A REVIEW

OF THE

POSITION AND PROPHESIES

OF THE

BIMETALLISTS.

BY

ARTHUR CRUMP.

LONDON:
FINGHAM WILSON, ROYAL EXCHANGE.
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It is now a long time since the bimetallists as a semi-organised body of currency reformers entered upon the campaign which they hoped would end in what has come to be termed the rehabilitation of silver. It is not worth while to stay and inquire into the precise meaning of this word. Suffice it to say that some of the leading lights in the cause have pinned their faith to the ratio of 15½ of silver to 1 of gold, and that rehabilitation is intended to mean a return nominally to the *status quo* before the fall in the value of silver, which was the result primarily of the demonetization of that metal by Germany.

Our present purpose is to find out what progress the bimetallists have made towards the realisation of the object they have in view, and to see how far their prophesies, so freely indulged in in the early days of the temporary disorganisation of certain branches of trade owing to the fall in silver, were true or false.

What have been the inquiries into this question?

Last year a Conference was held at Paris, at which the President said that "two Monetary Conferences had already been held in Paris, in 1867 and 1878. That of 1867 was intended to secure monetary uniformity and pronounced in favour of gold monometallism. The Vice-President said in his final report of 16th July, 1876, that of the three systems—the gold standard, the silver standard, and the double standard—the Conference, although composed of twenty States, in two only of which was gold the standard, had unanimously decided that gold was the best standard with silver as a subsidiary coinage. The programme of 1867 was thoroughly adopted by the German legislators in 1871; the coinage of silver was suppressed and silver was demonetised. The Scandinavian States followed the same course. The Latin Union and Holland closed their mints to the coinage of silver; and now gold alone has the right of unlimited coinage on both sides of the Atlantic. It was certain that the stoppage of the coinage of silver would produce a fall in its value. England was severely affected by this, and in March, 1876, a Parliamentary inquiry was made, but it could suggest no remedy. In August, 1876, the United States appointed a Monetary Commission to inquire, not only into the causes of the fall in the value of silver, but also whether a bimetallic basis should not be adopted. This Commission reported, in March, 1877, that the fall was the result of laws, not of natural causes, and that equal rights should be given to both metals by the establishment of a uniform proportion of weight between gold coins and silver coins." Since laws are generally the result of causes which cannot very well be unnatural, our opinion would be that the changes which have brought about the gold standard are easily traceable to natural causes.

The Conference which was held at Paris in April, May, and July, 1881, was adjourned to April, 1882, and is now further postponed *sine die.* With the object of furthering the cause of bimetallism, and we suppose of preparing for the revival of interest in the question, which has diminished owing to no result being achieved, an association has been formed in London "for the Establishment of an *International Monetary Standard* with the following object : Bimet. Ass.

"The promotion of the stability of values ;

"By establishing the free coinage of silver and its use as money, under the same conditions as gold.

"By advocating and furthering an International Agreement, whereby a fixed relative value between gold and silver may be established, and the two metals may jointly form the currency of civilised nations ; thus facilitating the adjustment of International Balances, and lessening the excessive and needless risks which have now become attendant on home and foreign trade."

A meeting of the Association was held at the Mansion House on the 8th of March and was presided over by the Lord Mayor, who opened the proceedings by saying, "That they had met to discuss a question which he thought there could be no denying was the most important one of the present age."

Among other speakers, Mr. H. R. Grenfell gave a Grenfell's short address, going over the old ground. Mr. Grenfell said : "He believed that if Sir Robert Peel and Lord Liverpool were living now, and were as keenly alive as they were in their own days to all events going on around them, they would have come to the conclusion that this question might once more be reconsidered." In other words, Mr. Grenfell believes that both these eminent men would have been bimetallists had they been living now. With all due deference to Mr. Grenfell's views we entertain the opinion that they would both of them have been more likely to share the opinions on the subject of the present Government and also of the financial authorities to be found in Her Majesty's Opposition.

In the remarks we have to make, we intend to proceed as far as possible on the basis of facts. Hypotheses and probabilities are of little use in handling a question of this kind. Experience and facts, past and present, are the two lanterns by which to light the way.

Now, if Mr. Grenfell's belief regarding the two statesmen he refers to is well founded, how is it that no statesman of any eminence at all in our days is in favour of "this question being reconsidered." We know of no living statesman, who is considered a shining light, or even a dim light, on the subject, who has so expressed himself, while we do know that the British Government to a man decline "to reconsider this question," being entirely satisfied with the *status quo*, as far as England is concerned. What they do say is, that if a bimetallic standard is thought by other nations to suit the circumstances of their economical development as regards currency and their commercial position in the world, the British Government have no objection to give assistance, so far as they can consistently with the maintenance of the gold standard here, which has obtained since 1816.

We were struck with one remark which Mr. Grenfell made at the meeting at the Mansion House. He observed: "It was said that it would be utterly impossible to make a relative price between gold and silver— that it would be impossible to go against the law of the cost of production. To give one instance against the argument, however, the metal called platinum costs a great deal more to produce than gold, and yet one could not obtain a pound of gold for a pound of platinum."

Certainly not, and the reason is obvious. An essential element in value is utility. Compared with the utility of gold in the world, that of platinum may be said to be next to nothing, and its exchangeable value is consequently much less although its cost of production is much greater. The instance cited, therefore, is not against the argument but in favour of it.

The exchangeable value of silver has fallen, because its utility, and also its scarcity, have diminished.

Mr. Grenfell's explanation that "because gold being used for coinage has a special monopoly and privilege that renders this cost of production law inoperative" was received with applause, and was endorsed by Mr. Balfour, M.P., who gave his support to the argument by a still more curious illustration. The bimetallists have evidently something to learn on the subject of "value in exchange," and the circumstance further accounts to some extent for the vigorous efforts they have been making to reinstate the value of a metal which, for the same reason as applies to a pound of platinum, will not now exchange in the ratio of 15½ ounces to 1 ounce of gold.

After all these meetings and discussions which have been held, we presume we may now conclude that the bimetallists have said everything there is to be said on their side, and as they say in a court of law, "That is the plaintiff's case, my lord." Monometallists have certainly given their views at the Conferences, but since they have, with the exception of the meeting in 1876, been in a minority, it may be inferred by those who have been watching the proceedings, that the increase in the number of avowed adherents means a general growth of opinion in their favour. We do not say that this is not the case. It is difficult to judge of the views of the world upon the question of bimetallism by what is said. If we judge by what is not said and take reticence to mean indifference or disapproval, then the bimetallists are nowhere after all this agitation.

Assuming, however, that they have gained ground, the only way to find out what has been the nature of the preaching that has won over the proselytes, is to examine the discourses, and judge as far as we are able if they are sound or not.

Some people we know believe any thing they see in print or which is uttered by persons occupying high positions. There are others unconsciously biassed in their opinions. It becomes, therefore, a question of what weight is to be attached to the opinions given by those who from the circumstances in which they are placed would be likely to have, unconsciously, a bimetallic bias. These we are aware are considerations which it might be better to avoid; but we do not see how to leave them out if we are to put all in the scales which ought to go there.

We are quite prepared to be told that our own views are biassed, and that the arguments we bring forward are one sided. Whether this be the case or not we stand at all events free from prejudice as regards even the possibility of being unconsciously influenced by personal interest; and we go farther and say that our sole object in studying this question is to try and find out first what is best to be done for each nation in the different circumstances in which it is placed, and secondly, whether it would be a mistake or not to try by the adoption of any measures at all to restore silver to the position it occupied before its demonetization by Germany.

The advocates of monometallism for all nations that [illegible] can afford it have on their side the fact that silver has lost its former position, and is to a certain extent discredited. Whether or not it is possible by combination among those who are interested in its rehabilitation to restore it to the nominal ratio of 15½ to 1 of gold, which has probably been an unreal ratio for a very long time, is a question which must be left to them to decide. What suits one person's purpose does not suit another's. That which in this sense applies to individuals applies also to nations.

One man can afford two footmen and a carriage and pair of horses, another has a gig and one man-servant. The third has neither, and is obliged to content himself in his small way with a maid-of-all-work. England and Germany have a gold standard, Austria and Russia have a mixed standard, and Turkey is obliged to be contented with inconvertible paper. We use just these few names as sufficient to complete the metaphor.

It would no doubt be very kind of the two first named nations if they agreed to assist the two second named in endeavouring to establish a gold currency; but if England and Germany started Austria and Russia with two footmen and a carriage and pair of horses each, they would in both cases soon be found to have reverted to their original position, both horses and footmen having gone across the respective frontiers in search of employers who could afford permanently to keep them.

The same would be the case with Turkey and other nationalities whose circumstances are not equal to the support of such luxuries.

Germ. "Well," say those who, before Germany demonetized her silver, were able to keep their mints open for its free coinage, "but we should have been all right if you," meaning Germany, "had not turned out of your circulation a mass of defaced thalers which we quite admit wore out people's pockets, were a great trouble to count, and most cumbersome and troublesome when it became necessary to transport a large number of them any distance."

Germ. "It is all very well, my worthy friend," replies Germany "for you to call out; wait till you can afford to get rid of your dirty, worn-out, cumbersome silver pieces and join the currency *élite*, and we shall see if you will not aim at introducing into your economical system the more complete scientific arrangements which those selfish, but I must confess "downy," Britons have for so long been enjoying over there in that island, always complaining louder and louder each time they visited us and were bored to death and bewildered by the Babel-like currency of the Fatherland."

Fr. "I allow you got the start of us," says France, "in the question of reforming your currency, thanks, my worthy Teuton, to the war indemnity. But I am not certain that you have not made rather a mess of it. Everybody says your financiers as well as your military people have to stand, day and night, armed to the teeth to keep your twenty-mark pieces from deserting."

Ger. "In any case," retorts Germany, "I have the advantage of you. I am on the right road towards a system of currency which is in harmony with the economic changes which we see going on around us; while you, my friend, are 'landed,' as the Bourse people say when a speculator has been on the wrong tack and he can only get rid of his stock at a loss."

"What are the economic changes to which you refer, Fr.
and which I presume you mean render silver of less utility for the purpose of international currency than formerly?" inquired France.

"I have no doubt you are as well aware of the Ger.
scientific improvements of our time as I am," replied Germany, "but you do not call them to mind. I will read you an extract from the letter of a friend in England who is interested in this subject. He may not be always right, like the rest of us, but a good deal of what he says confirms me in my opinion that we are on the right road with our currency reform, whether it costs us much more or not to prevent our gold from leaving the country. My English friend is rather hard on the bimetallists, and perhaps not always quite just, but I share to a large extent his views; and if he is somewhat dogmatical it must be remembered that the bimetallists have not been over modest in bringing their side of the question before the public. Here it is:

'Advocates of the principle of bimetallism seem to [illegible]
base their arguments too much upon the apparently fixed belief, that the precious metals perform the same function between different nations that the established currency does between the individuals who compose the separate nationalities. This in our view is one of the fallacies which makes the position they take up untenable in *existing circumstances*. The question of bimetallism

or monometallism is one which it is necessary to divest as much as possible of the mystifying theoretical arguments which people of scientific proclivities are so fond of using. There is no necessity for discussing theories at all. The whole question is one of common sense, easily understood if we will keep ourselves down on the hard ground of business facts and requirements, and avoid those flights into the higher regions of intellectual speculation, where it is so difficult to lay hold of the materials we require to enable us to arrive at a solution with that certainty of grasp, without which there can be no complete demonstration. Now, in approaching this question it seems to us that the first thing we have to do is to determine to stand down on the ground, where we are in the company of proved fact, and to be equally resolved not to be drawn from the *terra firma* of the subject by including in our survey the intangible elements in the proposition.

'We do not need, before we cross the threshold of the subject, to ask the question what is currency, because every one who has given his mind seriously to this question knows what it is. Since every one knows of what use a pound sterling is as well as he knows of what use is a hat or an umbrella, we will look upon the term currency as an element in the discussion as disposed of, about which, in fact, there is no need to argue and nothing more to be said. National currency, as distinguished from international currency, we shall analyse further on. We can get always as much national currency as we want in England by simply agitating till the Mint puts more £ *s. d.* into circulation. The population we will assume increases, and more shillings are required, so that each may carry some in his pocket according to his means. If the poor section of the community increases faster than the rich, there must be an increase in the bronze coinage. If business becomes active the leading denominations of coins will be more wanted, and they will flow out from the centres and spread themselves about just as we see a regular expansion of currency when the harvesting begins or when there is a parliamentary election. The idea, indeed, of individuals being allowed at all to go with the precious metals to the Mint and get them coined, when there is an established Government whose business in every well ordered State it ought to be to provide the currency necessary, seems to be a strange one when we come to think about it. When a drain of gold arises as the result of an adverse trade balance, there are certain firms who make it their business to buy the gold and export it so long as the exchange leaves them a profit. This is legitimate enough, and sometimes affords traders breathing time when there is a good surplus of gold to export; but it is evident that no legitimate benefit can be derived by anybody other than that secured by the skilful manipulators, by allowing them to carry either gold or silver *ad libitum* to be coined under a bimetallic law. The market for these metals is narrowly watched, and when a margin of profit presents itself debts are discharged by coining the cheaper metal. On this system the currency may be easily unnecessarily increased and prices unduly raised.

'There is no need to raise the question of the individuals composing a separate nationality, taking payment of indebtedness in any other form than by cheques and bank notes which are legal tender or gold, and in silver to the limit fixed by the statute.

'There was a time when silver and gold was wheeled about the country for the purpose of discharging indebtedness, just as people used to go out to dinner in sedan-chairs, and were compelled to waste their lives in a four-horse coach between London and Exeter.

'In the same manner that we are now introducing telephones, phonographs, electric lights, and other modern improvements, the sedan-chair in the day of its decline was dispensed with in favour of the brougham, the coach in favour of the railway train, and in our day the transfer of cumbersome loads of metallic currency in favour of the cheque and the cable-transfer, which is the offspring of the banking system.

'Then apart from the bank notes, gold, silver and bronze, there is what we may call a self-made and self-sustained currency, which, as regards amount, plays even a larger part than the currency proper in effecting an exchange of commodities in a country. The way in which this currency is created, and which is part of a system which is as old almost as commerce itself, may be illustrated by quoting a paragraph from Mundell on the industrial situation of Great Britain, in which the data are collected from the year 1775 to 1832. After

Mundell

pointing out that notes could not be issued at that time in "The County of Lancaster" owing to it being impossible that any six persons could be found equal to the money transactions of that large manufacturing and commercial county, a peculiar currency was resorted to —"all manufacturers in that county having correspondents in London to whom they send goods to be sold, or direct remittances to be made for goods sold elsewhere, it suits them to draw upon London. This they generally do at short dates for sums of or under

£50. Such bills of exchange form the main currency of Lancashire. Each drawer or payer endorsing his name, or the name of his firm, upon them as he uses them in making payments; and before any such bill arrives in London for liquidation, the names of twenty or thirty indorsers appear on it, all of whom thus become sureties to each other and the public."

'This system of effecting an interchange of commodities may be said to play the major part in the currency system of a country in the same way that notes and coin play the minor and fractional part. It is obvious that bills of exchange could only be used to complete a bargain when its total equalled exactly the price of the commodity purchased.

'The bills of exchange currency and the legal tender note and coin currency are the counterpart in internal currency of commodities themselves or bills of exchange representing them, and negotiable securities as the major part of international currency and the precious metals as the minor.

'Distrust and withdrawal of confidence creates a disturbance, only differing in degree, in both cases alike.

'Discredit caused by losses in trade diminishes the bills of exchange currency and increases the legal tender note and coin currency. Some writers we have observed have stated that legal tender currency must necessarily increase when activity in commerce revives. True, as regards small currency for wages, &c. But an extension of credit means a growth of confidence in the capability of all traders to pay. Then their signatures serve to manufacture currency and the larger legal tender currency diminishes.

'Now, in international currency, which is the subject chiefly before us, more metal currency will also be required to settle international indebtedness when international credit declines. When bills offered on Change are not bought from fear of the solvency of the parties to them, other forms of remittance must be resorted to, and ultimately the precious metals, as the last, because the dearest. When firms of undoubted credit, who do not care otherwise to draw, are offered a very high rate of exchange, they will draw for the sake of the profit and remit gold as " cover."

'The closer nations are brought together by telegraph the easier international indebtedness can be settled. If the Bank of England requires to attract gold from New York, we do not have to wait for the effect till it arrives here. The moment it is known by cable that the gold is shipped, almost the same effect is produced on this side as if the metal were already in the Bank vaults. In fact, latterly, operations of this nature, which in pre-cable times would have been carried out, are now often countermanded because the effect is produced before the cause strikes home, and the profit on the transaction disappears before it can be grasped.

'The liquidation of international indebtedness without the intervention of metal currency is effected in these times on a scale which was impossible before the ocean telegraph cables were laid, and it must be obvious that in these changed circumstances the cumbersome transfer of metal in payment will be resorted to less frequently, because the modern international machinery for settling international indebtedness affords larger means than were ever before available.

'In fact, the foregoing may be summed up in the statement that metal as international currency is less in demand than it was, and the tendency in that direction increases in an inverse ratio to the growth of international confidence and credit, and to the development of the facilities for intercommunication.

