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WITH TWO LETTERS ON "SILVER AND MR. GOSCHEN'S CURRENCY PROPOSALS,"

BY

Aldenham, HENRY HUCKS GIBBS, Esq., M.P., (1819-1907)

President of the Bimetallic League:

AND A

REJOINDER BY MR. HERBERT C. GIBBS,

To the "Economist's" Comments on the Annual Meeting (1892) of the Bimetallic League.

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LONDON:

EFFINGHAM WILSON, ROYAL EXCHANGE.

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CONTENTS.

"WHAT IS BIMETALLISM?"

IN a series of "Short Notes on Money," in the *London Chamber of Commerce Journal*, Mr. J. H. NORMAN wrote, in the December (1891) number, as follows :—

"V. *What is Bimetallism?* It is an attempt to make a true standard, measure of value, and means of payment by the combination of two substances at a definite legislative fixture of relation between the weights of them. If successful for a time the result would be: (1) Injustice to those interested in deferred monetary obligations, to the poor man as well as to the rich man. (2) The British Isles would be open to silver produced, perhaps, at the proportionate cost of 80 parts of silver to one part of gold to be paid for by securities or land, &c., at the proportion of 15½, 16, or 20 parts of silver to one of gold, as might be fixed by law. This might yield to the silver-producing countries profits of some hundreds per cent. (3) Probable displacement of gold as a monetary medium throughout the world within a few years, through the operation of the Gresham Law, which is that the cheaper will drive the dearer circulating medium out of a country, where there is any attempt to make one standard out of two metals. The world's present production of silver is double what it was in 1873, notwithstanding a very heavy fall in its value measured by gold. Recently it was estimated that the gold cost of one year's production of silver was 44 parts of silver to one part of gold by Prof. Roberts-Austen, of the British Mint in London; and at 35½ of silver to one of gold by the U.S.A. Mint authorities. Some experts estimate the present comparative annual average cost of the two metals at 80 of silver to one of gold. These proportions give the following absolute parts:—

Parts of Silver to 1 part of Gold.	Troy grains of pure Gold for 444 Troy grains of pure Silver or a British Standard Troy ounce, *or*	Pence per British Standard Troy ounce.	Troy grains of fine Gold for 165 Troy grains of fine Silver, *or*	Pence per Rupee.
15½	28·64	60·84	10·64	22·59
16	27·75	58·93	10·31	21·89
20	22·20	47·15	8·25	17·52
35½	12·50	26·55	4·65	9·87
44	10·09	21·43	3·75	6·53
80	5·50	11·68	2·06	4·37

A French silver franc contains 15½ times more weight than the French gold franc. The United States silver dollar contains sixteen times as much silver as the United States dollar contains gold. There are three courses open with reference to the world's two monetary intermediaries, and measures of value, gold and silver: (I.) To abolish them; (II.) To let each metal find its value in proportion to the contents of its value-giving factors; (III.) to get a temporary universal enforcement, by legislative enactments, that both gold and silver shall be received in unlimited quantities by all mints and be made unlimited legal tender at fixed relation of weight between the two metals. Bimetallism is unnatural, unscientific, and unworkable if the following propositions are true: (1) that gold and silver are different substances; (2) that no two different substances can be exchanged for any length of time upon parallel lines of quantities or values, neither can they be produced for any length of time upon parallel lines of cost."

The following REPLY, in the February (1892) number of the same journal, was contributed by

MR. HENRY HUCKS GIBBS, M.P.,

President of the Bimetallic League:—

International Bimetallism and the Gresham Law.

In your issue of the 10th of December last you print some "Short Notes on Money." Permit me to contribute some notes on those notes, so far as they relate to Bimetallism.

The writer in your journal asks, "What is Bimetallism?" but he does not answer his own question; giving, instead of an answer, an incorrect statement of the effects of that monetary system.

He says it is "an attempt to make a true standard measure of value and means of payment by the combination of two substances, at a definite legislative fixture of relation between the weights of them."

I suppose I understand his meaning; but, if so, it is not expressed by his words. What *is* "a definite legislative fixture of relation between the weights of them," sc. the two substances?

"Bimetallism," or, in plainer English, the Currency Law of England as it existed till 1816, establishes no relation between the weight of gold and the weight of silver; any correct pair of scales will do that.

Between a definite weight of gold and a definite weight of silver it does, without controversy, establish a definite relation, viz., legal equivalence for discharge of debt.

Thus, as an example, a debt of £1 sterling might, if the old English law were restored, and in the absence of any previous stipulation to the contrary, be discharged by the tender of either 123·27447 grains of standard gold (113·0016 pure) or 1893·5403 grains of standard silver

(1751·5247 pure) in coin of the realm, as is the case now, *mutatis mutandis*, in France and Germany. This, with the restoration of free coinage of silver, abolished in England in 1816 and suspended in France in 1873, constitutes Bimetallism.

Under that law previous stipulation will ensure the creditor being paid either in gold or silver at his pleasure, or even in tenpenny nails, if he so desire it. After one trial he would certainly cease the experiment of making a stipulation of which nobody ever availed himself either in France or in this country, because nobody ever found the need of it. The trial has indeed been made; for in Lancashire, in 1857, some lessors and owners of ground-rents, fearful of the flood of gold, stipulated for payment in silver if demanded. Some of the leases are still running, but the right was never insisted on even when the dread of the depreciation of gold prophesied by the eminent political economist M. Chevallier was at its height.

Now to your correspondent's "results." I. (I use his divisions.) It would be well that he should give some demonstration of the "Injustice," some indication of it which does not beg the question. Let him imagine himself receiving a cheque for £10, and let him explain in clear language the precise injury which he will receive from the fact that *if* he wanted specie—which he does not, unless he be a workman on pay day, and then if paid in gold he will at once change it into silver—that cheque might possibly be paid in fifty double florins of full weight (grs. 378·708 each), accepted in France as the equivalent of ten sovereigns (1232·7447 grs. of gold). Let him also bring the testimony of some Frenchman who will explain the injustice from which he now suffers, or suffered before 1873, when he lived under conditions precisely similar to those which I have mentioned. His Frenchman will answer: "Injustice? I know of none. My four silver five-franc pieces always bought me exactly the same amount of food and clothing as my gold twenty-franc piece." But your correspondent will say, "He receives the cheapest metal!" What if he does, if it will buy the same as the dearest? But I deny that it is, or would be, the cheapest in any sense which could hurt the receiver. And this brings me to your correspondent's No. III., in which he seems to me to have shifted Sir Thomas Gresham from the 16th to the 19th century, to have misrepresented his thoughts, and misunderstood the operation of his 'Law.' It is quite impossible that Sir Thomas Gresham could have ever said or thought "that the cheaper will drive the dearer circulating medium out of a country *when there is an attempt to make one standard out of two metals.*" Neither he nor any of his contemporaries could have used these last thirteen words—at least in the sense in which your correspondent uses them—because none of them had or could have any conception of a civilised country in which the legal money did *not* consist of two metals. They expressed it by saying that Silver was the monetary standard, and Gold rated to it by law. If they had said that Gold was the monetary standard and Silver rated to it by law, the thing would have been the same, the collocation of the words different. If they had said the monetary standard was Gold and Silver, each rated to the other by law, the thing would have been again the same. It is only the "Mourir me font, belle marquise, vos beaux yeux," instead of "Belle marquise, vos beaux yeux mourir me font," of the Bourgeois gentilhomme. But Gresham never said or thought of saying that "the cheaper will drive the dearer circulating medium out of a country." *Cheaper* and *dearer* are—both the words themselves and the sense in which they are used by our opponents—a modern gloss on the sixteenth century text. What Gresham meant and said (see his letter to the Queen) was that if two currencies were circulating together, one "abased," as he called it, such as was clipped or worn silver, and the other of full weight, the latter would go. We see the truth of it every day: light sovereigns circulate in the country, heavy ones come into the Bank, and are the only coins available for export.

