Cernuschi, Henri

The monetary conference.

THE MONETARY CONFERENCE.

QUESTIONS

ADDRESSED TO THE

BRITISH AND BELGIAN DELEGATES,

BY

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Delegate of France.

WITH APPENDICES.

LONDON:
P. S. KING, PARLIAMENTARY BOOKSELLER,
CANADA BUILDING, KING STREET, WESTMINSTER, S.W.

1881.

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QUESTIONS ADDRESSED TO THE BRITISH DELEGATES.

QUESTIONS RELATING TO ENGLAND.

I.

Had not any Englishman and any person of no matter what nationality a right, till 1874, of converting at Paris into 5-franc pieces either his plate or any quantity of silver, and was he not able with the 5-franc pieces thus obtained, to buy in France, bills on London payable in gold?

II.

Is it not the fact that the monetary par between Paris and London results from the comparison between the quantity of fine gold existing in the sovereign and in the 20-franc piece?

III.

Does it not follow that the 5-franc silver pieces having forced circulation in France at par with the 20-franc gold pieces, bills on London are just as obtainable with silver francs as with gold francs?

IV.

Does it not follow that any foreigner possessing silver could thus indirectly convert his metal into gold sovereigns at the French rate of $15\frac{1}{2}$, that is to say, $60\frac{13}{16}$*d.* per ounce, less the expense involved in the operation?

V.

Does it not follow that the value of silver expressed in gold was everywhere, till 1874, determined by the French law which established the ratio of 1 to $15\frac{1}{2}$ between the value of the two metals?

VI.

Was not the clause in the Bank Act of 1844 empowering the Bank of England to issue, as representing a certain quantity of silver, bank notes repayable at sight in gold, justified by this fact of silver being always convertible into gold at Paris at the rate of $15\frac{1}{2}$?

VII.

Did not Sir Robert Peel himself declare in the House of Commons on the 20th May, 1844, that the silver thus lying at the Bank of England acted exactly as if it were gold?

VIII.

Is it not the fact that the issue of bank notes representing silver ceases to be justifiable from the moment when, by the disappearance of French bi-metallism, silver is no longer convertible into gold at Paris at a fixed par?

IX.

Did not Sir Robert Peel acknowledge, in his speech of the 20th May, 1844, that it was inconvenient for England to have a monetary metal different from that of other countries ?

X.

Would not England be in a very difficult position if no nation except herself allowed forced circulation to gold ?

XI.

If it is convenient that national money should (as regards material) be international money, is not the best money that whose internationality is the most extensive ?

XII.

Was not silver till 1816 universal money ?

XIII.

Would England's creditors have been injured if, at the time the ounce of silver at London had a fixed value in relation to gold, instead of being paid in gold they had been paid in silver, especially if silver had been coinable at London as it was at Paris ?

XIV.

In other words, if Sir Robert Peel, instead of the limited bi-metallism sanctioned by the Bank Act of 1844, had carried a complete bi-metallic law as in France, would the holders of contracts previously concluded in gold have suffered any loss ?

XV.

Is not the old silver coin of France, Germany, and Holland still at the par of $15\frac{1}{2}$ with gold ?

XVI.

Is it not evident that if England adhered in 1881 to international bi-metallism, the creditors in gold would be no more injured than the creditors prior to 1844 would have been, if at that date bi-metallism had been established in England?*

* "The English sovereign will lose its value, its purchasing power will be impaired, if silver is allowed to circulate as an unlimited legal tender."

This objection of the English gold mono-metallists is unfounded. If silver could really be driven out of circulation the value of gold would increase. If silver had never been in circulation the value of gold would have been, and would be, greater than it is. But silver has always circulated ; it has always competed with the value of gold, it still circulates, and the reduction which this rivalry might impose on the value of gold, gold has already fully undergone ; it has nothing more to fear. Although silver has not circulated in England, the value of English gold has never escaped the effects of the competition of silver. The proof of this is that English gold has never been, and is not, worth more than French gold, circulating side by side at par with the silver five franc.

