SECOND DAY.

Floods of Gold and Silver.
Bimetallism raises prices.
Montague, Huskisson, Locke, Newton, Macaulay.
Dual legal tender. Silver Standard with Gold rated to it.
Par of Exchange. Price of Precious Metals.
Agio.
Variableness or Stability of Gold Standard.
Appreciation of Gold.
Increase of its Use as Money.
Advantage of Gold Standard to England.

H. We were talking on Wednesday of the comparative pro duction of Silver and Gold. Did I understand you to say that the variations in the production of gold have been year by year much greater than those of silver?

G. Much greater, and much more frequent. I have here a printed paper, which you can look at at your leisure, showing the changes of each year since 1849.*

W. Is there any estimate of the existing stocks of gold and silver money? They must be, I suppose, enormously large; and I don't see how the yearly contributions from the mines can materially affect them.

G. All such estimates must lack accuracy, and be in great measure guess-work. Seyd's estimate of the stocks existing in 1872, has been generally accepted. It was Gold, £750,000,000 and Silver £650,000,000. Add from the production since 1872, one third Gold, £130,000,000, and one half Silver, £220,000,000, and we should get totals: Gold, £880,000,000, and Silver £870,000,000. But you must observe that the account of silver is taken at 15½ to 1, which since 1873 would be too high in quantity, and that since that date we cannot allow one half of it to have been used as money.

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

G. Certainly you are. Even the greatest year's production, £36,000,000, could only add about £15,000,000, or less than 2%, to the stock of gold money; but the question before us being whether gold or silver is the least fluctuating commodity,

* See Appendix, Table C.

the yearly production is necessarily germane to that. The only important thing is to compare the fluctuation of the total stock of gold money with that of the total stock of silver money, as measured in the mass of commodities.

H. I will look at your figures.

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

G. Of course it would. It could not be otherwise, so long as no fixed ratio existed. Silver since 1873 has been affected by supply and demand, just like any other commodity; except that neither it nor other minerals are so speedily affected by the accidents of profit and loss, as some other commodities are.

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

G. It is not easy to say. Good fortune and cheap transit have much to do with it. But whereas it is commonly thought that high prices stimulate production, and low prices discourage it, the experience of the last few years shows production increasing as the price falls. In 1859, when the price was at its highest—62¾d.—the production was, you see, £8,150,000. In 1891, with the price as low as 43d., the production was nearly £39,000,000. Even under the still lower prices of 1892, the production has, it is believed, scarcely fallen off at all

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

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

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

G. Yet the limited demand of 54,000,000 ounces a year cannot surely have had the same effect as the unlimited and perpetual demand of which I spoke just now, when the Mints of India, Germany, the Latin Union, and the United States took every ounce that could be produced!

W. What becomes of all that vast production?

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

H. It is heaped up in the United States Treasury, and can't be got into circulation.

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

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

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

G. If they did, we should send it back when exchange turned against us; you forget that they could not demand gold. But how do you know the coins are useless? I should like better to know what Americans and Germans and Frenchmen have to say on that point, than to content myself with an English opinion. Perhaps you don't know that the American currency of every sort amounted at the end of 1891 to only $23·41 a head of the population; while we, in England, who need less, as being closer packed, have just about the same. They could not send much of it away without a dangerous contraction of their currrency.

H. But we are told that the currency is redundant, and that gold is leaving the country.

G. Redundant is a mouth-filling word which currency-doctors are very fond of using. It has its proper signification, but its sound is often greater than its sense. The exchange is, or has lately been, against the United States, and in that case gold, which is the money of Europe, naturally leaves America. When the exchange turns, gold will go back.

H. Or silver.

G. The stock of silver has the same purchasing power as gold in France and Germany, and even in England; and is therefore by no means useless, as you call it. They will not send it to America to sell there at 83 cents an ounce.

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

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

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

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

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

G. I have good hopes of White! As to his first and second questions; I have already said that we know nothing about it, and cannot know. It is in a great degree guess-work. It was prophesied in 1875 that we should have a flood of silver from the Comstock Mine, because a large quantity had been produced; but not only did nothing of the kind happen, but the silver mine at last produced as much gold as silver. As to the third question. It would be a very serious matter for India, and for the foreign trade of this country, if, under our present monetary laws, such a flood of silver were to come. Under a Bimetallic law the only effect would be that, of whatever colour the flood may be, yellow or white, prices would rise evenly and gradually in countries accepting the law.

W. Suppose it to be gold. People prophesy a flood of gold from Africa.

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

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

G. By what process is the gold to be expelled? Our teachers cannot be induced to come to particulars. What inducement will there be for any one to send gold away from a country where by the hypothesis, supported by the experience of 70 years, gold and silver (at the fixed ratio) have equal purchasing power, not only in its own market, but in the markets of its neighbours. You monometallists, Harrop, always say gold is so much more convenient than silver, and so it is for pocket money, and for all small payment of 10s. or £1 and upwards. Is it on *that* account that it would be sent away? Did anybody ever do it?

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

G. No, not that it went out of circulation. What I said was that the current of gold would naturally set from France across the Atlantic, and that from that and other causes, gold became scarce in France. The course of silver also lay towards France, and from the United States at the same time, and for the like reason. But that is a very different thing from going out of circulation altogether. Neither gold nor silver vanished into space, but each metal shifted its sphere of monetary activity from one country to another. Don't forget that the question before us is one of an internationally fixed ratio, when all inducement to such inflow and outflow would be lost. By the bye, I think Harrop, that I have heard you say that the inflow and outflow of specie is one of the chief causes of the commercial prosperity of this country! I understand that it is proposed to establish an international clearing house. You would oppose it, of course, as it would greatly diminish outflow and inflow, which things are a cause of commissions to some friends of mine, and those commissions would, no doubt, be sadly missed; but there would be plenty of compensation.