But the words are good enough, rightly used and rightly understood, and may sometimes be applicable to countries living without international accord under a Bimetallic law. The dearer metal will leave the country, the cheaper stay behind. Thus in the United States, gold, which was the cheaper metal, stayed in the country, and silver, which was the dearer, went away. *At the same period of time*, in France, gold, which was the dearer metal, left the country, and silver, which was the cheaper, stayed there—all in accordance with the Gresham Law, and all to the confusion of its too hasty interpreters, who will have to face the fact that at the same moment each metal (gold and silver) is both the cheapest and the dearest, and has both to leave one country which uses it, and to stay in another which also uses it.

"Gresham's Law, which records the observed fact that the cheaper metal will drive out the dearer, operates as certainly as the Law of Gravitation."* The illustration is most apt and most true; and is all the more apt because not only are both laws irresistible, but as the force of Newton's Law decreases with increase of distance in space, so the force of Gresham's Law decreases with the increase of distance in time; that is to say, as time goes on. But "cheaper" and "dearer" must be taken as applied to coins which contain a full weight of fine

* *The Times*, February 18th, 1892.

metal current side by side with coins containing less, or to the case of France and the United States above mentioned, for which I shall presently account (see pages 10 and 11). Thus the Gresham Law acted irresistibly in this century at the time mentioned above; and in the latter half of the last century also, when, as Lord Liverpool said, the people of England deliberately chose gold—not, however, as he thought, because it was found most convenient to their commerce, but because silver had been the most advantageous remittance. Silver was under-valued in England. Silver was being produced in far larger quantities than gold, yet gold was the cheaper, silver the dearer metal; but the Gresham Law was as inexorable as the Law of Gravitation, and silver left the country. Lord Liverpool said the people chose gold *deliberately;* I say they chose it *compulsorily* under the pressure of the Gresham Law. Which, then, is the cheaper, and which the dearer metal? This question cannot be answered by a reference to the market price; for in bimetallic countries there is practically no price except in terms of other commodities, and in mono-metallic countries, where one or the other metal is not a measure of value, but merely a purchasable commodity, the market price cannot practically go lower than the minimum indicated by the ratio in the bimetallic countries. Nor can the question be answered by ascertaining and comparing the cost of production of the two metals; the cost being, indeed, an operative cause, which is ultimately as effective on the precious metals as on other commodities. But its operation being on the prices of labour and of all other commodities, and thus on the possibility and therefore on the quantity of the production itself, this effect cannot in normal times be produced under hundreds of years.

Neither costliness nor cheapness of production has anything whatever to do with one metal being cheaper or dearer than the other in the sense of the words as used in this controversy; nor has anyone ever tried to work out the problem, and show step by step how the fact that 412½ grains of silver—which, by the hypothesis, are by law, at the moment of their production in the United States equivalent to and convertible into one dollar of legal tender money,—are under favourable circumstances, produced at a cost of, say, 29 cents (*i.e.*, about 1s. 6½d. an ounce), can set in motion the Gresham Law in that or any other country. To the American miner it is a dollar (less cost of transit), and cannot be less or more. To him it has come cheaply; but as I have frequently asked before, but always without an answer, how is the English debtor to come by those 412½ grains at any reduction in price? It is not a sufficient answer to say, "Oh, he will, somehow." Competition cannot exist under such circumstances; and it must be shown what inducement a miner can possibly have to sell that at, say, 90 cents for which from a neighbouring mint he can get 100, less the cost of transport.

The *dearer* metal is that which in another country is dearer in terms of the commodities which it will buy there; and the *cheaper* is that which in another country is cheaper in terms of the commodities which it will buy there. The Gresham Law drives the first to the country where it will buy more—where it is over-valued—and keeps the existing stock of the other at home, where it in its turn is over-valued, and causes more of it to be received there from countries in which it is under-valued.

The true cause, then, as in the above example of silver (or gold) being expelled from one country, and at the same time received in another, is the diverse ratio fixed by different States. The American ratio was 16 : 1, silver being there under-valued as compared with the French ratio, which was 15½ : 1; consequently the American, whose ounce of gold was equal in buying power to 16 ounces of silver, would of course, if he had a debt to pay in France equal to one ounce of gold (frs. 107·1342), send the equivalent 15½ ounces of silver rather than the gold, and would remain with half an ounce of silver in hand. In like manner, the Frenchman, owing in the United States the sum of dollars contained in 16 ounces of silver, paid it not by sending the 16 ounces of silver but by remitting an ounce of gold, which in America would discharge his debt, but in France would only buy him what 15½ ounces of silver would buy; so he also remains with half an ounce of silver in hand. True, though such export is an apparent profit to each State, neither the Frenchman nor the American gets the whole of the half ounce, for the banker takes his share of the profit, using his liberty of choice to charge an agio on gold in the one case, and on silver in the other.

But what has this operation (reversed at another period, when the American ratio was 15 and the French 15½, and consequently silver left France, and gold the United States) to do with the "probable displacement of gold as a monetary medium throughout the world within a few years"?—with "its use," as I once heard an eminent master of statistics say, "for other purposes"? What purposes, and in what land? My friend discreetly declined to answer as to the purposes; and as to the land, I have shown that the gold does not and cannot go away into space, but merely shifts its sphere of monetary activity from one country to another. But your correspondent may suppose that it will be in part used in the arts, and in part hoarded. My answer would be that a great part is already used in the arts, and that it is not when gold has, as he imagines, become the dearest metal, and dearer than before, that people will be led to find new uses for it in the arts. What sort of uses? To pave the streets of London? Well, I think more will *not* be used in that or any other work of art, except so far as the increase of population and wealth increases the demand, a demand which in that case will fall as much, if not more, upon silver. Are we then seriously asked to believe that sane people will leave the £700,000,000 (or whatever the sum may be) of silver money to do the whole monetary work of the world, and deliberately bury the £800,000,000 of gold money, at an annual loss of thirty or forty millions? It is really a pity that writers on these subjects should make such wild statements, without the smallest endeavour to follow the operation out step by step, and show how their fancies would look if transmuted into facts. They are all perfectly sure, and confidently assert, that the fox has a golden brush; but they persistently refuse to run him to earth and let us see him.

The remainder of this division may be treated together with No. II., which contains the strange proposition that "the British Isles" [and, I suppose, all the world] "would be open to silver, produced perhaps at the proportionate cost of 80 parts of silver to one part of gold," and a further statement that "Professor Roberts-Austen, of the British Mint, lately estimated that the gold cost of one year's production of silver was 44 parts of silver to one part of gold." I suppose the meaning of this enigmatical sentence to be that, taking a whole year's production, the average cost of every 44 ounces of fine silver is one ounce of fine gold (£4. 4s. 11½d.), and that it is probable that the production in years to come will be at the rate of 80 ounces for the same cost.

I have re-read Professor Roberts-Austen's evidence, and can find nothing like this; and I learn from him that he never said anything of the sort. What he did say was, "the mean of *successful* mining and metallurgy" [that is to say, the actual average cost of bringing ore in sight "to grass," and extracting the silver] "might be taken to be 1s. 6½d. per ounce standard," that is to say, 51 ounces of Standard Silver at the cost of one ounce of Standard Gold;* and if every mine were a Comstock mine (in the early months of that fortunate find, and ready discovered), this might be extended, as your correspondent extends it, to a year's production. But this estimate of Professor Austen's was, as it necessarily must be (for unsuccessful miners do not publish the details of their failures), of successful mining only. He was not taking into account dead works, fixed capital and its interest, capital wasted in prospecting and in barren works, all of which, not in one year by itself, but over a series of years, in the hands not of the successful miner only, but of the ruined miner also, form the only true basis on which to ascertain the annual cost of the production of the precious metals. There are some who assert that, on this computation, it takes more than the value of an ounce of gold to produce even eight ounces of silver on an average—or in other words, that of those who play on that board, the losers are many more than the winners. But Professor Austen's "opiniou is that on the whole the production of silver is profitable." No one *knows;* and estimates are a broken reed; but I incline to think he is right. Certainly there is no authority for the extravagant notion that the money expended in the annual mining and reduction of silver ore should be at the rate of one ounce of gold for every 80 ounces of silver produced. That a few hundred, or a few thousand, ounces should be produced at that cost has no more significance than the fact that a nugget of gold has been sometimes picked up at no cost at all!