'The cheque and book transfer systems, by which commodities are interchanged not only internally in England but to a growing extent internationally, especially between England and France, is part of the development of the more economical methods of doing business which has been very slowly gaining ground on the Continent. We hear French economists saying that England takes ten years to effect a currency reform. What shall we say to France in the matter of cheques? We believe it was M. Cernuschi who reproached England with being so very slow in carrying out reforms. This is highly entertaining. We have had a gold standard since 1816. If we took ten years to consider the matter we will say, on M. Cernuschi's authority, that the Government of that time commenced to think about the reform in 1806. From 1806 to 1882 is, say, seventy-five years. France has been nearly three quarters of a century watching the admirable way in which our gold standard works, and with many advantages in her favour is, after all, behind Germany in introducing the reform. The French economists, in fact, have been asleep as regards economical development, and have allowed a country with a very inferior commercial position not only to do what France should long ago have done from 1848 onwards, but have allowed Germany to block the way by upsetting the silver market. France may now have to wait for years before the existing stock of silver is sufficiently absorbed to enable her to join the Monometallic Company. If there is one respect in which banks may be called the handmaids of commerce, it is in each one of them playing the part of a "clearing-house." The day that London agreed to give up the cheque system, which is practically unknown in the economic system of France, and to try to settle the day's operations of this town as our French friends do in Paris, the bankers' clerks would have to work in relays, one clearing up the day's work while the others slept. Indeed, it is very doubtful if we could go on at all even for one day without cheques. This circumstance of itself is sufficient to show how greatly the transactions in the one centre exceed those of the other.

'What does this wide difference between the economical systems of the two centres actually mean? That a much larger sum of legal tender currency is required at Paris to complete a much smaller volume of business, for we presume that everybody admits that the whole monetary transactions of London in one day, taking an average, very far exceed those of Paris.

Banks

'Let us take the leading piece of machinery by which the operations at each place are carried on. The Bank of France return for February 23rd, 1882, as compared with the Bank of England weekly statement of the same week, shows as follows:

	Gold and Silver.	Notes in circulation.
Bank of France . .	£78,000,000	£111,006,332
	Gold.	
Bank of England . .	21,200,000	24,532,000

'The Bank of France issues notes for the whole country, and the above figures include the branches.

'Besides the Bank of England note circulation, the following is a summary of the fixed country issues:

'*Summary of Present fixed issues.*

England—103 Private Banks	. . .	£3,548,166
„ 47 Joint Stock Banks	. . .	2,400,556
Scotland—10 Joint Stock Banks	. . .	2,676,350
Ireland— 6 Joint Stock Banks	. . .	6,354,494
		£14,979,566

The number of Private Banks authorised to issue their own notes in England, by the Act of 1844, was .		207
Diminished in number by amalgamation . .	6	
Lapsed Issues	98	
	—	104
		103

The number of Banks authorised to issue their own notes in Scotland by the Act of 1845, was . .		19
Diminished in number by amalgamation . .	6	
Lapsed Issues, as stated above	3	
	—	9
		10

'Say, £15,000,000 of notes issued in the country. Add this total to say 25 millions of Bank of England notes in circulation, and we have a grand total for the United Kingdom of Great Britain and Ireland of £40,000,000, or about one third of the amount of notes required for the interchange of commodities and the settlement of indebtedness internally in France.

'Now, the loss on this amount can only be estimated as material on the difference in the proportion of metal held as security for the notes. If France had a cheque system and as good a system of book transfer as we have, they could work the currency as cheaply as we can. The difference in population is a question into which we need not enter, as a larger proportion of the French peasantry use little or no currency at all, being wider spread than is the case with our denser population. Assuming, then, that our economical systems were about equally developed, the Bank of France would require a much smaller issue of notes, and consequently much less gold and silver.

'If we took away 50 millions the Bank of France would still have 7 millions more than the Bank of England requires to carry on a much larger business. What then would be the result in this direction alone as regards waste of power and loss of money if the better system could be introduced into France? If that 50 millions of metal could be sold and the money used in the redemption of Rentes, the country would save £1,500,000 per annum at least.

'No one, we venture to think, will assert that France will never be convinced of the utility of the better system. She has, however, missed her chance for the present, and must now wait until circumstances enable her to get rid of the surplus silver and introduce those reforms which are in harmony with modern requirements.

'We come now to another point. By endeavouring to induce England, Germany, and the other minor states who are working on the monometallic basis, to assist in establishing universal bimetallism, the bimetallists are endeavouring, no doubt inadvertently, to force this country, and those struggling for the same economic perfection, back upon the old cumbersome methods.

Amer. 'The experiment, indeed, has been in a small way tried. The lumbering silver pieces sent into circulation under the Bland Bill, after the first efforts to induce this country and others to join the "bimetallic union," were returned immediately upon the issuers. The Americans preferred their greenbacks. The dollar pieces now cumber the vaults of the United States' Treasury, and the scheme to get silver into more extensive circulation, strongly backed up as it was by the owners of the silver mines, signally failed. If a comparatively young community, untrained and unspoiled by the more polished western civilisation, so emphatically declines to be burdened with such a circulating medium, how is it to be expected that a London population, which has long since ousted its five-shilling pieces, and would have got rid also of the half-crowns but for the convenience of the coin as regards amount, could ever be induced to add another to the already too many small encumbrances which impede the daily locomotion, and which make us all too painfully aware that our clothes must be studded with pockets which are generally too visibly full.

'No, the true policy in this matter under existing True Pol circumstances is to employ silver as much as we all conveniently can in the form of token money, which will ensure its circulating only in the country where it is coined. There is no possibility of ever being able to establish one universal coinage. And perhaps it is better that it is so. The regulation of the currency of a country is one of the duties of Government aided by a State bank. Each nation can under that system be supplied according to its requirements, and perfection in international dealing will only be reached when all indebtedness can be settled without the intervention of any metallic medium at all. As matters are at present, the metals, as we have before said, are always the last commodity to be shipped in payment of foreign debts, and the next reform to that is to arrange that none is shipped at all *for that purpose.* That is the direction in which the efforts of currency reformers should be exerted, and not in the opposite one, which is travelling back on the road to barbarism.

'What does Ricardo say on this subject?

Ricardo

'"A well regulated paper currency is so great an improvement in commerce, that I should greatly regret if prejudice should induce us to return to a system of less utility. The introduction of the precious metals for the purpose of money may with truth be considered as one of the most important steps towards the improvement of commerce and the aims of civilised life, but it is no less true that, with the advancement of knowledge and science, we discover that it would *be another improvement to banish them again* from the employment to which during a less enlightened period they had been so advantageously applied."'

Prices

It is well known that the prices of commodities have, as a rule, been exceedingly low for several years past. In fact, they had been steadily declining ever since the American crisis of 1873 caused a reaction from the growing prosperity which, interrupted by the Franco-German war, took a fresh start after it was terminated and continued up to the year named. This fall and its continuance has, of course, been unfavorable to manufacturers as a body in one sense, namely, that they get smaller returns for their manufactured articles; but it is to be remembered that they have not been suffering so much as is generally supposed from this cause, owing to raw materials which form the staple of our industries having been very low also. The circumstances in which we live are very much changed from what they were when similar extreme depression in prices has previously occurred. These circumstances are left out of sight to a large extent by those who have complained of bad trade, which, by-the-bye, has been steadily improving for some time, and also, as a rule, by those who seek an explanation of the prolonged continuance of those low prices. The bimetallists have attributed the depression in trade to the effects of the demonetization of silver by Germany, and they maintain that prosperity, higher prices, and activity in business would have immediately attended a rehabilitation of silver by the artificial raising of its price in the manner they proposed. The Indian banks are in favour of bimetallism for reasons which are obvious to those who understand their position since the fall of the exchange. They have besides suffered from other causes, such as the cable transfer system having annihilated the six months' bills which were previously drawn from the East upon their offices in London. It is clear that currency opinions formed in such an atmosphere can be of little value as contributions to a discussion on a question of principle which demands a wider range of view.

First of all, we have to inquire into the main causes of a fall in the price of commodities. These are acknowledged by most writers of authority in past times to have been either due to an appreciation alone of the money in circulation, which is the measure of their value, the abundance of commodities, or to these two causes combined. A depression of prices may be confined to one country by reason of a contraction of the currency, which, in fact, is always the result of the action of the

Fall of pric

Bank of England directors when they raise their rate of discount. The higher it goes the more effect is produced upon the foreign exchanges in our favour, the object being when a drain of gold has set in to stop it. A depression of prices may be general over large districts of the earth, owing to a diminution in the supply of the metals used as currency, or to the spreading of the existing stock over a larger area. The unprecedented continuance of low prices for several years past has not been confined to this country, but has been more or less general throughout Europe, where it has not been counteracted, as was the case in France in 1880, by more notes being issued. Simultaneously with the spreading of the existing stock of gold over a larger area, the supply from the mines has undoubtedly been smaller of late years, and the consequence has been an appreciation of the metal. While these influences have been operating in depressing prices, another equally potent has been present, viz. the abundance of commodities which has weighed upon the produce markets of the world. To refer to grain and tea alone, which are two out of a dozen prime articles, is sufficient evidence in support of the statement.

The swift ocean transit brings commodities to market much sooner than they could come formerly, and the telegraphic communication enables consumers generally to appropriate the profits formerly made by the merchant. In other words, he can know what are the supplies all over the world, and he does not accumulate stocks as he used to. In this way the stocks are not so much spread, and there is less opportunity of manipulating prices. Moreover, the large amount of capital accumulated in joint-stock enterprises of all sorts has increased the competition among producers, which is in favour of low prices.

Political economists all agree that a nation's well being is best assured by the great mass of the community being able to provide themselves with the necessaries of life at cheap prices. In this respect our well being has rested for a long time on a broad and solid basis. For some time past the pessimists have found themselves and their theories as to the alleged "rotten" condition of the nation's commerce and its impending decline and fall, relegated to the haunts of false prophets, by facts and figures daily brought before their notice, which they have been at least wise enough not to attempt to disprove.

The fall in the value of silver has come, and no doubt has to some extent contributed to depress prices, not so much here directly as in those countries where the coinage of the metal has been stopped, and where consequently there may perhaps have been some diminution in the amount of currency in circulation. To what extent this internal deficiency may have been filled up by the issue of notes, as was the case in France, we cannot say. In all cases where there is an internal demand for more circulating medium it can and always is supplied. If the silver is not coined notes can be issued against it by those who prefer using it for this purpose to selling it. Without a minute examination of the state of the currency of each country where the coinage of silver has been suspended no opinion can be given, but there may be at this moment, for aught we know, as much circulating medium in Europe of all sorts, paper and metal, as if there had been no fall in the value of silver and no consequent restriction in its coinage. If this should on examination be found to be the fact, half the case of the bimetallists would fall to the ground at once. They maintain that the prosperity of the world is kept back by the restriction in the coinage of silver, and that trade is depressed owing to the impaired negotiability of the metal, and to there being too little money in circulation. At the present moment money is in superabundant supply in France, and is every day growing cheaper, as is the case at the other great centres. To maintain therefore that commerce is being restricted by insufficient money is a mistake.

We maintain, on the contrary, that although the fall in the value of silver and its *pro tanto* discredit has had something to do with the depression in prices, as it could not fail to do, that whatever general disturbance of the commerce of the world has been due to the disturbance of silver has already been to a large extent repaired, and that the business of the world goes on very much as it did before, the difference, if any, probably being that it is upon a sounder basis. In support of this general statement we have endeavoured to show further on that the predictions of the bimetallists have already been in the main falsified so far as they have been submitted to the test of time.

Whether we are right or wrong in our opinion, after a careful consideration of the evidence that is open to us, we are forced to the conclusion that the white metal can never recover the position it is losing with the foremost civilised states. The use of it may increase with the younger communities who are making their financial way among nations, and possibly through their instrumentality silver may for a time even attain to its old position, as regards relative value, but it is idle to hope that the older and richer states, who have passed into a higher stage of economical development, will be willing to retrace their steps to assist the development of other communities who will be better able by passing through England's experience eventually to join her in the more scientific currency arrangements which her modern commercial requirements render indispensable. Our remarks, therefore, regarding the white metal having lost its position refer more to the advanced states than to those whose circumstances better fit them to support the cheaper metal as a medium of exchange than the dearer. If by a combination, the silver-using states can assist and stimulate the natural demand so far to overtake the supply as to absorb the surplus stock which at present defeats the realisation of their object, those who disapprove of the proposal that all nations must join in such a movement, whether it suits them or not, will wish them success, and will no doubt be willing to render such indirect aid as they can. With this qualification, then, we may state that in our opinion silver has lost its title to maintain its old position of international currency for the following main reasons:—(1) Because its decline in value in relation to gold disqualifies it in the sense in which it was formerly fitted for the work.* (2) The rapidity of modern transit and of communication has of late years greatly diminished the necessity for transferring the precious metals from one country to another, and also makes them much sooner again available after the debt has been settled, thereby enabling a larger volume of transactions to be arranged on a smaller metallic basis. The business of the banks which formerly did this work, and of the shipping companies

* See Appendix, p. 108.

who carried the metal, show now one transaction where there were several only a few years ago. (3) The improved means of working silver mines, and the increase in their number, further deprive the metal of the value it possessed as currency when its steadiness in relative value was secured by the limitation of supply. (4) Hitherto bags of five-franc pieces have been kept in the strong-rooms of French bankers and merchants, and thalers in the same way in Germany, and roubles in Russia; the same system prevailing in other countries. Whether or not the Germans saw what would be the result of the increased produce of the American and other mines we do not know, but as soon as they got what they considered a chance of "unloading" upon some one else a security which there was a very fair prospect would before long go more out of use, and consequently fall in value, they made the attempt with the results with which we are all familiar. Unfortunately for the case of the bimetallists it was not possible to form a syndicate to relieve the Germans of their surplus silver. Why? Because those capitalists, without whose assistance the metal could not be kept off the market, did not believe in being able to find new buyers, at all events in such a reasonable period of time as would justify them in running the risk. What would have been the hypothetical position of those capitalists now if they had been otherwise minded?

This brings us to a point which is of some interest as showing what curious suggestions men of business acumen will allow themselves to make. When the value of silver had fallen to somewhere about 47*d.* per ounce, and the discussion of bimetallism was at fever height, it was suggested that the great powers should form a syndicate to take the surplus silver off the market. Such a course was openly advocated as a sound business proposal.

When Egyptian finance was being set in better order some great capitalists did relieve those who were overburdened with Egyptian bonds, because there was a certainty of the supply being limited, and it was also well known that under efficient control Egypt would pay a fair dividend on the bonds. Buying up a surplus in this case, it was tolerably clear, would eventually yield a profit; but where are any conditions even faintly resembling these to be found in the case of the depreciation of the value of silver?

Such a proposal was easy enough to make to the Governments whose aid it was proposed to invoke, but if the business men in question had changed places with the respective ministers of finance, what would have been their line of action?

We will take the English Government, because they, under the circumstances, could best afford to come to the rescue, not being what is called "landed with a loss." If the English Government could by any possibility have been induced to do anything so absurd as to go into the market and buy 5 millions sterling worth of silver, the only possible way of utilising the metal would have been to put it in the vaults of the Bank of England in the place of 5 millions sterling worth of gold. For the sake of argument we will suppose it had been done; what would have been the result? Every other sensible Government, seeing what had been the result of Germany demonetizing her silver, would have done its best, consistently with fulfilling the terms of any joint contract which would have been entered into by the leading nations, to keep clear of all silver engagements, and so to arrange its currency requirements as to be exposed to the minimum of loss by the next breakdown in the price of the metal.

The breakdown so far in the relative price of the metal has diminished the output at some of the mines, and has stopped the work altogether at others. This is one of the proper and legitimate methods of cure by which the market prices of other things is regulated for the most part, and with which no one pretends to interfere. Why such a sound and sensible system of regulating prices should be departed from in the case of silver no one has been able, as far as we know, to explain satisfactorily.

To go back for a moment to the hypothetical position of the British Government, with its acquisition of 5 millions of silver, what defence would a finance minister be able to make when attacked for having purchased for the nation that quantity of a metal which it could not sell? Even supposing it could have been sold ultimately, say at a loss of £100,000, who is to pay that loss? Could the finance minister ask the House of Commons to be allowed to increase a tax to meet a deficit of that sort? If it could not be met in that way, what other body of persons could be found to entertain the proposal of taking up these 5 millions of silver? Those who seriously recommended so ridiculous a remedy were much too clever to dream of having anything to do with such a Quixotic syndicate themselves.

Before proceeding to pass in review the prophesies of the bimetallists and the statements made by them at the different Conferences, we shall just set out the different nations with their monetary standards, and in this way, by analysing the position and interests of each, endeavour to account to some extent for the bias which has been no doubt unconsciously given to some of the opinions expressed. Those to whom this remark may apply are welcome to use the same argument with reference to our own views. The prospect of this does not, however, deter us from endeavouring to prove how many opinions are swayed by the interests, either personal or national, of those who express them. Subjoined is a list of the nations, with the monetary standard in use opposite each:

Conference, April and May, 1881, *Paris; second sitting,* 5*th May.*

Austria-Hungary ...	Gold and silver. Paper currency based on silver, but nominally gold too is legal tender, the 8 fl. piece in gold being taken = fl. 8 10.
Belgium	Gold and silver. Limping standard.*
British India	Silver.
Canada	Gold.
Denmark	Gold.
France	Gold and silver. Limping standard.
Germany	Limping standard.
Great Britain	Gold.
Greece	Paper, nominally the same as France.
Holland	Limping standard.