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

G. And silver, too, where it was suitable. What is it which will cause either metal to go anywhere? Let us illustrate the thing by two very different examples, India and Germany. Let us suppose the first to remain Monometallic on a silver basis, and the second Monometallic on a gold basis. It is the balance of Trade which is the main cause of export of the precious metals: therefore, there might be a considerable pull on the stock of silver in the Bimetallic countries, for the exchange is as yet always in favour of India. Should it turn against that country the Indian traders would be quite as likely to remit gold as silver. Then as to Germany; the balance of trade is not persistently in favour of that country. If it should be so at any time gold would go to her; and when it turned, it is quite as likely that she also would send back gold as silver. She has already found out how great would be the inconvenience of parting with too many of her thalers. I think we may leave the recalcitrant countries to take care of themselves. We may even suppose that none would be recalcitrant. If England only assents, we have ample evidence that none will care to be left out in the cold.

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

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

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

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

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

G. You are quite right to be shy of the plea of dearness. It would fit so ill with your present contention. What, just at the moment when, according to the promoters of that plea, it should be at its dearest, they say that it is to be more abundantly used, and in unproductive employment! In what branch of the Arts—I wonder—shall every man carry a gold toothpick? Shall all "silver" watches have gold cases? Will you make pokers and tongs and coal-scuttles of gold? You will find them inconveniently heavy in weight as well as cost. The supposition seems to me, saving better instruction, supremely ridiculous and wholly superfluous.

W. Why superfluous?

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

W. I read in the papers the other day that it was absolutely certain that when the currency became redundant the gold would leave the country.

G. The writer must have been a person who had read Mill, and applied what he says of one state of things to another, which is wholly different. Mill tells us how, in such a case, the metallic circulation would wholly or partially leave the country in which the currency had become redundant, and would be distributed over the world. Distribution is quite a different thing from disuse as money.

Only consider the circumstances which you have to suppose! A deluge of silver; a rise of prices—let us say of 100%—all payments increased in the same ratio, and all payments in which cash passes doubled in bulk. Thus you pay now £1 for a hat; and you would then have to pay £2. Would you take that opportunity for getting rid of the two sovereigns with which you could pay for it, and insist on carrying 10 double florins to your hatter? It is a theory for which I can find no argument, and a practice of which I can find no example.

H. You have overwhelmed us if not convinced us. I should like to think that out. Let us go to another matter.

You mentioned just now the debate of 1889: what did you think of Chaplin's speech?

G. Excellent; a most lucid and careful statement. You all heard it, I think, and I dare say will agree so far. Now, Smail, about your difficulties?

S. No. It is rather ancient history, but I should like to hear a little more about that debate. I am anxious to know what you have to say about W. H. Smith's arguments.

G. I quite agree with him that anything which would shake the confidence of the commercial classes would inflict a serious injury on the national prosperity. But he fails, I think, to show that to establish a bimetallic law would even tend to shake their confidence. Why should it? Besides that no such contract to pay in gold, as he supposes, ever existed at all (unless possibly, and by implication, in the case of State loans contracted since 1816), I have shown that the silver received would necessarily buy as much as—*i.e.*, would be equal to—the gold.

S. What distinction can you draw between loans contracted before 1816 and those after?

G. The previous loans were contracted either under a bimetallic system in full force, or in paper to be repaid in either metal. To which country does he fear that our trade would be transferred? And why? and how? Surely he can't think that our prosperity depends on the colour of our metallic money. There are other characteristic causes enough to guarantee it, and these so experienced men as yourselves can't fail to see without my mentioning them.

S. Certainly there are. I admit that.

G. Now then, as to the contradiction which W. H. Smith imagined between Chaplin and Samuel Smith? Do *you* see it? It requires better eyes than mine. Chaplin said the Indian Government were losing four or five millions a year. It is now, I think, six or seven. Samuel Smith said, and says still, that the Bombay spinners are interfering with our manufacturers, and if we add to this that the Indian shippers are enabled by the fall in the gold price of the rupee to accept the present low gold price for their wheat and still to undersell the English wheat-growers, the result is that the Indian spinners gain, and the Indian landowners are saved from loss; but the Indian Government—that is, the whole people of India—lose six or seven millions a year. I see no contradiction.

H. Not the whole people, for the people are not taxed any the more.

G. They can't be; but so long as the Budget kept at an equilibrium, Government could, but for this loss, have remitted taxation to that amount, or rapidly extended the railway system, or done important sanitary work. Either some interests are gaining by the present state of things, or they are not. If not, India is confessedly losing ground all along the line. Now, Smail, it's your turn.

S. Well. My point is that, as I said just now, I feel sceptical as to the existence of your grievance. Let us know what it is.

H. *I*'ll tell you what his grievance is. It's the fall of prices; and H. Chaplin has made it manifest to all the world that the *object* of bimetallism, like that of the Sugar Convention, is to raise prices and make things dearer. Now the people who want things cheaper are always more numerous, and now more powerful, than those who want things dearer. When the men find that Chaplin's object is to keep Indian wheat out of the English market, they will condemn his scheme.

It is an injury alike to the English bread-eater and the Indian cultivator. In a sense, it is also an injury to the English manufacturer, because it is in English manufactures that the wheat will be paid for ultimately. Though the *rate of profit* may be lessened by the exchange, yet the *volume* of trade must be larger; and that is the question, rather than the *profit on capital*, which affects the wage-earning class.

It is not true that the cheapness of commodities has materially lowered the scale of wages. The wage-fund has not decreased; and the increased purchasing power of wages is far greater than any diminution in the rate, and they know it. The pinch has been on the capitalist, who has been obliged to accept a far less rate of profit, though not so much less as to induce him to close his business. When we come to close quarters with this question—if it ever becomes a practical one—it will be made apparent that the greater purchasing power of money is at least as great an advantage to the wage-earning class as to those who live on fixed incomes. Take sugar, for instance; the rate of a penny a pound would be equivalent to 30s. a year in each family of five persons. This is equivalent to an income-tax of sixpence in the pound on a man earning £1 per week, and yet you avowedly exempt such a man from income-tax!