* Say rather of £3. 17s. 10½d. An ounce of standard gold is cut up into that sum; but it does not follow that that sum is the cost of the production of an ounce. Jacky, in Reade's "Never Too Late to Mend," stumbles over a nugget worth £3,000. Its production cost him nothing. Your correspondent's argument only needs a little extension to prove that the cost of a year's production of gold was at that time nil!

Your correspondent sums up his note by saying that "there are three courses possible with reference to the money metals."

(I.) "To abolish them"—as intermediaries, I presume—but he does not say how we are to set about it.

(II.) "To let each metal find its value in proportion to the contents of its value-giving factors."

I suppose he imagines this last to be the action of our present monetary system; but it is nothing like it, and could only be done by abolishing them both as money, and inventing some other measure of value and medium of exchange. Then they would start fair. As matters now stand, we do not at all leave the precious metals to find their value in the same way, and under the same circumstances. To gold we present its principal value-giving factor in the highly artificial legislative enactment which makes a definite quantity of it legal tender for a debt of one pound sterling, and with this help we send it forth to find its value; and this it does, its value when found being expressed in salt and silver and all other commodities. Silver has no such privilege with us. It is a mere unprivileged commodity, and finds its value in competition, not with gold, the measure of value, but with other necessaries and luxuries of life. In India we reverse the process; we favour silver and handicap gold. In each country the quantity of its money metal, as compared to the quantity of the commodities it measures, is a second value-determining factor of the metal. Gold is not, in India, on the same footing with silver; and silver is not, in England, on the same footing as gold, inasmuch as neither gold in India, nor silver in England, is the legal measure of all other commodities. They cannot therefore be bracketed together as they are in your correspondent's No. II.

The only way in which silver can be bracketed with gold is that shown in your correspondent's No. III., "to get a temporary universal enforcement, by legislative enactments, that both gold and silver shall be received in unlimited quantities by all mints, and be made unlimited legal tender at fixed relation of weight between the two metals," and this, excepting its unnecessary universality, is the Bimetallic system which I advocate.

He concludes his notes with the statements that "Bimetallism is unnatural, unscientific, and unworkable." I traverse them all. It is natural, or certainly neither more nor less unnatural than our legislative enactments respecting gold. It is scientific, as has been shown over and over again by abler writers than myself. It is not only workable, but has been worked without a flaw for seventy years, and for centuries before with only such disturbance as was caused partly by the want of knowledge that international uniformity of ratio was desirable as between Bimetallic nations, partly by the difficulty, if not impossibility, of attaining that uniformity in the then circumstances of commerce and of international relations, and partly also by coinage difficulties, which must not be mixed up with those connected with standard. And all this, I maintain, notwithstanding that "(1) Gold and silver *are* different substances," and that "(2) they are not produced for any time at all on parallel lines of cost." The other part of postulate No. (2), viz., "that no two substances can be exchanged* for any length of time on parallel lines of quantities or values," does, if I rightly understand its meaning, beg the whole question.

Your correspondent seems to be much troubled at the thought that the present production of silver is double what it was in 1873. I do not see how the comparison

* Possibly this means "exchanged *inter se*." If so, it is only necessary to say that no Bimetallic system has ever contemplated the necessity of their being so exchanged.

between any two years affects the question. The real point lies in the comparison between the *stock of gold* and the *stock of silver*, and in the way in which those stocks have been affected by the production of the last forty years. It is satisfactory to see that your correspondent perceives that the price of the white metal exercises no immediate or considerable effect on the production, inasmuch as the latter increases when the former is low. Miners will always produce as much as they can, so long as they can make a profit, and longer too while their capital lasts, for there is always *hope.* When the price of wheat is low, wheat lands go out of cultivation; when it rules high, more wheat is grown to meet the demand. There is no stock, and each year's produce is for the most part consumed. The case is totally different with the precious metals. You can sow grains of wheat and produce bushels; you cannot sow grains of gold or silver and produce pounds. You must labour in hope, and what good fortune sends you is for man's use, but only in a small degree for man's consumption. The stock remains, and every year's increase goes to swell the immense mass of the measure of value, and its effect is seen in the prices of consumable commodities. It is fortunate discovery and increased facility of communication which have caused the output of silver to increase.

Here follows the true comparison—the comparison which really touches the question :—

The production of gold from 1850 to 1878 was more than double that of silver. From 1879 to 1889, during which period the tide began to turn, more silver than gold was produced. The figures are as follows :—

1850—1878	Gold	£630,205,000
	Silver	307,190,000
	Excess of gold over silver	£323,015,000

1879—1889...Silver	£255,831,834	
Gold	215,601,885	
Excess of silver over gold		£40,229,949
Total excess of gold over silver in 40 years		£282,785,051
The year 1883, in which the production of silver most exceeded that of gold, showed 88,000,000 ounces of silver ....=		£22,000,000
Against 4,556,696 ounces of gold ...=		17,742,634
Excess of silver		£4,257,366
Whereas in 1853, when the production of gold most exceeded that of silver, the gold production was		£31,000,000
And the silver production		8,120,000
Excess of gold		£22,880,000

These calculations are all made at $15\frac{1}{2}$ to 1.

At the price of to-day—say 22 : 1—the production of gold from 1850 to 1878 would be nearly $2\frac{1}{2}$ times as much as that of silver (instead of twice as much), and from 1879 to 1889 the excess would have been a gain of gold over silver (£14,339,000), instead of silver over gold, as above.

Now for the question with which your correspondent begins his note. I think he cannot have read the definition of Bimetallism as given by its advocates. I will therefore supply him with a concise definition of it, and end this statement. I will premise that the definition has long been open to everybody, being merely the French law of 1803, varied only by the omission of a clause which would be incompatible with international agreement—the clause, namely, giving power to the Government to vary the ratio, a clause which, during seventy years of unparalleled variation in the production and stock of the two metals, was never invoked, and never acted on, because no one ever felt the need of it.

Here is the substance of the law:—

1. The mints to be open to the coinage of all gold and silver brought to them.

2. The gold and silver to be coined into legal tender money; the quantity of pure silver in the silver coins to bear such proportion to the quantity of pure gold in the gold coins as may be agreed upon by the high contracting powers.

3. The debtor, saving any previous stipulation to the contrary, to have the right to pay his debt in coins of either metal at his pleasure.

The main object of this law is to establish, as it always has done, an approximate par of exchange between silver and gold moneys all over the world; an object, the importance of which will, I am sure, not be disputed by the London Chamber of Commerce.

SILVER AND MR. GOSCHEN'S CURRENCY PROPOSALS.