* The limping standard (as Sir Louis Mallet called it at the Paris Conference) is the system under which gold is being admitted for unlimited coinage, but not silver, the old silver coins of certain denominations (5 francs, 1 thaler) remaining, however, legal tender.

Italy	Paper. Trying to resume on the basis of gold.
Norway	Gold.
Portugal	Gold.
Russia	Paper based on silver, but nominally gold too is legal tender, the Imperial being taken=Ru. 5 15.
Spain	Limping standard.
Sweden	Gold.
Switzerland	Limping standard.
United States	Gold and silver as coined under Bland bill.

Austr. Hung.

Austria—Hungary.

The Austria-Hungary delegates declared "that their attitude would be one of favorable reserve, without making any engagement. The sympathies were with any measure aiming at rehabilitating silver."

This country could not hope in existing circumstances to be able to establish monometallism, and the views of the Government would naturally incline in the direction of improving the *status quo*, viz. inconvertible paper money nominally based on silver.

Belgium.

Belgium.

This state was most ably represented by M. Pirmez, whose statement is one of the most lucid and intelligent we have seen, and withal quite sound in our opinion. Belgium is trying to establish monometallism. We give here entire M. Pirmez's remarks, so important do we consider them as a sound contribution to this question.

M. Pirmez, delegate of Belgium, said :

"The states of the civilised world can, from a monetary point of view, be divided into three groups—the gold monometallists, the states placed under the rule of paper money, and, lastly, those which have been called the states with the lame standard; that is, those that have almost in law as well as in fact the standard of gold, but mixed with a trace of bimetallism.

"The first seem completely satisfied with their situation. In vain the bimetallists seek to alarm them, and to point out to them the evils from which they ought to be suffering, the perils which threaten them. They continue to declare that they feel neither uneasiness nor disquietude. If Portugal and the Scandinavian States take part in the present Conference, it is not, as they have said, with the intention of modifying their monetary law; it is simply out of deference. England is more absolute still: she does not admit even the supposition that she could be brought to renounce the single gold standard, and is only represented here under this formal reserve.

"The bimetallists pretend that Great Britain ought to find in the monetary situation of India, and in the depreciation of the rupee, a powerful motive for changing her attitude. It is certain that on the payment of the tributes which the Indian Government receives from the native princes, and which are fixed in rupees at a settled amount, England undergoes a certain loss, because she receives an invariable sum, of which the real value has diminished on account of the fall in the rate of silver; but this is only relatively a secondary matter in the total of its financial relations with India. The great interest for England, from the point of view of its relations with India, is the commercial interest. Now, in this respect it is not correct to say, as has been pretended, that Great Britain has suffered from the depreciation of silver. Without doubt, the exchange of London on Calcutta and Bombay has fallen considerably, but in the end English commerce does not suffer from it, for it is sufficient, as always occurs in a similar case, to compensate the fall in exchange by a corresponding rise in the selling price. It is therefore perfectly explained why, in spite of the extent of its relations with India, the British Government remains insensible to the adjurations of the bimetallists.

"Germany has not really a different attitude from that of England. The German Empire has effected a great monetary reform; it has accomplished it at the proper moment, and it does not dream of renouncing it.

"It is evident that for the Powers placed under the rule of paper money the financial question is of greater importance than the monetary question. It is equally certain that if they only consider the financial point of view, they might find advantage in adopting the silver standard, because it would furnish them with a very legitimate means of acquitting themselves of their debts, at the least possible expense. They, hesitate however, to do this, because they are aware of the discredit which weighs on silver. They understand thoroughly that there is now a tendency to consider only those states which have a gold standard as being financially of the first class. The example and support of a great financial power like France can alone decide them to adopt a silver standard.

"The third monetary group is formed of states which have almost the gold standard in law as in fact, but with a trace of bimetallism still left. It includes the States of the Latin Union (except Italy and Greece, which still have paper money), Holland in a certain measure, and Spain. The situation of these states is without doubt unsatisfactory, but the cause of the malady from which they suffer is the excess of silver, which is the consequence, and as it were the legacy, of the bimetallism which has been abandoned.

"The malady, however, must not be exaggerated. The considerable stock of five-franc pieces which the Bank of France keeps in its vaults is not a mere burden. It serves as a pledge and guarantee for the notes in circulation, and the figure is not excessive, for the proportion of coin which the Bank of France possesses is not sensibly higher than that of the other great state banks, for instance the Bank of England. It is true that fear was lately felt on account of the issue of a certain sum of gold from the Bank of France, but it must not be believed that this sum in gold was entirely exported from France, and that it crossed the Atlantic to pay the excess of the American importations. There have certainly been exportations of gold, but there have also been importations much more difficult to prove, and the monetary circulation in France remains saturated with it. The payments made for the last French loan of a milliard [£40,000,000] furnish a decisive proof of this. It is therefore right to conclude that gold occupies in the monetary circulation of France a part infinitely superior to that of silver, and that it is altogether the dominant element in the circulation. If we now find in the Bank of France a considerable sum in silver, it is only because it has been withdrawn from the circulation of the country by the public itself. Every one has discharged silver money into this great reservoir, in order to take out of it instead gold, which is preferred by all.

Looked at from this point of view, the situation of the countries with a lame standard has nothing alarming in it; but it can and should be improved, especially if Italy resume before long specie payments. The Kingdom of Italy entered the Latin Union under exceptional circumstances; between the signature and the ratification of the Convention of 1865, Italy adopted paper money, so that it has always been under conditions which were not foreseen at the conclusion of the treaty. The forced currency notes in Italy have sometimes been at a discount of 10 and 12 per cent., and this has naturally resulted in causing nearly all the coin in Italy to pass into the other countries of the Latin Union. This has continued, and when, two years ago, the Italian subsidiary money was withdrawn, it was proved that a great part of it was out of Italy. The Italian five-franc pieces are in the same position, and it may be hoped that when Italy resumes specie payments, she will take back a considerable quantity of these pieces, which will set free by so much the circulation of the other States of the Latin Union. The countries with a lame standard are, as M. Pierson has shown, exposed to the danger of false coinage, or rather to the secret manufacture of false pieces of a true standard and weight, but with a profit of 15 or 20 per cent., resulting simply from the divergence between the selling and the official values of the metal.

"I have proved that our situation has nothing alarming in it. I must now show that the measure proposed by the bimetallists would have the effect, not of ameliorating it, but of aggravating the vices and the dangers to which it is liable.

"To resume the free mintage of silver without the concurrence of the states which now have single gold standard would be to court disaster, and no one dares to propose it. But even if they succeeded in causing bimetallism to be adopted by England, Germany, India, and even China, they would only end in establishing an equal circulation of gold and of silver, and in loading equally the two scales of the balance in all countries of the globe. Now, as the states with the silver standard are more populous and possess more coin than both the states with a gold standard and the states which are now bimetallic, it follows that the only result of the universal establishment of bimetallism would be to cause a great part of the silver with which Asia is saturated to be poured out on Europe, and to attract in return towards Asia a considerable part of the European gold. Even the Bank of France has tried to make the five-franc pieces accepted, but she has failed; and this inconvenient coin is constantly brought back to it. In the United States they have tried to put into circulation the new dollars struck under the Bland Bill; they have tried by every means to make them accepted by the public. They have failed, and only a portion is in circulation as subsidiary money.

"The bimetallists flatter themselves that they will guard, by the application of their system, against the two great dangers which they think imminent; that is, against the play of the commercial balance in a sense unfavorable to Europe, and against the rise in gold. The commercial balance is, in fact, a delusion, for from statistics it would always appear that each state imported more than it exported, for it exports commodities the value of which is calculated at the *place of export*, while it imports commodities the value of which is calculated at the *place of consumption*—that is to say, after the addition of the cost of transport and of commercial profits. If the commercial balance were a reality, and the differences which it shows had to be paid in coin, it is clear that all the specie of France and England would have been already drained by America, and there would be no more gold in Europe. It is not so, because the differences are paid with commercial values, with transferable bonds, and by arbitrations of exchange between different states.

"The Bank of England has also just lowered its rate of discount, which shows plainly enough that it is not afraid that its reserves will cross the Atlantic. Gold is not hoarded in America; it would soon get lower in price, while in Europe there would be a corresponding rise. The inevitable consequence of this rise would be to cause the gold which was in excess to return from the United States.

"Even if the play of the commercial balance should condemn Europe to a prolonged famine of gold, bimetallism would not cure it by an unlimited coinage of silver. If it is expected that silver will be sent to the United States to pay for American merchandise, it is an illusion. The United States, which produce silver largely, and which reject from circulation the silver coined in their own mints, will not receive European silver. They will export more and more silver to Europe. This is their secret hope, which has been the chief reason of their adherence to the principle of bimetallism. The French and American Governments each have a secret thought, which they do not communicate to one another; each thinks, "I will send my silver to my ally." But which of the two deceives itself? It is not probable that it is America, for a stream runs from its source, and does not return to it.

"Far from causing a durable rise in the price of silver bimetallism would complete the debasement of this metal. At first, doubtless, gold would fall, silver would rise; but the production of silver, over-excited by the fictitious rise in the price of the metal, would soon be abnormally developed. Gold mines would reduce their production, silver mines would throw more and more silver on the market, and this silver would soon suffer a new depreciation on account of its excessive abundance. There is no real scarcity of gold either in commerce or in the banks or in circulation. What proves it is that in spite of the improvements of industry the cost of living has everywhere increased. One cannot anywhere now procure with the same sum of gold that which one could procure twenty years ago. If there is a danger it is rather from the fall of gold and the general increase in prices of all the necessaries of life.

"Any system which consists in attempting to establish a fixed relation between gold and silver is a system formally opposed to economic laws. By proposing it its supporters adopt the principle of regulation. They start from the erroneous idea that it is the duty of laws to regulate the internal or external commercial relations of a state. This procedure has been already too much abused by the laws of the *maximum*, by the regulation of production, and by the laws of protection through the customs. All these laws are impregnated with the false idea which belongs to the legislator, that it is not only within his right and his duty, but also within his power, to struggle against economic facts and to lower or to raise values. This idea is at the bottom of the present proposals of the bimetallists. M. Cernuschi says, 'Money is constituted by the law. The law of gold monometallism is as arbitrary as that of silver monometallism or of bimetallism. In principle all proportions are equally good, and would all act as efficaciously and as regularly whichever was adopted by great states having an abundant provision of metallic money.'

"This doctrine must be strongly opposed. The law is not made to impose the arbitrary will of the legislator on the people. but to answer to the needs of society, and to satisfy them. One cannot regulate what springs from the human conscience, nor what depends on taste, or desire, or individual appreciation, and value is in this position. Value cannot be created by law, and credit cannot be given to a value which does not spring from real facts, or which is contrary to them. This would soon be discovered if the principle of bimetallism at 15½ became the law. It is pretended that it could be enforced now when the commercial relation of silver to gold is 1 to 18. They think that they could decree a false relation, which commerce has declared to be so. Gold would continue to circulate, but at a premium, as it circulates in Austria, in Italy, and in all the countries placed under the rule of paper money, for the public would not resign itself to do without gold, the holders of gold would not resign themselves to give it away at less than its value.

"Even if this Conference had been invested with full power to act in the name of the nations which are here represented; even if all the other nations which are not here had been summoned; even if the absolute right of punishing most severely those who should violate the bimetallic law had been given to it—the Conference, if it attempted to decree the respective value of gold and of silver, would be none the less absolutely powerless, for arbitrary will has not the strength to contend against the nature of things."

B. India

British India.

The delegate of this Government said, as might be expected, that his Government would not object, as far as India was concerned, to join in measures for the restoration of the value of silver. He, however, expressly stated that he was not prepared to adopt the principle of bimetallism, and he was not allowed to vote.

One of the great outcries of the bimetallists, and one of the great levers by which they have hoped to be able to move Great Britain to join in supporting their cause, has been the fact of India having a silver standard, and the losses attending the transfer of the Indian revenue to this country, as a consequence of the decline in the exchange. The question is, how far is Indian business still affected by the decline in the value of silver? One or two of the delegates, M. Pirmez more particularly, disposed of this point by stating that if less nominally was given by the purchasers of British goods, the sellers met the case by raising prices. Indian merchants, whom we have consulted, stated that the business with the East, had soon shaken down, and that the new level of the price of silver did not affect their transactions. This is borne out by the condition of firms trading with the East, from whom we hear no complaints, and there are otherwise no visible signs of their interests having very materially suffered. Those who, like the Indian banks, have capital in the East which could not at present be brought home except at a loss, are naturally anxious to see the value of the metal raised, and with it the exchange. This is intelligible enough from this single point of view.

Then we come to the position of the British Government, and the loss they are incurring on the revenue drawn to this side to the extent of, say, £16,000,000 annually on the average.

On this subject the delegate of Sweden made the following very sensible remark :—" A country will never sell for two millions sterling (per annum) its independence and its monetary sovereignty."

The first delegate of British India spoke as follows on this particular point :

"We have then, first of all, the loss sustained by the Government, which, however, is not of the nature which M. Pirmez supposes, but which consists in its remittances of silver to England, in order to liquidate expenditure incurred at home. In the present year these remittances will amount to about £17,000,000; and the loss actually resulting from the depreciation of the silver is estimated at more than £2,000,000, a loss which has been exceeded in previous years.

"It may be replied that what the Treasury loses the population gains, and that it could very well support an increase in taxation in order to compensate the Government. But it must be remembered that this line of argument ignores completely the conditions in which the Government of India is placed. A considerable portion of its income cannot be increased—I refer to the land revenue—because in Bengal it is fixed in perpetuity, and in other provinces for long periods."

We were not aware that the remittances of silver from India to Europe ever reached such a total as that mentioned. These are the figures in £ sterling :

Exports of Silver to the United Kingdom.

1871	1872	1873	1874
611,685	156,363	1,778	218,651
1875	**1876**	**1877**	**1878**
23,300	46,868	83,815	105,678
1879	**1880**	**1881**	
132,575	78,962	124,000	

What is evidently meant are the India Council bills, which are sold here at or about the price of silver, but that is a very different thing from silver itself being remitted.

On the question of the Government of India recouping itself by increased taxation to make up for the loss, the delegate made the following remark :

> "Besides, although we may no doubt look forward in the future to some rearrangement of taxation, when the depreciation of the coinage has produced its effect in a general rise of prices, and particularly in that of labour, we must wait a long time for that result, and meanwhile it would be impossible, without serious political danger, to propose new taxes based on considerations which the mass of the people would not be able to understand. But it is not only the actual loss which we have to think about : it is the absolute uncertainty which hangs about the future, and which prevents any serious or accurate calculation of the revenue and resources of Government."

The Government of India must, like a trader who suffers a loss by holding a large quantity of merchandise that has fallen in value, retrench. In fact they have retrenched, partly no doubt to meet the loss thus incurred. At some future time it will probably be possible to increase the taxation, and in that way recover from the inhabitants of India the benefit they are now deriving at the expense of the Government and its pensioners.

Then we have the following sentence, with which we cannot concur :

> "It is no doubt true that when trade has been able to adapt itself to an alteration in the relative value of the standards of the two countries, if this alteration was of a permanent character and took place once for all, the evil would cease. But this is not the case. The future is as uncertain as the present in the existing state of things ; and it is this uncertainty which impedes and prevents trade."

The merchants here in England tell us, as we have already said, that they have adapted their business to meet the new value of silver, and are not inconvenienced. If this is true, which we have no reason to doubt, the Indian Government should be in the same position.

The following sentence conveys the personal opinion of the Indian delegate on the question, and he was quite right to state emphatically that it was only his own view, for there is no prominent member of either party in Parliament or out of it, so far as we know, who has openly proclaimed his adhesion to the cause of bimetallism.

"The solution which has been suggested for our consideration is bimetallism. As regards the scientific basis in which this solution is founded, I shall not enter upon an academical discussion, which, indeed, at this period, would be very much out of place; but I may perhaps be allowed to express my unqualified dissent, though it is at the same time entirely personal and individual, from the opinion of M. Pirmez, that it is opposed to economic laws. I am disposed to think, on the contrary, that, considered as a whole, and with the conditions essential to its success, the bimetallic theory is in entire conformity with those great economic laws which must always control the acts of the legislator and the fate of nations, and will continue to do so more and more; and that the idea which inspires it is one of the most important and fruitful truths of science, worthy of the two enlightened Governments which have submitted it for your consideration."

How the idea which inspires the bimetallic theory can be one of the most important and fruitful truths of science we entirely fail to understand. That it should be worthy of the two enlightened Governments which have submitted it for consideration is more transparent, since both of them are large holders of the depreciated commodity whose value, in the eyes of other people, they are anxious to enhance.

The delegate proceeds :

> "M. Pirmez says that it is neither within the right nor the power of the legislator to regulate the relative values of gold and silver. But how can such a proposition be maintained? As regards the right, how can it be pretended that we have the right to impose on the population a single metal as money, whether trade prefers another or not; and that we have not the right to give it the chance of using the two metals in fixed proportion, if such a course would be to its interest?"

The above paragraph attacks M. Pirmez's statement regarding the regulation of the relative values of gold and silver, which is perfectly sound.