With French bi-metallism the gold sovereign was worth in silver $15\frac{1}{2}$ times its weight, just the same as the gold franc. The case will be the same under international bi-metallism. The circulation of silver in England will, therefore, strike no blow at the value of the sovereign.

"Breach of faith. The English have stipulated for payment in gold, if they are paid in silver they are aggrieved." This is a pitiful scruple. They would be aggrieved if a given sum in silver was worth less than the same sum in gold, but they are not if the two sums are exactly equivalent ; and international bi-metallism makes them equivalent.

The French creditor has never troubled himself whether he would be paid in gold or silver ; he has always been indifferent to the colour of the metal. The English creditor will be so too.

XVII.

Did not Sir Isaac Newton, as Master of the London Mint, demonstrate in his report to the Lords Commissioners of the Treasury, dated 21st September, 1717, that if the legal ratio between gold and silver was the same in England and on the Continent, it would no longer be anybody's interest to export or to import one metal rather than the other?

QUESTIONS RELATING TO INDIA.

XVIII.

Is it not the fact that the law being gold mono-metallic in England, and silver mono-metallic in India, English merchants having to send silver to Asia in payment of what they owed, were always forced till 1874, if no silver arrived at London, to apply to the Continent for it?

XIX.

Is it not the fact that generally speaking the silver mono-metallic States of the Continent were not capable of supplying silver to England, the gold they would have received in payment not having forced circulation with them?

XX.

Is it not the fact that it was to bi-metallic France the English had to apply in order to get silver in exchange for their gold, and that they were thus exposed to paying an agio on silver, that is to say, to giving rather more than one kilogramme of gold to procure $15\frac{1}{2}$ kilogrammes of silver? And is it not the fact that if silver arrived at London and they had no payments to make in India, the English offered rather more than $15\frac{1}{2}$ of silver to France to get 1 of gold?

XXI.

Is it not the fact that the cost of mintage at Calcutta and Bombay amounts to 2 per cent.; that before the opening of the Suez Canal, the freight for monetary metals between London and Calcutta or Bombay amounted to 2 per cent., and that the voyage being longer the loss of interest on the metal transported was greater than at present?

XXII.

Supposing India had been gold mono-metallic like England, would not the limit of oscillation in the exchange have been, with the cost of brokerage, transport, and mintage, between 5 and 6 per cent. below par and 5 or 6 per cent. above, so that £100 to be paid or received in India would have been worth in the London market from about £94 to £106, according as one of the two countries was more or less the creditor of the other?

XXIII.

Could these oscillations of exchange between 94 and 106 have been avoided, seeing that instead of having a single metal as common money, India is silver mono-metallic and England gold mono-metallic?

XXIV.

Had not these oscillations of exchange the effect of making the quotation of silver at London oscillate with relation to gold ?

XXV.

Were not the oscillations of the Anglo-Asiatic exchange, and consequently the oscillations in the quotation of silver, from the date of the opening of the Suez Canal until 1874, slighter than they were previously?

XXVI.

Subject to these oscillations and subject to some rare variations due to the dissimilarity of legislation, were not the value of the rupee and the quotation of silver maintained at London till 1874 at 1*s*. $10\frac{5}{8}$*d*. and at $60\frac{13}{16}$*d*. ?

XXVII.

Silver not being a monetary metal in England, was it not there merely a metallic remittance which could not remain on the spot without losing interest, but the quotation of which was only subject to the limited oscillations to which all letters of exchange are liable?

XXVIII.

Were the Calcutta and Bombay bankers able, on selling their bills upon London, to require more rupees than were involved in the French ratio of 1 to 15½ between the two metals ?

XXIX.

Was not the buyer of the bills guaranteed against the exactions of the bankers by the possibility of forwarding the rupees to Paris, where silver was of right worth 15½ compared with gold ?

XXX.

Was not the price of the bills on India sold in London by the Indian Government always conformable with the ratio 15½, subject to the oscillations of exchange?

