upon the issue of our new silver coin, at the standard of 5s. 6d. an ounce, it was provided that this coin should not be a legal tender for any amount exceeding 40s.; and it would be impossible, with such a high rate of seignorage and consequent disproportion in its denominative value to that of our gold coin (which remains at the old standard, and upon which there is no seignorage at all), to allow our present shilling to be a legal tender for any larger sum.

Our present monetary system, therefore, does not admit of the use of silver coins, except upon the same principle as those of copper, namely, as tokens, to the extent necessary for the convenience of change in the adjustment of small pecuniary transactions. To this extent silver coin has been provided, and the supply is now fully adequate. Except for the use of our manufactures, in which silver is wanted as a commodity, there is now, therefore, no demand for silver in this country. This consumption is very inconsiderable, compared with the quantity which our commercial connection with the New World has for some time furnished, and is henceforward likely to pour into this country. It is the great staple of their commerce; the only one of any great amount by which, for many years, they will be able to pay for our manufactures.

Another inconvenience of our monetary system is, that when the Bank is in want of treasure from the Continent, as it was at the late crisis, and is still at this moment, it must confine itself to the purchase of gold. This is attended with great expense, in the first instance, to the Bank, but which is ultimately a loss to the country. Whenever the exchanges are against us, this gold must go forth again, because it is the only available element of adjustment.

Neither is expense the only evil, or, perhaps, the worst. By resting our operations on this narrow basis, we take them out of the ordinary course of commercial dealings. We proscribe that metal in which the pecuniary transactions of Europe, political or commercial, are balanced in the ordinary course; and the result is that we place ourselves, in matters connected with the foreign exchanges and the means of supplying our metallic wants, at the mercy of a powerful house here, acting in concert with their connections on the Continent, and vest them with a power, the use of which, however profitable to them and their connections, it is neither desirable for the interests of commerce, nor safe for those of the country, to place in any such hands.

The use of silver being virtually prohibited in this country for that purpose which constitutes its principal use and consequent demand all over the world, it comes here from South America under the like disadvantages as other commodities not allowed to be brought into home consumption. It has not the advantage of our own, which is the best market. It is, in consequence, less valuable to the importer; the price is kept down, at least to the extent of the charge and profit of the purchaser, who buys it for re-exportation, and this is considerable when, from the exchanges not being against us, there is no immediate demand for such exportation. The consequence is that our trade with the New States of America--a trade which, in every point of view, it is of the greatest importance to promote—must continue to be carried on to a positive disadvantage in competition with the like trade from France or the United States, so long as the system remains unaltered.

If I have established that, for the sake of our internal circulation, for the steadiness of our foreign exchanges, and for the interests of our trade, it is desirable to introduce the use of silver in the monetary system of this country, it remains to be considered how we can reconcile that introduction with our present *token* currency of the like metal, and with our gold coinage.

The mode by which it appears to me these objects can be most conveniently and effectually attained, is simply this:—

To erect the Mint into a bank of deposit for silver only, upon the principle of the Hamburg Bank.

The outlines of the plan will be shortly these:—

1st. That the Mints should receive the deposits of silver bullion tendered for that purpose, and should give a receipt or receipts according to a prescribed form for the same. Each receipt to specify, in ounces, the quantity of silver of standard fineness which it represents, and its equivalent value in our money at the fixed rate of[1] per ounce.

2nd. No deposit to be received of less than 200 ounces, and no receipt to be given for less than £50 sterling.

3rd. The quantity of silver specified in the receipt to be delivered by weight to the bearer thereof, whenever he might

[1] Blank in original manuscript.

call for the same, and in no other manner, and on no other account whatsoever.

4th. These receipts to circulate as money in all transactions.

Various regulations of detail,[1] not necessary to be entered upon at present, would become requisite for giving effect to this plan. But it is essential to state the fixed rate at which silver should be deposited at the Mint, and, by the receipts for it, become part of our currency.

That rate, I propose, should be precisely the same in proportion to our gold as the proportion established by the Mint regulations of France between their silver and gold coins, namely $15\frac{1}{2}$ to 1. This would give, I believe, 5s. $0\frac{1}{2}$d. an ounce as the standard price of silver bullion in the Mint receipts.

The advantage and success of the plan would depend, in a considerable degree, upon this equality of proportion.

In the first place, it is fairly to be assumed that this proportion established in France is the nearest that can be attained to the relative marketable price of the two metals. The agio on their gold coin (except from some very extraordinary state of things, such as a political panic) never exceeds $\frac{1}{4}$ per cent., it is frequently $\frac{1}{8}$, and sometimes there is no agio at all; in short, not more than may be accounted for from its superior convenience for carriage in travelling, and the like purposes. Secondly, France has by far the greatest quantity of metallic money of any country in Europe. It has been estimated as high as seventy millions sterling. The bulk and basis are silver, but there is a considerable portion of gold. They both retain their places in circulation without interfering with each other; and it is obvious that a country possessing so very large a portion of the metallic wealth of Europe will have a great influence in maintaining, in the general market of Europe, the proportion which, by its Mint regulations, it may assign to gold and silver, unless the intrinsic value of one of these metals in relation to the other should, in process of time, be greatly varied by the state of the supply from the New World. What I mean is, that the Mint regulations of France, having been formed on the existing proportion, those regulations have a great tendency to give steadiness to that proportion. Thirdly, France, not only by the amount of her metallic currency, but by her proximity to this country, and her position on the Continent, and by the great public credit which she possesses, is become very much the centre (*the clearing-house*) of all the great pecuniary dealings to which commerce, exchanges, loans, and the movements of the money-market, give rise between this country and the continent. The example of France in the last twelve years shows what great stability against ruinous fluctuations at home, and what power of adjustment in respect to foreign drains, she derives from her great metallic circulation. Neither invasion and the occupation of her capital and part of her territory, nor the payment of a very large foreign tribute, nor the disquietude which continued some years after the restoration of the Royal Family, nor

[1] These regulations might very properly become the subject of an inquiry, by examining witnesses before the Board of Trade.

the Peninsular war, ever for a moment deranged her currency, or brought great pressure upon her foreign transactions. The nearer, therefore, we can approximate to the state of France, without giving up the peculiar advantages of our circulating credit, the better; the more we can render her system the means of affording at least occasional props to our own, the better.

It is clear that if our deposit price of silver at the Mint be equivalent to the Mint price of France, there can be no inducement to carry it there, unless when the state of the exchange requires a remittance, and then it ought to go. It is equally clear that the current value of our gold being fixed in the same proportion to that of silver as they bear to one another in France, our gold coin will be equally safe from exportation under the like circumstances.

When the exchanges are against us, to a certain degree the silver bullion or the gold may be equally exported; but it is at least as probable the silver would be preferred,[1] because it is the basis of the French circulation; and at any rate it would be a treasure to which the Bank might have recourse to rectify the exchange without parting with too much of its gold. The preference for silver could not fail to preponderate as soon as the drain of gold created a pressure upon the country circulation.

In the ordinary state of peace and of commerce a large accumulation of silver would probably take place in the course of a few years from the adoption of the plan.

So much the better. It would remain in the Mint as our reserve, whilst receipts being issued to the same amount, would give it all the activity of circulation.

The triple advantage which I expect from the plan would be thus realised.

1st. It would, from its outset, relieve our silver trade with the New World from the disadvantage under which it now labours.

In the eager competition and low profits of trade, this alone would be no immaterial benefit.

2ndly. It would enable us to meet an unfavourable exchange, occurring in the ordinary course of commerce, without a material drain on the gold coin in the hands of the Bank, or on that which, after the withdrawing of the one pound notes, will necessarily be in active circulation for all the smaller transactions of the country.

3rdly. It will afford a fund for the extraordinary occasions of dearth, armament, or war.

Whether there should be more than one place of deposit in the United Kingdom to suit the wants and convenience of commerce, is a question which need not be discussed at present.

[1] Misprinted "preserved" in the Wellington Dispatches. The context is a sufficient proof of the correctness of the substituted word, but since the publication of the second edition I have been enabled by the courtesy of the Duke of Wellington to have an examination made of the original document. His Secretary writes (9th Sept., 1893): "The word is 'preferred' without any manner of doubt; the only puzzle being how any one could have read it 'preserved'."

The principle of the plan is not to add to the currency in general circulation of country districts. Of that they will have enough in the issues of banks of credit, and in our gold circulation, and our silver tokens; but it would bring a new element of currency, and that of the most secure and unvarying kind, into the great pecuniary and commercial operations of the metropolis, and possibly of one or two other great marts.

It would give to them all the direct advantages which Hamburg finds in its Bank, whilst to the country circulation, it would afford the greatest subsidiary advantages, by diminishing the risk of pressure and of consequent distress.

If this plan be adopted, or something equivalent to it,—if the one pound notes be gradually withdrawn,—if the Bank of England, and every banking establishment in the kingdom be in consequence under the necessity of keeping a stock of gold coin, in some fair proportion to its circulation,—I shall be sanguine that we shall be safe against the risk of again suspending cash payments; that we shall be much less liable to those violent fluctuations, sometimes favouring unduly the debtor, and at other times the creditor part of the community, but always attended, not only with fragrant injustice and severe individual suffering, as well as with great national loss, and the imminent hazard of disturbing the public tranquillity, and lastly, that we shall be in a state to meet a war without incurring an act of bankruptcy.

Without both these measures I dare not entertain such a hope. It may be very well to have, if we can, bank companies as solid as those of Scotland, but the property of those who issue circulating paper, however it may be security against the risk of their not ultimately paying in full, is no guard (perhaps rather the reverse) against their not issuing to excess. They may have land or stock in abundance, but is the value of all the acres, of all the Three Per Cents. of as many owners as may connect themselves in the banks, to be put into circulation?

Is the Bank of England alone to continue subject to the liability of providing gold, not only to answer the demand of foreign exchanges, from whatever cause arising, but to satisfy all other extraordinary and indefinite calls, which, from over-trading or any other cause, may unexpectedly and simultaneously be made upon it from all these banking establishments? The expectation is most unjust, as far as the Bank is concerned, and would infallibly prove fatal both to their credit and to the best interests of the country.

Yet, such is our present situation. It will be improved in proportion as the one pound notes shall be withdrawn; but, neither the Bank nor the public will be dealt fairly with if those notes are to continue, under any system of banking, to form a part of the *permanent* currency of Scotland and Ireland.

In Ireland the National Bank already leans, more than in fairness it ought, on the Bank of England for gold; all the country establishments of Ireland will, therefore, directly or indirectly, depend on being supplied from the same source; and I am convinced that, if the issue of one pound notes be once *permanently* guaranteed to

them, not many years will elapse before we shall witness again failures such as those which took place very generally in Ireland a few years ago. The Irish Banks are not the less exposed to this danger from their advances being more exclusively connected with agriculture.

I know nothing more likely to undergo great fluctuations than corn, especially in the present state of our law, and no banks, by consequence, more liable to be tempted into great advances at one time, and compelled to great contraction at another, than those of Ireland.

Scotland, it is notorious, with banks perfectly solvent, has contributed its full proportion of the undue facilities which have produced the late crisis. Both from London and Lancashire, the paper which could not find discount in England was sent off to Scotland, where it met with that accommodation; and now upon the change, not that extravagant accommodation only, but even the most cautious, is at once withheld, to a much greater extent than in England.

This sudden veering about may be a very good manœuvre to save their own vessel, but it has been the cause of many wrecks here, and has greatly added to the want of confidence and to the stagnation in the commercial world.

I have no doubt that some of the Scotch banks, from bad debts, and from the necessity of putting themselves in cash by sale of securities in England, will sustain on this occasion heavy losses, the recollection of which may render them more prudent hereafter. But when we are setting our currency to rights, we ought not to trust to the permanent prudence of those who have a credit interest the other way.

Besides, it is consistent or impartial, when you have removed the principal obstacles to the introduction of the Scotch system of banking in England and Ireland, to place the establishments here under disabilities and charges in carrying on their business, from which their competitors in those countries are to be exempt?