The following comments of the *Economist* on the above subject, and the replies of Mr. Henry H. Gibbs, M.P., deal with some important points involved in Mr. Goschen's endorsement in December, 1891, of the offer made by Mr. Gladstone's Government in 1881 to induce other nations to form an International Bimetallic Union. Mr. Gibbs' replies contain interesting quotations of the opinions of Sir Robert Peel and former directors of the Bank of England as to the policy of the Bank holding part of the stock of bullion against which its notes are issued in silver. The *Economist* wrote (January 16th, 1891) :—

"It will be remembered that in his speech at the Merchant Taylors' Hall Mr. Goschen declared himself in favour of doing what we could 'compatibly with our general arrangements,' to extend the use of silver for coinage purposes, and made a definite suggestion to that end. 'There is,' he said, 'a section in the country who are showing a growing interest in the silver question that cannot be ignored. They may ask this—If you will not do what we want, namely, make any forward movement in establishing a parity between gold and silver—if you will not do that yourselves as a Government, would you do what you could in conference with other Governments to promote the use of silver in those other countries by offering as much as you can do without an abandonment of your principles? Well, I think that is a demand that may be made now, but which has not been made for the first time. It was made in 1881, and at that time a Monetary Conference was held, at which

Sir Charles Fremantle and another gentleman represented this Government, and they were authorised to make this declaration to the Conference—That if the mints of France, the United States, and other countries were open to the free coinage of silver, the Bank of England should be asked to act upon that portion of the Bank Charter Act which enables it to hold a portion of its bullion in silver. The Bank acceded at that time to that request . . . . and at that time the Government of India further suggested that if other countries would agree to open their mints to silver India would agree, that so long as that system was maintained she, too, would keep her mint open to silver.' And having thus reminded his audience as to what took place ten years ago, Mr. Goschen proceeded to express the opinion 'that so far as the Government of 1881 went we might safely go again if the necessity arose.'

"The prospect of such action as this being taken as the result of his speech may be pleasant to Mr. Goschen, but to us it appears he would have been better advised if he had refrained from exciting hopes which are not in the least likely to be realised. For the step he wishes the Bank of England to take is one which, if there are to be any such changes in our currency system as those he is now advocating, would very seriously affect our position, and affect it for the worse. The main object which Mr. Goschen has set before himself is, by an issue of £1 notes, to get the gold coin now circulating throughout the country drawn into and held by the Bank of England. Let us suppose this object to have been attained to the extent of displacing £25,000,000 of coin by notes. Against these £25,000,000 of notes the Bank will hold £20,000,000 of gold and £5,000,000 of securities, and Mr. Goschen admits that the £5,000,000 of gold superseded by the notes issued against securities will almost certainly be exported. But if the Bank is to enter into the undertaking in regard to the use of silver which Mr. Goschen recommends the operation will not end here. The Bank's present average stock of gold in the Issue Department, amounting to about £22,500,000, will have been increased to £42,500,000; but as the Bank will have agreed to exercise the power given it in its Charter to hold silver to the amount of one-fifth of the stock of coin and bullion in the Issue Department, the directors will be required to substitute silver for gold to the extent of £8,500,000, and the gold thus displaced will inevitably flow out of the country. Thus, the final result of the operation will be that of the £25,000,000 of gold displaced by the notes, £13,500,000 will be driven out of the country, and only £11,500,000 will remain. It is nothing to the point to say that the Bank directors will exercise discretion as to the extent to which they will substitute silver for gold. Practically, no discretion will be left them. They cannot promise to make use of their power to hold silver as an inducement to other nations to open their mints to the free coinage of the metal, and then refuse to act up to the promise. That would not only be a breach of faith: it would also mean the rupture of the international agreement."

The following Reply from Mr. Gibbs appeared in the *Economist* of 23rd January, 1892:—

"Will you permit me to make some remarks on your article in last week's issue, entitled 'Silver and Mr. Goschen's Currency Proposals?' It appears to me that you have minimised the effect which the discretion which must necessarily be exercised by the Bank will in practice have on the accumulation of silver in the vaults, and exaggerated the evil effects which would follow from that accumulation.

"You are obviously right in this, that the Bank cannot promise to make use of its power to hold silver as an inducement to other nations to open their mints, &c., and then refuse to act up to their promise. But we have yet to consider what that promise is to be. The power under the Act of 1844 enables the Bank to hold one-fifth of the stock of coin and bullion in the Issue Department in silver. This would always have to be interpreted as one-fifth of the maximum amount held at some antecedent time, because it would certainly be impossible to maintain a precise one-fifth of the daily existing stock; for if there were £16,000,000 of gold and £4,000,000 of silver, the withdrawal of £5 would in that case alter the prescribed proportion. Then the Bank has always used, and must always use, its discretion as to the price it will pay. It has never paid more than the minimum price shown by the accepted ratio, so that the accumulation would certainly be very gradual; £8,500,000—more than ten times the amount of the surplus stock in the United States—is not to be accumulated in a day, even if the law of 1844, as modified by Mr. Goschen, were acted upon without concert with other nations; but you must bear in mind that that surplus stock would by the hypothesis become money, and would only come to England (if ever) when the balance of trade sent specie hitherwards. Nor need it in any case be supposed that the Bank of England will have to compromise itself always to hold one-fifth of its bullion in silver, whatever the amount of that bullion may become under a new law. That would be a matter of arrangement at and after the Conference.

"But now let me adopt your figures, and I shall show that, even admitting the banishment of £8,500,000 of gold, the condition of things has no such dangers as you fear.

Say the bullion is now..................	£22,500,000
Fiduciary issue	16,200,000
Total notes.....................	£38,700,000

Represented by $\frac{225}{387}$ of gold.

Add to the bullion £20,000,000, and you have..............................	£42,500,000
Add to the fiduciary issue £5,000,000	21,200,000
Total notes.....................	£63,700,000

Represented by $\frac{425}{637}$ of gold.

But supposing the gold to be diminished by £8,500,000, there would remain only £34,000,000 of gold; so that the fraction would be $\frac{340}{637} = \frac{131580}{246519}$, the proportion of gold when £25,000,000 of one-pound notes had been issued, as compared with $\frac{143325}{246519}$, which is the proportion of gold at the present moment, the difference being about 9 per cent.

"No one will, I think, suppose that this proportion does not suffice to ensure the convertibility of the note; so I must presume that the fear is that there will be an insufficient stock of gold in case of a demand for export, and a consequent diminution of the banking reserve of the Bank of England; but anyone who is fearful on that score must have left out of the account an addition to the stock so calculated of 25 per cent. in the £8,500,000 of silver, always worth here, for transmission to France, the equivalent of 200 francs a kilogramme, on the hypothesis, of course, of the restoration of the law of 1803. Why should you suppose that gold, or gold only, would be demanded for export? Until 1873 the casual imports of silver always formed part of our exports, and entered into the balance of trade. If we had a central stock of silver, it, as Sir Robert Peel wisely said, would serve as a remittance to the Latin Union, to Holland, to the United States, and to all other countries joining in the treaty, whether for the purpose of redressing an adverse balance of trade, or (which would be the real operation) as a basis for exchange business. The freight is the same; but even if it were not, that and the other trifling charges form items in the price of silver, and in the rate at which the Bank would have to pay for it.

"I have quoted Sir Robert Peel's opinion as given by himself in his speech on the Bill of 1844; but I would also call your attention to the fact that the same opinion was very strongly held by the chiefs of the Bank of England of that day, who were thoroughly conversant with the principles of the Act, and who were indeed themselves the authors of it, seeing that the business of the Bank had been conducted on the principles embodied in the Act, even in its detail, for some years before its enactment, and that it was their advice which determined the course adopted by Sir Robert Peel. I will quote shortly the evidence of some among them. Mr. Morris, the Governor, for instance, in his evidence in 1848, said: 'I consider silver quite as available a means for the convertibility of the note as gold. We have been limited to keeping one-fifth of our amount of bullion in silver. I think that limitation too restricted. The silver can be readily sold in the market, and bank notes obtained for it. There is no merchandise that will sell easier than silver.' Mr. Morris insisted strongly on the necessity of leaving the Bank unfettered as to the amount of silver it might hold, but if there was to be any restriction, desired that it might be one-third instead of one-fifth. He said: 'The facility of exporting silver in preference to gold, when export is expedient, is the true remedy against the inconvenience of our standard differing from that of other countries, and unless the Circulation Department (issue department) is allowed to issue against silver, that inconvenience will be real and severely felt.'

"Mr. Horsley Palmer said he objected to any limitation which would preclude the Bank from holding a large amount of silver, which would 'in times of an unfavourable exchange be equally beneficial with gold in meeting the foreign payments.' Mr. Cotton's evidence is of exactly the same tenor, and Mr. Glyn concurs in it.