This, and more than this, H. Chaplin, in the name of bi-metallism, desires to do with corn. It is very well worthy of notice, that whenever there has been severe agricultural depression (even in the days of the highest protection) the landowners have always resorted to schemes of tampering with the currency in order to raise prices and to lighten the burthen of mortgages. I feel strongly upon this point, and have been driven to make quite a long speech about it.

G. I can't say that I see any likeness between such an agitation as you describe and the present. When do you mean?

H. Why, look at the currency agitation in 1821. Whenever trade is bad and prices low, there is always a cry for a depreciated currency, accompanied by demands for private and often public repudiation, the landed interest being generally foremost in these demands.

G. In the present case, the landed interest were by no means the first to come into the field. It was, I think, the trade of England with the East that first cried out. The whole history of that agitation in the Twenties should, as I read it, be differently told. The distress of that time was, no doubt, consequent on the unhappy tampering with the standard of value which occurred in 1816-9, when the beneficent policy of restoring our metallic currency, which in any case would have inevitably contracted the measure of value, was rendered more stringent by the exclusion of silver, and those who suffered lamented loudly, and asked for unwise and pernicious remedies, which the good sense of the nation rejected. That tampering with the standard bore yet more bitter fruit in 1873; and we cry not for any fanciful or untried remedy, but for the restoration of the ancient monetary law, under which our commerce became great.

H. I venture to hold by the example of Montague, who protested against, and remedied, the depreciated money of his day; and of Huskisson, whose humble follower I claim to be, and who set himself against the wild schemes proposed by Lowndes at the beginning of the century, and exposed the false reasoning by which they were supported.

G. I am glad to hear that you commend Montague and Huskisson. Montague did wisely as you say. Do you remember what Macaulay says about him and his colleagues? Here it is, quoted in Horton's book, "The Silver Pound":—

"It is much to be lamented," he says, "that we have not a minute history of the conferences of the men to whom England owed the restoration of her currency and the long series of prosperous years which dates from that restoration, It would be interesting to see how the pure gold of scientific truth found by the two philosophers" [Locke and Newton] "was mingled by the two statesmen with just that quantity of alloy which was necessary for the working. It would be curious to study the many plans which were propounded, discussed, and rejected, some as too costly, some as too hazardous, till at length a plan was devised of which the wisdom was proved by the best evidence, complete success."

Both Montague and Huskisson, each in his time, opposed what is called "soft money," and I admire them and agree with them as much as you do; perhaps more. I wonder if either of you know what was that "gold of scientific truth," that "completely successful" law which Macaulay so praises. It was the law of 1666, the law of the open Mint, settled ratio, and dual legal tender, as perfected by Locke and after him by Newton. What have you to say to that?

H. I must admit that that report of Locke's is new to me; and though I had of course read the passage you quote from Macaulay, I had scarcely realized the strong bearing it had upon the controversy. What do you say about Huskisson?

G. You shall have it presently.

W. Before you come to that, let me ask about Locke. You said just now that he understood the principle, and his name appears in your quotation from Macaulay. You were speaking of the international effect of fixing the ratio. You did not, I suppose, mean to say that he approved of what is now called Bimetallism.

G. Obviously he could not have approved of "what is now called Bimetallism," because, though the thing is the same, its conditions have altered since his day. Our Bimetallism is essentially international, while that of Locke's time was necessarily domestic. I do not think that Locke understood that the ratio could be permanently maintained by an international agreement; but he endeavoured to give it greater permanence by assimilating our ratio to that of other nations, and his aim in so doing was to retain both metals in the country as full legal tender.

W. But we are always told that he was the great asserter of the principle of Monometallism. He is the champion whom the upholders of that theory always put in the forefront of the battle.

S. I believe he said most emphatically that "it was impossible that more than one metal should be the true measure of commerce."

G. He did say so; and it was quite reasonable that he should. Before his time, and indeed during his life, the ratio was being constantly altered, and Locke knew of no other condition of things; but to think, as some do, that Locke was in the modern sense of the word a Monometallist, and that he meant that it was impossible for the State to fix a ratio between the two precious metals, at which each should be legal tender, is to suppose him ignorant both of the monetary law and monetary practice of the times in which he was living, *quorum pars magna fuit*, and to ignore his own reports and writings on the subject.

H. You don't mean to tell us that the acceptance of that emphatic statement of his is reconcileable with a desire to introduce into this country the French law of 1803, which embodies the principle of the Double Standard!

G. Under what monetary law was Locke living when he enunciated the maxim which Smail quoted? Was it not under the law of 1666, which, as I have shown, was in all essentials the same as that enacted in France in 1803. He said, you will observe, that more than one standard was *impossible*. He said nothing about its being good or bad. Now he could not have said that that which was in force to his own knowledge, which was the daily rule of all market transactions of his day, was impossible.

W. I suppose he would have said that what was, as you say, in force, was not not a double standard at all, but in reality a single one. I don't see how else to account for the apparent contradiction.

G. You rightly call it apparent. Locke would no doubt have answered that there was no contradiction at all. The axiom which you quoted, Smail, was the assertion of the theory that whatever the coins current at any time, men will always think their monetary thoughts in, and refer their bargains to, the one money-measure to which, under the law of their country, they have been accustomed.