Will you compel one party to be at the expense of insurance, and leave him exposed to the risk of being burnt by the other party, his neighbour, who does not bear his share of that expense? This very exemption gives an advantage which enables him to be more adventurous, because he can afford greater losses in carrying on his business; and, after all, if overtrading takes place, no matter in what part of the United Kingdom the advances are made by which it is excited, its consequences reach those who have not, as well as those who have, participated in those advances.

It is not safe to argue from what existed before 1797, as to what may hereafter be suffered safely to be continued in Scotland. To do so would be to overlook the occurrences of the last thirty years, and the change which they have produced in everything which bears upon this question.

My opinion, therefore, is, not that it is necessary to put an end to small notes in Scotland at the same period as in England. I have no objection to giving them a longer term, though I should be very unwilling to grant the same extension in Ireland.

Were all done what I think ought to be done in respect to currency, the country would still remain unprepared for war without a great reduction of its unfunded debt.

We lived for so many years without cash payments, and the last war lasted so long, that we have lost sight of all the measures of forecast which, on all former occasions of the restoration of peace, were taken as soon as possible.

We have now thirty millions of exchequer bills unprovided for. In former periods of peace we had none. With these bills we too much resemble a country banker who gets into difficulty by an over-sanguine calculation that his notes will not come in for payment.

The whole of these thirty millions are *virtually* payable on demand. Let it be considered how they would hamper us, even upon an armament, and much more upon the actual breaking out of a war. What a drag they would be upon any loan we might then be forced to make; how much a very great fall in the funds, besides creating real distress in many quarters, would, at the outside of a contest, or with the question still pending in negotation, tell conveniently on public feeling both at home and abroad.

In possible contingencies, too, such an unfunded debt might make it very difficult to provide for the quarterly dividends. Its existence in its present amount is contrary to all sound policy in reference to our political situation, and in the end will prove the very reverse of economy.

In my opinion, two-thirds of it ought to be reduced in this and the next year.

Even then we should remain with a demandable debt of ten millions unprovided for, such as never existed before at the breaking out of a war.

Neither is this all. Heretofore the Bank, at such a period, had all its resources free. Now it has £1,200,000 locked up on mortgage, and in two years more its advances on the *dead weight* (over and above the whole sum received back in payment of the long annuity) will be upwards of *ten* millions more.

With these advances, exclusive of those on land and malt, and the quarterly dividends, we cannot look to the Bank to provide for the expenses even of an armament, much less to help us in the first year of a war.

I hope the Directors will be induced gradually to sell some of their long annuity, and to get rid of their loan on mortgage. Both for their own security, and the convenience of the government, it is very desirable that they should have a larger proportion of their funds immediately available.

Would it not be fair to the Bank, and desirable for the public interest that in the course of the next year, or in the session of 1828 at the latest, there should be an understanding with them upon the renewal of their Charter?

This, I think, ought to form a part of our general setting to rights of our currency and finance.

W. HUSKISSON.

Extracts from Sir R. Peel's Speech on the Currency, 8th June, 1830.

From Barrow's *Mirror of Parliament.*

With respect to a double standard that appears to me to be perfect nonsense; a double measure of value it is possible to have, but a double standard there could not be: this is indeed perfectly clear, "*ex vi termini*". You have now gold for the standard and silver as the token;[1] if you adopt silver for the standard, you must take gold for the token,[1] as is the case in France at present. I do not mean to enter at length into the question, which is the best standard—but it is one which has been most ably argued on both sides. Mr. Locke and Mr. Harris were in favour of a silver standard; on the other hand, Sir William Petty[2] and Lord Liverpool were in favour of gold for the standard; but neither of them were in favour of a standard of both.

Table A.

Showing the Progress of the Demonetisation of Silver.

Memorandum on the dates of the limitation, suspension or abrogation of the privilege, formerly accorded to individuals, to have full legal tender Silver Coins struck for them by Government, free of seigniorage; commonly called "Private Coinage," or "Free Coinage".

From *The History of Money*, by Alex. Del Mar.

GREAT BRITAIN. 1797: 38 Geo. III., c. 59. Private coinage of silver suspended for eleven months. Worn silver coins limited in legal tender to £25, as in various previous Acts, beginning in 1774. By the Act of 1816 (56 Geo. III.), passed during a suspension of coin payments, the legal tender of all silver coins was limited to 40 shillings.

PORTUGAL. 29th July, 1854. Private coinage of silver suspended; legal tender of all silver coins limited to five milreis, but the course of exchange between Lisbon and London proves that this regulation was, in fact, not observed. The actual legal tender of Portugal was called "lei," and consisted of a fixed proportion of gold coins, debased silver coins, and paper notes (*Money and Civilisation*, p. 136). At present, legal tender may be made altogether in paper notes.

FRANCE; BELGIUM; SWITZERLAND; GREECE. By the laws of 1865, 1873, 1874, 1877, 1878, etc., these states (1865) limited the coinage and restricted the legal tender of all silver pieces of less than five francs, to 50 francs; and in 1873, etc., they limited, and in 1876 suspended the free coinage of five-franc pieces, without limiting their legal tender.

GERMANY. Laws of 4th December, 1871 (preparatory) and 9th July, 1873 (effective). Private coinage of silver suspended. Old silver thalers at

[1] Peel does not use this word of coins whose value as metal is less than their ratio value (see pp. 19, 114, 297-8, 320), but of coins which represent or betoken multiples of the standard unit, as in France, or portions of the standard unit, as in England (see p. 171). N.B.—Gold was at a premium of 9 per mille in France, in June, 1830.

[2] I do not find any trace of this in any of Sir William Petty's writings. (See pp. 105-7.)

three marks each remain legal tenders for an unlimited sum. All new silver coins limited in tender to 20 marks. All old silver coins called in, melted down, and sold as bullion.

SCANDINAVIA. Monetary Union of Sweden, Norway and Denmark, 20th Sept., 1872. Private coinage of silver suspended. Legal tender of silver coins limited to five specie riks-dalers.

JAPAN. 1872, suspension of private coinage of silver and limitation of legal tender of silver yens or dollars and minor coins. 1878, restoration of full legal tender to silver yens.

UNITED STATES OF AMERICA. The Mint Code of 12th Feb., 1873, c. 131, destroyed the "free coinage" of silver by indirection, in omitting the word "dollar" from the empowering clause relating to silver coins. In codifying the statutes generally, 1st Dec., 1873, sec. 3585, the Code Commissioners made an unwarranted alteration of the law, by limiting the legal tender of "all" silver coins, including the outstanding silver dollars, which, together with Spanish silver dollars, had been full legal tender since the foundation of the republic. Both of these Acts (of 1873) were passed during a suspension of coin payments. The changes made in the status of silver dollars was not known to the President, nor did it attract public attention until 1875-6. In 1876 the full legal tender of silver dollars was restored, but not their free coinage. Minor silver coins (halves, quarters and dimes) had been limited in legal tender to five dollars in 1853.

HOLLAND. Laws of 21st May, 1873, and 6th June, 1875, suspended the private coinage of silver, and limited the tender of silver coins to ten florins.

ITALY. Latin Union Treaty of 31st January, 1874, and Law of 17th July, 1875, authorised the Crown to suspend the coinage of silver for individuals and limited the legal tender of silver coins to 50 Lire. This system has since been superseded by issues of paper notes, which, together with copper coins, now largely fill the channels of circulation, and constitute the effective legal tender.

SPAIN. Law of 20th August, 1876, suspended the private coinage of all silver, except silver produced in Spain. The last provision has since been abrogated. Practically there is no limit to the legal tender of silver pesos. The minor silver coins, the pesetas and fractions, are limited in tender to ten pesos.

RUSSIA. Law of 13-25th November, 1876, reduced the legal tender of silver coins to five roubles 15 copecs (*Money and Civilisation*, pp. 314, 320).

AUSTRO-HUNGARY. Decree of March, 1879, suspended the free coinage of silver, but did not limit the legal tender of silver coins (*Money and Civilisation*, p. 340). The law of 1892, substituted a new silver coin, the kroner, in place of the florin, to be equivalent in value to half a florin. The free or private coinage of kroners is not permitted.

TURKEY. No "free coinage" existed in this state. In 1882 full legal tender was limited to gold coins; but, except as to Constantinople and some other large cities, and except as to Customs duties everywhere, the "beshlik" system of silver money has since been substantially restored.

BRITISH INDIA. An order in Council dated 23rd June, 1893, suspended the free coinage of silver, but otherwise made no change in the monetary system. Silver rupees therefore remain full legal tender to any amount.

CHINA. This state is not known to have ever adopted state coinage for private individuals. The principal money of the empire is bronze

(cast) "chuen" or "tchen" or "cash". Such coins constitute, technically, the only legal tender; but large sums are commonly stipulated for and are always expected to be paid in foreign silver coins, which are for the most part authoritatively valued in "cash". The currency consists of "cash," foreign silver coins, silver slugs, and Chinese paper notes, the latter being also valued in "cash". In 1834 the private coinage of silver was permitted at Fuhkien, and a few years later in the district of Shunlik, south of Canton, as well as in Canton itself. In 1845 the Emperor Taoukwang caused silver dollars to be cast at Hangchow and Formosa, to be used for soldiers' pay. In 1887 the Chinese Government ordered a number of coin presses from Birmingham. Pending their completion, a great number of silver coins were struck for China at the Paris mint. It is believed that silver coins are being struck at the present time in China for soldiers' pay.

TABLE B.

Showing the Successive Alterations in the Mint Ratios of Silver to Gold in England, France and other Countries from 1560 to 1837.

PART I.—Notes on the Ratio between Gold and Silver, by Mr. Alexander Del Mar.

PART II.—English Ratios, compiled from various sources.

PART III.—French Ratios, from the Lectures of M. Natalis de Wailly.

PART IV.—Spanish and Portuguese Ratios, by Mr. Alexander Del Mar.

PART V.—Ratios in Germany and the Netherlands, by Mr. Alexander Del Mar.

TABLE B.—PART I.

The Ratio of Value between Gold and Silver in the Occident.

From *The History of Money*, by Alex. Del Mar; *by permission of the Author.*

There are four distinct periods in the history of this relation, these are:—

First, the period from the accession of Julius Cæsar to the Fall of the Byzantine Empire in 1204, during which time the Roman Government, by monopolising the coinage of gold and fixing the ratio between gold coins and silver, whether coined or otherwise, at 12 for 1, kept it constant and unalterably at that figure. As during the same interval the ratio in the Orient and the Arabian States was about 6½ for 1, and in the Gothic States 8 for 1, some variation from the Roman ratio is to be observed near the frontiers of the Empire, but not elsewhere.[1]

[1] A ratio of 14·4 for 1 has been deduced by some writers from the Theodosian Code; but this is due to a misapprehension of the text. The Roman imperial ratio was always 12 for 1, from the beginning to the end of the Empire.

Second, the period from the Fall of Constantinople to the enactment of Individual or Free Coinage in Holland, England and other States, in the 16th and 17th centuries. During this interval the various princes of the Occident began to coin gold, each for himself; and they fixed the ratio to suit their own interests or necessities. This period is characterised by the wildest dissonance of the ratio. It was a contest between monarchs on the one hand, who alternately raised their gold coins to the value of nearly twenty times their weight in silver (France in 1313), and raised their silver coins to the value of an equal weight of gold (France in 1359); and on the other hand, their subjects and foreigners, who, until they adopted measures of avoidance or reprisal, were made the victims of these frequent and ruinous changes of value.

Third, the period from the adoption of Individual or Free Coinage to the years 1871-5. The principal States of the Occident ceased to coin silver for individual account at the dates last mentioned.

During this interval the ratio of value between gold and silver was the Mint price, or the result of a competition between the Mints of the principal States. For example, the value of gold in silver during this interval never rose above the highest price paid for it at any important Mint, and never fell below the price paid for it at any other important Mint. In other words, nobody gave more nor less in one metal for the other than the Mints gave; and the Mints gave whatever the law directed. The so-called "market value" of this period was simply the average Mint price, and was, therefore, rather what may be termed an international Mint ratio.