"It is therefore, not only the opinion of Mr. Goschen, but the opinion of these great authorities also, that though undoubtedly there would be less gold in the country if the Bank made part of its issues on silver, the strain on our gold would be much diminished, and that this would be equivalent to a real increase of strength. The gold would be diminished, but bullion of equal value would remain; and if it might at first sight appear to be a sacrifice, we must remember what it is that we should have bought with that sacrifice—the establishment of a system both on the Continent and in America, which would not only give that great relief to the strain on our gold, but would re-establish the par of exchange between gold and silver using countries.

"You will observe that in treating of the proportion of gold to notes, I have not taken into account the probability of the export of the gold displaced by the £5,000,000 fiduciary issue. I have omitted it intentionally. So far as it was exported, it would vitiate my calculations, but not, I submit, to such an extent as to justify your fears. Till the trial is made, it is impossible to say whether or no it would be exported. It is deemed certain that a fiduciary issue of £5 notes would banish so much gold. But if these £1 notes are accepted by the people, it will be because they are more convenient than sovereigns, especially for transmission; and if so, it would not surprise me if the people should find that whereas £100,000,000 (if that be the sum) in gold had sufficed for their needs, they could find ready employment for £105,000,000 in gold and £1 notes, in which case not one sovereign will be banished. Let me show what, on that supposition, will be the operation of Mr. Goschen's scheme, premising that, for the sake of convenient illustration, I ignore its gradual operation, and treat acts which would be done over the same period of time as done consecutively.

"The £20,000,000 of gold coin has, I will suppose, been brought into the Bank, and the public still holds its £100,000,000; but holds it in gold and £1 notes instead of gold only. The reserve in the Banking Department is untouched by this. Then the Bank issues £5,000,000 on securities, increasing the reserve accordingly. This the Bank must use, and the result is a lowering of the rate of discount. The exchanges turn against England, and gold leaves the country, and the stock of gold would be so far diminished. But if my supposition is right, that the people would find the possession of notes a convenience, the result would be that 'notes with the public' would increase, and that, whereas they formerly employed £100,000,000 in their daily business, they would employ 5 per cent., or some other proportion, more, and use £105,000,000, drawing the notes from the reserve, which would necessitate the raising of the rate of discount, and the ultimate bringing back into the coffers of the Bank of the £5,000,000 that had been withdrawn."

In further reply to the *Economist's* article of January 16th, and in reference to a second article in the same journal (January 30th), Mr. Gibbs wrote (*Economist*, February 6th, 1892):—

"Sir,—It is very difficult so to write as not to be misunderstood; very easy, therefore, to misunderstand not only the writer, but the historical facts which he adduces. If you have misunderstood me, it must be my fault; if you have misread the facts, it is only partly my fault, in that I did no more than indicate them, and did not go into detail as to their operation. But I could not abuse your courtesy in affording me space in your issue of the 23rd by entering into a more elaborate disquisition.

"Now, however, I daresay you will permit me to point out the particular cases in which you seem to have misunderstood both me and the facts.

"First, let me answer a question which, by implication, you put to me in your article of Saturday last.

"You ask, what is my authority for saying that the surplus stock of silver in the United States is less than £850,000? I take it from the telegrams published in the *Times*, which have shown a gradual reduction of the stock in the market from 7,500,000 ounces to about 3,500,000, which, at $15\frac{1}{2}:1$, would be little more than £800,000, and this is continually decreasing.

"With the silver with which you say the Treasury is 'bursting' I will deal presently; but now as to this £800,000 which is on the market, no doubt if the Bank of England were to offer a little more than the market price it would all come here, but if they offered less than the Mint price (assuming open mints in bimetallic countries), I suppose you would not be under any apprehension on the subject. Nor need you, for the Bank never did pay the Mint price, and assuredly never will.

"Now, from what words of mine did you deduce the postulate that the Bank should engage to hold in perpetuity or at any given moment the sum of £8,500,000, or any other sum? My words may indeed be misread, but scarcely by anyone who had the provisions of the Act of 1844 and the practice of the Bank thereunder in his mind. The silver clause* in the Act was not an enabling clause (for the Bank could, and did, always hold silver, except while cash payments were suspended), but a restrictive clause, forbidding the holding of more than one-fifth in that metal. The proposals of 1881, which Mr. Goschen has offered to renew, were to return, *mutatis mutandis*, to the former practice of the Bank. I quote again from Mr. Morris's evidence: 'The practice of the Bank has been to buy bar silver at 4s. 11½d. and dollars at 4s. 9½d., which at the French Mint prices is equal to buying gold at 77s. 9d.'

"That is to say, the Bank treated silver precisely as it treated foreign gold coin, buying either at a price which was safe for the Bank itself, and normally more advantageous to the public than treating it as bullion, whether bringing the gold in the form of bullion to the Bank, or sending the silver to the French Mint; and to that system it is proposed that we should return. It is not I who have read into the system any limitations or qualifications. The only limitation is that prescribed by the Act of 1844 respecting the amount, a limitation which did not prevent the ready market of the Bank being of great value to commerce. If the Bank bought silver, it was at a price which paid it on re-sale. If it did not buy it, it was

* The only mention of silver in the Act of 1844 is the following clause:—"III. And whereas it is necessary to limit the Amount of Silver Bullion on which it shall be lawful for the Issue Department of the Bank of *England* to issue Bank of *England* Notes: Be it therefore enacted, That it shall not be lawful for the Bank of *England* to retain in the Issue Department of the said Bank at any One Time an Amount of Silver Bullion exceeding One Fourth Part of the Gold Coin and Bullion at such Time held by the Bank of *England* in the Issue Department."

because its price was above that indicated by the ratio; and this was all that foreign silver-using Governments could desire.

"You deride the idea of France being moved to re-open her Mint by what you, I suppose, represent as a delusive promise on England's part to buy four millions' worth of silver. We should never, of course, give an unconditional promise to buy a definite quantity of silver at an indeterminate price; but do you really think it would be nothing to France that we might agree to take off the market, at a price based upon the French Mint price (not as you put it, 'if the price should be found suitable'), all the silver that is now offering, and to continue buying all that should come within our limit of quantity?*

"You speak very confidently about the interpretation put by the United States upon our offer of 1881. I feel quite confident myself that they understand it very well; confident also that they and France and the Latin Union will not be blind to the advantage given in the very important offer of the Government that India shall not demonetise the silver so long as the bimetallic countries maintain the system of an open mint.

"You impugn the wisdom of Sir Robert Peel and his advisers, saying that 'this is a moving world; that we cannot be bound by the dicta of the experts of half a century ago.' Certainly we cannot; but if we do not follow them we should be prepared not only to assert, but to prove that the system, 'though prudent once, would now be hazardous and inexpedient.' Yes, sir, it is a moving world, and in its motions it has given us an object-lesson in the mischief that followed the suspension of the system under which they then lived—the destruction, namely, of the par of exchange between gold and

* Our price of 4s. 11½d. was based on a rate of 15½ : 1. If the United States ratio, 16 : 1, is adopted, the price would be settled accordingly.

silver using countries, and the fluctuations of silver between 42d. and 58d., to the great injury of our manufacturers. Where would be the hazard of returning to the position before 1873? 'The events of 1873 might be repeated,' you may say. Hardly! That is one of the follies of a former decade, which no one will copy. Not every year has a victorious nation to receive some £80,000,000 in gold, without which the passage from a silver to a gold standard would have been impossible otherwise than at the cost of great economic disturbance.