H. Ah, I prefer Locke's plain words to your gloss on them!

G. You shall have Locke's plain words. Here is the book. They form part of his "Report from the Council of Trade and Plantations," dated 1698, the same document in which the words quoted by Smail occur. It begins:—

"We are humbly of opinion that it is necessary, Guineas in their common currency be brought down to 21s. 6d. at least; And further humbly conceive that Your Excellencies may fitly do it by giving directions, that the officers of the Receipt of his Majesty's Exchequer, and all others the Receivers of his Majesty's Revenue, do not take them at a higher rate." The Report is concerned entirely with the fixing of the rate at which gold coins were to be current in relation to silver the standard money of the realm; and he goes on—"The fixing of its value so that it cannot be readily accommodated to the course it has in other neighbouring countries, will be always prejudicial to the Country which does it. The Value of Gold here at the price of 21s. 6d. a Guinea, in proportion to the Rate of Silver in our Coin, will be very near as fifteen and one-half to one."*

W. I don't quite understand it.

G. Where is the difficulty? France was under the Bimetallic law in 1826, yet Huskisson wrote, contrasting her and the other nations with England, "Silver, it is well known, is the basis and standard of the metallic circulation of all other civilised countries."† In like manner, though England was bimetallic in 1698, Silver was the standard, but gold was by custom and by law everywhere current as money. It was necessary that it should be, and, in fact, it was, rated to silver in a certain proportion. Why should not I accept that? It is good Bimetallism, that is to say, The law of the Dual Legal Tender. Under it there is no need to call both Gold and Silver Standards. One is the Standard, and the other is rated to it. There is no reason why our present Chancellor of the Exchequer should not renounce Locke's axiom, declare that Gold was unalterably the Monetary Standard of the British Empire, and that the silver coins, other than the tokens, were to be rated to the gold coins in the proportion of 15½ or 18, or any other weight to 1; and be as much of a monometallist as Locke was, and as sound a Bimetallist as Huskisson showed himself in 1826.

S. Locke was an official, and had to carry out the provisions of the law as he found it. That seems to me quite compatible with his entire disapproval of the law, and with a desire to minimize its evils.

*NOTE.—See the Extract in full in the Appendix.

†See Appendix, p. xv.

G. Certainly it would be. But there is no ground whatever for supposing that he saw any evils in it to minimize, and no ground for saying that he felt or expressed any disapproval of the law itself. What he did do was to perfect its operation as far as he could, suggesting developments which Montague, whose policy Harrop so justly admires, as Chancellor of the Exchequer, carried out. Where is the proof that he disapproved of the free and gratuitous coinage of the two precious metals? Dana Horton, who has examined his writings with scrupulous care, and to whose book I am indebted for the quotation from Locke's report, has found in them no suggestion of repealing or omitting to re-enact the statute of 1666.

W. How did he perfect the operation of the Law of 1666?

G. The Ratio at that time, as established by the King in the Mint Indentures of 1663, was 14·485 to 1. Locke brought it, as you see, to 15½ to 1, assimilating it, as I said before, to the French Ratio.

W. 1663, you say; I don't recollect what change was made in 1666.

G. That year gave us an open Mint and gratuitous coinage.

S. I have been looking at your book; and I see that Locke says distinctly, and in that very report, that, silver being money, "Gold, as well as other metals, is to be looked upon as a commodity, which, varying in its price as other commodities do, its value will be always changeable." Now, according to this, you propose to fix its price; and yet you said at the outset of our talk that you did not fix the price of a commodity. What do you say to that?

G. Settle that with Locke! The fixing, so far as it was a fixing is his, not mine. I propose to rate silver to gold. Locke *did* rate gold to silver. Gold, it is true, was, and is, a commodity; but it was, and is, also money by the law of the land; and the rating of a commodity which is money to another commodity which is also money, is a wholly different thing from fixing by law the price of wheat.

W. No doubt it is. But now about your grievance and its remedy?

G. Harrop told you before our discussion about Locke and Montague what *he* thinks is our grievance, and what he supposes us to expect our remedy to do; and now I will have my say. I will come to the wage-earners afterwards, and now touch only the grievance and the remedy. It is not, as he and the *Economist* seem to suppose, a grievance to us that creditors are enjoying what Nature has given them—that prices have fallen because the energy of man has produced commodities more cheaply, and brought them to our doors more rapidly. No one is so foolish as to complain of that.

It was not Nature which took away the silver half of the standard in 1816. Nor was it Nature which took away the link which still subsisted in France till 1873, and which had enabled the measure of 1816 to remain harmless. Nor was it, as the monometallists seem to think, Nature that made our golden sovereign.

The grievance is that, whereas silver is the money of nearly two-thirds of the human race, and gold the money of the rest, the short-sighted legislation of 1816–19 and 1873 has destroyed the common measure which ought to, and could, and did, exist between the two metals, causing a vast additional quantity of gold to be taken into use as money. The same legislation has provoked and produced the demonetization of silver, and has thrown upon the stock of gold money work which had in great measure been done by the demonetized silver, thus appreciating the former metal, and continuing and causing an artificial fall of gold prices, of which we have not seen the end. What legislation has done legislation can properly undo.

W. Why do you always say 1816–19? The law must date from one year or the other.

G. No, from both. The effect of the coinage law of 1816 was found to be so disastrous that it was suspended in 1817–18, and re-established in 1819, when cash payments were resumed.

H. You keep harping on 1873. How has 1873 done you harm? 1873 was certainly not the beginning of the agricultural depression; for we know from the Inland Revenue Returns that rents were still at their highest in 1880.

G. No one has ever said that agricultural depression began in 1873. The action of the German Government in 1872, and of the French Government in 1873-6, were in great part the *cause* of the subsequent depression, but they were not the depression itself. Nor was the action of France completed till 1876. As to rents, you must surely know that whatever happens it takes some years to alter them either for rise or fall. Leases don't alter themselves, and there is always hope that a fall in prices, the cause of which is not apparent to the bucolic mind, nor obviously and instantly to any mind, will be remedied "next year."

H. I don't quite understand how 1873 affected the par of exchange, nor what evil came of it?

G. It has hurt us all; me as a merchant directly and perceptibly, you, as more dependent than you know on the commerce of England, indirectly but, unfortunately, less perceptibly.

H. But come to particulars. Let us know what our troubles are; and how they came about.

G. The chief trouble, to my mind, is that of exchange; for whereas the French law established a minimum price of silver in this and other gold-using countries, the suspension of that law left silver to fluctuate like any other commodity, and thus abolished that approximate par of exchange which had subsisted for a hundred years, and is so necessary to the well-being of commerce. Those who trade with countries having the same standard, whether gold or silver or both, have that benefit. Gold-using and silver-using countries trading together have it not.

