

## FIFTH DAY.

Disastrous effects of a change.

Injury to Creditors. Consequent Crash.

Inconvenience of Silver Currency.

Depreciation of Mass of Currency.

Bankers.

Locke, Newton, Huskisson, Wellington, Attwood, Herries,

Gladstone, Harcourt, Macleod, Harris, Petty, Liverpool, Peel.

Only in England Gold to be had for asking.

Causes of England's prosperity.

Gold fittest for a great nation.

War.

Council Bills.

Latin Union.

Ratio.

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*G.* Now Small—our dinner is done, our knives and forks have played their bimetallic parts, and we can resume our hostilities. You and White have, I think, some guns in position. Fire away.

*S.* Let me open fire. *You* alleged, just now, dislocation and distress as a consequence of the change in 1873; would there not be of necessity the same effect, but in part on other interests, if there were a change in 1893?

*G.* Not necessarily. Any sudden change would no doubt hurt somebody, but the hurt would, I think, be over a narrow area, and of short duration. The change of 1873 was the unmooring of the vessel of commerce, and the good ship has been ever since drifting through dangerous waters towards the rocks. The supposed change of 1893 will have an opposite effect, for though prices will not and cannot be fixed, the par of exchange will be fixed permanently. The thing to devise is how, by adopting a more or less distant date, to prevent any untoward suddenness. After all the only loss, as I have said before, would be on transactions extending over the first three or four months at most. In any case you would find that those on whom the loss would fall would be the most anxious for the reform, as giving stability to the exchange.

*H.* I will quote a sentence which I took down from one of the papers: "They would find some difficulty in dealing with the case of the creditor who, having lent his money when the market ratio was 1 to 20 was suddenly compelled to receive payment at a ratio of 1 to 18. This would be simply confiscation, plunder of 10 per cent of his property, and would give a shock to credit of the most ruinous kind."

*G.* If there were an enormous inflation of the currency, or anything equivalent to a debasement of it, there might be *some* sense in this, though the calculation is ridiculous. As it is, it is mere nonsense. I should like to cross-examine the gentleman.

I would ask him to "make the entries" and show me the ruinous loss in business-like fashion. Let us suppose that he lends 100 sovereigns (which he doesn't—he lends one of your banking expedients, Smail, an order on his bankers for £100 sterling); a bimetallic law is passed, and he receives or might receive 1000 full-weight florins (but he doesn't, being content with a like order on the borrower's banker for £100 sterling). All experience shows that if he did receive the florins they would not only serve to pay his bills, and to buy his commodities, as favourably as the sovereigns would, but that unless he wanted them for export, he would never be aware that there had been a change in the law, and if he did so want them he would feel no hurt.

*W.* What disquiets me is that if you had your way we should be driven out of our accustomed paths in the transactions of daily life, in so far as money was concerned. For as we are now able to walk about with three or four sovereigns (if we have got such things) in our pockets, and eight or ten shillings in token silver, we shall then have huge silver crowns, or at least double-florin pieces thrust upon us, and shall have to carry them about to pay our small debts.

*G.* I don't believe in any such consequence of the measure. Englishmen would pay their debts as heretofore with cheques, and with the two metals used as small change. Those nations which have been accustomed to use silver would chiefly use silver, and those accustomed to gold would use gold. In fact, the change brought about by the adoption of the dual legal tender would, as Foxwell says, be no more felt in our ordinary monetary transactions than the earth's motion on its axis is felt in our ordinary life.

*W.* Have we not heard, also, of another consequence of your law, carrying with it a shock to credit greater and more formidable than that suggested by Harrop's newspaper man? It is said, I think, that the very introduction of a Bill for a dual legal tender would be immediately followed by such a financial crash as the world had never seen. I could not follow his reasoning, nor conceive such a course of events. The whole thing reads more like an account of a nightmare than a serious forecast. That, however, is as likely as not to be my own want of apprehension. What do you say to it? Every creditor, we are told, would call in his debts at once; all the £600,000,000 banking liabilities would have to be paid over at once, and the result would be universal bankruptcy.

*G.* I am sure the inventor of that scare did not follow out his own reasoning carefully. He must have written *currente calamo*, copying, perhaps, without examination, the wild arguments of the debate of 1830, and never stopping to think how far his calamities were within the bounds of possibility. Not only is there a fallacy lurking under his £600,000,000 liabilities, but we may well ask what record there is of a financial crash in 1797, when the suspension of cash payments was imminent. Did every creditor in England (including those who owed more than was owed to them) at once rush to call in their debts? Very likely some did, and not without some good reason; but the commercial world did not come to an end.

*H.* Why had they better reason for alarm than the creditors of the present day in the case supposed?

*G.* The creditors of 1893 would have to receive a metal which by the hypothesis was to be recognized as money practically over the whole world; but the creditors of 1797 were to receive paper which no one out of England would recognize. Neither have I read that any very disastrous consequences ensued in 1816—19 from a wild rush of debtors to pay their debts when they learned that they would have to pay them later on in an appreciated money. None of them liked it, I daresay; but universal bankruptcy was still far off! Just see the difference! The motive cause of the sudden madness which is to seize all creditors so soon as the Bill is brought in, or read a second time, is that the ounce of gold due to each might be paid him in 20, 18, or even 15½ ounces of silver; though the market price of that metal were 21 to 1 of gold.