Fourth, the period since 1871-5, when silver, being coined by the principal States on their own account alone, there arose in the West, for the first time since the establishment of Free Coinage, a general market value between gold and silver entirely distinct from, and having only a remote relation to, their Mint value; when, in other words and for example, silver money and silver bullion became economically two separate and different things. During this period silver sank from 60 gold pence per ounce of standard fineness, *i.e.*, 0·925 fine, to about 26 pence; and has since risen to about 30 pence. This preface is necessary in order to understand the tables of the ratio (Nos. IV. and V.), which begin with the discovery of America, that is to say, during the decline of the Second Period, and continue to the present time, or the Fourth Period.

TABLE B.—PART II.

Table Showing the Successive Alterations in the Rating of Gold to Silver Coins in England from 1560.

Year.	Authority.	Provisions of Indenture, etc.	Ratio of Silver to Gold.
1560 (2 Elizth.)	Indenture (8th Nov.)	1 lb. Silver $\frac{222}{240}$ fine to be coined into 60s. 1 lb. Gold $\frac{21}{22}$ fine to make £36. 1 lb. Gold $\frac{11}{12}$ fine to make £33.	11·157 11·100
1601 (43 Elizth.)	Commission (29th July)	1 lb. Silver $\frac{222}{248}$ fine to be coined into 62s. 1 lb. Gold $\frac{11}{12}$ fine to make £36 10s. 1 lb. Gold $\frac{11}{12}$ fine to make £33 10s.	10·948 10·904
1604 (2 Jac. I.)	Indenture (11th Nov.)	1 lb. Silver $\frac{222}{248}$ fine to be coined into 62s. 1 lb. Gold $\frac{11}{12}$ fine to make £37 4s.	12·109
1605 (3 Jac. I.)	Indenture (16th July)	1 lb. Gold $\frac{11}{12}$ fine to make £40 10s.	12·148
1611 (9 Jac. I.)	Proclamation (23rd Nov.)	Raising the value of Gold money 2s. in the £ (Confirmed by Indenture of 18th May, 1612)	13·300 13·320
1619 (17 Jac. I.)	Indenture (3rd Sept.)	1 lb. Gold $\frac{11}{12}$ fine to make £44 10s. 1 lb. Gold $\frac{11}{12}$ fine to make £41.	13·347 13·346
1663 (15 Car. II.)	Commission (24th Dec.)	1 lb. Gold $\frac{11}{12}$ fine to make £44 10s. (The Guinea coined for the first time—to pass for 20s., *i.e.*, for £1.)	14·485
	Confirmed by the	Statute of 1666 (18 Car. II., cap. 5) opening the Mint gratuitously to all.	
1696[1] (8 Gul. III.)	Act of Parliament (7-8 Gul. III., c. 19, s. 12).	Guineas not to pass at higher rate than 22s. (By advertisement in *London Gazette*, 21st Oct., 1697, the Treasury signified that Guineas were received for taxes, etc., at this rate.)	15·934
1699 (10 Gul. III.)	Treasury Order (15-16 Feb., 1699)	Guineas not to be received for taxes, etc., at more than 21s. 6d.	15·572 (Locke)
1717 (4 Geo. I.)	Proclamation (22nd Dec.)	The Guinea not to pass for more than 21s.	15·209 (Newton)
	(Confirmed	by Indenture of 6th May, 1718.)	
1816 (56 Geo. III.)	Act of Parliament (22nd June)	1 lb. Silver $\frac{222}{240}$ fine to be coined into 66s. (Silver demonetised. Legal tender limited to 40s.)	14·287 (Peel)

NOTE.—It will be observed from the above Table that down to the year 1663, the Gold Coins made under the various Indentures were of two different degrees of fineness. The first, known as the "Old Standard," or "Angel Gold" (from which Angels, etc., were coined) consisted of 23 carats 3½ grains fine and ½ grain alloy ($\frac{23\frac{1}{2}}{24}$ fine); and the second, known as the "New Standard," or "Crown Gold" (from which Crowns, etc., were coined) was introduced in 1 Henry VIII., and consisted of 22 carats fine and 2 carats alloy ($\frac{11}{12}$ fine). These two "Standards," as will be seen, show in each case slightly different ratios to Silver.

The information contained in this Table has been compiled from the following sources: Lowndes' *Essay on Silver Coins*;[2] Leake's *Historical Account of English Money*; Folkes' *Table of English Silver Coins*; Lord Liverpool's *Coins of the Realm*; Ruding's *Annals of the Coinage*; and S. Dana Horton's *Silver Pound*.

[1] There were two previous steps in this year; one by Resolution, in January, reducing the allowed price of the guinea from 30s. to 28s., and one by Bill, 25th March, reducing it to 26s., which endured only to 10th April. No ratio can be deduced from these prices, seeing that they referred to the worn coins then being called in.

[2] Corrected by reference to original documents in the Record Office.

TABLE B.—PART III.

Changes of Ratio in France.

FRANCE.

Year.	Ratio.	Year.	Ratio.
1560[2]	10·91	1690	15·46
1561	11·14	1692	15·38
1568	11·59	1693	15·87 October
1569	11·81	1696[2]	—
1570	12·04	1699[2]	—
1572	11·59	1700	15·81 January
1573	11·53	1701	15·53 "
1574	12·38	1702	15·17
1575	10·99	1703	15·35 August
1577	11·06	1704	15·09 May
1580	11·04	1705	15·24 February
1601[2]	—	1706	15·31 July
1602	11·22	1707	15·23
1604[2]	—	1708	15·16 April
1605[2]	—	1709	15·70 March
1611[2]	—	1713	15·04
1615	12·94	1717[2]	—
1619[2]	—	1718	15·10 February
1630	13·82	1719	14·84 December
1631	14·32		Bursting of the South Sea Bubble
1633	14·84		
1636	16·22 March [1]	1720	15·04 There were 23 changes of ratio between Jan. 27 and Dec. 1
1640	14·19		
1641[3]	13·60		
1653	13·99	1723	14·77
1654	13·60	1724	15·10
1655	13·73	1726	14·50
1656	13·67	1741	14·58
1663[2]	—	1774	14·54
1666	15·12 January	1785	15·51
1686	15·64	1803[4]	15·51 by Statute
1687	15·30	1816[2]	—
1689	15·78		

[1] NOTE.—The addition of the month indicates that there were more changes than one in that year, the ratio given being always the one least favourable to silver. Thus, 1636, 5th March, 16·22; 28th June, 14·11.

[2] In these years there were changes in the English ratio.

[3] See the changes in Spanish ratio in this year, in 1650 and in 1675.

[4] Mint established in the United States, ratio, 15·50 to 1; changed in 1834, 16·002 to 1; and in 1837, 15·998 to 1.

TABLE B.—PART IV.

The Ratio in Spain.

From *The History of Money*, by Alex. Del Mar.

Year.	Ratio.	Remarks.
1475	10·985	Castile and Leon.
1480	11·555	All Christian Spain.
1483	11·675	Ferd. and Isabella.
1497	10·755	Edict of Medina.
1502	10·755	Expulsion of the Moors.
1537	10·755	Silver permitted to be coined in America, subject to the Quinto Tax.
1545	10·755	(Oriental ratios raised generally from 6½ to 10.)
1546	13·333	American bullion now chiefly silver.
1565	13·333	One-fifth of American product sent direct to Asia.
1580	13·333	Gold coinage forbidden in America.
1608	13·333	Gold coinage permitted in America.
1611	13·333	A million of Moors expelled from Spain.
1641	14·0	Locke, on *Money*.
1650	15·0	White's Report.
1675 to 1734	16·0	Harris, 11,122, notices change of ratio. Spain loses control of ratio and adopts the Portuguese ratio. In 1734 silver coins 6 per cent. premium.
1760	14·25	(French ratio, 1726 to 1785 was 14·46 for 1.)
1765	14·875	Calonne.
1775	15·536	
1779	15·875	Calonne says 14·875; a blunder.
1786	16·380	
1821	16·0	Some coinages show ratio of 15·85.
1864	15·476	First change since 1821.
1868	15·5	Figuerola Law, 19th October, following the Latin Monetary Union.
1876	15·5	Decree of 20th August suspending free coinage of silver, and announcing the intention to limit the silver tender to 150 pesetas. Actual currency in convertible bank paper 1½ per cent. under silver, and 3 per cent. under gold.
1890	15·5	The ratio merely nominal; bank paper filling the circulation.

TABLE B.—PART IV.—*continued.*

The Ratio in Portugal.

From *The History of Money*, by Alex. Del Mar.

Year.	Ratio.	Remarks.
1510	11·0	Bullion trade opened at Goa. Indian ratio 6½.
1545	13·3	Trade opened with Japan, where the ratio was $8\frac{4}{10}$.
1580	13·3	From 1580 to 1640 Portugal belonged to Spain.
1641	14·0	Spanish ratio.
1668	16·0	War with Spain ended in 1665.
1688	16·0	Edict of 4th August.
1722	15·9	Standard lowered from 0·916 to 0·908 fine.
1747	13·3	Weight of silver coins lowered.
1797	12·0	Suspension of coin payments, 1797.
1798	13·3	Restoration of the coin weights of 1747.
1802	13·2	Slight variations of standard assays.
1808	13·2	Do.
1811	13·3	Do.
1822	15·9	Lowering of the gold coins in weight.
1834	15·9	
1835	15·9	
1838	15·3	Lowering of the silver coins in weight.
1847	16·4	Further lowering of the gold coins.
1854	14·2	Silver limited to 5 milreis legal tender.
1880	14·1	No further change of legal-tender law.

TABLE B.—PART V.

1892. Ratio in Austria—18·22 to 1.

The Ratio in Germany.

From *The History of Money*, by Alex. Del Mar.

Year.	Ratio.	Remarks.
1521	11·17	Medieval Imperial coinages, Charles V.
1559	11·44	Do. do. Ferdinand I.
1623	11·74	Upper Germany, Ferd. II.
1641	12·0	Medieval Empire.
1667	14·15	Upper Germany, Leopold I.
1669	15·11	Bank of Hamburg closed for a year.
1687 to 1850	14·80	Hamburg Mint ratios. From average actual weights of ducats and reichsthalers.
1850 to 1865	15·50	Extreme variation 15·21 to 15·59.
1866	15·50	North German Bund.
1871 to 1894	15·50	New German Empire. Imperial silver coins limited in legal tender to 20 marks. Decree 9th July, 1873, s. 9.

The Ratio in the Netherlands.

From *The History of Money*, by Alex. Del Mar.

Year.	Ratio.	Remarks.
1492	11·50	Later Hapsburg coinages.
1511	11·0	Coinages of the Lower Rhine.
1520	11·0	Dutch coinages under Charles V.
1529	11·0	Adjustment of the Dutch and French weights for gold and silver.
1546	13·33	Charles V. raises the value of his gold coins.
1556	13·33	Revolt of the Dutch against Spanish government.
1581	13·33	Ducal coinages.
1609	13·33	Coins much clipped and mutilated.
1628	12·50	Individual coinage permitted.
1640	12·50	Desrotours and Gaudin.
1646	12·50	Great accessions of gold and silver from Japan.
1648	14·45	Independence of Holland recognised by Spain.
1672	14·45	Most German ducats now struck in Holland.
1687 to 1795	14·45	Ducats and silver florins. Other ratios during this period are from imperfect assays of coins.
1806	15·5	Louis Bonaparte, until 1810.
1814	15·5	Abdication of Napoleon. Annexation of Belgium to Holland, 13th Nov.
1816	15·875	Mint Act, 28th September. Individual coinage limited.
1830	15·875	Separation of Belgium from Holland.
1839 to 1873	15·6	Mint Acts of 26th September, 1847; 23rd June, 1850; and 21st May, 1873, make various changes.
1875 to 1885	15·875	Act of June, 1875, definitely changes from silver to gold coins, as full legal tender.

TABLE C.

Monetary Equivalents.

Ratios of Pure Gold to Pure Silver Corresponding to Various Gold Prices of Silver (English Standard $\frac{37}{40}$).