W. I think Giffen says the closure of the French Mint became inevitable by reason of the fall of the price of silver.

G. The first act of that closure was on the 6th September, 1873, and it was not till August 12th that there had been any fall below the point indicated by the exchange of a remittance of silver to Paris, producing by law 200 francs per kilogramme. What there was (0·214d. in the ounce) caused by expectation of action on the part of the French Mint was not nearly so great as what had often happened in earlier years without causing a thought of such action. The further falls in the price followed immediately on the acts of closure in July, 1874, and June, 1875, when the deliveries of coined silver were successively postponed, until August, 1876, when the Mint was finally closed to the white metal. You may see in a pamphlet published this year (1892) by the Bimetallic League on "The Fall of the Gold Price of Silver," a demonstration that the main cause of the Closure was the excessive and entirely new strain on the resources of the Mint caused by the inflow of demonetised Silver from Germany.

H. What is the advantage of a par of exchange? I don't see it. France and England have, I suppose, an absolute par, seeing that they have the same money metal; yet the exchange between the two countries fluctuates day by day and, for aught I know, hour by hour.

G. Yes; but it fluctuates in ordinary times between closely defined limits, oscillating, with slight variations, round an immovable centre. Between England, on the one hand, and India, and other silver-using countries, on the other, there is no fixed point at all, and the exchange varies from 14d. to 24d. for the rupee, and varies, too, under the action of other nations over whom we have no control, and upon whom we can exercise no effective influence. For the rest, I can't pretend to teach you the principles of commerce, or any particular branch of them with which you may chance to be unfamiliar, in the space of a couple of hours' talk. *Cuique sua arte credendum.* Take it from me that English commerce suffers.

H. Suffers, if you will have it so; but you have not shown that the French law gave you the minimum, or any, price of silver, or, consequently, that its suspension destroyed it. Giffen says that it could not possibly give it, and, therefore, could not possibly take it away.

G. In this case I think Giffen has led himself into error. He would appear to have invented a bimetallism of his own, and thus he can show without difficulty that his premises being admitted his conclusions would follow. This pseudo-bimetallism is one where gold and silver are always in constant and equal circulation in a country at the same time, and where one can always exchange gold and silver one for the other as a right. No doubt he would not recognise this as his definition of bimetallism, and he does not need to be told that it does not exist, but its existence is a necessary condition to the success of his argument, and many people assume from his argument that it must exist. His reasoning seems to be this: The foundation of the bimetallist argument is the constancy of the price of silver, due, they say, to the fact that one could always get nearly the same amount of gold for one's silver by sending the silver to France. But this was impossible unless there was gold in France to get. Now, from 1803 to 1847, gold was scarcely to be got in France, and, therefore, the law in question could have had no influence on the price of silver in England.

H. That seems all right. I don't see what your answer can be.

G. I owe you an answer on this point, interrupted the other day by White,* who has brought upon himself a longer dissertation than I expected. What has the existence or non-existence of gold in France to do with the matter? If the net proceeds of the silver sent into France had to be sent back in gold, there would be some ground for the contention that the presence of gold in France was a *sine quâ non* to the carrying out of the operation; and it might then be necessary that in order to make it readily attainable it should either abound in the circulation, or that the Mint should be compelled to exchange gold for silver or silver for gold on demand.

W. But is not this latter the case?

G. You have only to look at the law to see that there was no such provision; and you may add that no one ever desired the enactment of such an impossible law. The only provision contained in the law of 1803 was that a kilogramme of silver should be cut into 200 francs, and a kilogramme of gold into 155 pieces of 20 francs each, both metals so coined being equally legal tender.

Both might conceivably be in circulation together in equal quantities, or one in quantity to any extent greater than the other.

* See p. 23.

That would have nothing whatever to do with our getting gold for our silver.

Those who think it has, must imagine that the holder of a Bill on Paris has not only to send it thither but to cause some one to run up and down the streets of that city till some gold can be found to send back.

The drawer of a bill on Paris, whether in payment of silver or any other commodity sent thither, sells his bill on 'Change, and gets his gold, if he wants it, from the person who buys the bill, or from the Bank. That's the whole story. No gold can be needed in Paris for such a transaction.

W. How much gold would he get for his draft against a kilogramme of silver?

G. That depends upon the exchange of the day. How far the absence of gold in Paris might affect the exchange, and how the effect would be counteracted, you may see, if you care to look, in the pamphlet above quoted, pp. 18 and 27.

W. One more question. My kilogramme of silver is cut, you say, into 200 francs. I get, then, silver for silver. If the metal is depreciated, I remain where I was, in possession of a depreciated commodity.

G. You don't touch the silver coin; nor, indeed, does your French correspondent. It would be no matter to him, or you, if he did, for there neither was, nor is, in Paris any difference in the purchasing power of the gold and silver franc. The *Bon de Monnaie* (Mint voucher) goes, as a matter of fact, into the hands of his banker, who credits him in account, and he in turn credits you, just as he would if you had sent him yarns to sell instead of silver. The only difference is that the yarns would be sold when there was a demand for them, and at the price of the day, which might be good or bad; but the silver is sold on arrival, and at a fixed price.

W. Then your conclusion is, that even had there been no gold, or little gold in France, from 1803 to 1837, she would have still been in law and in fact a Bimetallie country?

G. Yes; just as England was in the beginning of last century, and the United States 40 years ago, when in both countries the want of silver was so much felt.

W. There must be surely some evidence of France being a "silver country" during the years Harrop mentions; else it would not be so confidently asserted. What took the gold away? Was it divergence of the ratio? What was the ratio elsewhere, in the United States, for example?

G. Fifteen to one from 1803 to 1834, 16·002 to 1 from 1834 to 1837, and from 1837 onwards, 15·998 to 1.

W. Then it was more favourable to silver than to gold ever since 1834; and gold, if I may judge by your answer to Smail about England, ought to have gone to France. If England became a gold country in the 18th century, because of a divergent ratio, why didn't the same cause produce the same effect in France?