The question before us is not one of imposing on a population a single metal as money, but one of *not* imposing upon them two metals, which as a system never has worked equitably between debtor and creditor, and never could under the circumstances in which they are produced.

No monometallist ever asks any country to do anything. They leave each country to choose what standard suits it best. All the agitation and fussiness has been on the side of the bimetallists. They are many of them in the position of the speculator in the stock markets who finds himself full of a security that has fallen heavily in price. He goes about crying it up everywhere, and passes round the "tip" to buy. There is nothing much to complain of in all this; it is very human; only the bimetallists must preserve their good humour if those to whom this advice is given prefer to sell instead of buy.

Canada

Canada.

This delegate was allowed to vote, but whatever he might say or do was not "to be considered as prejudicing the future action of Canada."

Denmark

Denmark.

The delegate declared that as the Danish Government did not intend to abandon the single gold standard, he had instructions to abstain from all discussion.

France

France.

M. Cernuschi, for whom personally we entertain the highest respect, has not in our humble opinion raised his position as an economist in the eyes of the world by his utterances on this question. Like the rest of us, M. Cernuschi is entitled to hold what opinions he likes and to express them. But since we have set ourselves the task of reviewing the various opinions given, we propose to deal at some length with M. Cernuschi's statements, regarding which we will simply repeat that the one object, and the only one, we have in view, in this, as in other cases, is to try and find out who is wrong and who right.

M. Cernuschi commenced by giving his impressions of the declarations which had been already given. "On what conditions," he said, "is the success of the work now undertaken dependent?" and he answered the question by saying, "on the agreement of the four great metallic powers of the world—France, the United States, Germany and Great Britain. France and the United States," he said, "had already come to an understanding, as was shown by this Conference. The success of the Conference and the fate of bimetallism therefore depended only on Germany and England."

Before going any further, we may remark that, if these four powers were taking a quite disinterested view of the matter, and were looking at it as scientific experts are accustomed to examine a problem submitted for their solution, how is it that both France and the United States did not agree with Germany and England? Some one who reads this query may retort: "We may with equal good reason ask why Germany and England do not agree to the proposals made by France and the United States?" The answer is very plain. Neither Germany nor England finds it necessary to ask anybody's assistance at all in the matter. Both are to some extent inconvenienced, but the inconvenience is nothing more than arises from many other causes which have to be dealt with as civilisation marches on and as new scientific improvements replace those which are no longer equal to the changed circumstances of the times. The only thing, depend upon it, that stood in the way was their interests. Both countries were largely interested in keeping up the value of silver. Since the meeting of these Conferences France has been trying to get rid of her silver as fast as she can. The weekly returns of the Bank for some time past prove this. Rely upon it that if France could get rid of her 48 millions sterling of silver at, say, 56*d.* per ounce, she would declare for monometallism to-morrow.

M. Cernuschi reminds us that in 1869 "an inquiry was proceeding in France before the Superior Council of

Agriculture and Commerce, and that its conclusions were favorable to the adoption of gold monometallism. An International Conference assembled on the occasion of the Universal Exhibition of 1867 had already given utterance to the same views, and it could be said that everything seemed to foretell the approaching triumph of monometallism."

It is too evident what prevented France from achieving what Germany has tried to do and may succeed in accomplishing. She was beaten in the war, and in addition to the anarchy which prevented anything like currency reforms from being possible, she lost too much money to dream of competing with Germany in the silver market. Moveover, the time chosen, whichever country had been first in the field, was unfortunate. The collapse in United States prosperity in 1873 gave a colour to the theory that it was the German sales of silver that produced the reaction in the trade of the world.

The United States as producers as well as large holders of the metal are in a still more difficult position.

M. Cernuschi referred to the petitions signed at Manchester and at London by merchants and banks trading with India, who "were particularly interested in bimetallism." Of course! just as the owner of a coal mine would vote for gas being used for lighting purposes instead of electricity. All those who have had large dealings in silver and whose incomes depend only in part upon a continuance of those dealings are of course bimetallists. They would be very foolish to be anything else. We do not hear people, who have fish to sell in the street, calling out that it stinks.

The majority of the bimetallists are, whether unconsciously or not, under the same influence as the protectionists were in Peel's day. They may say the same thing of the monometallists, and no doubt it is to some extent true; but the cases are very different. The monometallists do not propose to raise the price of silver to a fictitious level of value for their own benefit by speculative operations. They have provided against the contingency which has arisen, as regards England, Germany, and the minor powers who have adopted the gold standard, and are contented with the *status quo.* It is returning to the old exploded heresies to advocate protection, either for the producers or the large holders of silver. We want free trade in the metal. Let every nation buy what silver it wants and no more, and use what suits it best, and let none offer any active obstruction to each adopting the metal that is fit for a currency which harmonises with its material position and commercial status. On the other hand, if any persons seek on philanthropic grounds to make all nations monometallists they seek a Utopia; they are spurious philanthropists and unsound economists.

M. Cernuschi ventured to say that "the conversion of the cabinet of London can *almost* be reckoned on." Regarding Germany, he said the conversion to bimetallism "is effected." This is inaccurate even a year after it was uttered. Germany *may* have to revert to silver. We have always been one of those who thought that the experiment, in the commercial position of Germany, a risky one. But they have not yet given up the game, and the less are they likely to as they perceive the cause of universal bimetallism being gradually abandoned.

We have seen nothing in print which warranted

M. Cernuschi in saying that "Germany gives ground for hope that she will postpone the realisation of her gold monometallism." Our opinion is that the German Government is making renewed efforts to maintain such part of the monometallic system as the surrounding circumstances have enabled them to build up. Evidence that this is the case was furnished in February, 1882, when the Bank of England rate of discount was raised to 6 per cent. The rate of the Imperial Bank of Germany was immediately raised to protect the gold. Belgium did the same thing the same day. Within a month the pressure had completely subsided, and all the rates of discount were down again.

Who, may we ask, is there in Germany, whose opinion is entitled to any weight, who endorses M. Cernuschi's statement that, but for the fear that other states would adopt monometallism and use it against her, "she would have preferred bimetallism, which she now recognises as logical and as legitimate *from the scientific point of view?*" The most renowned of the German economists are certainly not of this opinion. Then follow some proposals that the other states shall pay back to Germany what she has lost, the Indian Goverment included, to enable her to return to bimetallism. M. Cernuschi must then have been joking.

We may here consider some of the "propositions," as they appear in the English translation, which were presented to the committee by M. Cernuschi. He begins by saying "science first, interests afterwards." This remark is particularly entertaining, since it is so perfectly clear that it is the "interests" of the nations that have governed their conduct without exception; little, if any heed being given to the scientific aspect of the question. This is not only not surprising, but is perfectly natural.

M. Cernuschi makes seventeen propositions :

1. "Money is a legal and mathematical value." We fail to perceive how money can be either a legal or mathematical value. Inconvertible paper money can be forced into circulation, but no government can "force" a value into it which it does not possess. If they could it need not be depreciated, but should be exchangeable for other things at the same rate as convertible bank notes are. You may have a "legal standard." In that case, if the money falls in relative value, it is seen in the fall in its purchasing power. In the same way "mathematical nominal value" may apply to the standard, which must be fixed, but we do not see how it can to value, which is always changing.

In No. 2 proposition it is stated that the legislator "gives money a compulsory currency." If that is the case, how is it that the silver dollar pieces coined under the Bland Bill are not in circulation, but were immediately returned whence they had been issued?

In No. 5 it is stated that "the limit of the issue of paper money is fixed by Government." Such is certainly not the case in this country, and we are not aware that it is in any other, provided the convertibility of the note is maintained. If the circulation of the notes of the Bank of England be examined for twenty years past, it will be found that the amount has been steadily increasing, and may as steadily go on increasing. The Government has no more to do with limiting the Bank of England note issues than it has with the supply of water furnished for domestic use by the water companies.

6. "Paper money is only national money. Metallic

money may be international money." It is quite certain that there is fifty times as much English paper money serving the purpose of currency abroad as there is English metallic money, and the same applies in a greater or less degree to the other great powers. One is easily carried on the person, the other with difficulty, even in the case of gold. Silver would be quite out of the question.

7. "For it to be international money, the law must be similar in several states." Is there any one besides M. Cernuschi who believes in the possibility of different states agreeing to adopt a set of laws common to all of them, and by which all will agree to be bound? The only "law" which all of them are willing to recognise is that which consists of the credit and solvency of the institutions who write on their paper money "I promise to pay to the Bearer on demand." Representative intrinsic value in a convenient and easily portable compass is the only "law" which is required to establish a complete system of international money—if such a thing were ever possible—which we very much doubt.

8. "The value of money changes." How can it, then, be mathematical, as is asserted in No. 1 proposition?

In No. 10 M. Cernuschi brings up the old grievance that people with fixed incomes, pensions, &c., suffer when the purchasing power of money falls. M. Cernuschi says when the value "changes." He does not probably forget that during considerable periods of time its value has "changed" in favour of those having fixed incomes. For some years past its value has so changed, at least where gold is the standard.

In No. 11 it is stated that for various reasons "it is necessary that the value of money should be stable."

How can this be the case when, as in No. 8 proposition, it is stated that "the value of money changes if the monetary mass changes in bulk?" It is always changing in bulk more or less.

In No. 12 it is stated that the monetary mass should be susceptible of increase of volume, "for increase is in itself necessary to the stability of the value of money." We should have reversed the proposition, and have asserted that the stability of value was much more likely to be maintained if the volume was not increased, *i.e.* unless automatically and not by free coinage. It is the increase in the volume of silver that has done all the mischief of which the bimetallists so loudly complain, and which is the monometallists' reason for declining to be burdened with it side by side with gold.

In No. 13 it is asserted that for currency purposes "the silver mass is better than the gold mass, no other substance existing of which a good monetary mass could be made." This reminds us of the argument across the dinner table upon the merits of sherry. The physician asserted, with an *ex cathedra* air of authority, which he was entitled to assume, that the sherry ordinarily met with was most injurious to drink, and that to continue to drink it would undoubtedly shorten a man's life. "Indeed!" said his *vis à vis*, "I attach considerable importance to your opinion, but, whether it shortens my life or not, I intend to drink it." "Then there is nothing more to be said," replied the doctor. "No," said the other, "there *is* nothing more to be said." If M. Cernuschi thinks silver is under any and all circumstances the best metal for currency purposes "then there is nothing more to be said," with this exception, that in holding that opinion we are inclined to think that he is one of a very small minority indeed.

In the 17th proposition we find the statement that "money is the material which is used to pay for all which is bought or sold." People pay for what they buy, but they are paid for what they sell. Money in fact is used to pay for only a fractional part of the commodities which are bought. In an inverse ratio to the increase in the volume of commodities internationally exchanged, the amount of actual money employed decreases, at least this has been the case of late years, owing to the increased facilities of communication. The last statement in these propositions is that "gold is unpurchaseable and unsaleable in countries which have a monometallic gold standard." Nothing could be more inaccurate. Every time that gold is taken to the Bank of England the Bank purchases it, and every time it is withdrawn the Bank sells it. There are plenty of gold bullion dealers ready either to buy or sell gold at a price in the market.

Germ.

Germany.

The German delegates summed up their position in the following statement:

"We acknowledge, without reserve, that the rehabilitation of silver is desirable, and that it could be attained by the re-establishment of the free coinage of silver in a certain number of the most populous states represented at this Conference, which for this purpose would take as a basis a fixed proportion between the value of gold and that of silver. Nevertheless, Germany, whose monetary reform is already so far advanced, and whose general monetary situation does not seem to invite a change of system of such vast importance, does not find itself able to concede, as far as it is itself concerned, the free coinage of silver. Its delegates cannot therefore agree to such a proposal.

"The German Government is, on the other hand, entirely disposed to help as far as possible the efforts of the other powers which might be willing to unite, with a view to the rehabilitation of silver by means of a free coinage of this metal. To attain this end, and to guarantee these powers against the influx of German silver, which they seem to dread, the German Government will impose some restrictions on itself.

"For a period of some years it will abstain from all sales of silver, and for another period, of some duration, it will engage to sell only a limited quantity yearly, which shall be so small that the general market would not be hampered by it. The length of these periods and the quantity of silver to be sold yearly during the second period would be settled by future negotiations. A similar arrangement would guarantee the mints of bimetallic states against the unlimited influx of German thalers coming from State funds.

"Private individuals or the State bank (which is a private bank under the special control of Government) could not, on the other hand, make thalers flow into the mints of the bimetallic states, except when the balance of commerce happened to be unfavorable to Germany, or if the proportion of 1 to 15½ established by the bimetallic union was sensibly modified in favour of silver, which is not at all likely to happen. In all other cases the exportation of thalers would involve a loss to those who undertook it, and the countries of the bimetallic union need not therefore apprehend that German silver will inundate their mints. They could also make these operations still more difficult by excluding *coined* thalers from free mintage in the bimetallic union; such a plan would add to the other expenses, which the exporters would have to bear, those of remelting and refining the thalers.

"If an international arrangement founded on these principles were come to, Germany would remain free to sell silver within the limits which she had accepted, or not to sell it at all. But Germany, in order to narrow these limits still more, could make further concessions; she would give in her own circulation a wider sphere to the metal silver, and would make the use of it more general. To attain this end the Government would engage eventually to withdraw the 5-mark [=4*s.* 11*d.*] gold pieces ($27\frac{3}{4}$ millions of marks) [=£1,360,294], and also the Imperial bank notes of the same value [5 marks] (40 millions of marks) [=£1,960,000]. It could besides remelt and recoin the 5-mark and 2-mark silver pieces (71 and 101 millions of marks) [=£3,479,000 and £4,949,000], taking for a basis a proportion between the metals which should be nearly that of 1 to $15\frac{1}{2}$, while under the present laws 100 marks [=£4 18*s.*] are made from the pound of fine silver, which is nearly equivalent to a proportion of 1 to 14.

"These are the concessions which the German Government would propose to you, and which its delegates are ready to discuss with regard to its importance and the details of its execution."

The concessions offered in the last paragraph but one are liberal enough and were wisely made, looking at the fact that Germany wishes to assist in making a better market in which to dispose of the remainder of her silver. The best thing to do, therefore, is for those who find it in their interests to adopt bimetallism to get as many as they can to join them, and try what will be the result of opening their mints, first of all to a limited coinage of silver. If the market price of the metal keeps up or improves, they can increase the amount.

G. Brit.

Great Britain.

This delegate was not permitted to vote, but was instructed to furnish all the information in his power and follow with attention the discussions raised.

Greece

Greece.

The delegate from this country "preserved complete liberty of action, but could not associate himself with any measure which would cause a change of system." Greece had no silver to sell.

Holland

HOLLAND.

M. Pierson, of Holland, stated among other things that the English system had succeeded so well "because it had by it another system which served as a support where its *inherent defects were about to come to light*." We are not told where these are.

"The simple gold standard has victoriously gone through an overpowering crisis, because it was not the only system in force. The bimetallism of the Latin union has preserved England from an extreme embarrassment in which, without it, she would have found herself. The annual production of gold, which in the first half of our century had not been more than 80 millions of francs [£3,200,000], increased suddenly to six or seven hundred millions of francs [£24,000,000], and an enormous depreciation of gold was about to be the consequence. Nevertheless this depreciation did not occur. The value of gold did fall, but not in anything like the degree which they feared at that time. This was because France, having the double standard, coined from 1848 to 1866, 5700 millions in gold [£228,000,000], while exporting at the same time the silver which this coinage rendered superfluous. France thus served as a parachute to the depreciation of the metal whose production had increased in so enormous a proportion. I would ask the English delegates what would have been, according to them, the influence of the gold discoveries in Australia and America on the value of the pound sterling, if at that time the system of the double standard had not existed in France.

"The principal inconvenience of the monetary situation in Great Britain, as it appears to me, shows itself when one considers the relations of this country with Asia. How is it, then, that in the journals appearing in London, and treating chiefly of financial questions, they persist in ignoring almost entirely the great disadvantages which result from the fall in the rate of exchange on British India, and above all—for this is the real point—the great variations which for the last few years have occurred in the rates? Is there any one who, possessing the slightest knowledge of business, does not know that these disadvantages are very real and are strongly felt? Professor Jevons, one of the most distinguished English economists, has just published in the 'Contemporary Review' an article on bimetallism, in which the name of India does not even occur. One would say, in reading this article, which in other points is not uninteresting, that the phenomena of which I have just spoken are of no importance. There is here, without doubt, a tacit understanding to speak of everything except of the chief thing. The great evil is there in India, and it is an evil which injures all the world, for the commercial relations between the East and the West become day by day more intimate. It is true that there were formerly variations in the rate of exchange on India; but how insignificant these variations appear to us, when we compare them with those which have occurred in recent years."

M. Pierson asks "what would have been our position when the gold discoveries in Australia took place if France, with her bimetallic system, had not coined gold and exported her superfluous silver?" We might as well ask what would have happened then to France if she could not have sold her silver? She would probably in any case have coined the gold because she wanted it for currency purposes.

An analogy is evidently sought to be set up between the possible consequences then of a large production of gold and the state of things which has arisen in our time from their being a superfluity of silver. The two cases are very different. When the gold discoveries were made the gold was wanted, and was absorbed without causing any material depreciation in its market price. Not only was the gold wanted, but its absorption into the currency of the world was accompanied by a great outburst of demand for manufactured goods to supply the colonies of miners called into existence by the discoveries.