XXXI.

Has not the disappearance of French bi-metallism had the effect of making the rupee lose its old value compared with gold ?

XXXII.

Has not the disappearance of French bi-metallism been disastrous to the Indian Treasury ?

XXXIII.

How many rupees has the loss on exchange cost the Indian Treasury from the year 1874 to 1881 ?

561

XXXIV.

At how many rupees is estimated the loss by exchange for the year 1881-82 ?

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XXXV.

If the United States adopt in accord with Europe a bi-metallic legislation, is it not the interest of Canada to follow the example of the United States ?

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XXXVI.

Is it not sufficient to cite the great fluctuations in the price of silver at London from 1874 as proof that there is no longer any great country where bi-metallic legislation is in operation ?

XXXVII.

Is it not sufficient, on the contrary, to cite the rates of silver at London during the years prior to 1874, to show that at least in a great country well supplied with gold and silver the monetary law in force was bi-metallic at 15½ ?

XXXVIII.

Is it not the fact that what is called the market of the precious metals changes its tone according as monetary legislations change ?

XXXIX.

Is it possible to demonstrate that under a decided bi-metallic legislation the relative value of the two monetary metals can evade the power of the written law ?

XL.

Can it be questioned that if the legislation of a single great country sufficed to maintain for nearly a century the relative value fixed by it between the two metals, the same result will not be still more easily obtained by a legislative accord between several great countries ?

XLI.

Considering that the English Government has declared it would refuse to introduce bi-metallism into India, considering that one of the conditions of the bi-metallic programme consists in postponing *sine die* the introduction of gold money into India, and that consequently on this point both sides are agreed, one asks wherein would consist the co-operation which the English Government still offers for assisting in the re-establishment of the value of silver ?

XLII.

Would there be any disadvantage for England, and if so what, if she adopted international bi-metallism at the same time as the Continent and the United States ?

PROPOSITIONS SUBMITTED TO THE CONFERENCE.

1.

Money is a legal and mathematical value.

2.

A legal value, for it is the legislator who fixes the material of which money shall be made and who gives it a forced circulation.

3.

A mathematical value, for the value of money is in inverse ratio to its mass—that is to say, the quantity of it in circulation.

4.

Free coinage with unlimited forced circulation has the effect of constituting the whole of the metal, old or new, coined or uncoined, a single monetary mass.

5.

Metallic money is of automatic issue ; the limit of issue is fixed by nobody. Paper money is of Governmental issue; the limit of issue is fixed by the Government.

6.

Paper money is merely national money. Metallic money may be international money.

7.

In order for it to be international money there must be similarity of legislation between several States; gold or silver must, at least, be their common money, with unlimited coinage and forced circulation.

8.

The value of money changes if a change occurs in the volume of the monetary mass.

9.

If a change occurs in the value of merchandize its price changes; but the prices of all other merchandize and of all property remain unaltered. If a change occur in the volume and consequently in the value of money, all prices are changed.

10.

Debts and credits, dividends, incomes, pensions, reversions, all contracts for the future transmission of capital, are fixed in money. If a change occur in the value of money, all those who have to pay, or all those who have to receive, will be injured.

11.

For the stability of prices and the security of time-bargains the value of money ought to be stable.

12.

There should be adopted as the monetary mass a mass which is the least possibly subject to diminishing in volume, and which is, on the contrary, capable of augmenting, for the augmentation is itself necessary to the stability of the value of money.

13.

With silver and gold two masses are obtained, both of which are fitted to serve as a monetary mass. The silver mass is better than the gold mass. No other substance exists of which a good monetary mass can be made.

14.

Coin, the mintage of which is not free, is only national money. If melted down that coin becomes merchandize—a merchandize not worth nearly as much as the coin was.

15.

The value which gold and silver might have as merchandize, if no legislation adopted them as monetary masses, is not a constituent element in the value of money.

16.