Price per oz. of Standard Silver. Pence.	Ratio of Gold to Silver.
23	1 to 41·
23½	1 to 40·12
24	1 to 39·30
24½	1 to 38·48
25	1 to 37·72
25½	1 to 36·98
26	1 to 36·26
26½	1 to 35·58
27	1 to 34·92
27½	1 to 34·30
28	1 to 33·68
28½	1 to 33·08
29	1 to 32·52
29½	1 to 31·96
30	1 to 31·43
30½	1 to 30·92
31	1 to 30·42
31½	1 to 29·94
32	1 to 29·47
32½	1 to 29·01
33	1 to 28·58
33½	1 to 28·15
34	1 to 27·74
34½	1 to 27·33
35	1 to 26·94
35½	1 to 26·56
36	1 to 26·19
36½	1 to 25·84
37	1 to 25·49
37½	1 to 25·15
38	1 to 24·82
38½	1 to 24·49
39	1 to 24·18
39½	1 to 23·87
40	1 to 23·57
40½	1 to 23·28
41	1 to 23·
41½	1 to 22·72
42	1 to 22·45
42½	1 to 22·19
43	1 to 21·93
43½	1 to 21·68
44	1 to 21·43
44½	1 to 21·19
45	1 to 20·96
45½	1 to 20·72
46	1 to 20·50
46½	1 to 20·28
47	1 to 20·06
47½	1 to 19·85
48	1 to 19·65
48½	1 to 19·44
49	1 to 19·24
49½	1 to 19·05
50	1 to 18·86
50½	1 to 18·67
51	1 to 18·49
51½	1 to 18·31
52	1 to 18·13
52½	1 to 17·96
53	1 to 17·79
53½	1 to 17·62
54	1 to 17·46
54½	1 to 17·30
55	1 to 17·15
55½	1 to 16·99
56	1 to 16·84
56½	1 to 16·69
57	1 to 16·54
57½	1 to 16·40
58	1 to 16·26
58½	1 to 16·12
59	1 to 15·98
59½	1 to 15·85
60	1 to 15·72
60½	1 to 15·59
60⅞	1 to 15½

TABLE C.—*continued.*

Value (in Pence) of the Rupee and of the Ounce of Standard Silver, and (in Marks and Francs) of the Kilog. of fine Silver; deduced from various Ratios.

Ratio of Silver to Gold.	Value in Pence of 1 oz. Standard Silver.	Value of Rupee in Pence.	Gold Value in Reichsmarks of One Kilog. Fine Silver.	Gold Value in Francs of One Kilog. Fine Silver.
12 to 1	78·58	29·20	232·50	287·04
13 to 1	72·54	26·96	214·62	264·96
14 to 1	67·36	25·03	199·29	246·03
15 to 1	62·87	23·36	186·	229·63
15½ to 1	60·84	22·61	180·	222·22
16 to 1	58·94	21·90	174·37	215·28
17 to 1	55·47	20·61	164·12	202·61
18 to 1	52·39	19·47	155·	191·36
19 to 1	49·63	18·44	146·84	181·29
20 to 1	47·15	17·52	139·50	172·22
21 to 1	44·9	16·69	132·86	164·02
22 to 1	42·86	15·93	126·82	156·57
23 to 1	41·	15·24	121·30	149·76
24 to 1	39·29	14·60	116·25	143·52
25 to 1	37·72	14·02	111·60	137·78
26 to 1	36·27	13·48	107·31	132·48
27 to 1	34·93	12·98	103·33	127·57
28 to 1	33·68	12·52	99·64	123·02
29 to 1	32·52	12·08	96·21	118·77
30 to 1	31·43	11·68	93·	114·81
31 to 1	30·42	11·30	90·	111·11
32 to 1	29·47	10·95	87·19	107·64
33 to 1	28·58	10·62	84·55	104·38
34 to 1	27·74	10·31	82·06	101·31
35 to 1 [1]	26·94	10·01	79·71	98·41
36 to 1	26·19	9·73	77·50	95·68
37 to 1	25·49	9·47	75·40	93·09
38 to 1	24·82	9·22	73·42	90·64
39 to 1	24·18	8·98	71·54	88·32
40 to 1	23·57	8·76	69·75	86·11
41 to 1	23·	8·61	68·05	84·

[1] The above figures are arranged from Tables in the *Economic Journal* of March, 1893.

TABLE D.

Amounts of Gold and Silver held by the Bank of France at various dates from 1811 to 1899.

Years.	GOLD.				SILVER.			
	Maximum.		Minimum		Maximum.		Minimum.	
	Dates.	Francs.	Francs.	Dates.	Dates.	Francs.	Francs.	Dates.
1811	19 December	21,714.000	18,301,000	4 July	25 July	105,231,000	91,228,000	5 December
1812	2 January	21,705.000	14,906,000	31 December	23 January	94,125,000	12,353,000	31 December
1813	25 March	14,961,000	597,000	18 November	26 August	26,167,000	9,345,000	13 May
1814	1 September	11,227.000	763,000	6 June	29 December	74,423,000	710,000	20 January
1815	5 January	5,406,000	114,000	2 November	16 February	87,880,000	19,091,000	19 October
1816	26 December	3,026,000	250,000	14 March	8 February	79,197,000	24,725,000	28 November
1817	4 December	8,499,000	413,000	20 February	26 December	84,633,000	30,457,000	2 January
1818	13 August	14,295,000	1,430,000	15 October	2 July	104,468,000	25,448,000	12 November
1819	30 December	33,909,000	13,474,000	7 January	30 December	141,540,000	51,950,000	7 January
1820	15 June	51,817,000	22,488,000	21 December	29 June	167,372,000	136,925,000	9 November
1821	4 January	22,548,000	15,902,000	6 September	11 October	159,041,000	126,729,000	31 October
1822	3 January	16,960,000	15,800,000	11 July	19 September	181,664,000	129,256,000	3 January
1823	2 January	15,810,000	200,000	15 May	20 March	195,940,000	161,812,000	13 November
1824	2 January	720,000	300,000	6 May	4 March	168,667,000	128,080,000	28 October
1825	15 December	2,120,000	0	13 May	24 March	154,431,000	84,958,000	1 December
1826	5 January	1,200,000	130,000	23 November	28 December	120,404,000	87,850,000	12 January
1827	6 December	520.000	100,000	17 May	6 September	192,122,000	119,736,000	4 January
1828	3 January	500,000	0	31 July	28 August	236,792,000	182,096,000	31 January
1829	10 December	630,000	330,000	3 September	27 May	205,113,000	161,466,000	10 December
1830	21 December	1,700,000	0	26 October	27 March	171,800,000	102,500,000	13 November
1831	2 December	2,200,000	300,000	2 March	24 December	262,300,000	121,700,000	10 January
1832	18 January	2,100,000	0	4 September	17 March	283,600,000	216,600,000	29 November
1833	11 October	500.000	0	16 August	20 March	227,100,000	131,600,000	2 November
1834	24 December	3,900,000	0	22 January	25 June	178,800,000	116,000,000	28 November
1835	17 March	6,900,000	2,000,000	14 August	16 June	196,400,000	126,300,000	3 January
1836	24 December	8,600,000	500,000	26 Dec., 1835	16 March	187,500,000	81,500,000	12 November
1837	21 November	15,600,000	8,600,000	28 Dec., 1836	23 December	234,100,000	95,000,000	7 January
1838	6 November	14,600,000	14,000,000	26 Dec., 1837	15 June	283,000,000	217,200,000	24 December
1839	22 April	15,600,000	10,800,000	28 January	12 June	235,100,000	187,000,000	14 November
1840	25 November	26,700.000	10,000,000	20 June	16 April	235,000,000	185,600,000	9 December
1841	15 January	40,600,000	27,600,000	25 December	22 March	203,800,000	141,500,000	6 November
1842	27 Dec., 1841	23,100,000	19,200,000	22 December	16 June	206,700,000	154,100,000	12 November
1843	26 Dec., 1842	19,100,000	5,600,000	22 December	22 December	241,800,000	173,800,000	31 Dec., 1842
1844	9 August	5,700,000	5,600,000	26 December	24 May	274,400,000	228,600,000	30 November
1845	6 February	6,600,000	5,500,000	23 June	5 June	273,300,000	170,500,000	28 November
1846	14 December	8,300,000	5,400,000	1 July	23 March	197,500,000	63,000,000	24 December
1847	28 January	10,600,000	300,000	25 May	24 December	107,200,000	48,400,000	14 January
1848	2 November	9,900,000	400,000	27 Dec., 1847	23 February	140,200.000	46,900,000	26 April
1849	16 February	12,900,000	8,000,000	24 December	24 December	289,100,000	134,400,000	26 Dec., 1848
1850	24 December	29,200,000	5,500,000	21 June	21 June	339,100,000	290,700,000	26 Dec., 1849
1851	18 September	105,500,000	31,400,000	26 Dec., 1850	1 December	408,600,000	305,200,000	1 February
1852	22 January	86,800,000	63,900,000	28 October	24 September	447,000,000	349,700,000	24 November
[illegible]	[illegible]	[illegible]	67,500,000	27 Dec. 1852	27 Dec.. 1852	347,900.000	111,600,000	24 December
1854	5 October	220,200,000	73,700,000	27 February	15 September	113,400,000	72,200,000	23 December
1855	1 March	171,000,000	28,300,000	4 December	21 July	92,400,000	25,000,000	6 November
1856	25 August	92,500,000	14,600,000	2 January	26 May	77,400,000	20,200,000	7 October
1857	28 August	95,900,000	36,500,000	2 January	23 June	35,400,000	25,300,000	2 November
1858	18 September	242,100,000	40,700,200	5 January	23 December	57,100,000	28,200,000	28 Dec., 1857
1859	26 August	229,900,000	86,400.000	1 June	7 March	81,300,000	60,900,000	30 August
1860	7 June	238,300,000	97,400,000	13 November	10 August	325,700,000	269,000,000	24 December
1861	7 September	301,300,000	104,200,000	16 January	27 Dec., 1860	265,200,000	72,800,000	15 October
1862	5 June	296,900,000	160,200,000	16 November	22 September	156,000,000	94,400,000	7 January
1863	6 August	137,100,000	62,700,000	6 October	22 May	275,600,000	124,000,000	17 November
1864	24 December	273,300,000	89,600,000	13 January	24 December	94,200,000	60,200,000	17 February
1865	6 July	391,200,000	215,900,000	17 January	8 September	142,800,000	93,900,000	28 Dec., 1884
1866	25 August	659,100,000	272,900,000	23 January	24 December	135,100,000	86,400,000	20 June
1867	6 September	727,700,000	510,900,000	15 January	6 December	336,800,000	135,400,000	26 Dec., 1866
1868	26 August	877,100,000	662,400,000	24 December	19 December	477,300,000	308,800,000	26 Dec., 1867
1869	4 June	730,700,000	588,100,000	1 February	4 November	593,300,000	473,000,000	7 January
1870	23 June	739,300,000	433,700,000	22 December	4 July	579,600,000	70,900,000	24 December
1871	25 August	592,600,000	359,900,000	7 March	11 July	131,700,000	35,900,000	17 February
1872	21 December	657,900,000	551,600,000	4 January	29 August	145,400,000	78,800,000	13 January
1873	5 June	691,200,000	560,200,000	22 August	9 August	150,300,000	124,200,000	19 June
1874	23 December	1,014,700,000	609,400,000	5 January	3 July	329,500,000	150,400,000	26 Dec., 1873
1875	24 June	1,176,100,000	1,004,300,000	11 January	20 December	508,700,000	309,200,000	12 January
1876	4 December	1,544,800,000	1,165,400,000	27 Dec., 1875	23 December	639,500,000	494,500,000	12 January
1877	9 February	1,556,500,000	1,204,100,000	24 December	24 December	866,700,000	637,100,000	26 Dec., 1876
1878	26 Dec., 1877	1,202,400,000	1,003,400,000	24 December	24 December	1,058,800,000	860,900,000	8 January
1879	26 June	1,087,800,000	752,200,000	13 December	24 December	1,224,600,000	1,055,900,000	2 January
1880	26 March	826,900,000	536,400,000	29 November	12 April	1,282,500,000	1,212,000,000	14 April
1881	23 December	656,400,000	541,600,000	8 February	20 August	1,248,900,000	1,164,600,000	24 December
1882	2 September	1,005,700,000	645,000,000	2 January	26 Dec., 1881	1,163,200,000	1,092,500,000	21 December
1883	2 June	1,014,100,000	946,400,000	16 January	26 Dec., 1882	1,092,900,000	1,002,000,000	11 December
1884	25 September	1,062,800,000	946,000,000	15 January	20 December	1,034,900,000	988,900,000	15 January
1885	24 September	1,175,800,000	995,300,000	12 January	25 September	1,106,100,000	1,024,400,000	13 January
1886	27 May	1,393,000,000	1,142,300,000	16 January	27 May	1,132,800,000	1,078,200,000	16 January
1887	17 August	1,210,200,000	1,120,400,000	24 December	17 August	1,195,600,000	1,191,600,000	24 December
1888	24 May	1,136,000,000	1,014,800,000	11 December	24 May	1,227,300,000	1,211,100,000	11 December
1889	20 September	1,335,000,000	998,400,000	16 January	20 September	1,263,600,000	1,225,300,000	16 January
1890	20 June	1,315,900,000	1,114,500,000	1 December	20 June	1,276,900,000	1,246,100,000	1 December
1891	3 August	1,377,100,000	1,118,600,000	2 January	3 August	1,264,700,000	1,239,600,000	2 January
1892	24 Dec., 1892	1,708,300,000	1,336,200,000	2 January	24 Dec., 1892	1,275,200,000	1,251,000,000	2 January
1893	2 June	1,719,100,000	1,537,200,000	24 January	2 June	1,285,500,000	1,248,900,000	24 January
1894	24 December	2,061,500,000	1,695,500,000	9 January	2 June	1,283,100,000	1,237,400,000	14 November
1895	22 February	2,152,100,000	1,946,200,000	11 November	27 July	1,262,000,000	1,230,000,000	2 November
1896	19 August	2,077,800.000	1,926,500,000	2 November	2 July	1,259,800.000	1,228,200,000	10 November
1897	19 August	2,037,900.000	1,904,000,000	4 January	19 February	1,233,600,000	1,205,400,000	11 November
1898	27 Dec., 1897	1,959,500.000	1,819,500.000	6 Dec., 1898	5 December	1,214,700,000	1,210,900,000	27 Dec., 1897
1899	2 August	1,919,600.000	1,810,100,000	9 January	2 August	1,205,500,000	1,195,400,000	9 Jan., 1899