We do not see the use of raising the question now of what would have been the position of England then without the double standard in France. Any other hypothesis is equally relevant. We may as well inquire how it is that the bimetallic system has not enabled the bimetallic countries to absorb the silver that is now in superfluous supply. That is the point with which we have to do now. Unlike the large addition made to the gold in the world from 1848 onwards, the silver that now troubles us is an unprofitable superfluity. Nobody wants it. The gold was in demand and was rapidly absorbed without any thought of such artificial aid as is proposed by which to get rid of the superfluous silver.

Some time has elapsed since M. Pierson made his remarks, and this enables us to judge of their value. With reference to the Indian exchanges, for instance, we see no longer any "great variations." The "great disadvantages" resulting from the fall in the Indian exchanges only affected a very small section of the community, and the greater part of that section only to the same extent as losses have been sustained from time to time by all sections in other ways. All holders of an article largely dealt in must lose when it falls seriously in price. Why should not equal sympathy be felt for those who have lost so much money in tea and many other articles of colonial produce.

The delegate of Holland made the following statement at the 7th sitting in May, 1881:

"I do not hesitate to declare to you that I am among the number of those converted entirely to bimetallism. I will give you as short an account as possible of the phases through which the monetary system has passed in our country; and how, at last, we have arrived at bimetallism. I have been occupied with the monetary system for more than forty years."

Now, considering the fact that Holland has jumped in rather an undignified hurry from bimetallism to monometallism more than once, we can hardly believe that there is not still another conversion in store for us, and if not sooner, when all the world excepting Holland has the gold standard, that the Dutch will make another jump.

Italy

ITALY.

The delegate from Italy sought to fortify his position as a bimetallist by stating that two gentlemen some time Governors of the Bank of England shared his views. The gentlemen referred to may be right in their views; but the circumstance is on record that the delegate of Great Britain "asked to be allowed to make some reservations on the subject of the character of the pamphlet," to which the Italian delegate referred in eulogistic terms, which appear in the following words: "They would be the first to recognise that they did not intend to express the opinion of the Bank of England, and still less the public opinion of Great Britain." Neither did the memorandum of Mr. Chapman, Financial Secretary to the Government of India from 1869, "bear any official character, and did not contain anything but the personal opinion of the author," which it is only fair, however, to say, was entirely shared by many of his colleagues in the administration of India.

We refer to these written opinions by persons in distinguished positions, because it is important that it should be understood that the British Government and the governing body of the Bank of England, who of course are familiar with the views expressed, and have followed the discussions at the Conferences, remained unmoved by them. Nothing in the shape of an official authorised utterance from either quarter affords the bimetallists any hope that this country will take an active part, except as listeners, and with a view to afford information.

The delegate asks, "How is it that the Chamber of Commerce of Liverpool and merchants and manufacturers of Lancashire address petitions to the British Government demanding universal bimetallism as best meeting the interests of English commerce?" Surely it is perfectly well known that whatever the merchants, &c., did, was done under the influence of the temporary disturbance of their trade in cotton goods to India when the Indian exchange first fell. What did we hear from all those engaged in the trade with the East? For Heaven's sake! they cried out, let us have a *settled* exchange. Never mind what it is so long as it is *steady*. So said the Indian banks. We have not heard of late of any repetition of the petitions from Lancashire to the Government for universal bimetallism. The banks and traders have found out that matters *have* settled down, that the exchange has been *steady* for a long time past, that the shipments of piece goods to the East are more than ever they were, and that there is every prospect with the reviving trade they will continue to do as large if not a larger business with silver at 52*d.* instead of 60*d.* per ounce as ever they did. The foundation consequently of the Italian delegate's complaint has been already entirely removed, and he probably now agrees with what M. Pirmez said about the trade with India, that the loss in the exchange, as far as the seller is concerned, is "compensated by a corresponding rise in the selling price."

Mr. A. C. Tupp, to whom we are indebted for a full account of the proceedings at the Paris conferences, endeavours to support the opinion of the Italian delegate by stating that "all the merchants trading with India are now suffering, and that whole branches of trade are either annihilated, or if continued at all, are conducted without any profit." This is an extraordinary statement. If it were true, long before the date at which we are writing, the Indian firms referred to must have become insolvent. We do not know of a single failure worth speaking of since the fall in silver. There is certainly not one that can be attributed solely to that fall. On the contrary, those we have spoken with state, as we have already said, that the fall in silver no longer interferes with their business, and that they had soon so arranged as to meet the new circumstances of the case.

It is further stated by the Italian delegate: "In reality the situation of India towards England is the same as that of the countries having forced paper currency towards the countries with a metallic circulation. Since the course of exchange in the countries condemned to a paper money rule undergoes rapid and considerable oscillations; and since the merchant cannot therefore foresee exactly at the moment of delivery what will be the sum which will be given him in payment, he is obliged to guard himself against this risk, either by requiring immediate payment or by increasing the price, which in either case constitutes a serious obstacle to the development of business. It is exactly the same in the countries which, like British India, have as a single standard a depreciated metal like silver. The situation of these latter countries is really more grave than that of the states with a forced paper currency. The latter can manage to restrain the depreciation of paper by an able financial administration, by a great moderation in their issues, and by a clever development of their economic resources; while a state having a single silver standard is condemned at present to submit to the effects of rapid and unforeseen variations in the price of the metal, variations which depend not on its own decision, but on the vicissitudes of foreign legislation." The value of these deductions is seen in the comparison which is made between a state with a forced paper currency and one with a silver standard. Everybody knows that the worst position of all is unquestionably a forced paper currency, and it is surprising to find any one holding a contrary opinion. "The rapid and unforeseen variations" exist only in the imagination of the delegate, and that being the fact the whole case breaks down.

The Italian delegate also believed in "legal" value, which has been shown to be a fiction by the soundest economists who attended the Conferences.

It is further stated that if the intrinsic value of money is taken away from it, it ceases to be money; *it becomes a commodity*. How can anything be a commodity which has no intrinsic value? Commodity means wares, merchandise. Nothing in fact can be a commodity which has no intrinsic value. And we are further told that, in becoming a commodity through losing its intrinsic value, "it is no longer anything but a simple resonant paper money." This is a curious expression if rightly translated. We have heard of resonant metal money, but anything more non-resonant than paper money, especially inconvertible forced paper money, which we presume is what is meant, we cannot imagine.

In the present prosperous condition of the Indian finances, it is amusing to read that "by remaining gold monometallist as opposed to India which is silver monometallist, Great Britain has exposed India and herself to industrial and commercial sufferings, *of which she begins to feel the pangs.*

So strongly is this gentleman bimetallic that he maintains that "the danger of a scarcity of gold cannot be guarded against, even if the production of the mines were increasing, owing to the distribution of the extracted metal in the world not being the same as before." This reminds us of the anecdote we have related about the gentleman who at all hazards was determined to drink sherry.

Further on we are informed "it is evident that Europe *must soon suffer from a true gold famine.* This alarming prediction, however, disturbs no one but its author, especially since the ease and unprecedented rapidity with which the Bank of England replenished its store in February and March, 1882, from the United States and other places, simultaneously with a steady increase in the gold in the Bank of France. To give emphasis to the prediction referred to we are told "that M. Suess and other eminent geologists consider the quantity of gold still remaining in the earth as relatively small. It would be interesting to see the proofs these gentlemen are able to furnish in support of that conclusion.

On the just mentioned assumption, which we venture to think rests upon a very feeble basis, we learn that the crisis which must follow the consequent rise in the value of gold means " ruin for the merchant, misery for the workman, and suffering and pain for all." This is too deplorable a state of things to contemplate with any but the gravest feelings of alarm !

It seems to us, indeed, that this gentleman should advocate leaving matters alone. For, according to his theory, bimetallism or monosilverism would then be inevitably forced upon every nation, who would prefer any kind of money to these dreadful sufferings. All dissension and differences of opinion would be at an end in view of ruin and misery for everybody. One, in fact, may venture to predict that people would go about with things like fire-irons for currency, and half-hundred weights slung round their necks rather than run the risk of such grave disasters as are here predicted.

It is assumed that in the event of gold "running short the less rich states will content themselves with silver while the more advanced states will keep the gold. Can it be believed that the states which they expect to reduce to the use of silver will accept a sentence of this kind?" And supposing they did not accept a sentence of this kind, what will happen? The Italian delegate does not seem to understand that a state, like an individual, must have a silver currency if circumstances does not enable it to support a gold. Turkey, for instance, is reduced to the "resonant" inconvertible paper.

Is it not as relevant to say that the poorer classes in

Italy will not accept the position of not being allowed to keep carriages and horses like their richer neighbours?

At the time this particular evidence was being given, gold was being attracted to America to pay for grain, the reason being that money was so cheap in Europe that the surplus was allowed to drain away. Europe did not lose by the United States taking that gold. It was the United States that lost, for gold of itself is never sent unless its transmission involves a smaller loss than would be sustained by a forced sale of other commodities. Money since has become dearer in Europe, and the gold is coming back again, a circumstance which no doubt is rather disappointing to the bimetallists, some of whom, we are inclined to think, hoped the anticipated "scramble for gold" would lead to the realisation of their predictions.

We are told that the industry of the United States, "which increases every day in unheard-of proportions, becomes for Europe a menace and a danger, against which many of the states of the old continent seek to protect themselves by the help of customs' tariffs." We have been under the impression that the United States had been for years protecting *their industries* against Europe with very high customs' tariffs. We have always been of opinion also that the great prosperity of the United States has been a great blessing to Europe, especially to the masses who have so largely benefited by the low price of corn, which, in fact, has been a great fertilizer of our industries. Our agricultural interests have no doubt suffered, but we should have been much worse off as a nation had bread been 65*s*. instead of about 45*s*. a quarter for some years past. The idea of the United States being a menace and a danger to other nations on account of their prosperity is the strangest doctrine we ever heard enunciated. The absorption of people by emigration, which the United States' prosperity has rendered possible, is by itself an immeasurable blessing to the thickly-peopled communities of Europe.

NORWAY.

The Norway delegate takes a sound and sensible view of the position in the following sentence, which appeared at the opening of his address at the second sitting of the Conference in May. "The causes of supercession of silver by gold are numerous and complicated; but it is not an accident but a natural result, brought about by the force of circumstances and the progress of civilisation. The first cause is the discovery of gold mines in America and Australia."

"Along with the increase of production of the precious metals, there has been in this century a *general economic and social progress*, which makes it an epoch in history. Owing to the scientific discoveries and the development of the means of communication, the different national markets have become one market, and international commerce has taken a great bound. This has fortunately coincided with a great increase in the production of gold, for without that it would have been impossible. Great operations can be carried out through clearing houses, but gold alone can be used for small ones. Gold alone can be used by travellers, and is therefore most required by those countries having most means of communication. It is for this reason that Europe and the

United States have a gold currency, and India a silver one."

The above statement, with reference to gold alone being carried by travellers, might have been very materially fortified by the addition that bank notes form a growing international currency. We cannot say to what extent the notes of the other national banks are to be found or can be exchanged at the foreign money-changers, but we have never failed to be able to change Bank of England notes on the Continent, and they can nearly always be purchased. People of any position at all can readily change cheques at Paris hotels, and probably also at the other great capitals. These circumstances, which there is no disputing, are part of the "progress of civilisation," all point in one direction, viz. the removal of all kinds of impedimenta which fetter the discharge of people's daily business and which retard or interfere with the transfer of themselves and their merchandise from one place to another, and from one country to another.

The possible dissolution of a bimetallic union is of itself enough to prevent any great state in the position of England from joining it. The greater part of the silver to be coined would naturally be sent where it would be most easily passed through the Mint.

It would suit a great number of people, no doubt, to see the prices of their goods rise, as would be the case if a large quantity of silver was thrown into circulation.

As this delegate points out, "when the proportion of $15\frac{1}{2}$ becomes obligatory, silver will rise 18 per cent., gold will fall, and all commodities, *especially Oriental ones, will rise considerably*." This lets an additional ray of light in on the petitions to Government from the Lancashire Chambers of Commerce and upon the support given to bimetallism by the banks and traders doing business with the East.

"This rise," the delegate goes on to say, "will increase as soon as the many silver mines, which now are not worked, or very little worked, begin to work fully again, in consequence of the rise in silver." The owners of the silver mines can hardly be expected to be monometallists in these circumstances, nor can we wonder at those persons whose dealings in silver would be so largely increased were these mines to get into full work again, joining chorus with the mine owners for the establishment of a bimetallic union. Prices, it may be said, rise quite fast enough without giving an impetus to the movement by cumbering the currencies of the world with a mass of metal which is not wanted. We do not go so far as to say that the metal will never be wanted. It is possible that it may be gradually absorbed by the growing communities of the West, and it may come into more active circulation in the East, China and Africa. If it is absorbed naturally by all means let it be; but what we, among other monometallists, object to is the application of artificial measures in order to force its absorption, which we believe could not be secured, or even temporarily effected, without serious loss being incurred, for which there is no justification on any ground. Nor are there any means of recouping or relieving from the loss thus sustained those who might on philanthropic grounds agree to join in the experiment.

Portugal.

Portugal

The monetary system of this country would not permit it to enter into the contemplated bimetallic union, and the Government reserved its final determination, and the most complete liberty of action.

Russia

RUSSIA.

The delegate of Russia was instructed to say that his Government reserved entirely its opinion on the matter, and could not allow the resolutions of the Conference to compromise in any way its liberty of action.

At the fourth sitting, on the 10th May, the Russian delegate made some remarks quite worthy of reproduction, as showing the enlightened scientific views he held on the subject, and also on account of their proceeding from the representative of a country for which, at present at all events, all that can be hoped for is a silver standard.

" Assuredly," this gentleman remarked, " it was certain that one measure is better than two measures, and one single standard than two standards. It seems also incontestable that gold possesses in a superior degree the qualities necessary for a metal employed as money. It is preferable to silver as railroads are to roads, but it does not follow that one ought to make silver disappear any more than common roads should because railroads have been invented."

After referring to the apprehended scarcity of gold, and other points which have been often enough referred to, this gentleman makes the most sensible remark on the subject of bimetallism which we have seen, and with which we entirely agree. He says, referring to the proposals made by Germany, " They start from this double principle, viz. that there is a certain limit below which it is not desirable that gold should be divided, and that the gold standard does not in any way exclude silver from circulation by the side of gold, but, on the contrary, requires it. We, in this way, return to the old historical tradition which gold monometallism had tried violently to break through ; *we return to bimetallism with a standard of value, but which, far from eliminating silver, will assure it, on the contrary, a constant and regular employment in the ordinary circulation of each state.*" Bimetallism on this principle is a sensible proposal.

Bimetallism on that basis, viz. the gold standard with silver circulating below its market value, is really all that is wanted for countries which can afford to maintain a gold reserve against their issue of notes. Countries having a silver standard can likewise circulate silver coins below their market value for domestic use, and keep either a silver reserve or mixed gold and silver reserve against their note issues—with only free mintage for gold.

The Russian delegate, among his other sensible remarks, stated that "The Conference of 1878 will have had for result to establish the fact that silver has its place marked out for it *in internal circulation* by the side of gold." Precisely. If the bimetallists will be content to stop at this point and not strive to bring us back the old coaches and four horses, and try to drive them at the same speed as steam engines, for which they cannot be made fit, the differences existing between the two sets of thinkers may be adjusted by means of a compromise.

Sweden

Sweden.

This country, while reserving entire liberty of action, permitted the delegate to take part in the discussions of the Conference.

U. States

United States.

The delegate of the United States read his address at the fifth sitting on 12th May, 1881, in which we find nothing remarkable till we come to the following statement. Speaking of the question raised by the delegate of Norway, who called attention to the fact that stocks and bonds travel about over the world, he thinks this "a proof that the whole world has a new interest in the stability of the international purchasing power of money." We do not see the force of this reasoning. On the contrary, we contend that the more international indebtedness can be settled and is settled by the ebb and flow of stocks and bonds, the more do nations become independent of metal remittances. Stocks and bonds, in fact, perform the functions internationally which bank notes do internally for each nation. This being the case, nations only require reserves of metals to be used as England uses her gold in the Bank of England when the supply of other forms of remittance is temporarily exhausted. Then the reserve is touched, and if need be, the raising of the value of money prevents that reserve from being too far trenched upon. The best authorities, as we have shown, are agreed that monetary stability is best preserved by using only one metal, and in present circumstances, that metal is gold.

Further on we find this remark :—" So likewise the new modes of transportation seem to me adapted to facilitate the transportation of the metal silver, relatively so light, as well as of meat, wheat and cheese, and other commodities, which are relatively so heavy, and yet which in our day make such long journeys." There is evidently some confusion here. Is it meant that silver is so light relatively to cheese and meat, or wheat? This is a trifle compared with what follows:—"If the greater part of commerce consists in having commodities, which, value for value, weigh ten times or a hundred times more than silver, transported by railways, and steamers, I see no *insurmountable inconvenience* in having the balance, the small residue which is paid in money, likewise transported though it be silver." It is important to bear in mind that, as regards shipments of metal, it is more a question of cost than inconvenience. The delegate does not seem fully to realise the fact that the object of the more enlightened currency reformers during this century has been economy. That is the reason why Ricardo advocates bank notes as the best form of internal currency.