Money is created for the purpose of measuring the relative value of all merchandize and property. The value of money is not measured, is not valued.

17.

Money is the material which serves to pay for all that is bought and sold. The material serving as payment is itself unpurchasable, unvendible. Silver is unpurchasable, unvendible, in silver mono-metallic countries; gold in gold mono-metallic countries.

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QUESTIONS ADDRESSED TO THE BELGIAN DELEGATES.

I.

If it is said that the monetary metals are merchandise, and if the power of legislation as regards the value of money is denied, how account for English legislation keeping in circulation about two million kilogrammes of silver at a nominal value much superior to their value as merchandize metal ?

II.

If it is true that the silver shilling is merely a national counter of limited paying power, issued by the State in limited quantity, is it not true that the gold sovereign of unlimited paying power, issued by nature in limited quantity and convertible into foreign money if gold is mintable abroad, is itself merely an international counter; and that if the small value of the merchandize silver stands for nothing in the value of the shilling, the small value of the merchandize gold stands for nothing in the value of the sovereign?

III.

If this is the case, is it not true that the value, the paying power, of the sovereign of unlimited coinage is more or less great according as the number of sovereigns that might be coined with the whole mass of gold in existence is more or less great; and is it not consequently true, that the sovereign has a mathematical value ?

IV.

Is not the value, the paying power of the sovereign, stable, because the number of sovereigns that might be coined with the mass of existing gold is stable ?

V.

If the law has the power of giving the sovereign mathematical value, can it not give it to the shilling?

VI.

Considering that the number of shillings that might be coined with the mass of existing silver is stable, would the value of the shilling at unlimited coinage and unlimited forced circulation be less stable than that of the sovereign ?

VII.

Is it not true that if the different nations formed a single State having both the sovereign and the shilling as money with unlimited coinage and with unlimited forced circulation, nobody would think of bartering shillings for sovereigns, or sovereigns for shillings, seeing that neither the one barter nor the other could secure any profit; and is it not true that there would be no thought of ascertaining the ratio of weight existing between twenty shillings in gold and twenty shillings in silver ?

VIII.

Is it not true that considering the multiplicity of States, if one of them began fabricating sovereigns lighter than the sovereigns of the other States, while maintaining the uniformity of weight for the silver shilling, the bankers in the other States would take thither their heavy sovereigns for remintage into a larger number of lighter sovereigns, and that with these light sovereigns they would obtain silver shillings which they would take home, thus realising a considerable profit entirely due to the lack of international uniformity between the weight of two coins ?

IX.

Is it not true that between the gold sovereign and the silver shilling, supposing them to be universal money, there would be no question of a relative natural and commercial value, but of a conventional ratio of weight fixed by legislation ?

X.

Is it not true that if nature had offered a third metal capable by the unalterability of its mass and by its physical qualities of being itself also good money with unlimited coinage, legislators would not have failed to declare it metal mintable at pleasure, and to fix the weight of a third monetary unit, a weight which would necessarily have had some ratio with the weight of the silver unit and the gold unit?

XI.

Does it not result from the foregoing, that international bi-metallism will be firmly established the day when the same ratio of weight between the silver coin and the gold coin is decreed by a preponderating group of nations?

XII.

In addition to the first of the Questions here put, how account for the fact—

(*a*) That French, German, Dutch and American legislators can keep in circulation with unlimited paying power, and as non-international money, a mass of silver amounting perhaps to twenty-five million kilogrammes, a mass which would not be worth a tenth of what it is worth as money, if the 5-franc pieces, thalers, florins, and dollars were melted down, and if Asiatic legislation withdrew from silver its unlimited paying power?

(*b*) That Italian, Austrian, and Russian legislators can keep in circulation as national money, immense sums of paper money of unlimited paying power, money which regarded as merchandize would be absolutely devoid of value?

Remark.—Coins are conventional units used for measuring the comparative value of all merchandize and for paying for them. They are counters whose value is purely legal, but guaranteed by nature itself, which has never furnished and does not furnish but a limited number of them.