N.B.—We have corrected the cash-balance of the Bank for the year 1894, because at the time when we gave these particulars the cash-balance closed on 25th June. The end of the financial year has modified the information furnished.

It might appear anomalous that for the year 1898 one should indicate the maximum of gold and the minimum of silver the 27th of December, 1897, but it must be taken into account that the financial year of the Bank of France begins from the 25th December of each year.

TABLE E.

Production of Gold and Silver since 1848, and the Market Ratio in London.

From *The Silver Question and the Gold Question*, by R. Barclay.

Date.	Ratio in London Market (Silver to 1 of Gold).	In Thousands.			
		Gold.	Silver.		Total of Gold and Silver.
			Coining Value.	Commercial Value.	
		£	£	£	£
During this period the French Mints were open to the public for the coinage of both metals at the ratio of 15½ ounces of Silver to 1 ounce of Gold.					
1849	15·80	5,400	7,800	...	13,200
1850	15·83	8,900	7,800	...	16,700
1851	15·46	13,500	8,000	...	21,500
1852	15·57	36,600	8,100	...	44,700
1853	15·33	31,100	8,100	...	39,200
1854	15·33	25,500	8,100	...	33,600
1855	15·36	27,000	8,100	...	35,100
1856	15·33	29,500	8,200	...	37,700
1857	15·27	26,700	8,100	...	34,800
1858	15·36	24,900	8,100	...	33,000
1859	15·21	25,000	8,200	...	33,200
1860	15·30	23,900	8,200	...	32,100
1861	15·47	22,800	8,500	220,800	31,300
1862	15·36	21,600	9,000	...	30,600
1863	15·38	21,400	9,800	...	31,200
1864	15·40	22,600	10,300	...	32,900
1865	15·33	24,000	10,400	...	34,400
1866	15·44	24,200	10,100	...	34,300
1867	15·57	22,800	10,800	...	33,600
1868	15·60	22,000	10,000	...	32,000
1869	15·60	21,200	9,500	...	30,700
1870	15·60	21,400	10,300	...	31,700
1871	15·59	21,400	12,200	...	33,600
1872	15·63	19,900	13,100	...	33,000
1873	15·93	19,200	16,300	16,400	35,600
		562,500		237,200	799,700
1874	16·18	18,100	14,300	14,100	32,200
1875	16·59	19,500	16,100	15,500	35,000
1876	17·89	20,700	17,500	15,600	36,300
1877	17·21	22,800	16,200	15,000	37,800
1878	17·95	23,800	19,000	16,900	40,700
1879	18·41	21,800	19,200	16,600	38,400
1880	18·06	21,300	19,300	17,100	38,400
1881	18·25	20,600	20,400	17,900	38,500
1882	18·28	20,400	22,300	19,600	40,000
1883	18·66	19,000	23,000	19,700	38,700
1884	18·64	20,300	21,100	18,100	38,400
1885	19·40	21,600	23,700	19,500	41,100
1886	20·81	21,200	24,100	18,500	39,700
1887	21·15	21,000	24,800	18,800	39,800
1888	21·99	22,000	28,100	20,400	42,400
1889	22·10	24,700	31,100	22,500	47,200
1890	19·76	23,800	32,600	26,000	49,800
1891	20·92	26,100	35,500	27,100	53,200
1892	23·72	29,300	39,600	26,700	56,000
1893	26·49	31,500	42,800	25,800	57,300
1894	32·56	36,200	42,600	24,900	61,100
1895	31·60	39,800	43,300	21,900	61,700
1896	30·66	40,500	43,500	22,700	63,200
1897	34·28	47,500	47,300	22,000	69,500
* 1898	34·63	62,500	48,300	22,100	84,600
		1,238,500		742,000	1,181,000
					1,980,700

It is remarkable how little variation there has been in the total sum of the two metals together from year to year; though the average during the whole period has been £39,614,000, the average of the gold being £24,770,000, and of the silver £14,844,000.

* Estimated.

TABLE F.

Premium (Agio) per mille, on Gold and Silver.

a = highest, *b* = lowest.

d denotes discount instead of premium in the corresponding period.

	Gold.		Silver.		Gold Coin.			Gold.		Silver.		Gold Coin.	
1821	*a*	*b*	*a*	*b*	*a*	*b*	1825	*a*	*b*	*a*	*b*	*a*	*b*
Jan.	9	5	2½				Jan.	2	1	5½	5		
Feb.	10	7½	2½				Feb.	2	1½	5½	5		
Mar.	7½		2½				Mar.	2	1½	5½	5		
April	8½	7½	2½				April	2	1½	5½	5		
May	8½		2½				May	2	1½	5½	5		
June	12	8½	2½				June	2	1½	5½	5		
July	12	6	2½				July	3		6	5		
Aug.	7	6	1½	2½			Aug.	3	2½	6	5½		
Sept.	8	5½	1½	2			Sept.	3	1½	7½	5½		
Oct.	8	6½	1½	2½			Oct.	1½		12	7½		
Nov.	7½	6½	1½	2			Nov.	1½	½	10	9		
Dec.	7	6½	1½	3½			Dec.	4½	par	9	6		
1822							1826						
Jan.	7	4	5	2			Jan.	7½	3	6			
Feb.	4½	3½	3½	2			Feb.	8	5½	9			
Mar.	4½	3½	3½	2½			Mar.	9½	7½	10			
April	4	1½	3	1½			April	10	8	10			
May	2	1	2	1½			May	9	8	10	5		
June	5½	1	2	1½			June	9		6	5		
July	6½	4½	2	1½			July	9½		5			
Aug.	6½	5	2	1½			Aug.	9½		4			
Sept.	6½	5	2	1½			Sept.	9½		4			
Oct.	7	5	2	1½			Oct.	8	7¼	4			
Nov.	6½	4	2	1½			Nov.	7½	4¼	4¼	4		
Dec.	4½	3½	2	1½			Dec.	4¼	½	4¼	4		
1823							1827						
Jan.	4	3½	2	1½			Jan.	4¼		4¼	4		
Feb.	4	3½	2	1½			Feb.	4¼		4½	4		
Mar.	7	4	2	1½			Mar.	4½	4¼	5	4		
April	9½	6½	2	1½			April	5	4¼	5			
May	15	9	3	1½			May	5	4¾	5			
June	14½	6½	3	2½			June	4¾	3½	5			
July	12	10	4	1			July	5½	3½	5	4		
Aug.	12	9½	4	3½			Aug.	3		5			
Sept.	11½	9½	4	3½			Sept.	3		5			
Oct.	11½	8	4	3½			Oct.	3	1½	5			
Nov.	8½	7	6	5			Nov.	2	1½	5			
Dec.	7½	5	6	5½			Dec.	2	1½	5			
1824							1828						
Jan.	7½	5½	6	5½			Jan.	1¾	1¼	5			
Feb.	7	5	6	4			Feb.	2¼	1¼	5½	5		
Mar.	9	5	4½	4			Mar.	2¾	2¼	5½	5		
April	8½	5	4½	4			April	2½		3			
May	5½	4	4½	4			May	3¼	2½	3			
June	7	4½	4½	4			June	3¾	3¼	3			
July	7	5	4½	4			July	3¼	3	3			
Aug.	5	2½	5½	4			Aug.	5¼	3¼	3			
Sept.	3	2	5½	5			Sept.	7½	3¾	3			
Oct.	2½	2	5½	5			Oct.	9½	6½	3	2½		
Nov.	2½	1	5½	5			Nov.	10	6¼	2½			
Dec.	1½	1	5½	5			Dec.	8	4½	2½			

TABLE F—*continued.*

	Gold.		Silver.		Gold Coin.	
1829	*a*	*b*	*a*	*b*	*a*	*b*
Jan.	10	8½	2½	1½		
Feb.	9	6½	1½			
Mar.	8	6	2½	1½		
April	9	7½	3	2		
May	12	7½	2½	2		
June	12	9½	4	2½		
July	12½	9½	4			
Aug.	12¾		4			
Sept.	12¾		4			
Oct.	15	12¾	5			
Nov.	19	15	5			
Dec.	17	8	5	4½		
1830						
Jan.	9	8	4½			
Feb.	9		4½			
Mar.	16	9	4½	2		
April	14	11⅓	1			
May	12	8	1½	1		
June	8½	8	1½			
July	9½	8	1½			
Aug.	9	7	1½			
Sept.	9	7	2	1½		
Oct.	8	7	2½			
Nov.	8	5	2½			
Dec.	10	5	2½			
1831						
Jan.	10		2½			
Feb.	10		2½			
Mar.	11		2½			
April	11		2½			
May	4		2½			
June	6		2½			
July	6		2½			
Aug.	6	3½	2½			
Sept.	3½		par			
Oct.	3½	2	,,			
Nov.	3½		,,			
Dec.	5½	3½	,,			
1832						
Jan.	6	5½	par			
Feb.	6	5½	,,			
Mar.	6	5½	,,			
April	13	11	,,			
May	15	12	,,			
June	17	14	,,			
July	19	16	,,			
Aug.	20	17	,,			
Sept.	18	17	,,			
Oct.	19	17	,,			
Nov.	19	17	,,			
Dec.	19	17	,,			