*W.* Where is the fallacy? There must be a fallacy, of course.

*G.* How is creditor A. damnified? He could buy, he says, 21 ounces of silver for 77s. 10½d. You pay him, he cries, only 15½. Well—with those 15½ the law would give him at the Mint his 77s. 10½d. again. But *could* he buy 21 ounces for that sum? You must see, that the same Bill, the perusal of which would inform him that his debtor B. might pay him a debt of £1 with 15½ ounces of silver, would inform C., from whom he might propose to buy the silver in order to deliver it, that he could send it into the Mint, and get 5s. an ounce for it. Part of the stock-in-trade of a monometallist disputant would appear to be the belief that all holders of silver, and, indeed, of commodities in general, are idiots. But you may depend upon it, neither they nor the rest of the Trade of London will be so complaisant as to lose their heads in order to point a moral for the Monometallists.

*W.* Please don't think that I adopt his argument; nor this other, which seems to be based on the same low estimate of the brains of other people. We are told by some scribe that the first thing that

would happen would be a rush to buy up silver, and make a profit of 18d. or 2s. an ounce.

G. Where will the seller be found? They forget that they have to count with that personage.

S. Tell us what *would* happen?

G. One lunatic would withdraw his balance from his bankers; but seeing that no one followed his example, he would pay it in again in the afternoon, and the crash would be averted.

S. Is that all?

G. That is all that would take place on the lines which White indicated, but there would, no doubt, be some losses suffered, springing, not from imaginary panic, but from the extra cost of such remittances as might have to be made to India in the first three or four months, for the liquidation of current transactions. All new transactions would have to be made on the new basis, and would be adjusted accordingly.

S. But have we a right to mulct even these people?

G. We did not stop to ask that question in 1797 and 1819. We considered only what was for the good of the nation, and did it. You can't make any change in the monetary laws of a country without hurting somebody; but *salus populi suprema lex*.

You can well gauge the extent of the loss which some might suffer, by looking at what, as I told you just now, has happened within the last two years in the United States. The effect produced by the rapid falls and rises, consequent on their policy, is the same, though differing in degree, and sometimes in direction, as that which would be produced by a rise in the price of silver consequent upon a Bimetallic agreement between the nations, which should fix the ratio between the two precious metals much higher than the present market price.

W. If I understand it rightly, there would be one most important difference, viz.: That this last would be done once for all, and that it would be momentary. The others might be repeated indefinitely—indeed, every moment.

G. You have hit it, exactly.

S. You said a little while ago, in answer to Harrop, that the man paid in full-weight florins would find that they would buy just what the gold did, and that he would not be hurt. But you have admitted that there might be a rise of prices?

G. So there might; but as I have explained before, it is impossible to assess the precise amount of the rise that would spring from whatever addition there might be to the metallic measure.

*W.* Can't you give a guess at the increase of the measure of value if the old law were re-enacted?

*G.* No! not unless I could tell the total amount of production of both metals in future years, and compare it with wear and tear and the needs of an increasing population.

There is, as I have said before, very little *idle* silver not now used as money.

*H.* Except the Indian hoards.

*G.* They hoard gold also. I think we must leave that Eastern propensity out of the account.

*S.* Those hoards, I suppose, form part of the quantity of money in the world, and operate to some extent on prices.

*G.* Certainly. They are potential money, and, indeed, are constantly contributing to the sum of actual money.

*S.* They are sometimes said to be 'put back into the mines.'

*G.* So they are; with this difference, that those mines can be worked, and will yield, at pleasure.

*W.* Some of your opponents find no difficulty in telling us exactly what the rise in gold prices will be. I read a pamphlet the other day, the writer of which asserted that the value of the sovereign would be reduced to 12s. 6d.

*G.* There would be no gold price at all; but let that pass. 12s. 6d. reckoned in what? In the pound sterling of the joint standard, I suppose. That is to say, he thinks that the pound sterling under the re-enacted law would be worth no more than 77·05 grains of standard gold! I wonder how he gets his figures. I suppose he takes the price of silver of the day, assumes its increase to 60d., and thus solves his arithmetical puzzle. A very rough and ready calculation; liable to be upset by any change in the present market price of silver, and sure to be utterly destroyed by the proclamation of his assumed "Mint price." But now, as to his economical puzzle. He must mean, of course, that a sovereign would thenceforward buy no more than 12s. 6d. used to buy. Why? Either he must admit the quantitative theory, which would lead one to expect some indefinite rise, or else he must maintain that the re-enactment of the old law was the one thing needful for the restoration of trade. But for such a precise calculation under the quantitative theory, he should at least be able to predict the exact increase, present and future, of the money of the world.

*W.* I suppose he was talking nonsense; that's all—talking, as many of us do, about things that he doesn't understand. I wish we could cross-examine him.

*G.* We should ask him whether he himself, for instance, would be willing to give a cheque for £1, for what he can now buy for 12s. 6d.; and what should induce him to be willing to do so. If *he* would not, why should anyone? We should further ask him to explain the steps by which an increase in the measure of value made prices rise.