The circulation of all the counters composing the existing monetary mass is ensured by means of the free mintage and forced circulation.

The yellow counter reckons as $15\frac{1}{2}$ white counters. Bi-metallism is nothing else.*

* It was at the sitting of the 17th May that M. Cernuschi submitted the above questions to the Belgian Delegates. By a singular coincidence a mono-metallist leader in the *Times* of the 21st May, written without cognisance of these questions, remarked—

"In a sale the coin which passes is primarily a *counter*. It is an order entitling its owner to a certain amount of goods, which their vendor is ready to part with in exchange for other goods to be yielded to him on exhibition to their holder of the money he has received for his own. It is an easy way civilization has devised of avoiding the form of barter while preserving the effect."

M. Cernuschi's language is nothing else. But the *Times* adds —"manifestly it is simpler for a *community* to set up one common measure of the articles it deals in than two." To this M. Cernuschi may reply: If money is a legal *counter*, why not use two legal *counters*, the one being a multiple of the other, just as the yard (a *counter*) is the multiple of the foot (another *counter*)?

For England as for every nation the *monetary community* is mankind. With its gold-silver par at $15\frac{1}{2}$, bi-metallism had set up one common measure for the articles mankind deals in. This common measure has been lacking from the moment when the free coinage of silver side by side with the free coinage of gold was stopped.

APPENDIX I.

THE LOSS BY EXCHANGE.

The following article from the *Pioneer Mail* of Allahabad of the 19th April will be read with interest:—

Major Baring, in his financial statement, has offered a decision on the question of loss by exchange, which. with all due respect to so high an authority, we take leave to question. In attempting to fix an approximate estimate of the loss by exchange, he considerably reduces the conventual loss, as shown in the accounts, by means of an assumption which he takes as proved, that the rupee under certain conditions is worth 1*s*. $10\frac{5}{8}$*d*. instead of 2*s*. We by no means dispute his assertion that the loss calculated in the conventional way is no measure of the actual loss to India involved in the variation between the rupee and sterling money. There are so many other factors involved in the complicated problem of a variation between gold and silver, that he is a bold man who would measure the loss. But where we join issue with Major Baring is on his assumption that when the value of gold to silver is as $1 : 15\frac{1}{2}$, the value of the rupee is worth only 1*s*. $10\frac{5}{8}$*d*. The only meaning of this statement in the context where it appears, is, that, under the circumstances stated, a rupee laid down in India is worth 1*s*. $10\frac{5}{8}$*d*.; for this is what fixes the rate for payments between England and India. There are many ways in which the validity of this assumption can be tested: let us take the simplest. The constant price of bar standard gold in London is, as most people know, £3. 17*s*. $10\frac{1}{2}$*d*. per standard oz. of 440 grains pure, and hence the value of an ounce of pure gold is 1019·454*d*. When, therefore, gold : silver : : 1 : $15\frac{1}{2}$, an oz. of pure silver must be worth $\frac{1019{\cdot}454d.}{15\frac{1}{2}} = 65{\cdot}13d.$ The value of the 165 grains of pure silver required to make a rupee is therefore $\frac{165}{480} \times 65 \cdot 13d.$ $= 22 \cdot 39d.$; and if we add the charges for freight, duty, and mintage 3·55 per cent., and interest at 3 per cent. for the delay in remitting bullion, we shall find that the total cost of placing a rupee in India at the above rate for silver is 23·308*d.* or 1*s.* 11$\frac{3}{10}$*d.*, instead of 1*s.* 10$\frac{5}{8}$*d.* as stated by the Finance Minister. The above rate, be it observed, would fix the price for bills between England and India, and it would be the real par prevailing when the bills on both sides were equal. Should the demand for remittance to India be heavy, and the stock of silver small, the rate would go up above this to 1*s.* 11$\frac{1}{2}$*d* or $\frac{3}{4}$*d.* On the other hand, were the demand for remittance on India small —as with a slack export trade—the rate might sink down to 1*s.* 11*d.* and possibly lower still to Major Baring's 1*s.* 10$\frac{5}{8}$*d.* But to assert that the regular rate would be 1*s.* 10$\frac{5}{8}$*d.* is certainly a mistake.