	Gold.		Silver.		Gold Coin.	
1833	*a*	*b*	*a*	*b*	*a*	*b*
Jan.	19	16	par			
Feb.	20	16	6			
Mar.	21	17	6			
April	20	17	6			
May	20	17	6			
June	19	16	6	5		
July	17	14	5			
Aug.	20	14	5			
Sept.	20	18	5			
Oct.	18	12	5			
Nov.	14	12	5			
Dec.	13	9½	6	5		
1834						
Jan.	10	7	7	6		
Feb.	8	7	7	3		
Mar.	8	5½	4½	3¼		
April	6	5½	4½	3⅓		
May	8	6½	6	3½		
June	11	7	6	4½		
July	10	6	6	5		
Aug.	8½	6	6	4½		
Sept.	8½	7	5½	4½		
Oct.	7½	5½	5½	5		
Nov.	6½	4½	5½	5	¼	
Dec.	5½	4½	6	5½		
1835						
Jan.	5½	4½	6	5		
Feb.	5½	4	5½	4½		
Mar.	7½	4	5	3¾		
April	9	7	4½	3¾		
May	10	8½	4½	4		
June	10	9	4½	4		
July	11	9	4½	4		
Aug.	10½	9½	4½	4		
Sept.	11	10	7	4		
Oct.	11½	11	4½	4		
Nov.	13½	11	5	4		
Dec.	13½	13	7	4½		
1836						
Jan.	13	11½	7½	6		
Feb.	12½	11	8	7		
Mar.	11½	11	8	6		
April	12½	11	6½	6		
May	14½	12	7	6		
June	16½	14	7	5½		
July	15	12	5¾	5½		
Aug.	12½	9	5¾	5½		
Sept.	10	9	5¾	5½		
Oct.	10	9	5¾	5½		
Nov.	9½	9	5¾	5½		
Dec.	10	9	5¾	5½		

TABLE F—*continued.*

	Gold.		Silver.		Gold Coin.			Gold.		Silver.		Gold Coin.	
1837	*a*	*b*	*a*	*b*	*a*	*b*	1841	*a*	*b*	*a*	*b*		
Jan.	10½	9½	5·75	5½			Jan.	4¾	3¾	8½	7½		
Feb.	12	10	5¾	5½			Feb.	4¾	4¼	7½	7		
Mar.	11	10	5¾	5¼			Mar.	6⅓	4½	7½			
April	11	10	5½	5¼			April	7¾	6¼	8	7½		
May	10½	8½	5½	5¼			My26	9½	7½	9¾	5½		
June	9½	8½	5½	5¼			My31	10	9	5½			
July	9	8½	5½	5¼			June	10	6½	5½	2½		
Aug.	9	8½	5½	5¼			July	7	5½	2½			
Sept.	9	7½	5¼				Aug.	6	5½	2½			
Oct.	10	7½	5⅓				Sept.	6½	5½	2½			
Nov.	10	9½	5¼				Oct.	6½	5½	2½			
Dec.	10	7¼	5¼				Nov.	6½	5½	2½			
							Dec.	6½	5½	2½			
1838							1842						
Jan.							Jan.	6½	5½	2½	1½		
Feb.							Feb.	9	5½	1½			
Mar.							Mar.	9	8	1½	1¼		
April							April	9½	8	1½	1¼		
May	9	8	5½				May	9½	9	2½	1¼		
June	10	8	5½				June	10½	9	2½	2¼		
July	11	9½	5½				July	10½	7½	2½	1		
Aug.	9	7	5½				Aug.	7½	6½	1			
Sept.	8½	7	5½				Sept.	7½	6½	1			
Oct.	8		5½				Oct.	9½	7	1			
Nov.	8		5½				Nov.	9½	8½	1			
Dec.	8		6	5½			Dec.	12½	8½	1			
1839							1843						
Jan.	8	7½	5½				Jan.	12½	11½	½			
Feb.	9	7½	5½				Feb.	12½	11	½			
Mar.	8		5½				Mar.	13½	11	½			
April	9	7⅓	5½				April	13	12	½			
May	9½	8	5½				May	13½	12	½			
June	10½	9	6	5½			June	13	11½	½			
July	10	7½	6	5½			July	13	11	½			
Aug.	9	7½	6	5½			Aug.	11½	10	1	½		
Sept.	8½	7½	6				Sept.	12½	12	1			
Oct.	8½	7½	6				Oct.	13½	12	1½	1		
Nov.	8½	7½	6½	6			Nov.	13½	12	1½			
Dec.	9½	8½	6½	6			Dec.	14½	12	1½			
1840							1844						
Jan.	8	6½	7	6½			Jan.	13	11	1½			
Feb.	7	6½	6½				Feb.	11½	9	2½	1½		
Mar.	7	6	6½				Mar.	13½	11	2½	1½		
April	7½	6	8	6½			April	13½	12	2	1½		
May	10	7	8	7½			May	13	10	2	1½		
June	10	9½	8	7½			June	12	11	2	1½		
July	10	9	8	6½			July	12	8½	2			
Aug.	9½	6½	7	6½			Aug.	9	8	1½			
Sept.	7	6	7	6½			Sept.	8½	8	1½			
Oct.	6⅓	4⅓	7⅓	6⅓			Oct.	10½	9½	1½			
Nov.	5½	4	7½	7¼			Nov.	10	9½	1½			
Dec.	5½	3¾	8⅓	7¼			Dec.	12	9½	2	1½		

TABLE F—*continued.*

	Gold.		Silver.		Gold Coin.	
	a	*b*	*a*	*b*	*a*	*b*
1845						
Jan.	12	11½	2	1½		
Feb.	15	12	2	1½		
Mar.	19½	14	2	1½		
April	18	16½	2	1½		
May	18½	18	2	1½		
June	18½	17½	2	1½		
July	17	9	2	1½		
Aug.	12¼	9	2	1½		
Sept.	14	10½	2	1½		
Oct.	11	10½	2	1½		
Nov.	11	10	2	1½		
Dec.	11	10	2	1½		
1846						
Jan.	11¼	10	2	1½		
Feb.	10½	10	2	1½		
Mar.	10½	10	2	1½		
April	12½	10	2	1½		
May	16½	10	2	1½		
June	16½	16	2	1½		
July	16½	16	2	1½		
Aug.	16½	16	2	1½		
Sept.	16½	16	2	1½		
Oct.	16½	16	5	1½		
Nov.	18	16	4	3		
Dec.	18	16	4	3		
1847						
Jan.	17	10	4	3		
Feb.	10½	8	5	2		
Mar.	11	8	3½	2		
April	15	9	4	2		
May	21	14	4	2½		
June	17	13	7	2½		
July	15	9	3	2		
Aug.	10	7	3	2		
Sept.	8	7	3	2		
Oct.	20	7½	2½	2		
Nov.	18	12	2½			
Dec.	15	12	3	2½		
1848						
Jan.	13¼	11½	3	2¾	8¾	7¾
Feb.	11·50	10·75	3	2·50	7·75	7·25
Mar.	65	10¾	2½	2¼	120	7¾
April	65	30	2¼		80	27·50
May	24½	15	2¼		30	17⅜
June	19	16½	2¼		24	18½
July	19		2¼		22	14⅜
Aug.	19	8½	2¼		14½	9½
Sept.	11·50	8½	2½	2¼	12½	10½
Oct.	15½	9½	2½		17	10½
Nov.	21½	14½	2½		21½	14½
Dec.	18½	7½	2¾	2½	19½	7½

	Gold.		Silver.		Gold Coin.	
	a	*b*	*a*	*b*	*a*	*b*
1849						
Jan.	10½	7¾	2¾	2¼	10·50	8¾
Feb.	10½	2¼	2¼	2	10½	4¼
Mar.	3½	2¼	2		5¼	4¼
April	8¼	3½	2		8¼	5¼
May	16½	8½	1½		20	9¼
June	14½	9¾	1½		15½	10¾
July	12¼	9½	1½		13¾	9½
Aug.	9½		2		11½	9½
Sept.	9½		2		11½	9½
Oct.	14½	10¾	2		15½	10¼
Nov.	13¾	10¼	2		14¾	10¼
Dec.	12¾	11¼	2		13¾	10¼
1850						
Jan.	12¼	11½	2		13¼	11¼
Feb.	14½	11¾	2½	2	15½	12¼
Mar.	15¼	13¾	2½		16½	14¼
April	14¾	13¾	2½		16¼	15¾
May	22	14¼	2½		22	16½
June	17½	10¼	3¼	2¼	18¼	12¼
July	18½	9¾	3½		12¾	8½
Aug.	18½	8½	8½	3¼	8½	7¼
Sept.	8½		8½		7½	6
Oct.	8½	4¾	8½		6	5¼
Nov.	4¾	1	8½	4¾	5¼	1¼
Dec.	1		8¼	7	1¾	par
1851						
Jan.	par		8¼	4¾	par	
Feb.	,,		6¼	4¼	,,	
Mar.	,,	*d2*	6¼		,,	
April	,,	,,2	6¼		,,	
May	,,	,,2	6¼		,,	
June	,,	,,2	6¼		,,	
July	,,	,,2	6¼		,,	
Aug.	,,	,,3to2	6¼		,,	
Sept.	,,	,,3	6¼		,,	
Oct.	,,	,,3	6¼		,,	
Nov.	,,	,,3,,¾	9		,,	
Dec.	,,	,, ¾	9		,,	
1852						
Jan.	¾		9·60	9½	par	
Feb.	¾		9·60	9½	,,	
Mar.	¾		9·60	9½	,,	
April	4·50	¾	10½	9½	2½	2
May			10	9	6	2⅜
June	5·50	4	10	9	3	1½
July	4	2	10½	9½	3	¾
Aug.	1		10½	9½	3	¾
Sept.	2	1	10½	9½	1·75	1¼
Oct.	4	½	12½	9½	2	1½
Nov.	1	½	12½	7½	2	1
Dec.	1	½	9½	8½	1½	1

TABLE F—*continued.*

	Gold.		Silver.		Gold Coin.	
1853	*a*	*b*	*a*	*b*	*a*	*b*
Jan.	*d1*	*d* ½	9	5½	¾	0·37½
Feb.	¼ *,,1*	,, ½	10	5½	0·37½	par
Mar.		,, ¼	9		par	,,
April		,, ¼	10½		,,	,,
May		,, ¼	10½		à	,,
June		,, ¼	10½	4¾	,,	,,
July		,, ¼	5		,,	,,
Aug.		,, *3*½	10½	5	,,	,,
Sept.		,, *3*½	11½	9	,,	,,
Oct.	,,*3*¾	,, *3*½	9	5¾	,,	,,
Nov.	,,*3*¾	,, *2*¾	22	7	,,	,,
Dec.	,,*2*¾	,, *2*	13		,,	,,
1854						
Jan.	*d2*		13	11¼	par	par
Feb.	,,*2·50*		11¾		,,	,,
Mar.	,,*2·50*		15	11¾	,,	,,
April	,,*4*		13	12	,,	,,
May	,,*4*	*d3*¾	14	11	,,	,,
June	,,*3*¾	,,*3*½	14	8½	,,	,,
July	,,*3*½		14		,,	,,
Aug.	,,*3*½	,,*3*	14	13	,,	,,
Sept.	,,*3*		13		,,	,,
Oct.	,,*3*		13		,,	,,
Nov.	,,*3*		13		,,	,,
Dec.	,,*3*		13		,,	,,
1855						
Jan.	*d3*		13		par	par
Feb.	,,*3*		13		,,	,,
Mar.	,,*3*		13		,,	,,
April	,,*3*		13		,,	,,
May	,,*3*		13		,,	,,
June	,,*3*		13		,,	,,
July	,,*3*		13		,,	,,
Aug.	,,*3*		13		,,	,,
Sept.	,,*3*		13		,,	,,
Oct.	5	*d3*	17	13	,,	,,
Nov.	5		17		,,	,,
Dec.	5		20	17	,,	,,
1856						
Jan.	5		20		par	par
Feb.	5		22	20	,,	,,
Mar.	6	5	22	20	,,	,,
April	6		20		,,	,,
May	6		20		,,	,,
June	6		20	19	,,	,,
July	6		19		,,	,,
Aug.	6		19		,,	,,
Sept.	6		19		,,	,,
Oct.	7	6	25		,,	,,
Nov.	7	6	25		,,	,,
Dec.	7	6	25		,,	,,