There is no profit in moving silver or in moving gold except to the arbitragist, whose business it is to sell remittances, and if need be to send gold as "cover." Cheese, meat, and corn pay their own cost of transport to market out of the profit realised. There is no profit, but a loss to the community on the shipment of the precious metals to settle an adverse trade balance. All currency reformers whose views upon the question have been sound, have been without exception in favour of a continuance of currency reforms, both national and international, until a system of "perfected barter" should have been arrived at. What does this mean? I give you a hat and you give me an umbrella, and the exchange of the two things involves no greater expense than the exertion of each lifting his arm to effect the exchange. The object of currency reform is to bring the best existing system as near as possible to that perfection without the necessity of the two parties to the bargain being compelled to take the trouble to meet each other. How is this avoided? By bank notes and by cheques. The highest internal perfection which this system has reached is seen in the working of the Bank of England notes which have been for years in circulation against the security of the British Government. That currency costs the nation only the expense attaching to the manufacture of the notes, and of the clerical work involved in registering the payment from time to time of those notes and their reissue.

Chapman's Memo.

We come now to the "Memorandum on an International Bimetallic Standard Measure of Value," contributed by Mr. R. B. Chapman, C.S.I., &c.

The first remark that strikes us is in paragraph 4, "Hence money proper is alone capable of permanently storing value and of transporting it from one place to another. *Bills of exchange cannot do this;* they only set off value existing in one place against value existing in another place." This is such an A B C truism that we are forced to infer that the only object in stating it is to show the superiority of the settlement of a debt by means of metal over that of a bill of exchange.

At paragraph 17 we are told—First: "Fluctuations of exchange between the moneys of different countries would be confined within narrow limits."

Second and principally: "The standard measure of value would gain immensely in that stability which is, above all things, to be desired in a standard."

At paragraph 19 we read: "Fluctuations of exchange between two countries must be *mainly* due to variations in the standard measures of value of one or both countries." The fluctuations of the rates of exchange between the leading European nations is in our time due more than anything else to international stock operations, which are entirely unaffected by any considerations of the standard of value. This rapid interchange of securities, which in fact is itself an interchange of one form of currency and in that respect acts as a buffer between the creditor and debtor nation so that the real money currency which is much less disturbed than it used to be, is a comparatively new force, the effects of which those who study this question on the old lines do not fully appreciate. Viewed from this point, therefore, there would appear to be less need for anxiety on the score of extreme stability in the standard of value, owing to the fact that a more perfect currency and a more perfect and scientific method of adjusting international indebtedness has come into use, which makes all nations which can afford to hold bonds and stocks less dependent upon metal currency for international purposes than they ever were before. As nations grow richer they will be able to hold a larger reserve of this new bond currency, and will be able still more to emancipate themselves from the trouble and expense of moving about masses of metal. When the value of money rises these bonds fall in price, are bought by foreigners, who either send us the proceeds or hold them at our disposal. The effect of an adverse trade balance is often thus counteracted until a favorable opportunity presents itself for adjusting international accounts with commodities, where formerly metal currency would have had to be employed.

In paragraph 32 we find the following statement, which is perfectly true: "That when a country has an adequate outfit of active metallic money, its indents upon the general stores of crude metal for the maintenance of its currency are almost imperceptible." The truth of this is proved by the small absorption of the silver thrown out of circulation by Germany as reflected in the price per ounce not having recovered above 52*d.* Instead of this being an argument in favour of bimetallism it seems to us to be dead against it. If the absorption of the metal has been so small during all these years since Germany began to demonetize, what would become of prices under the inflation of the silver currency in bimetallic standard countries if all nations were to enter into a bimetallic union and throw open their mints to the free coinage of silver? Why, we should all be deluged with silver money that there is no need for, as is shown by the "indents upon the general stores of the crude metal—being almost imperceptible for the maintenance of currency."

This is just the very mischief which it is so necessary to avoid. Where do we find the scarcity of money that was apprehended? Where is the scramble for gold to which we have more than once referred? All these prophesies of the bimetallists have been falsified, and a pretty mess we should have been in by this time if we had allowed M. Cernuschi in the early days of his enthusiasm to storm what he called "the only stronghold left," Great Britain, that held out against the fire of his pamphlets and his speeches at the Conferences.

Great Britain, he is quite right, is difficult to move in such matters, for the simple reason that she is guided by business and not by sentimental instincts.

At paragraphs 54 and 56 we arrive very nearly if not quite at the kernel of this question. The following is the French method :

Paragraph 54. "The three alternative methods aforesaid have been described only to be rejected, as being, for sundry reasons, impracticable. The only method left is that first introduced, instinctively, if not indeed accidentally, by the French Monetary Law of 1803, and now, in practice, monopolising the title of THE BIMETALLIC STANDARD. By this method the coinage of silver and gold is unrestricted, and both metals are endowed with the *vis liberatrix* at a fixed ratio. For example, by the French law, a debt of 100 francs may be discharged by the delivery of coins containing either 450 grammes of pure silver or 29 0323 grammes of pure gold, being in the proportion of 1 : 15½."

Paragraph 56. "There seems no room for doubt that a standard measure of value resting upon this broad basis must of necessity be indefinitely more stable than such a standard resting upon the basis of one metal only, and that its adoption under sufficient sanctions would certainly deliver, not India only, but the whole world from all the evils to which, in the absence of any international agreement, it is now exposed ; and this without serious injustice to any existing interests. No doubt creditors by the present gold standard would lose some of their actual advantage, but for the most part this advantage has been acquired recently, and being wholly unearned is held upon no fundamentally equitable title. Moreover, the sacrifice entailed upon such creditors for the common good, would probably in almost all cases be largely compensated even to them by the substantial improvement of their security, and the general increase of prosperity which must ensue from the establishment of the standards of value of the world upon a permanently stable basis."

In regard to paragraph 56, we hold that it has been abundantly shown that the French method has operated unjustly, and there is no need to go again over the arguments which have been so frequently brought forward to prove it. If the system has been condemned in times when silver was scarcer and when less perfect machines existed for working the mines, and when also the economical developments for settling indebtedness generally were nothing as compared with those of our time, how can we expect a more scientific age to recommend our turning back upon a path which savours of the unwieldy devices of barbarism ?

Instead of saying that a standard of value would be more stable by reason of its resting on the broad basis of two metals, we should have thought the contrary was the case. The more constituent elements there are, each of which is subject chronically to different influences, the greater, it seems to us, is the liability to fluctuation.

Who finds any fault with the standard measure of value in England ? which has rested on one metal for three quarters of a century, and with what result ? that London is the banking centre of the world, while we hear cries of distress from all other quarters where her example has not been followed.

In a letter addressed to Prof. Nasse, Mr. Chapman says:

> " Surely the monometallists have lost sight of the true substance of the problem. Unless a fallacious definition of *value* be accepted, there can be no question that the value of gold must be most unstable, and that, therefore, gold must be a thoroughly bad standard of value."

Surely, one who makes such an assertion with the evidence before him of the gold standard which has worked so well in England, which its Government declines to alter, and which others who can afford to make the change are bestirring themselves to establish, is impervious to the logic of facts.

Paragraph 60 is devoted to propositions for the regulation under international laws of the mints of all nations, it being suggested that "they should be institutions not belonging to individual nations, but to mankind as a whole." This is all very pretty in theory, but a moment's reflection shows that such a scheme is impracticable, and that England is the last country to entertain such a proposal. It is a waste of time to trouble ourselves with imagining such an international organisation set going, for the simple reason that a war or bankruptcy which so disorganised the currency and accumulated capital of one country that was a party to the agreement, that it would have to retire, would cause so much trouble and probably disagreement, that the encountering of one such difficulty would be sure to bring about a dissolution of such a joint-stock arrangement.

We may very safely judge of the working of such an arrangement from a parallel case in domestic life. We know how co-operative arrangements between a few families in a neighbourhood to supply themselves with the various articles of daily consumption usually ends. In the case of meat, all want the best joints and none will have the inferior, the result being that the one family which is obliged to take what is left, says illiberal things of the others and retires from the partnership. Mr. Chapman says his suggestion for "mints for mankind as a whole" "is perhaps an ideal, the realisation of which is distant." We agree with him; it is so very ideal and so very distant as regards any probability of its realisation that it was of little use proposing it at all.

The Swedish delegate remarks on this point: "A universal bimetallic convention is impossible, because it requires engagements which, if the thing fails, would end in destruction and in the ruin of the contracting parties."

Gibbs

In his pamphlet, published in 1881, on the Double Standard, Mr. H. H. Gibbs says, after referring to the breaking down of the Bland Bill, "What will be the proportion of the rupee to the pound sterling if the United States cease to buy and coin the $2,000,000 a month now coined in accordance with the provisions of the bill. What will be the disturbance of prices, not of silver only but of all commodities, if the dollars now accumulated and still to be produced are thrown on the market, and their place is filled with gold to be drawn from the stocks of the other gold-issuing countries." What are the facts ? The United States did cease to coin when they found that the coins were returned from circulation and the people declined to use them. There has been no disturbance of prices at all, and no depreciation of the rupee due to this cause. As regards silver itself the price has not only not fallen further but has recovered and remained pretty steady at about 52*d.* The United States is not so foolish as to throw its dollars on the market at a loss. Gold in very large quantities *was* drawn from the stocks of other countries after these predictions were published, a large part of which remains in the United States. France, who suffered most by the drain owing to her bad harvests, has week by week for months past been recovering her gold and reducing her stock of silver. The prices of commodities have remained steady and in favour of the consumer to a degree perhaps unparalleled. India absorbs silver, she does not export it to Europe. India imports Manchester goods, railway material, and other things, and if there is a balance against Europe after the imports from India of jute, rice, indigo, corn, &c., have been set against our exports to India, Europe has been in the habit of sending silver at from 60*d.* per oz. down to 47¾*d.* per oz. to cover the difference. Silver having been sent there in payment has nothing necessarily to do with India's or with Europe's permanent currency. In the absence of other merchandise which would settle the debt cheaper, silver merchandise has been bought in the silver markets of Europe, generally the English, and sent in part payment. The currency of India is silver rupees, and everybody knows that when the currency of a country becomes depreciated, the rate of exchange with other countries where there is not the same depreciation will fall, and those whose operations depend upon this exchange will suffer accordingly. Regarding the special point of what will be the proportion of the rupee to the £ sterling, the question here raised is what will be the loss. Now, as we have previously remarked there is no loss till it is realised. Mr. Gibbs does not refer to the loss England may also have to face on her silver coins in circulation. As regards our own silver circulation we make bold to assert and to maintain that we shall incur no loss on our silver, whatever the price falls to, for this simple reason that we shall never need to realise it. Our silver currency like our chairs and tables has its work to do and gets gradually worn out. Old defaced coins are melted down, and in the process of re-melting, time after time, eventually disappear altogether, having done their work. The cost of them originally is, like the hire paid to the labourer for his work, profitably invested. The same argument applies almost if not completely to India in existing circumstances. The currency of India is silver. There is no need for any estimate of the possible loss India might have to sustain by the depreciation of her rupees any more than by the depreciation of our shillings. India does not export her internal *currency*. Like other countries she wants *that* for the interchange domestically of commodities. If by any chance she has to export rupees at their reduced value the solution is simple enough—more of them must be sent than formerly.

This argument applies to the currencies of all other countries. And in pursuing this question care should be taken not to confuse in one's mind the two distinct questions, of a country's international purchasing power, which consists of its natural exports and its accumulated capital, which can nearly always be sold at a price, and the purchasing power which we may call domestic, which is used internally as the measure of the value of other things, and which only goes out of circulation when poverty drives all valuables out of a country.

Mr. Gibbs says, in his next paragraph, "There is the possibility also that Germany, *if no accord is entered into,* will place her remaining stock of silver on the market; and the *Projet de Loi* lately published with the names of MM. Magliani and Micelli shows that Italy, in abolishing the forced paper currency, contemplates the resumption of specie payments in gold, thus appreciating that metal and beginning that struggle for gold in which none of the combatants could be victorious, and of which the effect must be a forcible and rapid contraction of the circulation in all gold-using countries, and while that struggle lasts, injury to every debtor and every producer." No accord has been entered into and there is nothing to show that Germany intends to place her silver on the market any more than France or the United States does theirs. As regards the Italian preparations for resuming specie payments, about ten millions of gold, more or less, has been sent to Italy, while France has increased her stock, and there is no evidence of any contraction of the circulating medium anywhere. With reference to the " struggle " for gold we see no signs of that. On the contrary, immediately the Bank of England put up their discount rate to 6 per cent. in February, 1882, which is but a moderate figure in connection with anything like a struggle, gold was shipped at once from New York, and in a fortnight the Bank's reserve rose from 9 to 12 millions.

No struggle for gold

We are told that there is not gold enough in the world, and that this conviction has driven a number of monometallists into the bimetallist camp. This small crowd appears to have taken fright during the drain of gold to the United States in the years 1879, 1880, 1881, when the bad harvests in Europe affected particularly the Bank of France, which happened to be in an exceptionally unfortunate position with its large stock of silver. Perhaps, now that it is seen that the gold is coming back to Europe these gentlemen will resume their old faith.

We do not see where is the evidence that there is not enough gold for the wants of the world. The business of the world has gone on satisfactorily enough during the last year or two. There are no more than the ordinary trade failures occurring while there is evidence that the civilized hard-working communities are as well off as it is good for them that they should be.

Regarding this alleged scarcity of gold, what is to prevent the State bank-note issue in every country from being managed on the same system as that of the Bank of England? The Bank of England has 11 millions of its notes issued against the security of the Government, no gold at all, or anything else being deposited. That 11 millions could be perfectly well increased to 15, now that the permanent note circulation of the Bank is so much increased by the taking up of the lapsed issues of the country banks.

What is to prevent the Bank of France, as we have already suggested, from reducing its stock of metal below the sum at present held? Experience has shown that a foreign drain is never allowed to reduce the stock beyond a certain point. And besides this it is perfectly well known that there is not the least risk of any run on the Bank from the note holders. The whole banking system with us is so bound together, all banks depending for support upon each other, that this simple fact is the greater security against a run from the note holders. The only extreme point that the circulation of Bank of England notes ever goes to is in the direction of expansion. This has occurred several times when the '44 Act has been suspended, but people never think of being suspicious of the Bank's capability of ultimately redeeming its notes whatever circumstances of temporary difficulty it may encounter.

If we examine the ebb and flow of the Bank of England's stock of bullion we shall find a central average amount, gradually increasing as the note circulation has increased, below which the stock is never allowed to fall. This has been the system upon which the Bank has been managed as everybody knows for years. This country in fact works with a smaller amount of gold in reserve proportionately to the volume of its commerce than any other nation in the world. Ours, in other words, is the most economical system which has ever been devised. In fact if there is any complaint to be made against it, it is that it is too economical. Hence the difficulty we have in recovering our equilibrium when over-trading has overloaded the system with engagements which crowd in for settlement faster than so delicate a machine can pass them through for liquidation. In other words, before the reversing of the engine has the power to arrest the momentum of the carriages behind, it is itself forced into a position of difficulty requiring exceptional and violent measures in the shape of the application of a sort of commercial Westinghouse break, by which not only the wheels of the Bank itself are locked by a high rate of interest, but those of other establishments which have brought about the mischief.

Now, the solution of this scarcity of gold is to be sought, as we have already said, to a large extent in other nations endeavouring to imitate the economical methods which we have devised, and which enable us to work on the average with this margin of gold to which we have referred. It is in fact a question of management. There is quite enough gold for everybody if the other leading states will set about reforming their ways of interchanging commodities. Nothing, for instance, can be simpler than the cheque system. How is it that other nations are so very slow to recognise the great convenience and saving of this system.

The banks on the Continent which have no well- Cheque syst.
developed cheque system have from our point of view no *raison d'etre* as banks. They are finance companies.

Where is Mr. Gibbs's predicted injury, or any signs of it, "to every debtor and every producer?" There is not the faintest sign of either the one or the other being even aware that a little gold has shifted its quarters, like everything else, in obedience to that law which directs all commodities into the channel which leads to the best market. With all due deference we feel bound to remark that the allusion to the producer is particularly inopportune, because producers not only have not suffered as alleged, but, as a rule, have been emancipating themselves of late years from burdens which previously weighed on them in the shape of middlemen's or merchants' charges. A remarkable instance of this came under our notice the other day. The cotton merchants of Liverpool begin to find out that spinners and manufacturers simply employ brokers just as an investor does when he wishes to purchase railway stock. Formerly they bought through the merchant. Now, the brokers, having hourly access to the producers in the United States, can supply the spinners without the intervention of the merchant, by which the merchant's profit is saved. The merchants have banded together to resist this encroachment upon what they conceive to be their rights, but it will be of no use. They must either join the band of brokers or retire with their capital or they will lose it. The merchants are somewhat in the position of silver itself. The changes in the economical development of the world's commerce are gradually dispensing with the services upon the old scale of both the one and the other. There will no doubt always be merchants and there will always be a use for silver, but they must both come down from the pinnacles upon which they have played a great and exalted rôle, and be content, like many other potentates who have had to submit to absorbtion in the process of political evolution, to be relegated to the discharge of less important functions, and thus make room for less cumbersome and more scientific agencies.