The point deserves attention, because it will strike many people that the ratio of gold to silver which enters into Major Baring's assumption, is the constant relation which the bi-metallic *régime* claims to maintain between gold and silver. Now were the bi-metallic law to be adopted amongst continental nations and America, there is no question that the rupee would range between 1*s.* 11*d.* and 2*s.*, and this can be proved by showing the limits between which the price of silver in London must vary under that law. Thus, the real par of exchange between London and Paris is £1=25·225 francs; which means, when the bi-metallic law prevails in Paris, that £1 and the silver contained in 25·225 francs (*i e.*, 1751·76 grains pure) are of exactly the same value, whence we at once get the ruling price for the ounce of standard silver (444 grains pure) as 60·83*d.* Again, if we calculate out the value of the ounce of silver in the same manner for the extreme or specie points between which the French exchange now fluctuates, *viz.*, 25·125 and 25·325, we shall find the prices of standard silver corresponding to these points to be 61·09 and 60·591, respectively. That is to say, when the bi-metallic law prevails, the price of silver in London will vary between the two constant limits of £61·09 and £60·591. These rates are, it may be observed even higher than the rate we calculated out just now from the price of gold, *viz.*, 65·13 per ounce pure, which is equivalent to 60·24 per oz. standard. The par rate of exchange with India, calculated out as before for the above two prices of silver, would be 1*s*. 11$\frac{3}{5}$*d*. and 1*s*. 11$\frac{2}{5}$*d*., respectively, and the Indian exchanges might fluctuate around either of these points according to the demand for remittances on either side; but we may safely say that they would never fall as low as 1*s*. 10$\frac{5}{8}$*d*. Years ago when the margin between par and specie point of the exchange between Paris and London was much wider than it is at present, owing to the freight and insurance charges being much heavier, and when the bi-metallic law held good on the Continent, it was quite possible for the price of silver following the rate of exchange to go down so as to give an exchange on India as low as 1*s*. 10$\frac{5}{8}$*d*.; but this would never happen in these days of rapid and cheap transit. It is most important, in view of the prominence likely to be given to the question of bi-metallism by American and Continental financiers, that the Government of India, which is so largely interested in the stability of silver, should clearly understand that under the bi-metallic law—which forces gold and silver to exchange at the rate of 1 : 15$\frac{1}{2}$—the exchange value of the rupee could never fall below 1*s*. 11*d*., and might often rise to 2*s*.

The specie par at 15$\frac{1}{2}$ between the silver rupee and the gold sovereign is 1*s*. 10$\frac{5}{8}$*d*. But the balance of trade being generally in favour of India, the rate of the rupee at London was usually higher, and approaching 2*s*., just as when the balance of trade is in favour of the United States, the dollar is worth at London something more than the gold par value between the English and the American coins.

Thus the *Pioneer* is right in saying that the loss by exchange ought to be calculated by the rate which the rupee formerly commanded at London, that is to say, very nearly 2*s*.

The paragraph of the Financial Statement to which the *Pioneer* refers is this:

Loss by Exchange has been estimated at £3,475,000, on the assumption that £17,200,000 will be remitted home at 1*s*. 8*d*.

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the rupee. There appears on the revenue side of the Account a *Gain by Exchange* of £412,000. Thus the net *Loss by Exchange* is estimated at £3,063,000. I need hardly point out that these are adjusting entries, and the difference between them does not furnish the true measure of the loss to India from the recent change in the relative values of gold and silver. In order to arrive approximately at the real loss by exchange, we must assume a normal relative value between gold and silver. When that relative value was as 1 to 15½ the 165 grains of pure silver contained in a rupee were worth 1*s*. 10⅝*d*. The net sterling expenditure at the Home Treasury of the Government of India may now be taken at £14,750,000 (true sterling). £14,750,000 at 1*s*. 8*d*. the rupee equals 177,000,000 rupees. At 1*s*. 10⅝*d*. the rupee, £14,750,000 equals 156,464,000 rupees. The difference is 20,536,000 rupees. On this basis, therefore, the real loss to the Indian Treasury in 1881-82 resulting from the disturbance of the equilibrium previously existing between gold and silver may be estimated at 20,536,000 rupees.