*W.* I don't think you would get much out of him. How do you explain it yourself?

*G.* It can only come by the enrichment of individuals. When a "flood" of money metal is poured out, the mine-owner (whether lessor, lessee, or neither) the miner, the digger, finds himself a wealthy man; he buys more, and gives more for what he buys, and thus a share of his newly-acquired wealth passes into other hands, who also buy more, and pay more for what they buy; and this process spreads by slow degrees all over the world. If prices rise suddenly, or less gradually, in any land other than the land which produces the great addition to the money metal of the world, it is less owing to the quantity of the measure than to the stimulus given to trade.

*S.* But there must be some idle silver; *i.e.*, metal not at this moment used as money, and therefore liable to be added to the measure of value if the mints were opened?

*G.* The only silver that any one can suppose to be *idle* is the "official stock" in New York, and that which is either on the way from the mines or in temporary deposit with bankers. The first amounted to 7,000,000 ounces two or three years ago, and is now 511,000.\*

*H.* That may be all very true, but people won't believe you. They will think you are giving an artificial and transient value to silver, and they will defeat you by making special contracts to pay and be paid in gold.

*G.* Why should they not, if they like, and if they can? You said, or Smail did, that that was what happened in the eighteenth century. It was not so, as I have showed you; but if it had been, I fail to see either defeat or harm. Gold, very likely, would prevail in England—for pocket-money and till-money—because we are accustomed to it; not because Englishmen would care to contract themselves out of the law and oblige their buyers to pay in gold. That is the vainest of all vain imaginations. Did you ever hear of such a thing in France? Did you ever hear of a bill being drawn on a bimetallic country payable in gold only. I trow not.

*H.* I can't say I did; but I am informed by a high American authority that it has, no longer ago than 1888 and probably since,

\*Now only 201,000 ounces, June, 1893.

actually been done in the United States, and that in all important contracts there was a covenant to pay in gold. This is owing to the fear that the American market would be flooded with their hoarded silver. (*G.* There is no *hoarded* silver; there is, as I have said above, some that has been supposed to be *idle* silver.) People will here equally protect themselves against your enforced silver currency, and a nice mess you will make of it!

*G.* Your example goes far to prove my case. The United States is not now a true bimetallic country. If it were, and the Mint were open to the public for the coinage of silver, no one would do such a thing; nor, I repeat, did anybody ever do such a thing in a bimetallic country. It is possible that in the excitement of the change a few people here might desire to make such contracts, and might even persevere for a short time, and till the futility of it became apparent. I should like to see a specimen contract. It would be a valuable monument of folly. Fancy yourself making one, Harrop, on the sale of an estate for £20,000. I should like to see your face when your buyer brought you 20 bags containing 1,000 sovereigns each! What would you do with them?

*H.* Nothing at all. I shall be content with 20 £1,000 notes, which I shall pay into Glyn's; but I should demand that they should be payable in gold.

*G.* Why? What is that to you? How will it affect your housekeeping expenses, or any relations of your life? All you have to care for is that the notes should be payable in the full sum of legal tender specie which they represent, and that that specie, be it gold or silver, or both, should be accepted by our foreign creditors as money. Specie, except where used for pocket-money or till-money—for the ordinary transactions of daily life—is mainly used for export and import, for the discharge of international balances; and, by the hypothesis, gold and silver is accepted abroad for such discharge.

*H.* I am answered. But what is your distinction between *hoarded* and *idle* money?

*G.* *Hoarded* is that which you can use, but will not; and *idle* is that which you would use but cannot.

*W.* Some people think that there is another danger besides the dislocation of current transactions. I mean the change of what has been since 1816 the fundamental principle of our currency. Our money now is gold and gold only. You want to raise silver to a parity with it at a certain ratio, and would allow the debtor the option of paying in either metal. But I have heard that an experienced witness before the Gold and Silver Commission gave his opinion that our

gold standard was the foundation of our prosperity ; that England is the metropolis of the commercial world, to which all nations resort to settle their exchange business, because here, and here only, they can always get gold.

*H.* In other words, we are the Banking centre of the world. I incline to agree with that witness.

*G.* A very good thing too. But Banking is not the whole of Commerce, nor are Bankers, as Bankers, in a position to judge of the requirements of England's foreign trade. They are concerned rather with the internal movements of money, with the tools of commerce rather than with commerce itself.

So you really think that the fact of gold being our money rather than silver, or than both metals, is the mainspring of successful Banking, and the root of our commercial prosperity ?

*S.* I confess that my prepossessions used to tend the same way as Harrop's. I thought that that feature in our system was much to our advantage, and that other nations not enjoying it were handicapped in the race. I should like to hear what you have to say about it.

*G.* Very well. For the sake of argument let us suppose the advantage, and admit the handicapping. If other nations are injured by the absence of that advantage, what is to prevent them from altering their laws, throwing off the handicap, and riding with equal weights ? They might perhaps pass us,—who knows ? or at least press us hard in the race !

*S.* Nations don't always perceive what is best for them.