With reference to the apprehended struggle for gold, Mr. Gibbs says, "in which none of the combatants could be victorious." We fail to realise the meaning of this phrase. No one, surely, believes that any nation would seriously set itself the task of trying to accumulate all the gold in Europe, any more than any power would try to obtain possession of more of any other article than sufficed for their immediate wants. We have seen of late that immediately the price of gold rises beyond a certain point sellers come forward. The Bank of England made but a very mild bid for gold in February, 1882, and obtained a supply from France, Holland, and the United States at once. The bi-metallists, no doubt, were on the tip-toe of expectation when the Paris exchange on London fell to gold point on the breaking out of the stock and financial crisis which followed the closing of the Bourse at Lyons and the failure of the Union Générale. "Now!" they no doubt thought "England will be driven into the corner, which will enable us to compel her to join the "Bi-metallic Union." The Bank rate was raised to 6 per cent. as gold passed out to Paris, a million disappearing in one day. The arbitragists continued to give their orders for more gold, but money tightened up until 8 per cent. was charged by the Bank for advances. The question of cost then came to the front in a form which can always be relied on. The highest bidder gained the day. The predictions that gold once over the French frontier would never return were soon demonstrated to have nothing to rest on, as was also the case with reference to the drain to the United States, The banks of Germany, Holland, and Belgium, who put the armour on of a rise in the rate of discount to protect their stores, speedily perceived that there was no cause for alarm, and that they need not even have subjected the traders of the country to that small loss which they sustained. The Bank of England recovered its position so rapidly that on the 23rd of February the rate was lowered to 5 per cent. on the 9th of March to 4, and on the 23rd of the same month to 3, the value of money having for a week previously to the first date fallen simultaneously at all the continental centres, while the discount rate in this market was over $1\frac{1}{2}$ per cent. under the Bank's minimum a week before the change here was made by the leading institution. So much for the "struggle for gold."

At page 10 of his introduction—his remarks being endorsed by Mr. Henry R. Grenfell—Mr. Gibbs further states:—"To the United States the matter is one of great moment, for America is the great source of silver." With this we cordially agree, and rejoice in finding something which gives us the opportunity of showing that we are no prejudiced partisan, but are open to conviction, and do not avoid any evidence which is opposed to our views on this question. The matter is undoubtedly one of great moment to the United States, notwithstanding the assertion of the United States' delegate that the silver produced cost more than it was worth. Owners of mines do not generally continue to produce in these circumstances. But why is it of great moment? Because unless the price of silver recovers through natural absorption of the existing surplus as the result of legitimate wants—which we hope, in the interests of all who suffer by its fall, it may—an important branch of the indigenous wealth of the United States may, perhaps, for a very long time to come, even perhaps for ever, become unavailable owing to the price of the metal in the markets of the world not being sufficient to pay the cost of working.

Imagine for a moment England inviting the other powers to form a gigantic syndicate to keep up the price of coal, alleging as the reason that if they did not incur some individual loss to support so important and philanthrophic a project their own people would incur indefinite loss and suffering, through England being unable to raise any more coal at the price. Such may be the state of our coal pits one of these days, and is it likely that any other nation's Government would listen to so absurd a proposal, even if two or three families had to sit round one fire?

"There is no doubt of the truth of the proposition that it is impossible to fix by law the money value of any commodity; and were it possible, it would be as impolitic to enact that silver should not be sold at less than 60*d.* an ounce, as it would be to ordain that wheat should never be sold at less than 60*s.* a quarter. But, by the hypothesis, silver is to become part of the money of the country; silver and gold are to stand to one another in a different relation from that in which either of them stands to wheat. Under our present monetary law gold stands to silver in exactly the same relation as gold stands to wheat, and it cannot be but that some change in those relations must result from silver becoming equally with gold the measure of value and means of payment for wheat—that is to say, that a debt of £3 17*s.* 10½*d.* incurred for wheat may be discharged either in an ounce of standard gold, or in 15½ ounces of standard silver."

Our reply to the above paragraph is, that gold and silver have no doubt stood in a nominal relation to each other of 1 to 15½ for a long time, but that it has perhaps never been real at all in the sense that a hat worth a guinea is exchangeable for an umbrella that is the same market price. The ratio of $15\frac{1}{2}$ being a fixed legal standard, the depreciation which has been going on in the price of silver is only seen in the rise in the price of commodities. Had there been no sudden large addition to the supply of silver it might have been possible to maintain this nominal ratio some time longer, but it would have been maintained out of the losses sustained by one section of the community, while others who are cleverer would have gained an unfair profit. The value of no commodity, it is allowed, can be fixed by law. Silver, it is admitted, is a commodity whether it performs the function of money or not. A certain portion of it being used as token money at a current value above its market value does not alter the fact that it is a commodity all the same, converted to a particular use, like silver spoons and forks. That being the case, to try and fix a ratio by law is trying to give a legal value to a commodity which it is proved by the laws of supply and demand cannot be sustained. In other words, the ratio of $15\frac{1}{2}$ to 1 is a false ratio.

Let us take opposite opinions on this subject, which, although a repetition of what has gone before, is the kernel of the question. M. Cernuschi is in favour of the maintenance of the ratio of $15\frac{1}{2}$ to 1.

Why did Portugal abandon the bimetallic system? Hear what the delegate says in the following paragraph which refutes M. Cernuschi's assertion:

"M. Cernuschi has told us the ratio of 1 to $15\frac{1}{2}$ between gold and silver has prevailed everywhere during a century. I have been profoundly impressed by this statement, advanced in so absolute a manner, and by an authority so competent; for I consider that the whole question is involved in this. If the ratio has been constant everywhere and always bimetallism is possible. Monetary questions are, in my opinion, exclusively practical questions. It is only by the study of facts that we can attack them, if we wish to resolve them. In Portugal, before the Monetary Reform of 1854, which instituted the single gold standard, gold and silver simultaneously fulfilled monetary functions. If, then, the ratio of 1 to 15½ between gold and silver coin had prevailed everywhere during this century, this ratio would have prevailed also in Portugal; and I, therefore, ask myself why, if the ratio was so permanent, we substituted the single gold standard for the bimetallic circulation which existed before 1854? I have studied the facts—I have searched whether, in fact, this ratio had been in Portugal as fixed as M. Cernuschi has said. I find that the ratio between gold and silver during the first half of this century, in Portugal, as legal money has varied in the following manner:—1800, 13·5; law of the 6th of March, 1822, 16·0; law of the 24th April, 1835, 15·5; law of the 3rd March, 1847, 16·5. These alterations were the very cause of the abandonment of the bimetallic system in Portugal. It was established, and the statement of motives which preceded the law of 1854 proves it, that the circulation felt the want of harmony, and the disorder produced by the alteration of the reciprocal value of the precious metals that the legal ratio between gold and silver coins was higher than the commercial value of these metals, and also that this state of things hindered the transmission of values, laid a burden on all transactions, and stopped the movement of commerce even in the simplest operations. For these reasons the law which established the single standard was voted almost unanimously by the Portuguese Chambers. These facts seem to me to indicate that which is also shown by experience in agreement with scientific principles, that the fixity of ratio between gold and silver cannot be attained, and a state cannot keep simultaneously these two metals as measures of value; for the most favoured will always discredit the other, and will make it lose its quality of money, to convert it into a pure commodity."

As M. Pirmez stated at the eighth sitting on the 19th May, 1881: "The ratio of 15½ to 1," which M. Cernuschi and his followers are so anxious to restore,

" has existed from the commencement of the century *on paper;* but it has not reached to facts.

On the question of the double standard we may further quote the following anecdote related by the delegate of Switzerland:

" If we now pass to the financiers of Paris, I may say that I have tried to ascertain the manner in which they discuss this question. I must admit that here also opinions appear to be divided; but I have had an impression that the cause of the single gold standard has made during the last few years some progress in the ranks of high banking. I have been specially struck by the observations, full of justice and precision, which have been made to me by a man who occupies a very high position in the financial world, and who is at the head of one of the first credit establishments in Paris, inferior in importance only to the Bank of France. This person has said to me, speaking of the monetary standard, 'This is above all a question of honesty. If I lend to a merchant 155 kilograms of silver, honesty demands that he should restore to me 155 kilograms of silver; if I lend him 10 kilograms of gold, honesty demands that he should restore to me 10 kilograms of gold. But it is not honest that the law should grant to my debtor the option of restoring to me as he chooses either 10 kilograms of gold or 155 kilograms of silver, whichever may present to him at the time the most advantage. The law should be just and equal for all, and should not arbitrarily favour either the creditor or the debtor. This is what constitutes the superiority of the English market in the commerce of the world. When I buy a bill of £1000 on London, I know that I shall receive so many ounces of gold at 22 carats, which results from a proportion of £3 17*s.* 10½*d.* an ounce; when I buy a bill of 25,000 francs on Paris, I do not know whether I shall receive gold or pieces of 5 francs in silver, and I do not know at what price I can exchange the pieces of 5 francs in silver against gold. It is for this reason that bills on London form the principal regulator for international operations in the entire world—in India, in China, in Australia, in America; and this is the reason why they are preferred to bills on France. It is for this reason that I make all my contracts for a long term in sterling pounds in gold payable at London. The sterling pound is a solid and unalterable basis, while the franc is not so. Nearly all the French Governments since the King Phillipe Auguste, have successively deteriorated the old French livre, and the franc under the regime of the double standard is still subject to deterioration. This deterioration may even be very apparent if we are ever obliged, on account of a bad harvest or of any other unpleasant accident, to pay for our purchases made in foreign countries with silver. The franc is a name which does not represent a single object, whether it be a determinate weight in gold or a determinate weight in silver. For any monetary system the essential basis is honesty and truth.' "

What is the moral to be drawn from these statements? It is clear enough. The double standard, which some people have been accustomed to look upon as so perfect a system of currency, has been the means of enabling a certain clever set of people to discharge debts unfairly. In other words, those who have received payment have unconsciously been deceived as to the real value which was being given to them. On fully realising this truth, the wonder is not that every nation that can do so endeavours to emancipate itself from such a system, but that any nation could have endured it so long.

In the following paragraph Mr. Gibbs comes, as he says, upon the two cardinal points in the whole question.

" The cheapness of one metal in the market and the consequent export of the other are the two cardinal points on which the whole question turns, and I hope that in any answer to this which may appear some attempt will be made to show how, and by what steps, the supposed difference of market value could be brought about, and how, and by what steps, the " dearer " metal would disappear. Hitherto all that is alleged is that one metal *has* become dearer, and *has* disappeared under circumstances wholly different from those suggested.

" The allegation is that there would be a difference between the mint price and market price of silver, ***but it seems to me impossible.***

I wish to know how the market price could be quoted. In what would it be reckoned? Not in gold, for it is not conceivable that a holder of silver would sell his $15\frac{1}{2}$ ounces standard for a less sum than £3 17*s.* $10\frac{1}{2}$*d.* (or £3 17*s.* 9*d.* Bank price), when by taking them to the Mint he could by law have them coined for him into pieces of silver (nineteen double florins and small change), which would be a legal discharge for a debt of that amount: not in commodities, for it is not conceivable that the seller of commodities would take less in gold than he would in silver when he would have no reason to expect that his gold would be worth more at home or abroad. Only if his gold would buy him more silver or more commodities elsewhere would he care in which metal his price was counted."

The remark which we give in italics seems to us the weak spot in Mr. Gibbs's argument, through which his whole case breaks down.

Now, on this point it is necessary to remark that depreciation depends not upon a currency being the subsidiary or the main currency, *but on its quantity being in excess.*

To show how this would work if the ratio, in the present position of the silver supply, were legally maintained at $15\frac{1}{2}$ to 1 by the silver-using countries, we may recall the state of the currency in England in the middle of this century, about 1852. If at that period silver had been a legal tender to any amount it would have been coined in excessive quantity and would have sunk in relative value to gold. The consequence would have been that nobody would have received it in payment unless compensated for its lower value. The excessive quantity was then prevented first by the power of the Government to stop at will more silver from being coined, and secondly, by the 40*s.* legal tender limit allowing no motive to any person to take silver to be coined because it would only pass current at its market value and not at its mint value.

To prevent a similar state of things from occurring in the silver-using countries now, the Government have found themselves compelled to stop the coinage of silver. Their only other remedy in the face of the excessive quantity in circulation which would inevitably follow its free coinage in the present condition of the supply and demand, is to limit the amount for which it can be legally tendered in payment.

If the mints of foreign countries were again thrown open to the coinage of silver in present circumstances, what would be the result? There would be a rush to discharge indebtedness at the legal tender value with silver bullion that had been purchased in the market from 47*d.* upwards, for there are large holders who have bought on speculation, hoping the bimetallists would succeed in converting England and Germany to their views. Then exchanges would fall, gold would be exported amidst a scene of confusion in which there would be a more rapid than dignified retreat.

We must acknowledge our indebtedness to Mr. A. Tupp
Cotterell Tupp, B.A., &c., for his very useful compilation of "the proceedings of the International Monetary Conference held at Paris in 1881, condensed and translated from the official procés-verbaux," which we have taken as the correct utterances of the delegates. Mr. A. C. Tupp is a bimetallic enthusiast and entitled to his opinion like every one else. We hope he and others with whom we beg leave to differ will pardon us. All who enter the arena of public controversy must not complain if they find others in disaccord with them.

Whether we are right or wrong in our views, we claim for ourselves, that with which we find no fault in others, viz. the right to speak out what we think.

Mr. Tupp writes a preface to his book which calls for one or two remarks. After referring to the concessions offered by the German Government, we read " and the decision just announced by the Bank of England of holding one fifth of its metallic reserves in silver, seems to point to the likelihood of a practical result from the labours of the Conference." If this is all the Conference achieved it is not much, since no such decision has been announced or even contemplated for a moment by the governing body of that institution.

Further on we are told " if England's opposition to bimetallism is continued, and silver be not restored to its former value, the depression will be intensified; and that before long, if she continue in her present monetary policy, &c., she will enter on a period of distress and disaster to which anything which has as yet occurred is but a trifle." As we have already observed in one or two places, we try to deal only with facts. We cannot speculate upon what is in the future. What we do know is, that notwithstanding the only partially recovered fall in silver, the country shows no signs of coming disaster or distress. On the contrary, the evidence open to all of us points in the other direction. For several years past commercial affairs have been reviving in the face of the restricted supply of silver currency, owing to the mints being closed to the free coinage of that metal. There is no disputing that fact.

Further on the colours are laid on thicker. We are told :

" But the ten years from 1873 are nearly complete now, and it is to be hoped that England will, long ere 1883, see to what a pass her obstinate adherence to her ancient policy has brought her, and will consent to be taught by the misfortunes of other nations, such as Germany, and not insist on trying in her own proper person how she can endure a diminished currency, a rapid and continuous fall in prices, gold artificially appreciated *and insufficient for the purposes for which it is required*, silver depreciated and thrown away as useless, at the very time when it is best able to render the most important services, and, as a consequence of this, *the trade, the agriculture, and the foreign commerce of the country stagnant and half ruined, and our Indian Empire loaded with a debt which it will be impossible for her to meet, and which England must ultimately take upon her own shoulders.*"

The question is, how far are these statements proved facts? As far as our knowledge goes, they are proved fictions. 1st. Gold is flowing back to Europe faster than it is wanted. 2nd. Nobody says silver is useless. A thing cannot be useless that is exchangeable for other things that are useful. 3rd. Is the trade, agriculture, and foreign commerce stagnant and half ruined? The first and last are in a satisfactorily progressive state which is beyond dispute, and as regards agriculture, the losses in that branch of industry are no more due to the fall of silver than the fall of silver is due to the depression in agriculture; perhaps, indeed, the fall in silver may to some extent have been aggravated by the depression in agriculture. For official facts proving the gross inaccuracy of the statement that our foreign commerce is *stagnant* and *half-ruined,* read Mr. Chamberlain's speech in the House of Commons on Foreign Tariffs, on March 24th, 1882.

It is stated "that England should increase the amount of her subsidiary silver coinage, and make silver a legal tender up to £5. If the English Government will only sanction this one concession, there is every hope that the efforts of the Conference will be crowned with success, and the rehabilitation of silver will be ensured, and England will have fortunately escaped from the terrible monetary crisis which is at present inevitably impending over her." These are terrible warnings. But what are the facts? The question of doing something in the direction suggested has long since been thought of by some persons in authority as a possible concession; but a moment's reflection showed that such a measure would be entirely inoperative. The failure under the Bland Bill is nothing to the agitation which would have followed such an attempt here.

Langley

We come now to a pamphlet by Mr. Edward Langley, entitled 'The Silver and Double Standard Questions: being a reprint of a paper read before the Manchester Statistical Society in March, 1879, and other matter.'

Mr. Langley adhered, when this pamphlet was published in 1881, to what he said in 1879. This is, at all events, consistent. Let us see how far his statements are consistent with known facts.