"Moreover, the results of the sales of silver by Germany, free as she was to do as she liked without any hindrance from treaty obligations, were not such as to encourage any other nation to follow her example. You enforce the moral with the awful warning of the 'collapse* of the Latin Union.' What collapse? I have heard of none. The Latin Union (founded in 1865) would have twice or thrice expired by effluxion of time, but it has always been renewed without variation in principle, the last renewal for five years having taken place in November, 1885, since when it continues in force subject to a year's notice of denunciation. The object of the Union was to ensure the free circulation amongst all the nations included in it of the gold and silver coins of each; and to effect this, it was provided that they should not coin otherwise than as

* Some have imagined that the object of the Union was to maintain the price of silver; but an examination of the Treaty will show that there is not one word in it ever so remotely touching the object which such persons suppose it to have failed to accomplish. What should induce the Latin nations in the Union to concern themselves, in 1865, with the Price of Silver? Silver had, indeed, in England a market price; but, in the first place, that price was then rather above its normal level; and, in the second place, that level had been maintained for sixty-two years, and it did not then seem to anyone that there was the smallest probability that anything would occur to disturb it. But for the Latin nations the question of price, other than the Mint price, did not arise. The sole object of the Treaty was to provide that the coins of each of the contracting nations should be legal tender throughout the whole of the Union; and, in order to that end, that they should be of the same weight and fineness as the coins of France. It did not and could not prescribe any price for silver; nor would a Bimetallic Union prescribe, nor properly speaking affect, the price of either metal in a Bimetallic country. What its indirect effect would be in monometallic countries is quite another question—a question which the experience of seventy years has answered.

mutually agreed between them. There was no obligation to coin either silver or gold, and the several Governments simultaneously closed their mints to coinage of silver for the public, and when the time comes, will no doubt simultaneously open them. You will see therefore that the Union has in no sense collapsed, and that its conditions remain in full force.

"You say also, that 'the Bank of England itself showed its conviction that the system was disadvantageous; for from 1853 onwards it discontinued its purchases of silver, though no legislation adverse to silver had taken place, and a bimetallic *régime* was in full force.' Now here, sir, I write with full knowledge of events, *quorum pars—parva—fui*, and I can show you that your argument from the action of the Bank is not founded on fact. Our price was 59½d. for silver in 1853, as it had been before; but from 1853 to 1872, the demand for India being great, the market price of silver was never lower than 60d. in London. It was not then that we would not buy, but that nobody would sell to us. In 1872 and onwards the market price fell, so that purchases would have been possible; but though there was a proposal that we should buy, the Court saw that the safeguard of the open mint, on which Peel and their predecessors had relied, was gone or going, and they prudently held their hands.

"It is not beyond the bounds of possibility that we may have a lesson in this matter also. If Austria should determine to adopt a gold standard, and, being satisfied that she has the means of doing it, should set about the task of collecting 20 millions, how much gold do you think would come into the Bank for purchase? Our price is 77s. 9d., and for all that would come here Austria would offer a trifle beyond this, and it would 'pass by' us. It is no new thing; it has happened often before, but not on so great a scale. Nor is it a new thing that as much as possible of that which is coming should be intercepted at Brindisi or elsewhere. The primary result would be that we should buy none. Would our future historian describe our action, or inaction, by saying that 'purchases were discontinued by the Bank because they were found to be disadvantageous'? Meanwhile, the drain would go on; 'helpless England' would have to give gold to him that asked of her, if only he had a balance against which to draw. The Bank, indeed, would have a resource in the continued rise of the rate of discount; but commerce and manufactures would suffer in the process, and I don't contemplate with any satisfaction a renewal of the 'struggle for gold.'

"There remain two more points for me to touch on. One is your reference to my figures as to the proportion between the notes issued and the specie which has to answer for them; where you add, 'in other words, Mr. Gibbs thinks that the convertibility of an excess issue cf £25,000,000 notes, made against £5,000,000 of securities, £8,500,000 of silver, and only £11,500,000 of gold would be as amply guaranteed as is the convertibility of the present note circulation.' These are indeed 'other words." They are certainly not mine, nor deducible from mine. What ground is there for ear-marking the several sums of 5, 8, and 11 millions as the sole security for the new issue of notes? As well may you separate our present issue into two parts, and say £23,000,000 is fully secured, but £16,450,000 has nothing to depend upon but £16,450,000 of fluctuating securities—of promises to pay. It is hardly necessary to say that the whole of the specie, be it gold or silver, and the whole of the securities stand together as guarantee for the whole of the note issue.

"The remaining point relates to the 'bursting' of the United States Treasury, and the danger of its relief by pouring its silver into England. The silver is lying there just as our gold is lying in our vaults, to answer to the notes which are circulating as money in the several countries, the only difference being that the United States 'certificates' are issued on specie only, and ours on specie and securities. Where do you learn that the Government of the United States 'would be only too ready to exchange it for gold'? You say they have 'promised to pay the notes in silver or gold.' So they have; but you have omitted the words 'at their option.' The only obligation is to pay the silver notes (certificates) in silver.

"Now, sir, the Secretary of the U. S. Treasury, it is said, has sometimes not known where to turn to spend his money; but I doubt if it will ever occur to him, however rich he may become, to lighten his burden by 'unloading' silver, which, by the hypothesis of the re-establishment of the joint standard, is equal to 60d. an ounce at least (I adopt for convenience the ratio of $15\frac{1}{2}$ to 1), by sending it to England, where it will fetch $59\frac{1}{2}$, less charges. That danger need not concern us. We shall get no silver here from countries where silver and gold will be, as they have always been in bimetallic countries, equal, at the legal ratio, in purchasing power.

"From all that I have said you will perceive that I see no reason at all to agree with you that the negotiations will lead to no satisfactory results; and I hope that you will also be convinced that it will be a great misfortune for England if prejudices, for which no solid basis can be found, should interfere with a consummation of so great importance to our commerce.

"Henry H. Gibbs.

"February 4th, 1892."

To the foregoing letter the editor of the *Economist* appended the following footnote :—

" On minor points we would say :

" (1) The 7,500,000 ounces of silver which Mr. Gibbs assumes to be the total surplus stock of silver in the United States, is only the stock at one central store.*

" (2) The silver clause in the Bank Act is both enabling and restrictive.†

" (3) We spoke of the collapse of the Latin Union in the sense of its collapse as a supporter of the price of silver, which was the natural sense in the connection.‡

" (4) The Government of the United States have declared that they will not, if they can possibly avoid it, exercise the option of paying in silver rather than gold, and as they have more silver and less gold than is needed, if the notes are to be redeemable in either metal, they would be glad to exchange some of the silver for gold.§ With the broad question of the advisability of the Bank coming under an obligation to hold silver, we cannot at present deal ; but we see no reason in anything Mr. Gibbs now advances to alter the opinions we have already expressed."

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* I said 3,500,000 ounces [p. 27], not 7,500,000. It is now (May) about 2,300,000 ounces. There must, no doubt, be always some silver on the way from the mines to New York, and there may be also some small deposits at the Banks, but there is no evidence at all that in either case the amount is of any importance.

† The only mention of silver in the Act of 1844 is clause iii. (see foot note page 28). This the *Economist* thinks is permissive. It would be interesting to know how a restrictive clause would read if this is not one.

‡ There is not one word in the Treaty about " supporting the price of silver." Its object was to enact mutual legal tender and uniformity of coinage (see foot note page 30).

§ The Secretary of the Treasury mentioned his own intention of for the present paying in gold. There has been no other " declaration."

COMMENT BY "THE ECONOMIST" ON THE ANNUAL MEETING (1892) OF THE BIMETALLIC LEAGUE; WITH A REPLY BY MR. HERBERT C. GIBBS.

On 5th March, 1892, the *Economist* published an article in which it endeavoured to minimise the importance of the proceedings at the annual meeting of the Bimetallic League, on March 2nd, in the Town Hall, Manchester, under the chairmanship of the Mayor of Manchester, and declared that such a meeting was necessary to remind people of the continued existence of the League.

The writer went on to say that, no doubt, it was painful to Mr. Herbert C. Gibbs to have "to confess that there was still a great want of knowledge on the matter among the upper circles of finance in London, and that bankers did not appreciate the bearings of the question." But that its dull-witted bankers and upper circle financiers could not be got to take the pleasantly simple view of the matter that commended itself, according to Mr. Mawdsley, to the avowedly only imperfectly instructed minds of himself and the Lancashire operatives. "The more plentiful money was the better the chance of every man having a grab" was Mr. Mawdsley's view; but this laudation of a policy of inflation as the prelude to a game of "grab" might be allowed to pass with the one remark, that it showed the kind of argument which the Bimetallists habitually employed when appealing to the working classes.