*G.* Are we to assume that we know better than all of them what is for their own interest ? *They* would retort that they know their own business better than we do.

I should answer you that if any one is handicapped by the English system it is England herself. Other nations, you say, can always get gold in England. Well, that is obviously an advantage *for them* if they want gold. *For us* it means that we, bound by our law, *must always give gold*, whether we like it or not, whether it contracts our circulation and raises our rate of discount or not. The handicap, I repeat, is on us and our commerce.

*S.* Is it all loss and no gain to England ?

*G.* There may be, as I said before, some advantage to the trafficker in bullion and the speculator in exchanges ; but not an atom more because it is gold alone in which he has to deal, and not silver alone, or both gold and silver.

Germany has followed our example. Is Germany the better for it ? Gold is her sole standard ; but it is alleged that so little does she prize the "advantage" of being a country where "one can



always get gold," that she interposes a difficulty in the way of its export. So do we. The difficulty we interpose is the rate of discount. The difficulty continental nations interpose, where they do interpose any, is an agio.

W. You, I think, throw some doubt on the existence of any such obstacle in the case of Germany?

G. Not I. But a doubt has been thrown; and it is alleged that she allows export without stint. "Everyone can get gold there." Is she "laying the foundation of commercial supremacy?" and is she to take "the half of our kingdom" at so easy a rate?

S. In any case, I don't see how Bimetallism would be a cure. We must always pay our debts; and whether our standard be gold or silver, or both, the payment must lessen our immediate resources, and unless you would repeal the Act of 1844, must contract the circulation and cause the rate of discount to rise.

G. Certainly that would always happen. No one who values as I do the convertibility of the bank note can desire the safeguard of that Act to be removed.

S. How then would we be better off for adopting your composite standard?

G. The difference which the law of Dual Legal Tender would bring about would be two-fold. First, the silver which now comes into England is a purchasable commodity, like wool or anything else, and causes some additional employment of the currency of the country, whereas every ounce that would come in after our return to the old law would be itself money, and would be available for remittance abroad in discharge of debt; or else would supply withdrawals and render less necessary the frequent changes in the rate of discount, besides maintaining the Bank Reserve at a slightly higher level.

Secondly, the scramble for gold would cease. It exists now, and must continue, both because other nations have adopted it as their standard money in competition with us, and because they see the gold price of silver falling and don't know how low it may fall. There was no such scramble before 1873, and no such accumulations. France, for instance, had what was under the then circumstances a sufficient store in the Bank, £17,000,000; she has now £67,000,000, while the Bank of England has but £25,000,000.

S. It seems evident that this struggle for gold cannot result in good, whether to foreign nations or to us; and if a return to the *status quo ante* 1873 would take away the temptation to struggle, why, I say again, don't they return to it?

G. I think I have given reasons sufficient to account for

it,\* but you shall have another, or rather the same more fully worked out.

*W.* They say—or rather their apologists here say—that they remain as they are because they are satisfied of the superiority of our system.

*G.* Then why don't they adopt it, instead of taking to the "Limping Standard," which is neither fish nor flesh, nor good red herring?

*W.* I forget what the limping standard is.

*G.* The law of Dual Legal Tender minus the Open Mint.

*W.* What was your other reason for the hesitation of foreign nations?

*G.* Foreign nations well know—none better—that it is England which is handicapped by the present state of things; and they think, I suppose, but think wrongly, that it is to their advantage that she should be hampered. They therefore are the more content to sit still and await events.

*W.* But you say they would be ready and willing to join England in a Bimetallic Union. Why should they do that if they think that England is now at a disadvantage, and that that would cure it?

*G.* Because they know that then they would participate, under safe conditions, in the general improvement in commerce which would result, and that they would be amply compensated for any improvement in the commercial position of their rival.

It was, however, not about a Bimetallic Union that you asked, but about a return to the *status quo ante* 1873, which is a very different thing. They know, and we know, that that would be nearly all that *we* could desire; that our handicap would be removed, that our Indian difficulty would be at an end, that our commerce with silver-using countries would be restored to a stable condition, and that our Agriculture would be freed from the trammels which the Protection granted to the Indian producer imposes upon it.

The continental nations would also gain; but their gain would be little compared to the gain of England; and they, though willing to stand in with us, are naturally not very eager to do us this good turn unless we also are willing to stand in with them.

*W.* You say, "nearly" all we desire. What more do we want?

*G.* The increased stability which a Bimetallic Union would give; and the lack of that is, I believe, the chief reason for other nations insisting on our co-operation.

\* See p. 69.

*H.* All this may be very true as respects the present distress ; though I must consider the matter further before I assent to it— but that does not dispose of White's view that our gold standard was the foundation of our commercial supremacy.

*W.* No view of mine : it was the view, I think, of some eminent banker ; to which I wanted a good answer, if there is one. What do you say, Gilbertson ? I think I can guess.