The first sentence that seems to call for remark is the following:—"The position of England, with her small area and dense population, is unique. The consequence is that she has to pay in gold for a large proportion of the necessaries of life which she imports." Mr. Langley is probably aware that gold is an expensive luxury to keep idle, and that all countries send away what they do not require when they can do so profitably. When we sent away our gold to be exchanged for United States' wheat, we had a surplus that was costing the country a large sum of money every day that it lay idle. That surplus was no use to us. It was a burdensome loss. The wheat we did want very much. What could be more sensible or business-like than to exchange the one commodity for the other. When our surplus was exhausted we caused other commodities to be sent instead, by making gold too dear for a while. While the rate of interest remains low, *i.e.* while money itself is cheap, holders of other commodities, awaiting a market, do not sacrifice them until necessity forces them to do so. From this it is assumed that we *have* nothing else to send but gold, and that this *surplus* gold is our life blood. Two or three weeks of dearer money prevented our necessary permanent reserve of gold from being trenched upon.

The suggestion, therefore, that our "having to pay at present in gold" is a very dreadful hardship to the country, is seen to be founded entirely on a misapprehension of the part which gold plays in the international exchange of commodities.

Further on we are told, "Yet we throw obstacles in the way of those who have silver only to offer." We are not told who are those who have silver *only* to offer. All the silver-using countries are no doubt meant. Now, how does this statement stand the test of facts? The total exports of the United Kingdom for the year 1879 were £191,530,000; for 1880, £223,060,446; for 1881, £233,938,919. This shows a progressive increase of over ten millions a year, although the bimetallists tell us we have been going to rack and ruin ever since the fall in silver. Our general imports during the last three years have averaged say £400,000,000, which is less than the figures given in the Trade and Navigation Returns. As compared with this total, the silver imported in 1879 was £10,700,000; in 1880, £6,828,000, and in 1881, £6,901,000;—say, an average of seven millions. That sum goes into 400 millions, say, fifty-six times; so that the silver offered to us in payment for our goods amounts to one fifty-sixth part of the whole imports. The imports of gold during the same period were as follows:—1879, £17,500,000; 1881, £11,800,000, and 1881, £15,500,000. So that there is, after all, not such a very wide difference between the imports of the one metal and of the other.

We are then told "That the entire loss of our credit business for foreign account is a mere question of time under a general bimetallic agreement, from which England may exclude herself." If Mr. Langley has read the statements by some of the delegates which have been here reproduced, he will have seen that it is England's gold standard and the bimetallic standard in other countries that has strengthened her position as the banking centre of the world; and it is held, and rightly so, that her position in this respect would be still further consolidated were bimetallism to be reinstated on the Continent.

Mr. Langley is of opinion that "a continuous addition to European currency fertilizes trade and commerce to the extent of such coinage." He is apparently not aware that if the currency of England was doubled to-morrow that the result would be simply that we should have to pay 5*s.* for a thing which now costs 2*s.* 6*d.*, and that our pockets would be "fertilized," or, as we should prefer to say, worn out by the cumbersome coins which the bimetallists are so fond of, and which, in the form of dollars, now fill up the United States Treasury as the abortive result of the Bland Bill, owing to their rejection by the inhabitants.

"The marvel is," we are told, "not that trade is bad, but that it should not have been worse, owing to the suspension of the coinage which by this time would have added many millions sterling to the European currency." One would have thought that the withdrawal of this currency watering-pot fertilizer must ere this have brought about wide-spread ruin, for it is now close upon ten years since bimetallism was inoperative on the Continent. But we do not hear of any failures worth speaking of, and the greater the distance we reach from that period, when there was free coinage of silver, the better trade becomes. Our trade and navigation returns show this. The conclusion would therefore appear to be, not as Mr. Langley imagines, but that the business of the world can be carried on better, for some time at all events, without any additions to the silver currency at all, and that instead of fertilizing the channels of trade and commerce this silver has been like an accumulation of weeds in a river, blocking up the navigation.

In one sentence we are told that, "So far as England's trade with silver-using countries is concerned, she is absolutely at the mercy of France and the United States of America," and on the next page we find "the adoption of bimetallism by any group not including England and Germany would immediately confer on England and Germany all the benefits of bimetallism without their share of the burden." If this would be the result of being "absolutely at their mercy," our indifferent attitude while the bimetallists make such a fuss is easily accounted for.

In Mr. Langley's paper read before the Statistical Society of Manchester as long ago as March 19th, 1879, he says, "That pressure, I fear, is now at our doors in the shape of continued bad trade." The facts of the case are opposed to this view.

Mr. Langley tells us :

> "That up to 1876 our single or, as it has been called, our inflexible, gold standard has worked well no one will deny ; but a very few words of explanation will satisfy most, if not all, of my hearers that this satisfactory working of our single gold standard was due to a circumstance—the bimetallic system of France—the influence of which was never sufficiently considered until it was roughly demonstrated in 1876."

But surely no one will deny that our gold standard works even better than before, since France closed her mint to the free coinage of silver, as far as England herself is concerned. If Mr. Langley is right, it ought to have broken down immediately there was no outlet for silver through the French Mint.

Further on it is asserted, "and I think I may now in 1879 assert that the trade of this country with silver-using nations is paralyzed." If a trade is paralyzed that reaches an average in the last three years of about 400 millions sterling of imports and more than half that value of exports for each year, all we can say is that we sincerely hope that if our unfortunate country has been visited by a paralytic stroke on one side, as we say of the human body, it may speedily experience a similar visitation on the other.

Again, we find it stated, "Following up this line of argument, I beg further to maintain that the prosperity of Europe has been modified by the diminished production of gold."

So long as gold can be profitably absorbed for currency and other purposes and can find active use in interchanging commodities, either by itself circulating as coin or by being deposited for the security of circulating notes, then its production by the miners is conducive to prosperity, as it was from 1848 onwards. But Mr. Langley seems to believe that this can continue for ever, and his reasoning seems also, to us, to show marked traces of confusing purchasing power with currency. While gold is not too plentiful it, like other commodities that are in demand, confers on the possessor of them purchasing power; but there is a limit, as in all other things, beyond which the purchasing power must decline by the commodity being produced in excess. This is precisely what has happened with silver. Its purchasing power has declined, as seen in its relative market value. To go on throwing silver into circulation would only still further destroy its purchasing power. To argue, therefore, that the prosperity of the world depends upon a constant stream of the precious metals being poured into the currency is to enunciate a doctrine that is unsound.

There are many other points in this pamphlet which are not above criticism, but we have said enough to show how loose and unsound are many of the arguments put forward by some bimetallists in support of the principles they advocate.

The following paragraph is from Mr. Robert Barclay's second edition of 'Essays and Letters on Bimetallism.' Barclay

"I will now notice briefly a few of the practical effects of the disturbance in the relative value of gold and silver. I have shown that prior to 1874 the two metals were practically one in constituting the metallic money of the world. When economists spoke or wrote of money in connection with international trade they meant the precious metals—silver and gold, not one of these metals only—and the two together in their aggregate volume formed the metallic medium of exchange, by which the trade of the world was carried on. Economists justly assert that while money is a standard of value in relation to other commodities it is also itself a *commodity*, and as such is subject to the same laws which rule the value of all other commodities. Scarcity must enhance its value, and abundance must diminish its value. Of course, in these remarks I am keeping inconvertible paper money out of sight altogether, but your experience here with paper money of this class will enable you at once to estimate the force of these remarks. You all know from too painful experience that increased issues of paper dollars have led to the diminished value of your paper money; and you have seen also that by reducing the amount in circulation by periodic burnings,* or even by keeping the amount stationary while the wants of the country increased, increase in the value of that money has taken place; and so it is with the metallic money of the world in relation to the purposes it has to serve. If it is increased, its value in relation to all other commodities must fall; if it is reduced, its value in relation to these must increase. Now take, as illustration, the estimated figure of 1350 millions, or say 1400 millions as the value of the metallic money of the world —half this amount being gold and the other half silver. Suppose that amount were rapidly diminished, values of commodities everywhere would fall; suppose it were increased, values would be augmented. If silver were everywhere effectually demonetized, this would reduce the metallic money in the world to 700 millions of gold, and as this 700 millions would have to do the exchange work which is at present done by 1400 millions of the two metals, its value would be correspondingly increased. One sovereign would have the same purchasing power as two sovereigns now have, prices of commodities would seem to fall to this extent in relation to money, but in reality it would be that money had become enhanced in value owing to its scarcity. It requires little demonstration to prove that this would be an immense evil. The whole balance of values would everywhere be disturbed. Not to speak of the immediate loss to the

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* In many of the laws authorising fresh emissions of paper money in Buenos Ayres, it was also enacted that certain amounts of such emissions should be regularly withdrawn from circulation and burned.

holders of silver, every debtor who owed gold would have practically double the amount which he owed to pay. National loans contracted in gold could not be discharged without the surrender of double the property which these loans when made could have bought. In fact, everywhere the debtor would suffer and the creditor gain. Of course, this is putting the thing in an extreme light, but it serves to show how it must work."

The statement certainly contains the following qualification:—"Of course, this is putting the thing in an extreme light, but it serves to show how it must work." As for showing how such a change as that contemplated would work, we think Mr. Barclay has trusted too much to his imagination.

Mr. Barclay assumes that the stock of silver money in the world is 700 millions sterling in value, and proceeds to argue, on the hypothesis that "were silver everywhere effectually demonetized," prices would fall and great evils would arise in the shape of the loss to holders of silver and debtors generally.

In the first place, it is impossible that silver could everywhere be effectually demonetized to an extent that would reduce its value one half. Of the value of 700 millions, how much does Mr. Barclay suppose could be thrown upon the markets of the world so as to reduce its value one half? Demonetization of silver with a view to replacing it with gold is a very expensive process to begin with, as the attempt of Germany has amply proved. The only other power who could attempt a similar feat at the present moment is France, because her commercial position would probably enable her to maintain a gold currency. France not only shows no signs of trying to follow Germany, and thus anticipate any other power which may be thinking of monometallism, but she is, so far as we can judge, advocating the retention of her silver in circulation. To demonetize, France would lose a very large sum on the sale of the silver, and another large sum in the coining of gold. As the nation which is best able to adopt the gold standard cannot see her way out of her difficulties in the direction of monometallism, is the danger appreciable that the holders of 700 millons sterling worth of silver are all going at once to do what is impossible? Proposition No. 1 is seen, therefore, to have little or nothing substantial to rest upon.

Secondly, the silver which England has in permanent circulation forms of course part of this 700 millions. That portion at least is completely disposed of, and outside the reach of demonetization. Next we will take France, who probably holds much the largest amount of silver, which is what we may call locked up, that is, which is deposited as security for her note issue. Those notes are quite as certain to remain in circulation in the future as they have in the past. We will say that France has 50 millions of silver so employed, and that all the other national banks have another 150 millions, making 200 millions sterling worth of silver, represented by notes in circulation. If this is a reasonable estimate we have then left 500 millions of silver that is in the same position as the silver in England, *i.e.* being carried about in the pockets of the people. In the countries having very large areas and populations much spread out, the silver currency is spread out very much too. In fact, in such countries a gold circulating currency would not meet the wants of the people, because they are accustomed to spend smaller sums than richer communities, and a gold currency would carry too much concentrated value in the pieces of money to suit their purposes. The silver circulating in India, China, Russia, Austria-Hungary, and such like states, we may therefore look upon practically almost as immovable as the English silver currency, since the fall in the market value renders it less liable to be exported.

The loose way in which Mr. Barclay conducts his argument is shown in the inference which he draws from his own impossible premisses. "If silver were everywhere effectually demonetized," to repeat his hypothesis, "this would reduce the metallic money in the world to 700 millions of gold." Has, may we ask, the silver demonetized by Germany so effectually disappeared as to count for nothing in the currencies of the world? And is it possible that any one can seriously believe that if all nations adopted the gold standard that 700 millions of silver would in consequence be thrown upon the markets of the world as useless? The further inferences which are drawn from the foregoing hypothesis are equally valueless.

It will no doubt be said, what is the use of metallic currency which is only available for internal circulation? The answer is, that it is not necessarily only available for internal circulation. Every description of a nation's goods is available for exportation in case of extreme need. Silver in bars can always be available, as gold bars are in gold-standard countries. The small demand for silver for export compared with the settlement of international indebtedness by other commodities we have already shown. If it becomes absolutely necessary to draw on the permanent currency of a country as the result of extreme poverty, as in the case of Turkey, for instance, then there is no help for it, it must be exported for what it is worth in the market, as with all other things.

"The net result of the fall in silver, therefore, as things are at present, must be a very heavy loss in monetary wealth to the silver countries without any immediate important compensation from the enhanced value of gold. I think that in this lay a main cause of the prolonged depression of commerce which we lately saw. The silver countries undoubtedly all became poorer in monetary wealth as silver declined in value, and commerce was paralysed in consequence."

In the above paragraph Mr. Barclay accounts for "the prolonged depression of commerce which we lately saw." There is no doubt that the fall in the value of silver gave a sharp check to the speculative trade, which had been carried to a high pitch before the reaction commenced in the United States in 1873. It is very difficult to prove to what extent the fall in the value of silver did exercise an effect, but it is very easy to prove from previous experience that if silver had not fallen at all in price we must soon have experienced the revulsion which always has followed overtrading. Instead of its being a "main" cause, we think it would be more correct to say that the fall in the value of silver occurred at a time when heavy international engagements had been accumulated, and commerce, like inflated stock markets, was ripe for a reaction on the occurrence of any serious event such as the demonetization of silver by Germany.

The silver-holding countries undoubtedly became poorer, but it was only necessary to realize the loss to the extent of the silver they exchanged at the lower price. The exchange of silver as compared with other commodities sent abroad in payment, as we have shown in other cases, is comparatively very small, and the national loss could therefore not be material. Against this, as was shown by M. Pirmez, the nation as a whole gains on its imports what is lost on the exports.

If "commerce was paralysed in consequence of silver declining in value," how is it that the paralysis has not become more acute the longer the loss has to be sustained? Where is there now evidence of any paralysis at all? None that we can find, except in the imaginations of the bimetallists.

A curious example of the arguments which some Westgarth bimetallists advance in support of their views is to be found in a pamphlet by Mr. W. Westgarth, issued in June, 1881. He says: "Germany has created the present artificial and strained position by *violating economic law* in buying the high and rising article and selling the low and falling one. Her loss in doing this means the profit of those who would now reverse the action. No doubt the reversing operation will not now, as I have already pointed out, at all approach the dimensions of its predecessor; so that the anticipated currency interaction tending to diminish the gold and increase the silver will prove unimportant, and at the worst but temporary." We will not attempt to thread our way to the centre of this labyrinth of a statement, but simply reproduce it to call attention to the words which we give in italics. Wherein, may we ask, consists the violation of economic law? In our humble opinion. Germany, in buying the rising article and selling the falling one was acting on the soundest possible principles of business. To sell a rising article and buy a falling one is surely as complete a violation of common sense, and leading ultimately, if the progression in each case only continues, to certain ruin as could be imagined.

Even supposing an article is rising in price, what possible violation of economic law can there be in buying under those conditions what one requires for a certain purpose?

We are inclined to agree with Mr. Westgarth that some of the bimetallists are, and have been, for a long time waiting to profit by the operations of "those who would now reverse the action." A nice profit they would no doubt realize if they could persuade other people to "rigg" the silver market back to the ratio of $15\frac{1}{2}$ to 1.

Haupt

How far the theories of some of the bimetallists are supported by facts is shown by the predictions of Mr. Ottomar Haupt in his pamphlet, 'La Rehabilitation de l'argent,' published in 1881. After referring to a "sermon" on the question of bimetallism which he had read in some paper, he says, with reference to our impending difficulties, "Nous savons très bien que vous êtes les premiers à souffrir de la dépreciation du métal blanc et de toutes les conséquences qui s'y rattachent, et que, pour quelque temps au moins, nous sommes parfaitement à même de maintenir le *statu quo,* tandis que vous avez tous les ans à payer un tribut se chiffrant par millions à vos superbes théories monometalliques." Mons. Haupt we know to be a man of superior intelligence, but we cannot agree with him. His estimate that England loses 38 millions sterling by the depreciation of the things she possesses, which must be estimated according to their silver value, appears to us to be a gratuitous assumption. No depreciation in the value of a thing is a loss until that loss has been realised, as we have more than once remarked. The argument is as unsound as to assert that when Consols fall 1 % every holder is to that extent poorer. The bimetallists cried out that the Indian trade would be ruined by the fall in the value of silver, and that the Indian Government would suffer immense loss. The fall began about 1873. We asked an Indian merchant some time ago, to whose reply we have also more than once referred, what had been the consequences to him? "Very little," was his reply, "we had to make certain allowances for the depreciation of the metal, and that was all." He treated the matter with an indifference which contrasted strangely with the pessimist views of the bimetallic theorists. The merchant was face to face with the position, down on the ground of hard fact as compared with the theorists who stood at a distance and invented, many of them, the data from which they made their deductions. Curiously enough Indian finances have been in a more flourishing condition since the bimetallic question came to the front than has been the case for many years. We do not pretend there is any direct connection between the two things, but the circumstance proves at all events that the depreciation of the metal has not sensibly interfered with the material prosperity of India which many bimetallists concluded it would.

1891

APPENDIX.

The following figures showing the decline in the value of silver relatively to that of gold are taken from the 'Economist' of April 8th, 1882:

Years.	Average Ratio of value of Silver to Gold.
1876—1880	18·20
1801—1810	15·42—15·61
1781—1800	14·76
1701—1720	15·21
1681—1700	14·96
1601—1620	12·5
1581—1600	12·1
1493—1520	10·5—11·1

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