The writer concluded by calling attention to the part that Bimetallists wished England to play in connection with the proposed new International Monetary Conference, and said that this country is asked to offer bribes to all and sundry to induce them to legislate in favour of silver. He added that Germany will not reverse her present policy, and therefore an international agreement is impossible, and inquired why then should this country make itself the "catspaw" of the United States politicians.

Mr. Herbert C. Gibbs in the following Reply, which appeared in the *Economist* of March 12th, quoted the remarks on London opinion that he made at Manchester, and challenged the judgment of the *Economist* thereon, but there has been no rejoinder :—

"Sir,—In your article of March 5th on the meeting of the Bimetallic League at Manchester, you did me the honour to quote a few lines of my speech on that occasion, in which I confessed that there was still a great want of knowledge of the subject in London ; and you seemed to infer that I had represented 'bankers and upper-circle financiers' as 'dull-witted.'

"May I be allowed to state that I spoke of the intelligence of London bankers with all respect, and that as regards London I only complained of that want of knowledge which is due to want of full consideration ; and I qualified this statement by the following remarks, upon which your opinion would be very valuable : 'Since the Baring crisis a feeling has been growing in the City that the metallic base of our credit should be enlarged by every possible and reasonable means, and the constant and increasing scramble for gold averted ; and that though in one sense it was a matter of business, yet it was a certain humiliation for this country to have to go cap-in-hand to her more prudent neighbour to beg assistance of her in the time of trouble ; and that England is not so popular with her neighbours that she can afford to close one channel whereby assistance might be procured.'

"You comment severely on Mr. Mawdsley's remark, that the operatives considered that 'the more plentiful money was, the better the chance of every man having a grab,' and I think this phrase may admit of your interpretation of it, that it is 'a policy of inflation as a prelude to a game of grab.' But I certainly understood Mr. Mawdsley to mean by 'plentiful money' an increase in the profits of the employers, and a consequent opportunity of improving the position of the men; for this is the argument, or as you call it the 'bait,' that we do offer to the working men, but I cannot think that even 'the imperfectly instructed minds of Mr. Mawdsley and the Lancashire operatives' could suppose that by adding the two currencies of the world together, the sum of them would be increased. Two and two will still make four, even if we do obtain a common standard of value for international trade.

"We offer the same 'bait' to the City as to the working men, for we say that the prosperity of the country mainly depends on its external trade; and that we in the City, bankers included, are dependent on the prosperity of the country; and therefore that, as in the case of the Corn Laws, all obstacles in the way of external trade should be removed.

"If bankers and other internal traders do not realise how the absence of a common standard of value affects external trade, I would ask them to consider what the effect would be if there was no common standard of value between them and their country customers.

"Now, as to the 'bribes' which we wish to offer to other nations to induce them to make a 'catspaw' of England. I think it can hardly be called a 'bribe' if we only offer to take a very small proportion of our share of a common work, of which we should receive the greatest benefit, on condition that other nations take their full share, and the bulk of ours besides; and if there were 'catspaws' in the matter, they would be those who have done the whole of our work for seventy years without any assistance from us, and have given to our vast external trade a standard of value during that period.

"You appear to consider that we should have used more argument at Manchester, but I would explain that it was merely a business meeting, at which there was an audience who already understood the subject.

"But, in fact, I do not know what further arguments you wish us to bring forward. We stated our case long ago, and the Royal Commission of 1888 gave judgment in our favour. In April, 1890, arguments were brought forward in Parliament against Bimetallism, and refuted; and since that time our opponents have not attacked the main position, although there have been interesting discussions on side issues. You, sir, for instance in your article, only throw discredit on our methods and motives, but you do not attempt to show either that Bimetallism is not practicable, or that it is not for the good of the country.

"You surely do not wish us to go on refuting the class of argument of which the following are fair samples: That gold does not fluctuate, that our past prosperity is due to our gold standard, that under the bimetallic system our pockets would burst with the weight of silver coin, that gold would become scarce and leave the country, that gold would become plentiful and prices rise.

"You say we are not likely to make new converts, but the daily increasing number of our supporters and their influential character make us know that this prophecy is unfounded, and that Mr. Goschen's estimate is the correct one, that 'there is a very large section in the country who are showing a growing interest in the silver question that cannot be ignored.'—I am, Sir, your obedient Servant,

"March 9th, 1892." "HERBERT C. GIBBS.

BIMETALLIC LEAGUE.

"The object of the League is to urge upon the British Government the necessity of co-operating with other leading Nations for the establishment, by International agreement, of the free coinage of Gold and Silver, at a fixed ratio."

President.

HENRY H. GIBBS, M.P.

Chairman of General Council.

H. R. GRENFELL.

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STATEMENT.

UNTIL the year 1873 the ratio at which Gold and Silver were interchangeable was steady, because the Mints of France and other European countries were open to all the world for the unlimited coinage of both metals on the fixed basis of $15\frac{1}{2}$ ozs. of Silver to 1 oz. of Gold.

* It may be stated generally that during the last century the national unit of coinage which constituted the Standard of Value in the principal countries practically rested on both metals, Silver being usually the nominal standard with Gold rated to it, at the discretion of each Government.

In the United Kingdom, from 1717 to 1816, this system prevailed, the ratio of Gold to Silver having been fixed at 1 to 15·21.

In the United States of America the joint Gold and Silver Standard was originally adopted in 1786 with a ratio of 15·25 to 1; changed in 1792 to 15 to 1, and in 1834 to 16 to 1.

In 1803 the joint standard, with a ratio of $15\frac{1}{2}$ to 1, was definitively adopted by France, and in 1865 the formation of the Latin Union, ultimately consisting of France, Italy, Belgium, Switzerland, and Greece, extended and confirmed it.

Owing to this, the par of exchange between Gold and Silver Standard countries kept practically uniform, and Silver, as fully as Gold, performed the functions of money throughout the world.

The action of England in 1816, in adopting the single Gold Standard, did not disturb the steadiness of the ratio between the two metals, so long as the Continental Mints remained open to the unrestricted coinage of Silver; but when Germany which had previously had a Silver Standard in 1873 introduced a single Gold Standard the old equilibrium was destroyed, because France and the other Bimetallic countries, in view of the heavy sales of Silver made by Germany, suspended their free coinage.

This action caused the price of Silver, as quoted in Gold, to fall, and it (the Gold price of Silver) has since fluctuated violently, affecting all international exchanges between Silver Standard and Gold Standard countries. In the case of India the Rupee, formerly worth about 2s., has gradually dropped to 1s. $3\frac{7}{8}$d. in English money, with increasing uncertainty as to its prospective exchangeable value as against Gold.

The substitution of Gold for Silver, and the greater amount of exchange work that is in consequence thrown upon Gold, has led to the "appreciation" of that metal, and to a fall in prices of

* This and the three following paragraphs are from the NOTE appended to the Final Report of the Royal Commission on Gold and Silver, by the Right Hon. Sir Louis Mallet, C.B., one of the Royal Commissioners.

commodities, as measured in Gold, which is everywhere visible, and everywhere baneful in its effects upon Commerce, upon Manufacturing and Agricultural industry, and upon the growth of Employment necessary to provide work for our rapidly increasing population.

Whenever the London Money Market is distressed and perplexed by the withdrawal of even small quantities of Gold, and by apprehensions as to further demands, coupled with serious doubts as to the sufficiency of future supplies of that metal, the necessity of fixing an international ratio between Gold and Silver so as to make both metals available for Bank reserves becomes strikingly apparent. This would provide an adequate supply of Money available for international purposes and for the internal transactions of the Kingdom. Grave dangers would thus be averted.