*G.* I say that monetary superstition can no further go ; and, indeed, none of those who yield to it have attempted to show how such a thing could be. "All nations flocked hither because they could get gold !" I have told you why they *now* want gold, and struggle for the possession of it ; but before 1873 they neither wanted gold nor used gold. What should they do with it ? Silver was the money of the greater part of Europe, and of all Asia and America. For this reason, amongst others, Locke (whom Ricardo followed) thought silver the best money for England, and did not hesitate to say, "Gold is not the money of the world, nor fit to be so." For this reason also, Peel provided that the Bank might always hold silver ; and this the Bank always did until 1860, and would have gone on doing so till 1873, but that no one would sell to her. No wonder. Her price was 59½d. ; but the market price was over 60d. Was not England the metropolis of commerce, as Monk called her, in 1660, when she had a silver standard ? In 1663 and onward, when both metals were legal tender at a fixed ratio ? and even during the great war when she had inconvertible paper, and no one could get gold ? In 1816 she was monometallic by law ; but in 1826 the new system had not apparently availed to confirm her position as the metropolis of banking. Huskisson wrote : "France, not only by the amount of her metallic currency, but by her proximity to this country and her position on the continent, and by the great public credit which she possesses, is become very much the centre (the *clearing house*) of all the great pecuniary dealings to which commerce, exchanges, loans, and the movements of the money market give rise between this country and the continent."\*

*W.* Then you think the character of our money had nothing to do with our commercial prosperity ?

*G.* I think it had a great deal to do with it. The purity and honesty of our money, and the certainty that, whether it be silver or gold, the foreigner and the home-born alike can know that nothing can issue from her Mint that has not the due weight and fineness, is for much in our prosperity ?

*S.* Is there nothing else ?

\* See Appendix, p. xviii.

*G.* Certainly there is, and that of more moment than any system of currency. We were still the merchants of the world in Tudor days, when our money was as bad as possible.

*S.* The something else is not far to seek. You hinted at it an hour ago. Our financial prosperity, our commercial greatness, are built upon a wider and stronger basis than the colour or even the singleness of our money, much as I myself have prized that. They are built upon the energy, the enterprise, and the integrity of our fathers, and are maintained by the same qualities in our fathers' sons. They rest on our accumulated capital, on our accumulated mercantile experience, and on 200 years of uninterrupted internal peace; and they owe much to the insular position, and to the excellent harbours of England, much also to her coal and iron. I fear my prepossessions were formed rather lightly.

*W.* Bravo, Smail. You won't dispute that answer, Harrop?

*H.* I don't undervalue the natural advantages of England.

*G.* You think, then, that the legislative enactment that that pound sterling shall be 123·27 grains of standard gold has greater potency? Your friend Huskisson had no such superstition.

*H.* Neither have I; I don't know what you mean by your reference to Huskisson. But surely there is something in this. I am told that a bill drawn on England commands a better rate of exchange than one drawn on Paris, because in London you are sure of its being paid in gold.

*G.* Certainly the rate would usually be better, but if anyone gave you that as the reason, he must either have known little himself or have been experimenting on your powers of belief. The foreign trade of London is greater than the foreign trade of Paris, consequently there are usually\* more bidders for bills on the former city than on the latter, and competition obliges them to pay the drawer of a bill more dollars or gulden, or whatever the money is, for the £ sterling payable in London than for its equivalent payable in Paris. Your informant's statement would carry with it the further one that a bill on Stockholm should be worth more than one on Paris.

*H.* But if a Financier, say in Vienna, wanted gold to remit to Russia, surely he would give more for a Bill on London where he could get gold without charge, than from one on Paris where he could not?

*G.* That depends on several things. Whether there is an agio on gold in Paris, and if so, how much it is; what the rate of discount is in London, and whether it is or is not a less charge than the agio and the Paris rate of discount. The amount, if any, that he would pay more for the London bill, goes into the pocket

\* £1,800,000, the proceeds of the Chilian Loan, has lately drawn for, not on London, but on Paris, December, 1892.

of another Viennese ; and whatever it is, it serves to *equalise* the two transactions. I was speaking of ordinary commercial bills. They are used to pay or recover debts present or to come ; not to buy gold. The Peruvian who draws for £100 owed him by a Londoner, is not in the least interested to know whether specie passes to the other Londoner to whom the Bill is remitted. Neither is the buyer of the bill interested ; he owed £100 sterling, and pays it. The *character* of the money affects the rate of exchange, but the fact of specie passing or not passing, has in such a case no influence.

*W.* Your argument is good, so far as I am able to judge.

*G.* I think so ; and as to the general statement, Smail has well disposed of the delusion that our gold standard was the cause of our prosperity, and you may be sure, White, that we shall soon cease to fall down and worship the golden image that you have set up !

*W.* It was none of my setting up ! I only quoted one whom I thought wiser than myself.

By the way, what *did* you mean by your reference to Huskisson ? You spoke of him some time ago as a Bimetallist. Did you really mean it ?

*G.* Yes, I owe Harrop some news about Huskisson. *He* also said, as Locke did, and no doubt in Locke's sense, that there could be but one standard metal. There, in the bookcase, close to your hand, you will see the Wellington despatches ; and in the volume for 1826, at page 98,\* you will find Huskisson's plan,—an exposition of Bimetallism pure and simple ; that is to say, of the law of Dual Legal Tender. It established two monetary standards for England, if it is in any sense true that I and those that think with me on this subject desire to do so. The only difference between his plan and ours, was that instead of full weight silver coins being legal tender, Mint certificates for sums of £50 were to be issued on deposits of standard silver, by weight, at a ratio of 15½ to 1, and those certificates were “to circulate as money in all transactions.” There, Harrop, is your great exemplar. Follow him !