G. I don't know that it did not. You must remember that the production of the precious metals in the States was at that time nil; and the total coinage of gold in their mint was only about £17,000,000 in all that time, so there was very little to send.

W. But what there was should have gone to France.

G. No; should have been attracted by France. The operation of the divergent ratio in England extended over nearly 100 years, and made itself felt at last in the banishment of silver. It is the balance of trade which is the cause of export and import. The ratio only directs which of the two metals shall be acted on.

W. If then France was really, as Giffen says, a silver country, was it because gold was not imported from the United States, or was it so, notwithstanding the imports?

G. Who can say? It is probable that imports from the United States did take place; but the Balance of Trade might have drawn them all from France to England or elsewhere. From 1849 and onward the current of silver should have set from the States to France; but it was, again, so strong towards India that France may have kept none of it.

W. What then is the evidence as to the existence or non-existence of gold in France?

G. There is no evidence of its non-existence. France was always, and still is, a "silver-country." Silver is, as Huskisson said in 1826, the basis of their monetary system. They think and trade in francs of five grammes standard silver. The franc was not looked upon as an aliquot part of a napoleon, as the shilling is of the sovereign, but the napoleon, the *pièce de 20 francs*, was looked upon as a multiple of the franc. Silver was and is their monetary standard, as Locke understood the term; and was always, in practice, more convenient for their daily transactions. It is but natural, therefore, that they should usually have held more silver than gold; but of gold there was always no inconsiderable sum, if not in the Bank of France then elsewhere in the country; nor do I know that any Frenchman ever made great complaint of the absence of that particular multiple of his national money. From 1803 to 1820 there is no indication that gold was especially scarce. In January, 1820, the Bank held no less than £10,000,000 sterling, a very large sum for those times; and from 1811 to 1816 it had held very little of either metal. From 1821 to 1847 there is evidence enough, were the point of any significance, of the lowness of the stock of gold, without having recourse to the testimony of the agio. The attempt to prove absence of either metal by the help of the agio seems to me futile.

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

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

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

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

G. Yes; if the demand lasted long enough, and nothing came in to help to supply it. You will see by the annexed table and chart* that in the years 1803—1820, precisely when we are told that the premium reached 3 per cent, the amount of gold coined was the largest. See also what Huskisson said of the agio in 1826, in which year there was little coined. "The agio on their gold coin . . . never exceeds ¼ per cent, it is frequently ⅛, and sometimes there is no agio at all; in short, not more than may be accounted for from its superior convenience for carriage in travelling, and the like purposes. . . . France has by far the greatest quantity of metallic money of any country in Europe. It has been estimated as high as seventy millions sterling. The bulk and basis is silver, but there is a considerable portion of gold.

* See Appendix, Tables F, H, and I.

They both retain their places in circulation without interfering with each other."

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

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

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

W. Your chart shows the variations of the agio.

G. Yes; as far as it goes. I remember also, myself, when I was travelling through France in 1841 I paid some very insignificant agio to the Paris banker for giving me gold instead of five-franc pieces.

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

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

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

G. Not necessarily. The agio proves nothing more than a demand for export. There may be a demand this week and none next; a demand for England to-day and a consequent premium on gold; a demand for Germany to-morrow (or even on the same day) and a consequent premium on silver. For example, the agio 4th February, 1831, was 6 per mille; 4th March 12·50 per mille; 4th April 11 per mille; 2nd May 4 per mille. In January, 1828, the Bank held only 500,000 frs. in gold. The agio was 1·73 per mille. In July it held none at all, and the agio was still only 3·50. In October, 1830, September, 1832, August, 1833, and January, 1834, it held none; and the agio was 4 per mille, 20·5 per mille, 15 per mille, and 9 per mille respectively. On the other hand, the highest point which the Bank reached from 1811 to 1850 was 52 million in 1820. The agio in December of that year, when it had fallen to 22,000,000 was 3·50 per mille. The second highest point was 41 millions in January, 1841. In November it was reduced to 28 million, and the agio was 3.50 per mille. Thus it seems to me misleading to quote the agio for particular days. The only test, so far as it is a test, is to calculate the average agio. This on Giffen's Table, of the first post-days in each month, would be 8·76 per mille, or ·876 per cent; a little over $\frac{4}{5}$ths of 1 per cent, that is to say, 1¾ centimes in the napoleon. His table for 1826 shows an average of ·815 per cent, which may be compared with Huskisson's statement that in that year it was $\frac{1}{4}$, $\frac{1}{8}$ per cent, or nothing.

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

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

G. In later times the agio was not unfrequently on both gold and silver at the same time. Thus, in December, 1871, the agio on gold in bar was 15 per mille in coin, 16 per mille highest, 8½ lowest, on silver 36 per mille.

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

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

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

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

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

G. He was not entitled either to silver or gold. He was entitled to a certain number of francs of account; the debtor, *i.e.*, his banker, having, as before said, the choice of the material in which he was to pay them to him. The premium is the price not of the gold but of the choice.

In what respect do you think he supposes Bimetallism to have been inoperative?

W. I suppose in that gold and silver were not maintained at an equality.

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

W. What did it do then?

G. What I said before. It gave you legal tender gold and silver coins of the realm, in exchange for your bullion. That is all it promised, and that it always performed. Thus, the necessary effect of it was: 1. As to France, that the equality of the two metals was extraordinarily close, considering the very great changes in the relative amounts of the stock, even if one takes into account the accidental and occasional premiums for export, which are no guide to the market power of purchase of either. 2. As to England, that it was impossible that the market price of the commodity silver could ever go below the London value of the French Mint price; and the same as to Germany with respect to gold. 3. As to the whole commercial world, it established an approximate par of exchange between the two metals.

W. Let me return for a moment to the question of the Standard. We all agree, I am sure, that the characteristics of the measure of value should be fixity, steadiness, continuity, and portability.