	Gold.		Silver.		Gold Coin.	
1857	*a*	*b*	*a*	*b*	*a*	*b*
Jan.	7	6	29	24½	par	par
Feb.	7	6	29		,,	,,
Mar.	7	6	29		,,	,,
April	7	6	29		,,	,,
May	7	6	32½	29	,,	,,
June	7	6	32½		,,	,,
July	7	6	32½		,,	,,
Aug.	7	6	32½		,,	,,
Sept.	7	6	32½		,,	,,
Oct.	7	6	32½		,,	,,
Nov.	7	6	32½		,,	,,
Dec.	7	6	32½	22½	,,	,,
1858						
Jan.	7	6	22½	19	par	par
Feb.	par	par	19		,,	,,
Mar.	,,	,,	19		,,	,,
April	,,	,,	19	15	,,	,,
May	,,	,,	15		,,	,,
June	,,	,,	15		,,	,,
July	,,	,,	15		,,	,,
Aug.	,,	,,	15	10	,,	,,
Sept.	,,	,,	10		,,	,,
Oct.	,,	,,	10		,,	,,
Nov.	,,	,,	10		,,	,,
Dec.	,,	,,	10		,,	,,
1859						
Jan.	par	par	24	10	par	par
Feb.	,,	,,	24		,,	,,
Mar.	,,	,,	24		,,	,,
April	,,	,,	24		,,	,,
May	,,	,,	24		,,	,,
June	,,	,,	24		,,	,,
July	,,	,,	24		,,	,,
Aug.	,,	,,	24		,,	,,
Sept.	,,	,,	24		,,	,,
Oct.	,,	,,	24		,,	,,
Nov.	,,	,,	24		,,	,,
Dec.	,,	,,	24		,,	,,
1860						
Jan.			25	24	par	par
Feb.			25		,,	,,
Mar.			25		,,	,,
April			25		,,	,,
May			25		,,	,,
June	*d1*		20	15	,,	,,
July	,,*1*		15		,,	,,
Aug.	,,*1*		15		,,	,,
Sept.	,,*1*		15		,,	,,
Oct.	,,*3*	*1*	21·50		,,	,,
Nov.	,,*3*		21·50		,,	,,
Dec.			21·50		,,	,,

TABLE F—*continued.*

	Gold.		Silver.		Gold Coin.	
1861	*a*	*b*	*a*	*b*	*a*	*b*
Jan.	1	par	21½	20	par	par
Feb.	3	1	20		,,	,,
Mar.	3		20		,,	,,
April	3	2½	20	17½	,,	,,
May	2½	1¾	19½		,,	,,
June	3·50	1½	19½	16	,,	,,
July	3½	3·25	16	12	1½	¼
Aug.	3¾	3¼	15½	13	½	
Sept.	3½		13		¼	
Oct.	3½		18		¾	½
Nov.	2½		18	17½	¼	
Dec.	2½		17½		½	
1862						
Jan.	2½		21	17½	½	
Feb.	2½		21		½	
Mar.	2½	½	21		½	
April	1¾	½	21	17½	par	
May	1¾	½	19½	17½		
June	½		19½			
July	½		19½			
Aug.	½		19½			
Sept.	¾	½	17½			
Oct.	¾		17½			
Nov.	¾	½	22½	17½		
Dec.	1¼	½	26	22½		
1863						
Jan.	1¼		26		par	par
Feb.	1¼		26			
Mar.	1¼		26			
April	1¼		26	18		
May	1¼		18			
June	1¼		23½	18		
July	1¼		23½	18		
Aug.	1¾	1¼	20½	19	1¾	par
Sept.	1¾		22	20½	1¾	
Oct.	1¾		22		1¾	
Nov.	2½	1¾	24	22	1¾	
Dec.	4½	2½	25½	24	1¾	
1864						
Jan.	4½	4	38	25½	par	par
Feb.	4		31			
Mar.	4		31			
April	4		31			
May	4		31			
June	4		31			
July	4	2½	31	16½		
Aug.	2½		16½			
Sept.	2½		16½			
Oct.	3½	2½	16½	13½		
Nov.	3½		13½			
Dec.	3½		13½			

	Gold.		Silver.		Gold Coin.	
1865	*a*	*b*	*a*	*b*	*a*	*b*
Jan.	3½		13½		par	par
Feb.	3½		13½			
Mar.	3½		13½			
April	3½		13½			
May	3½		13½			
June	3½		13½			
July	1¼		11			
Aug.	1¼		11			
Sept.	1¼		11			
Oct.	1¼		11			
Nov.	1¼		11			
Dec.	1¼		11			
1866						
Jan.	1¼	1	22	11	par	par
Feb.	1		20			
Mar.	1		20			
April	1		20			
May	1		20			
June	1	par	27½	20		
July	par	,,	27½			
Aug.	,,	,,	27½			
Sept.	,,	,,	27½			
Oct.	,,	,,	27½			
Nov.	,,	,,	27½			
Dec.	1	,,	27½	17½		
1867						
Jan.	1		17½	16	par	par
Feb.	1		16			
Mar.	1		16			
April	1		16			
May	1		16			
June	1	½	16	11½		
July	½		11½	11½		
Aug.	½		11½			
Sept.	½		11½			
Oct.	½		11½	9½		
Nov.	½		9½			
Dec.	½		9½			
1868						
Jan.	½		9½		par	par
Feb.	½		9½			
Mar.	½		9½			
April	½		9½			
May	½		9½			
June	½		9½			
July	½		9½			
Aug.	½		9½			
Sept.	½	par	9½	8½		
Oct.	par		8½			
Nov.	,,		8½			
Dec.	,,		8½			

TABLE F—*continued.*

	Gold.		Silver.		Gold Coin.	
1869	*a*	*b*	*a*	*b*	*a*	*b*
Jan.	½		10		par	par
Feb.	½		10			
Mar.	½		10			
April	½		10			
May	½		10			
June	½		10			
July	½		10			
Aug.	½		10			
Sept.	1		8½			
Oct.	1		8½			
Nov.	1¼	1	10½	8½		
Dec.	1¼		10½	9½		
1870						
Jan.	1		10		par	par
Feb.	1		11½	9½		
Mar.	¾		12½	11½		
April	1		10½			
May	1		10½	9½		
June	1		9½			
July	2½	½-¾	14½	9½		
Aug.	1	½	7½	6¾		
Sept.	¾		6¾			
Oct.						
Nov.						
Dec.						
1871						
Jan.						
Feb.	6					
Mar.	2	1				
April	2					
May	2					
June	1½	1	16			
July	2½	1½	19	14½	par	par
Aug.	3½		19		,,	,,
Sept.	3½		19		,,	,,
Oct.	29	14	41	19	25	18·50
Nov.	25	15	42½	36	24	11
Dec.	15		36		16	8½
1872						
Jan.	15	13½	36	31	12½	6
Feb.	11½	7½	31	28	7½	2¾
Mar.	8	4½	28	13½	3¾	¾
April	4½		13½		1-37½	¼
May	4½	3	13½	11	2	1
June	7½		13½		4	2
July	13½	7½	16	13½	5¼	1-12½
Aug.	13½		16		11	6
Sept.	15	11½	22½	16	9½	5½
Oct.	16	13	22½		12½	7
Nov.	16	14	22½	17½	12	7¼
Dec.	14	11½	17½	13½	9¾	6-37½

	Gold.		Silver.		Gold Coin.	
1873	*a*	*b*	*a*	*b*	*a*	*b*
Jan.	12½	11½	14½	13½	8½	6
Feb.	11½	10½	16	10	6½	2
Mar.	10½		10		4¼	2¼
April	10½		10		6¾	4¼
May	10½		10		9¼	4¾
June	11½	10½	10	8½	8½	6¾
July	11½		8½		7	4
Aug.	11½		8½		3¾	3
Sept.	11½	9½	8½ *d?*	*d* 4½	4¼	2¾
Oct.	9½	8	*d* 13¾	,, 4½	3½	1
Nov.	12	8	,, 13¾	,, *12*	8	1
Dec.	10		,, *12*		2½	1
	Gold.	*Gold.*			*Gold.*	*Gold.*
1874	*a*	*b*	1877	*a*	*b*	
Jan.	10		Jan.	par		
Feb.	10		Feb.	*d* ¼	par	
Mar.	5		Mar.	,, ¼	*d* ⅛	
April	5		April	,, ¼	,, ⅛	
May	5		May	,, ¾	,, ¼	
June	5	par	June	,, *1*	,, ½	
July	par	,,	July	,, *1*	par	
Aug.	,,	,,	Aug.	par	,,	
Sept.	,,	,,	Sept.	,,		
Oct.	,,	,,	Oct.	,,		
Nov.	,,	,,	Nov.	,,		
Dec.	,,	,,	Dec.	,,		
1875			1878			
Jan.	par	par	Jan.	par	par	
Feb.	,,	,,	Feb.	,,	,,	
Mar.	,,	,,	Mar.	,,	,,	
April	,,	,,	Apr.	,,	,,	
May	,,	,,	May	,,	,,	
June	,,	,,	June	,,	,,	
July	1	,,	July	,,	,,	
Aug.	par	,,	Aug.	,,	,,	
Sept.	,,	,,	Sept.	,,	,,	
Oct.	3½	½	Oct.	2½	,,	
Nov.	1	par	Nov.	2½	1½	
Dec.			Dec.	2	1½	
1876			1879			
Jan.	1	par	Jan.	3		
Feb.	par	,,	Feb.			
Mar.	,,	,,	Mar.			
April	,,	,,	April			
May	,,	,,	May			
June	,,	,,	June			
July	,,	,,	July	3	par	
Aug.	,,	,,	Aug.	5	1½	
Sept.	,,	,,	Sept.	5½	4⅝	
Oct.	,,	,,	Oct.	4¾	3	
Nov.	,,	,,	Nov.	5	2¾	
Dec.	,,	,,	Dec.	4	2½	

TABLE F—*continued.*

	Gold.			Gold.			Gold.			Gold.	
1880	*a*	*b*	1884	*a*	*b*	1888	*a*	*b*	1892	*a*	*b*
Jan.	2½	½	Jan.	1		Jan.	5½	2½	Jan.	5	par
Feb.	½	par	Feb.	1		Feb.	3½	1½	Feb.	3	,,
Mar.	1¾	,,	Mar.	1		Mar.	4½	3½	Mar.	3	,,
April	4½		April	1		April	4½	3	April	1	,,
May	4½	1	May	1		May	3½	2	May	1½	,,
June	5	4½	June	1		June	3	2	June	par	,,
July	5	4	July	1		July	3½	2½	July	,,	,,
Aug.	6	4½	Aug.	1		Aug.	6	4	Aug.	1½	,,
Sept.	6	5½	Sept.	1		Sept.	7½	6	Sept.	2	½
Oct.	6		Oct.	1		Oct.	6½	4	Oct.	3	½
Nov.	5½	4½	Nov.	4	1	Nov.	4½	3½	Nov.	2½	par
Dec.	5		Dec.	3½		Dec.	5½	3	Dec.	1	,,
1881			1885			1889			1893		
Jan.	5	2½	Jan.	3½		Jan.	4½	2½	Jan.	1	par
Feb.	6	4	Feb.	4	3½	Feb.	3½	2½	Feb.	par	,,
Mar.	7	3½	Mar.	4½	4	Mar.	4	3	Mar.	3	,,
April	7	3¾	April	5½	3½	April	2½	2	April	1	,,
May	4½	3½	May	3½	½	May	2	1	May	2	,,
June	4½	2½	June	½		June	1½	1	June	2	,,
July	4½	2½	July	½		July	1		July	1½	½
Aug.	2½		Aug.	½		Aug.	1		Aug.	9½	½
Sept.	5½	2½	Sept.	½		Sept.	2	½	Sept.	6	2
Oct.	5½		Oct.	1½	par	Oct.	2	1	Oct.	4	1
Nov.	5½		Nov.	1½		Nov.	4	1	Nov.	3	1
Dec.	5½	3	Dec.	1½	1	Dec.	4½	½	Dec.	2	1
1882			1886			1890			1894		
Jan.	3	2½	Jan.	½		Jan.	3½	2½	Jan.	2	1
Feb.	2½		Feb.	½		Feb.	3½	1½	Feb.	2	par
Mar.	2½	½	Mar.	½		Mar.	2½	1½	Mar.	par	,,
April	½	par	April	½		April	2½	par	April	,,	,,
May	½	,,	May	½		May	1	,,	May	,,	,,
June	½		June	½		June	1	,,	June	,,	,,
July	½		July	½		July	2	,,	July	,,	,,
Aug.	½		Aug.	4	par	Aug.	4	1	Aug.	,,	,,
Sept.	½		Sept.	4	2	Sept.	3	1	Sept.	,,	,,
Oct.	½		Oct.	4½	2	Oct.	6½	1	Oct.	,,	,,
Nov.	½		Nov.	4½		Nov.	7	3	Nov.	,,	,,
Dec.	½		Dec.	7½		Dec.	6	2	Dec.	,,	,,
1883			1887			1891			1895		
Jan.	½		Jan.	5½	4½	Jan.	4	2	Jan.	par	par
Feb.	½		Feb.	6½	5	Feb.	5	1	Feb.	,,	,,
Mar.	½		Mar.	6½	5	Mar.	4	3	Mar.	1	,,
April	½		April	5	4	April	4	1½	April	1	,,
May	½		May	4	1½	May	5	2	May	par	,,
June	¾	par	June	2	1½	June	4½	1	June	,,	,,
July	¾		July	2½	1½	July	5	2	July	,,	,,
Aug.	2½	¾	Aug.	4½	1½	Aug.	6	3	Aug.	,,	,,
Sept.	2½	1	Sept.	8½	6½	Sept.	8	5	Sept.	3	,,
Oct.	1		Oct.	8½	4	Oct.	7½	5	Oct.	3	1
Nov.	1		Nov.	6½	4	Nov.	6	2	Nov.	1	par
Dec.	1		Dec.	7½	4½	Dec.	3	1½	Dec.	¾	,,