*H.* I confess that I *am* surprised. I had never read that paper of his. Does not Spencer Walpole say something about the Duke of Wellington rejecting some plan of Huskisson's because it would lead to two standards ?

*G.* Yes, this was the plan that he rejected ; but the Duke said nothing about standards. His fear was, that there might come to be two prices in the market ; which is a very different thing, and which long experience has since shown to be unfounded.

\* See Appendix, p. xiv., for the full text of Huskisson's paper.

W. The Duke was not a bad judge.

G. No. I am quite satisfied to accept his judgment—his maturer judgment. In 1839, having had 13 years in which to reconsider his opinion, and to observe the practical working of the law in France, he said—in evident reference to Huskisson's plan—that the plan he had always entertained for the finances of this country was “not to effect any change in the standard of value, or allow of paper, but to revert to the ancient practice of this country and the present practice of the Continent, by making silver as well as gold a legal tender for large sums. This silver to be given by weight and not by tale, and the Government to fix in the *Gazette* from time to time the precise ratio at which the two metals should stand towards each other. That ratio would be about 15 to 1—a little more at one time, a little less at another.”

W. There seems to be some inconsistency in that, does there not?

G. There does. Second thoughts are best. The Duke was wrong in the belief which he expressed at the same conversation, that in France the ratio was not settled by law, an error which misled him into the suggestion that it should not be definitely fixed in England. Notwithstanding his former objection to Huskisson's plan, it is evident by his saying that “by weight and not by tale,” and “large sums,” he was here adopting its provisions. It is true that at this time the Duke was in a position of more freedom and less responsibility; and a little apparent inconsistency may be excused. I daresay if you cudgel your brains, Harrop, you might find some apparent inconsistency in your friend Huskisson.

H. What was that? I remember that he opposed Attwood's soft money proposals. You don't consider that an inconsistency, do you?

G. Not at all. But he did more than that. He opposed Attwood's Bimetallic proposals; yet I daresay he would have averred that there was no inconsistency between his policy in 1826 and his policy in opposing Attwood.

W. How could that be if they were both Bimetallism?

G. Attwood justified his own measure by an argument which was fatal to its acceptance, though based on a complete misapprehension.

H. I think the statesmen of that day were wise enough to have detected the error if there was one. I suspect they rejected it on its merits, or demerits.

G. Attwood proposed two resolutions in 1830. I. For Bimetallism, with a ratio of  $15\frac{2}{3}\frac{5}{40} = 15\cdot21$  to 1. II. For £1 and £2 notes.

This latter scheme, inasmuch as there was no restriction on the amount of issue, and, moreover, no provision for maintaining a stock of gold to secure the convertibility of the note, deserved the reproaches that were levelled against it. The first resolution was attacked by Warburton amongst others, on the ground that gold would leave the country, and silver take its place, to be, he said, in its turn, displaced by notes. It is certain that he had not hit upon the true reason for his fear that gold would be exported; viz.: that it would have been a better remittance than silver, because the ratio selected undervalued gold and overvalued silver as compared to the ratio then, and now, existing in France. His fear was based on Attwood's own argument.

*H.* What was Attwood's argument, then, which you said was fatal to his plan?

*G.* Strange to say, he alleged as a merit of his scheme, that a man who had to pay £21 in taxes, would be able to buy silver in the market for which the Mint would give him £22. 2s. 9d., by which transaction he would gain £1. 1s. 9d. This being accepted as a possible result of such a law it necessarily followed that a man could treat his creditor as Attwood proposed that he should treat the Exchequer; and Herries, who by the way showed singular ignorance of the monetary law both of his own country and of France, was not slow to take it up, contending with much heat against the iniquity of allowing a man who owed a debt of £100 to pay it off with £95.

*H.* I know that Huskisson opposed him, but I don't remember what line he took.

*G.* He was, if possible, more vehement than Herries; foretelling universal bankruptcy and ruin as a consequence of the first resolution, and describing the second as laying the foundation of future danger and panic.

*H.* He may have been inconsistent, yet none the less wise. Second thoughts are best, as you said in speaking of the Duke. Huskisson may have repented of his proposals of four years before. I don't say he did; but unless there is some explanation of his action in 1830, it looks very like it. Don't you think so?

*G.* If he had repented, he would have used arguments which would have shown that scheme to have been defective; but he used none. He joined in the full cry of the opponents of Attwood, and willingly took hold of the handle which he had given.

*W.* Why should he not have corrected his error and supported his scheme, showing that it would not act as he had alleged?

*G.* For two probable reasons. First, Attwood belonged to the dangerous and unpopular Birmingham school of paper money,

with whom he by no means wished to identify himself—any stick is good enough to beat a dog with ; and second, he may, for the moment, really have imagined that that which the author of the resolution admitted as a result of it would actually follow from it, and he may have reflected that his own plan had safeguarded the creditor, as in fact it had.