G. Portability? No. That is an attribute of a good currency, not of a standard of value. As to the other qualities we agree. Also that nothing in nature possesses those characteristics absolutely. No standard of value, itself a variable commodity, can approach to the exactness of a measure of length represented by a bronze bar at a definite rate of barometrical expansion. I don't see why you return to that point, unless you wish to argue in favour of silver, as having the best claim. There would be much to be said in favour of silver—with gold rated to it—and Locke has said it; but I see no advantage in adopting it rather than gold—our favourite metal—with silver rated to it.

W. I have no such ambition, and, no such preference; but my reason for returning to the charge is that we have heard lately from Mr. Gladstone that gold is the least variable of metals, and thus most fit to be a standard of value; and he adduces the fact that during the long period of the gold discoveries gold only fell 3 per cent as a proof of the invariability of gold.

G. Reckoned in what? In silver, I presume. Well then, it follows that silver only rose 3 per cent as measured in gold. Silver, he tells us, has now varied 30 or 40 per cent as measured in gold.—Very well then, gold has varied 30 or 40 per cent, as measured in silver. So it has also in other commodities— you may call it appreciated or not, as you like—while silver has remained almost without change, as measured in other commodities, whether here or in India.

W. That seems to be the right way to take it.

G. Really I have made a full answer to all this before,* and I only advert to it again out of respect to the authority whom you have quoted, and in answer to his positive statements. It is *only* in the commodities measured by it that you can estimate the variableness of the measure of value; in silver, amongst others, if gold is the measure††; in gold, amongst others, if silver is the measure; in other commodities, excluding gold and silver, if those two metals are in any sense jointly the measure. In a Bimetallic country there is no price for either metal, though a small premium may sometimes be paid for the choice of one or other, and, not unfrequently, of both at the same time.

As to what he says about the supply of the precious metals, I have given the true figures before; † and as to his strange adoption of Attwood's follies and Giffen's wild statements I shall advert to these also before we have done.‡

S. You spoke just now about appreciation of gold. I confess that I see no connection between the so-called appreciation of gold and fall of prices.

G. Connection? No! You are right there. They are *alternative phrases for the very same thing.* If you doubt it, you may as well say that you admit that 3 and 2 make 5, but that the question whether 2 and 3 make 5 demands further consideration. Whether we say that we buy eight bushels of wheat for 32s. instead of 40s., or that we buy two sovereigns for ten bushels instead of for eight, the transaction is the same; there is no difference at all. In the former view we look on wheat as cheap; in the latter on gold as dear.

S. The question then would be, what has caused it?

G. Yes. The effect may be produced by either or both of two causes—either by an increase in the production of commodities and by cheapness of transport, or a decrease in the demand for them, or both; or else by a decrease in the production of gold, or an increase in the demand for gold, or both. The increase in the production of commodities has been happening since 1850, without apparent decrease in demand; the decrease in the production of gold, while an enormous increase in the demand for use as money has been happening ever since that date, occurred in 1873, and has continued at about the same point ever since the beginning of the period with which we are concerned; and therefore if gold is not dear (*i.e.*, appreciated) it would afford a singular exception to the law which governs price.

W. Was that what you meant when you answered me half

* pp 13—14. † p. 27. ‡ See pp. 94, 106—9.
†† See Appendix, Table J.

an hour ago,* that another thing might cheapen wheat besides a lessened cost of production?

G. Certainly. If the use of gold increases while the production decreases gold becomes dear, and wheat and all commodities measured by gold are *ipso facto* cheapened. If Nature has in other ways cheapened the production of any of them, the dearness of the measure makes them cheaper still. If Nature has made them by other means dearer, the dearness of the measure cheapens them, or decreases the dearness; but no one in the long run is the better for the cheapness produced by such a cause. We rejoice at the cheapness that arises from abundance of commodities, but we deprecate the facticious cheapness that arises from increased demand for the metallic measure of value.

W. Thank you. I see.

H. You, and Goschen also, I remember, assume the appreciation of gold. What proof is there of it?

G. Depreciation of commodities *is* appreciation of the metallic measure, as I just now showed; but what you mean to ask is, I think, what reason we have for believing that that appreciation is owing in any degree to a change in the proportion of the supply of the metal to the demand for it as money.

H. Precisely so.

G. There, you put the saddle on the right horse. We contend that the mass of gold money in the world has much diminished as compared with the use of it which is now made in the world as the measure of commodities. If we are wrong in that, so much of our contention as relates to a fall in prices, consequent on a scarcity of the measure, falls to the ground; but our need for a par of exchange remains as pressing as ever. What do *you* say about the proportion between production and use?

H. The production of gold has been very large; and I see no reason to believe that the increased demand for its use as money has been nearly as great. Why, the amount added to the money of the world since 1870 can't fall short of £250,000,000.

G. I think it can. You do not say how you arrive at your figures, but certainly you start from a wrong date.

The production of gold since January 1, 1873 (which is the very earliest year we can take), to Dec. 31, 1891, according to the report of the United States Master of the Mint (in which Soetbeer substantially agrees) has been £407,000,000, of which we may count fully two-thirds as supplying wear and tear of the world's stock of gold, and so much of the annual production as is used in the Arts;

* See p. 15.

so that, you see, the addition to the world's stock of gold money is at most £130,000,000, which is less by nearly one-half than your estimate.

S. Is not that a very large allowance for the Arts?

G. I must take the estimates of experts. Much of the gold so used is irrecoverable; whereas, silver, save what is used in plating and what is destroyed by abrasion, is melted and used again. Have you any idea how much dentists use? An American dentist, calculating the number of dentists who use gold, and the average quantity used by each, and allowing nothing for the continent of Europe, where little is used, estimated it at £300,000 a year! †
Remember, too, that the use in India is very large. When we speak of hoarding in the East we mean in great measure anklets and bracelets.