Were international bi-metallism in operation, the expenditure of £14,750,000 would be covered by selling Council bills to the amount of 147½ million rupees at the rate of 2*s*. per rupee, instead of 177 millions, a saving of 29½ million rupees for the year 1881-82.

The Government, the *Pioneer*, all unprejudiced people declare that so long as French bi-metallism was at work there was a normal par between silver and gold.

APPENDIX II.

DRAFT RESOLUTION FOR AN INTERNATIONAL CONVENTION.

On the 7th February the French Government received from the United States Government an assurance that it was disposed to take immediate action for convening an international conference, taking as a basis the essential ideas of the project which had been transmitted to the Department of State.

This project, drawn up by M. Cernuschi, had been forwarded from Paris on the 7th January, but without the preamble which he has since added. It may hereafter be utilised in some way.

1. Whereas bi-metallism, or the monetary system which consists in simultaneously coining any quantity of gold and silver on the footing of a legal ratio between the weight of the monetary unit in gold and the weight of the same unit in silver, had always been practised, and that only since a few years has it ceased to operate in any part of the world.

2. Whereas, during nearly a century, the principal Continental mints have coined at the legal ratio of 15½ all the quantities of gold and silver presented for coinage, whereby alone, whatever the vicissitudes in the production of gold and the production of silver, the relative value of the two metals was necessarily fixed in the entire world at the par of 15½; nobody in any country agreeing to part with either gold or silver at a less advantageous ratio than that which it was known could be realized in Europe at the Mints which were bound at the rate of 15½ to convert into

coin, having legal currency without limit of amount, all the metal they were asked to coin.

3. Whereas, by this universal par of value between gold and silver, the monetary material of the entire world formed a single mass as homogeneous as if it had been composed of a single metal, but with this evident and very important superiority, that its paying power was much more stable than would have been the paying power of gold disjoined from silver, or of silver disjoined from gold; and this because the greater or less stability of that paying power depends on the greater or less regularity of monetary production, because the production of gold is very irregular, also that of silver, while the joint production of the two metals valued at the legal ratio is quite sufficiently regular.

4. Whereas the above-mentioned universal par between the value of the two metals was of the greatest service to countries subject to mono-metallism, such as gold mono-metallic England and silver mono-metallic India, which countries, owing to that par, could mutually settle their pecuniary dealings with almost as much facility and certainty as if they had one and the same metal as common money.

5. Whereas, as soon as silver was no longer freely admitted to coinage by the States which had previously been bi-metallic, the universal par of value between the two metals necessarily disappeared; and inasmuch as, through that disappearance, the bi-metallic and homogeneous material possessed by the world was decomposed into two mono-metallic materials heterogeneous to each other—the material gold, the sole metal admitted to free coinage in Europe and America, and the material silver, the sole monetary metal in Asia—a twofold mono-metallism, which has rendered the commercial and financial relations between the two halves of the world almost as complicated and hazardous as if the exchanges between them were made by barter.

6. Whereas, moreover, the States of the Continent of Europe and the United States of America, while admitting gold alone to free coinage, are encumbered with coined silver, and the silver coins of one country cannot be converted into money in other countries, unless in Asia, but then undergoing all the loss resulting from the difference between the ratio at which such silver has been coined with regard to gold, and the much smaller ratio of gold realised on disposing of silver for an Asiatic destination

now that the universal par no longer exists, a ratio which would become smaller and smaller if the offers for sale of silver happened to be resumed and continued.