*W.* You have not told us what the fallacy was in Attwood's statement, and in the attacks of his critics. I think I see what it was, from some of your former remarks.

*G.* It was only the same wonderful piece of folly which has again been excogitated by some wiseacre in these latter days; and in 1830 there was not apparently a man in the House, not even Baring, who ought to have known better, who could, or perhaps who cared to, point out that no holder of silver would have been fool enough to have sold it at the low price supposed, when he could get the higher price from the Mint. Herries assured the House that the market price of silver was, and had been for eight years, 4s. 11d., and assumed that it would always remain so. It was, no doubt, the published price, at which the Bank had been willing to buy; a price which would have been insufficient to attract a single seller, but that the French Revolution of that year had put the "International Clearing House" out of gear. When there was no such disturbing cause, 4s. 11½d. (the price in later years) was the least that would correspond to the French 15½ : 1; and had Attwood had his way and the English Mint been open at the Newton ratio of 15·21 : 1, a higher price would have been needed. It was alleged in the debate that the Bank held an enormous stock of silver. It was really about £1,500,000.

*W.* This is very interesting; but I should like to point out a new feature in the controversy.

*G.* What is that?

*W.* Well, in addition to some distinguished speakers in the debate of 1830, and to Giffen, who adopts the main error both of Attwood and his opponents and elaborates those startling details of his own, which you mentioned some time ago;\* now, strange to say, we have Gladstone, who swallows the whole—swallows Attwood and his purchase of silver at 4s. 11d. from a complaisant seller who could get 5s. 2d. at the Mint; swallows Herries, who misstated the but lately changed Monetary Law of England, and the then existing Monetary Law of France; swallows Giffen, with his guesses, and with the crash which was to follow the re-enactment of the old Law.

*G.* I think I have nothing to add. I have said all that

\* p. 94—5.



I imagine can be said by anyone who had, as I have, really read the debate, and I have sufficiently commented on the false alarms of Dr. Giffen. Only this I will say, that I feel sure that he had never examined the absurdities of Attwood—the only foundation for the apprehended crash. As to the new combatant, I am very sure that Mr. Gladstone would have been the first to detect the fallacy, if he had read Attwood's speech—sure also that if he had had time to give real study to the subject of his own speech, he could not have failed to appreciate the vast difference which the events of 1873-6 imported into those monetary conditions which were present to Liverpool and Peel. As it is he accepted Giffen as "the highest living authority," and took all his statements without examination.

*W.* But you will acknowledge that Dr. Giffen is an authority?

*G.* Certainly, and a very good one in matters of pure statistics; but his estimates, like everyone else's, require confirmation, and in matters of Banking and Foreign Commerce, I confess I prefer the opinions of those who are practically engaged in those businesses. Certainly I have no faith in the avalanche of anxious creditors.

*W.* Some creditors, I suppose, might do it.

*G.* One madman makes many, but notwithstanding what the Prime Minister says about all the M.P.'s having balances at their Banker's and all rushing to withdraw them, I don't even believe that the Treasury Bench, however monometallist in theory, would withdraw a single shilling. What a lovely and lively sight it would be if they did! Drawing out, at 10 a.m. some day, £5,000 apiece in Sovereigns—no—in Notes; they would have to go to the Old Lady in Threadneedle Street for the Sovereigns. Fancy them all besieging Frank May's Office, and going away with five bags each—containing, each of them, 1,000 Sovereigns. What would they do with them? I need say no more.

*W.* *Solvuntur risu tabulae.*

*H.* Harcourt, then, was wrong in speaking the other day of the Creditor having to receive £95 for every £100.

*G.* The thing was impossible. Harcourt, however, was only singing a second to Gladstone's song, though very likely it was Harcourt who "called the tune."

*W.* You remember what you said about Gresham and Locke and Newton. Did you happen to see a letter of H. D. MacLeod's in the *Pall Mall Gazette* of February 28th? He gives a very different version from yours of the opinions of those eminent men.

*G.* It is very easy to do that if one does not quote the words of

the eminent persons concerned. I have quoted them in the course of our conversation, excepting Gresham's, and I can show you now his ipsissima verba.\* As to Locke, MacLeod quotes him as saying that "other coins might be used as subsidiary to the standard;" but you know, what he has forgotten, that the ratio of those other coins to silver was established by law; and that the Mint was open to both metals, and to all persons alike. That is all we want.

*W.* You have not told us so much about Newton.

*G.* No. Mr. Macleod says Newton "proved in 1717 that if coins were used at a legal ratio different from the market value of the metals, the ones which were overrated remained in circulation and the others disappeared."† You have seen that he said nothing whatever about the "market value of the metals," but spoke of their legal ratio in foreign countries, as the only report of his that I know of, in 1717, clearly show—reports which were acted upon in the Royal Proclamation of 22nd December in that year.

*W.* Didn't Peel, in his speech in 1819, cite Sir Isaac Newton as an authority for the single gold standard?