H. Admitting your £200,000,000 of gold money produced from the mines; do you mean to say that the additional demand for gold as money has been more than that? Goschen, I think, estimated it at just that sum.

G. It cannot be precisely ascertained, because the German amount is uncertain; but I take the figures from published sources. Here they are:

Germany	£115,000,000
Italy	20,000,000
Russia	70,000,000
Holland, &c.	4,000,000
United States	120,000,000*
Scandinavia	10,000,000
Austria	6,000,000
Bank of France	19,000,000
In all	£364,000,000

So that on that showing there is a sum of £234,000,000 taken into use as money, and not supplied by the production.

H. France and Germany! Is it not absurd—is it not indeed a great cause of the appreciation (if appreciation there is) that instead of wisely keeping, as we do, a small stock of gold, and letting it flow freely in and out in a moving stream, the Banks of France and Germany allow a large mass of it to lie motionless in a stagnant pond, where it is of no use to them or to any one else?

G. How is it stagnant? Don't you know that all that gold—some £67,000,000—as well as about £52,000,000 of silver—

*Note.—In the Treasury $166,000,000 coin, 78,000,000 bar } November 1, 1892.
Elsewhere in the country 411,000,000

† See Note at end of Colloquy.

£119,000,000 in all—is circulating through France in the shape of notes, the total of which was upwards of £125,000,000 at the end of January, 1892, just as the gold in the Bank of England, though "locked up," is circulating here in the form of Bank of England Notes. How, in that case, can what you call the "locking up" of that gold affect the quantity of the measure of value, or cause its appreciation?

H. Can you say that it is just like our gold? The Bank of England issues on securities as well as bullion.

G. Yes. Thus it probably adds so much to the measure of value; but France, in respect that her issues on securities are not, I think, under statutory provision as those of the Bank of England are, takes nothing away from the measure of value. The Bank of France, you see, issues £6,000,000 beyond its gold and silver.

S. Should you approve of our issues being made only on bullion?

G. I remember a very good Governor of the Bank maintaining that that was the only safe and proper basis of issue. I don't agree with him.

H. But the inflow and outflow? The stagnation consists in the practical prohibition by the German and French Banks of the export of gold.*

G. Why does anybody send gold out of England? For one of two reasons. Either a sum of money is owed to a foreign State or person who calls it in; or else the balance of trade is against this country and gold is sent abroad as an exchange operation, and this redresses the balance. Your "practical prohibition" is no prohibition at all; for the moment the exchanges turn against France or Germany and in favour of England, gold is shipped hither, as it has been in no insignificant quantities since January, 1892.†

H. Always on payment of an agio.

G. The French shipper ships it to England because it is to his advantage to do so. The French banker, who has the choice of metals, seizes part of that advantage for himself, charging something

* NOTE.—The German Delegate to the conference categorically denies this allegation, saying that the Reichsbank has never on any occasion refused to pay its notes in gold.—*December, 1892.*

As regards France, at present it is not gold but notes which the Bank of France declines to give out.—*January, 1893.*

†Imports from France in 1892, £1,002,668; from Germany, £181,311.
Exports to France ,, £3,818,759; to Germany, £6,401,484.
These Exports included large sums due to Russia.
Total English Imports of Gold, £21,470,832.
,, ,, Exports ,, £14,832,122.—*January, 1893.*

See Appendix, Tables D. and E.

per mille as agio. France gets the benefit both ways, apparently. The exchange, however, is altered to the extent of the agio, and the remitter gets so much the less to his credit; so the French banker is the only one who gains, and that at the expense of his own countryman. In no case has the outflow and inflow anything to do with increase or diminution of the measure of value, which is obviously not affected by the transference of the metal to and fro.

H. Do you contend that it is no advantage to England to have constant movement of the precious metals?

G. It is rather an index of advantage than itself a gain, except to the trafficker in bullion. For him it is the material with which he works, the corn which he grinds in his mill. That which makes it possible is the foreign commerce of this country, and of that commerce it is one of the tools. Gold, where gold is money, is *stored goods.* It serves as payment for goods bought, or as a means of obtaining goods which we wish to buy. Its transit for either of these purposes is a profit to the nation, but this mere machinery of transit, through speculative exchange operations, useful as it is, belongs to much more confined class of trade.

W. You spoke of a foreign State or person being owed money here. Does not his having deposited it here indicate his preference for a banker (as England may in such a case be called) from whom he can always get gold?

G. It indicates his preference for a banker in whose commercial honour and in whose commercial resources he has the most confidence; in whom he finds those characteristics to which I referred just now in answer to Smail. Your remark would be just if England had not been a banking centre, the centre of deposit during all the time when no foreigner cared whether he got gold or silver, the one serving his purpose as well as the other, as Sir Robert Peel said. No one then cared to accumulate gold as a war fund. Gold was and is unserviceable for war. Now, indeed, an *auri sacra fames* has set in. The war chest *must* hold gold, because silver is discredited and no one knows how low it will fall, nor how much more of it than at present one may be able to buy with the gold when war breaks out and it is wanted. Therefore, when stored abroad it is stored where it can be most easily got at. Yet the exports of gold from France to Russia have been at least as great as those from England.

H. I think we are the better off for having no agio.

G. As a matter of fact we have at this moment an agio of from 2d. an ounce, or 2 per mille on bar gold, to as much as 3½d. an ounce. Usually, however, *our* agio is levied in a different manner; and our neighbours across the Channel are not so heavily afflicted with the kind of burden which we bear.

Whatever the benefit of that inflow and outflow in which you rejoice, one disadvantage of it to commerce generally is that the rate of discount is perpetually changing here, while in Paris it is comparatively steady. Both nations keep as much bullion as they think they need to meet their obligations. The French impede the outflow of gold by means of an agio; we by raising the rate of discount.

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

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

H. But not the bankers, I suppose.

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

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

G. Certainly not. A low average rate of discount marks depression of trade.

S. You puzzle me; I must think it over. When shall we have another turn at it? I must be off now.

G. To-morrow, if you like. Good night, all!