7. Whereas it is, in fact, impossible to withdraw from circulation and get rid of the coined silver, not only because of the terrible fall which the Asiatic exchange would experience, and of the enormous losses which would have to be borne, but also because of the immense void such withdrawal would leave behind it—a monetary void which could not be filled either with the present gold, which has already its use, or with the future gold, which has not yet issued from the mines.

8. Whereas, in short, the monetary chaos is general, and that chaos, extremely prejudicial to the interests of all nations, without a single exception, is solely attributable to monetary laws now in force in Europe and the United States, and cannot be put an end to except by reverting to bi-metallism.

9. And whereas such reversion to bi-metallism and the adoption of the ratio $15\frac{1}{2}$ by a preponderating group of nations would have the immediate effect of re-establishing on a very solid basis the old universal par of value between the two metals, of enabling Europe without any loss to employ its old silver crowns in paying America, and reciprocally of enabling the United States, when their balance of trade allows it, to pay Europe with silver from their mines; and, lastly, of making silver a universal money, while retaining gold on a footing of $15\frac{1}{2}$ as European and American money.

Now, therefore, actuated by all these considerations, the American, French, &c., delegates have resolved by common accord to submit to the ratification of their respective Governments the following Convention :—

CONVENTION.

Article I.

The United States of America, the French Republic, &c., form themselves into a bi-metallic Union on the terms and conditions hereinafter stipulated.

Article II.

The members of the Union shall admit gold and silver to mintage without any limitation of quantity, and shall adopt the ratio of 1 to $15\frac{1}{2}$ between the weight of pure metal contained in the monetary unit in gold and the weight of pure metal contained in the same unit in silver.

Article III.

On condition of this ratio of 1 to $15\frac{1}{2}$ being always observed, each State shall remain free to preserve its monetary types—dollar, franc, pound sterling, mark, or to change them.

Article IV.

Any person shall be entitled to take any quantity of gold or silver, either in ingots or in foreign coins, to the Mints of any member of the Union for the purpose of getting it back in the shape of coin bearing the State mark; the mintage shall be gratuitous to the public; each member of the Union shall bear the expense of its mintage.

Article V.

The Mints of each State shall be bound to coin the metal brought by the public as speedily as possible and at the aforesaid ratio of 1 to $15\frac{1}{2}$ between gold specie and silver specie; the coin thus manufactured shall be delivered to the person who shall have brought the metal or to his assigns; if the person bringing gold or silver requests immediate payment of the sum which would accrue to him after the interval of mintage, that payment shall be made to him subject to a deduction which shall not exceed two per thousand; the sum shall be handed over at the will of the paying party in coin, or in notes convertible at sight into metallic money.

Article VI.

The gold and silver money shall alike be legal tender to any amount in the State who shall have manufactured them.

Article VII.

In each State the Government shall continue to issue as a monopoly its small change or tokens; it shall determine their quantity or quality, and shall fix the amount above which no person shall be bound to receive them in payment.

Article VIII.

The fact of issuing, or allowing to be issued, paper money, convertible or otherwise, shall not relieve the State issuing it, or allowing it to be issued, from the above stipulated obligation of keeping its Mints always open for the free mintage of the two metals at the rate of 1 to 15½.

Article IX.

Gold and silver, whether in ingots or in coin, shall be subject to no Customs duty, either on importation or exportation.

Article X.

The reception of silver shall commence at the same date in all the Mints of the Union.

Article XI.

The present Convention shall remain in force till the 1st of January, 1900. If a year before that date notice of its abrogation has not been given, it shall of full right be prolonged by tacit renewal till the 1st January, 1910, and so on by periods of ten years until such notice of abrogation shall have been given a year prior to the expiration of the current decennial period; it being, however, understood, that notice of abrogation given by States having in Europe less than twenty millions of inhabitants, or subject to the inconvertible paper money system, while releasing those States, shall not prevent or interfere with the decennial tacit renewal of the present Convention between the other members of the Union.

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