The aim of the Bimetallic League, as already mentioned, is to secure, by international agreement, the opening of the mints of the leading commercial nations to the unrestricted coinage of Silver and Gold at such fixed ratio as may be mutually agreed upon amongst those nations. By this means a Par of Exchange would be secured; the two metals would again acquire an International character as Money, and would move freely from nation to nation according to the monetary requirements of the various markets, whilst prices and wages in all countries would be adjusted by a uniform Standard.

Convinced of the evils resulting from existing conditions of our Monetary System, and of the hindrance to Trade and Agriculture, which are largely due to the disturbed relation between Gold and Silver, we appeal to everyone for co-operation in carrying out the objects of the League.

There is every encouragement to press the matter, seeing that the United States of America, France (with the other States of the Latin Union), Germany, and Holland are willing and eager to co-operate.

These Powers, it is known, will not move without England, and, under an erroneous conception of the advantages of a single Gold Standard, this country has hitherto stood aloof.

The Final Report of the Royal Commission on Gold and Silver is, however, of a character so favourable to the Cause advocated by the League that the question is now thoroughly ripe for settlement.

It is advisable, therefore, that the facts of the case may be made widely known throughout the country, in order to bring the force of public opinion to bear upon Parliament and upon the Government, so that England, instead of being a barrier in the way of an International convention, may take her due share in the settlement of a question so vital to the well-being of the Empire, so essential to the interests of British and Irish Agriculture, and of Commerce everywhere, and to the financial stability of India.

Any further information concerning the League may be obtained from the Secretary, Henry McNiel, F.S.S., Haworth's Buildings, 5, Cross Street, Manchester, who will also acknowledge Subscriptions and Donations.

The League comprises Ordinary Members and Associate Members, the Annual Subscription of the former being One Guinea, and the latter 2s. 6d. Cheques to be made payable to the Secretary.

All publications of the League are delivered free to Ordinary and Associate Members.

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

PART I.

(Signed by all the members of the Commission.)

Sec. 115.—" The Remedy which has been put before us most prominently, and as most likely to remedy the evils complained of to the fullest extent possible, is that known as Bimetallism."

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

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

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

Sec. 189.—" Looking, then, to the vast changes which occurred prior to 1873 in the relative production of the two metals without any corresponding disturbance in their market value, it appears to us difficult to resist the conclusion that some influence was then at work tending to steady the price of silver, and to keep the ratio which it bore to gold approximately stable."

Sec. 190.—" Prior to 1873 the fluctuations in the price of silver were gradual in their character, and ranged within very narrow limits. The maximum variation in 1872 was $\frac{5}{8}$d., and the average not quite $\frac{5}{16}$d., while in 1886 the maximum was $2\frac{3}{16}$d., and the average nearly $1\frac{1}{8}$d. It has not been, and indeed hardly could be, suggested that this difference can be accounted for by changes in the relative production or actual use of the two metals."

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

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

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

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

"So long as that system was in force we think that, notwithstanding the changes in the production and use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely 15½ to 1."

Sec. 193.—"Nor does it appear to us *a priori* unreasonable to suppose that the existence in the Latin Union of a bimetallic system with a ratio of 15½ to 1 fixed between the two metals should have been capable of keeping the market price of silver steady at approximately that ratio.

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

"The fact that the owner of silver could, in the last resort, take it to those mints and have it converted into coin which would purchase commodities at the ratio of 15½ of silver to one of gold, would, in our opinion, be likely to affect the price of silver in the market generally, whoever the purchaser and for whatever country it was destined. It would enable the seller to stand out for a price approximating to the legal coin, and would tend to keep the market steady at about that point."

PART II.

Signed by six members of the Committee:—

Lord Herschell.	Hon. C. W. Freemantle, C.B.
Sir John Lubbock, Bart., M.P.	Sir T. H. Farrer, Bart.
Mr. J. W. Birch.	Rt. Hon. Leonard H. Courtney, M.P.

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

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

Sec. 102.—"We are fully impressed with a sense of the difficulties which surround the Indian Government, and of the serious questions to which any proposed additional tax must give rise. It is not only the embarrassment which has already been caused to the Government of India that has to be borne in mind, but the impossibility of foreseeing to what extent those embarrassments may be increased and their difficulty augmented by a further depression in the value of silver."

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

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

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

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

PART III.

Signed by the other six members of the Commission:—

Rt. Hon. Sir Louis Mallet, C.B.	Sir D. Barbour, K.C.S.I.
Rt. Hon. A. J. Balfour, M.P.	Sir W. H. Houldsworth, Bart., M.P.
Rt. Hon. Henry Chaplin, M.P.	Mr. Samuel Montagu, M.P.

Sec. 28.—"We think that the above remarks upon the evils affecting both the United Kingdom and India, if taken in connection with the more detailed statement in Part I. of the Report, will sufficiently indicate our view as to their nature and gravity; and that they are largely due to the currency changes which have taken place in the years immediately preceding and following 1873.

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

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

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

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

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

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

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

PROPOSED REMEDY.

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

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

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

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

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

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

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

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

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

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

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

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

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PUBLICATIONS.

The Silver Pound and England's Monetary History since the Restoration, together with the History of the Guinea. By Hon. S. DANA HORTON. Price 14/-. Macmillan & Co., London.

A Treatise on Money, and Essays on Monetary Problems. By J. S. NICHOLSON, M.A., D.Sc., Professor of Political Economy in Edinburgh University. Price 10/6. Blackwood & Sons, London and Edinburgh.

The Theory of Bimetallism. By Sir D. BARBOUR, K.C.S.I., Financial Member of the Governor-General of India's Council. Price 6/-. Cassell & Co., Limited, London.

The Bimetallic Controversy. By H. H. GIBBS and H. R. GRENFELL. Price 5/-. Effingham Wilson, London.

The Silver Question and the Gold Question. By ROBERT BARCLAY. Price 3/-. Effingham Wilson, London.

The Silver Question in its Social Aspect. By HERMANN SCHMIDT. Price 3/-. Effingham Wilson, London.

The Bimetallic Question. By SAMUEL SMITH, M.P. Price 2/6. Effingham Wilson, London.

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Irregularity of Employment and Fluctuations of Prices. By Professor H. S. FOXWELL, M.A., Cambridge University, and Professor of Political Economy in University College, London University. Price 6d. P. S. King & Co., London.

Misconceptions in Regard to the Bimetallic Policy of a Fixed Ratio. By Professor H. S. FOXWELL, M.A. Free. Bimetallic League, Manchester.

Proceedings of Manchester Conference, April, 1888. Free. Bimetallic League, Manchester.

Synopsis—Gold and Silver Commission. By GEORGE HOWELL, M.P. Price 1/-. P. S. King & Co., London; J. E. Cornish, and John Heywood, Manchester.

Speech in the House of Commons, 4th June, 1889. By the Right Hon. H. CHAPLIN, M.P. Free. Bimetallic League, Manchester.

Speech in the House of Commons, 4th June, 1889. By S. SMITH, Esq., M.P. Free. Bimetallic League.

The Monetary Question (Prize Essay). By G. M. BOISSEVAIN. Price 3/- net. Macmillan & Co., London.

Silver and Gold, The Money of the World (Prize Essay). By Sir GUILFORD L. MOLESWORTH, K.C.I.E. Price 6d. Effingham Wilson, London; J. E. Cornish, Manchester.

The Bimetallic Question. Deputation to the Most Noble the Marquis of Salisbury, K.G., Prime Minister; to the Right Hon. G. J. Goschen, M.P., Chancellor of the Exchequer; and to the Right Hon. A. J. Balfour, M.P., First Lord of the Treasury, Wednesday, May 11th, 1892. Price 2d. Effingham Wilson, London; J. E. Cornish, Manchester.

What is the Bimetallic Question? A Plain Explanation (for beginners). Price 3d. Effingham Wilson, London; J. E. Cornish, Manchester.

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