TABLE F—*continued.*

	Gold.			Gold.			Gold.			Gold.	
1896	*a*	*b*	1897	*a*	*b*	1898	*a*	*b*	1899	*a*	*b*
Jan.	1½	par	Jan.	2½	1	Jan.	4	1½	Jan.	3	par
Feb.	2	,,	Feb.	2	par	Feb.	3½	1½	Feb.	1	,,
Mar.	2	½	Mar.	1	,,	Mar.	6	2½	Mar.	2½	,,
April	2	par	April	par	,,	April	6½	3	April	2½	,,
May	1	,,	May	,,	,,	May	5	3	May	2	,,
June	¾	,,	June	½	,,	June	4½	3	June	2	½
July	1	,,	July	par	,,	July	3½	2	July	2	½
Aug.	1½	,,	Aug.	2½	,,	Aug.	4	2	Aug.	2	1
Sept.	3½	½	Sept.	4	1½	Sept.	7	3	Sept.		
Oct.	4	1	Oct.	3	1	Oct.	7½	5	Oct.		
Nov.	5	1½	Nov.	2½	1½	Nov.	7½	5	Nov.		
Dec.	4	1	Dec.	5	1½	Dec.	8	3	Dec.		

The Discounts on Silver are omitted from January, 1874 onwards. They record the falling price of Bar Silver, Compare Table J.

TABLE G.

Table showing by their dates the number of Gold 20-franc pieces and Silver 5-franc pieces coined in France from 1803 to 31st July, 1878.

Date.	Number of pieces coined each year.		Date.	Number of pieces coined each year.	
	20-franc Gold pieces.	5-franc Silver pieces.		20-franc Gold piece.	5-franc Silver pieces.
1803	58,262	4,565,400	Brought over	47,779,389	660,969,526
1804	1,416,387	8,460,663	1842	92,636	13,175,982
1805	520,311	7,836,898	1843	141,330	14,371,790
1806	1,151,950	4,485,649	1844	137,113	13,395,112
1807	839,444	804,423	1845	5,957	16,780,658
1808	1,482,975	9,382,286	1846	104,321	8,442,203
1809	720,110	7,985,445	1847	385,301	14,322,006
1810	2,186,802	10,344,480	1848	1,984,887	23,810,589
1811	4,070,593	48,947,496	1849	1,355,478	40,766,309
1812	3,471,798	31,045,613	1850	3,963,594	16,120,678
1813	3,037,054	26,002,853	1851	12,585,214	11,499,290
1814	3,227,236	12,157,707	1852	694,065	13,990,200
1815	2,768,992	7,532,048	1853	15,648,201	3,891,632
1816	640,106	6,836,669	1854	23,485,957	10,615
1817	2,428,882	7,008,958	1855	18,399,783	4,861,173
1818	4,042,851	2,419,939	1856	18,745,899	9,155,481
1819	2,611,313	4,188,801	1857	19,193,214	93,406
1820	1,428,094	3,612,292	1858	18,877,635	26,790
1821	20,207	13,355,182	1859	26,166,075	3,365
1822	233,937	19,688,279	1860	15,946,635	
1823	20,087	16,068,150	1861	4,030,253	22,098
1824	324,477	22,314,567	1862	7,732,433	21,129
1825	2,179,346	14,573,894	1863	7,672,793	21,687
1826	46,153	17,746,462	1864	10,382,097	32,168
1827	157,835	29,916,081	1865	6,039,858	97,134
1828	297,259	31,426,133	1866	13,970,178	37,893
1829	13,729	19,929,090	1867	7,439,514	10,810,312
1830	464,908	23,739,223	1868	14,110,127	18,724,110
1831	2,356,943	40,658,479	1869	11,362,847	11,652,857
1832	49,433	26,861,063	1870	2,717,440	10,729,670
1833	394,307	30,885,119	1871	2,508,494	942,181
1834	883,344	42,306,804	1872	... ...	77,838
1835	152,927	19,162,221	1873	... ...	30,929,809
1836	149,376	8,303,765	1874	1,215,985	11,999,202
1837	44,889	21,840,508	1875	11,745,600	15,000,000
1838	184,953	17,248,016	1876	8,824,658	10,532,263
1839	1,033,454	14,307,757	1877	12,759,057	3,292,857
1840	2,049,912	12,261,177	1878	7,090,088	363,130
1841	618,753	14,659,936			
Car. over	47,779,389	660,969,526[1]	Total .	355,294,106	990,973,143

[1] The coinage of 5-franc pieces in 1877 and 1878 belongs to engagements entered into prior to the law of 5th August, 1876. They are a part of the quota allowed by the supplementary treaties of the Union.

TABLE H.

Table showing by their dates the number of French Gold 10-franc pieces coined in France (1850 to 1869).

Date.	Number of Pieces. Coined each year.	Date.	Number of Pieces. Coined each year.
1850	592,051	Brought over	68,645,019
1851	1,800,524	1861	1,029,214
1852	1,314,697	1862	4,712,118
1853	...	1863	4,251,637
1854	3,899,802	1864	4,788,520
1855	6,149,585	1865	3,249,295
1856	10,777,734	1866	6,495,917
1857	14,498,136	1867	3,550,274
1858	8,211,046	1868	4,532,811
1859	13,325,889	1869	109,351
1860	8,075,555		
Car. over	68,645,019	Total	101,364,156

TABLE J.

(See sheet opposite.)

TABLE K.

Statement of Import of Bullion into London from undermentioned Places, during the Year 1898.

1898.	Gold.	Silver.	Total.	Imports During 1897. Gold.	Silver.	Total.
	£	£	£	£	£	£
Belgium	434,036	1,643,549	2,077,585	384,781	2,587,852	2,972,633
France	4,431,033	1,227,450	5,658,483	621,571	3,018,128	3,639,699
Germany	3,908,707	396,064	4,304,771	278,392	213,907	492,299
Holland	1,505,920	76,016	1,581,936	15,442	742	16,184
Sweden and Denmark	2,660	4	2,664	4,448	23	4,471
Russia	...	...	...	...	...	...
Spain, Portugal, etc.	414,633	24,536	439,169	537,193	29,782	566,975
Gibraltar	5,272	1,381	6,653	7,062	4,114	11,176
Malta	70,069	8,159	78,228	60,065	3,735	63,800
Alexandria, Aden, Ceylon, Bombay, Madras, Calcutta, Singapore, Penang, Manilla	755,120	67,455	822,575	250,000	65,724	315,724
	1,656,135	219	1,656,354	1,496,614	...	1,496,614
Hong Kong, Shanghai	1,365,995	22,000	1,387,995	682,169	10,800	692,969
Japan	2,419,903	565	2,420,468	60,240	2,320	62,560
Cape of Good Hope, Cape Verd, Sierra Leone, etc., Natal, Transvaal	16,858,270	43,159	16,901,429	13,769,352	59,013	13,828,365
United States	48,497	9,359,395	9,407,892	68,056	10,087,749	10,155,805
Mexico, South America (except Brazil) West Indies, etc.	1,731,294	1,675,992	3,407,286	1,597,469	1,786,433	3,383,902
Brazils	361,890	5,776	367,666	331,551	62,742	394,293
British North America	1,446	12,664	14,110	1,088	953	2,041
Australia, New Zealand	7,566,249	84,654	7,650,903	10,604,052	58,537	10,662,589
Other Countries	184,331	28,761	213,092	39,313	39,537	78,850
Total imports, 1898 £	43,721,460	14,677,799	58,399,259	30,808,858	18,032,091	48,840,949
Total imports, 1897 £	30,808,858	18,032,091	48,840,949			

See p. 191. Exports, see over.

TABLE L.

Statement of Export of Bullion from London to undermentioned Places, during the Year 1898.

Exports During 1897.

1898.	Gold.	Silver.	Total.	Gold.	Silver.	Total.
	£	£	£	£	£	£
Belgium	77,000	1,224,320	1,301,320	362,440	1,652,730	2,015,170
France	1,444,204	3,672,123	5,116,327	1,138,954	963,550	2,102,504
Germany	12,377,283	608,944	12,986,227	11,948,619	754,265	12,702,884
Holland	1,116,500	72,459	1,188,959	832,633	35.220	867,853
Sweden and Denmark	322,500	...	322,500	350,000	...	350,000
Russia	55,000	2,093,099	2,148,099	279,000	6,638,633	6,917,633
Spain, Portugal, etc.	9,040	1,156,568	1,165,608	95	902,958	903,053
Gibraltar	32,000	25,210	57,210	8,500	153	8,653
Malta	40,000	...	40,000	60,000	5,890	65,890
Egypt	400,400	25,412	425,812	1,051,500	31,003	1,082,503
Aden, Mauritius, Ceylon, Bombay, Madras, Calcutta, Singapore, Penang, Manilla	2,650,484	5,139,178	7,789,662	2,513,055	6,643,194	9,156,249
Hong Kong, Shanghai	...	809,957	809,957	...	540,203	540,203
Japan	3,776,700	150	3,776,850	5,273,620	40,000	5,313,620
Cape of Good Hope, Cape Verd, Sierra Leone, etc., Natal, Transvaal	50,731	509,930	560,661	45,015	153,589	198,604
United States	10,942,162	8,121	10,950,283	1,208,466	16,446	1,224,912
Mexico, S. America, etc. (except Brazil)	1,476,841	20,423	1,497,264	314,291	20,199	334,490
Brazils	1,134,670	1,407	1,136,077	364,924	730	365,654
British North America	35,000	29,040	64,040	25,000	2,500	27,500
Australia, New Zealand	...	115,967	115,967	...	116,460	116,460
Other Countries	649,535	111,343	760,878	5,032,459	263,265	5,295,724
Total exports, 1898 £	36,590,050	15,623,651	52,213,701	30,808,571	18,780,988	49,589,559
Total exports, 1897 £	30,808,571	18,780,988	49,589,559			

The shipments from San Francisco to China and the Straits total during the year 1898, in Bar Silver, £506,500; in Mexican Dollars, £376,000.

See p. 191.

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[1] Inverted commas are generally used to mark statements of Monometallists.

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