*G.* He did, and that is one of the strangest things in the whole controversy. Nobody can doubt that Mr. Peel was so informed, but it is permitted to doubt whether those whose business it was to supply him with material were careful in their search or accurate in their report. He says "that great man [Newton] came back at last to the old doctrine that the true standard of value consisted in a definite quantity of gold bullion. Every sound writer on the subject came to the same conclusion." Now I may venture to say that no such statement appears either implicitly or explicitly in any writing of Sir Isaac Newton's; and I believe that till about the time of Lord Liverpool's letter to the King, no writer, sound or unsound, had suggested such a thing.

*H.* What did Sir William Petty or Mr. Harris think of it? I think Lord Liverpool quotes them.

*G.* Sir William Petty insisted that "of the two precious metals one is only the matter for money, and as matters now stand Silver is the matter of money"; and they both declare, in effect, that the unit must be maintained in one metal, and that coins of other metals must be rated in reference to the unit. But neither of them says anywhere that that unit should be gold, still less that either metal should be the only full legal tender, and still less that gold should be the one.

*W.* There seems to be a consensus in favour of a Silver Unit.

\* See Appendix, p. v. † See Appendix, p. ix.

*G.* Yes, and of gold being legally rated to it. As to the character of the rating, it was not only the theoretical opinion of monetary experts that the ratio between silver and gold in England should be the same as that in foreign countries, but the practical opinion of the mercantile community; as is shown by a letter on the subject of the guinea, from the Commissioners of the Bank of England to the King, dated Antwerp, July 6th, 1695, in which they speak of the mischievous high price of guineas, and desire that their rating to silver should be "reduced to the par of our neighbours before the late extravagant rise."

*W.* All that is very remarkable.

*G.* Yes; listen to the substance of one or two more reports of Sir Isaac's. In January, 1701, his report relates wholly to the difference in the English valuation of French and Spanish pistoles, compared with their valuation in France. In Sept. 28 of the same year, he reports as to the legal valuation of gold and silver monies in England, and leaves it to their lordships' great wisdom to consider whether it ought to be altered in consequence of the different legal proportion borne by gold to silver in France. He explains also in this and in the report of July, 1702, the cause and effect of the agio on silver in Spain, when wanted for export. In the latter report (all in his own handwriting), he remarks on the difference of ratio between England and the other Continental countries, and, showing that gold is too highly rated, recommends its being reduced by law. In a memorandum annexed to his report he gives an elaborate account of the ratio between gold and silver in many continental countries and towns.

*H.* Might he not have changed his mind afterwards?

*G.* Yes he might, but I have already shown that he didn't; and we know on the evidence of Cantillon, somewhere between 1717 and 1734, in his essay, "sur la Nature du Commerce," that when it was proposed to change the ratio by raising silver instead of lowering gold, Sir Isaac answered that, "silver was the only fixed coin of the country, and as such could not be altered." ("Suivant les lois fondamentales du royaume, l'argent blanc etait la vraie et seule monnoie.")

*W.* How came Lord Liverpool, do you think, to lay such stress on the choice of gold through supposed preference of that metal?

*G.* The cause was no doubt the inaccuracy of his informants, who allowed him to say that the banishment of silver had taken place by popular choice, whereas the alterations of the ratio which caused that banishment were made from time to time by orders in Council addressed to the Mint. Here you have the whole story in Dana Horton's book, "The Silver Pound."

*W.* Yet a few words about Locke. You don't take him to have desired to bring about some great monetary change?

*G.* Not in the least. Some of your monometallist friends seem to look upon him as a great currency reformer, preaching the doctrine and discipline of oneness of money to a world sunk in the depths of bimetallic superstition.

*W.* And you, on the other hand, think him a believer in bimetallicism?

*G.* Excluding the idea of a double standard. Smail quoted what Locke said about it; and he wrote even more strongly in his first work: "Two metals, as gold and silver, cannot be the measure of commerce both together in any country."

*W.* Surely then he said just what the monometallist says, and no ordinary person would understand him to mean other than what the monometallist attributes to him.

*G.* The monometallist syllogism, in respect of Locke, seems to be this: Locke said two metals can't be the measure of commerce; money is the measure of commerce. Therefore, two metals, however linked together, can't be the money of any country.

*W.* My logic is rusty, but that seems good argument if Locke's premiss is admitted.

*G.* Harrop won't say so. He knows better. It contains what Mill calls a Fallacy of Confusion. It would be good, if the sole function of money were to measure value. Money has also the pleasing function of discharging debt; and that the two metals had, and should continue to have, that function was, of necessity, assumed in Locke's Report; the recommendations of which, for the alteration of the ratio, were acted upon by Treasury Order of February, 1698-9, and remained law till 1717, when Newton, acting on the same lines and for like reasons, recommended a further alteration of the ratio.

*W.* Locke struck out no new path, then?

*G.* None: He stood on the old paths, the paths that had been trodden for centuries, accepting silver as the basis of English legal tender money, and gold as a recognized equivalent at a ratio to be regulated from time to time by the State; and it was in this same path that Newton trod. What Locke said was thoroughly in accordance with the best perception of the results of the lights of that day. He accepted its practice without a hint of any disbelief in its soundness; but he was a philosopher, and worked out in his mind the problem whether men referred their dealings to the two metals or only to one, and decided, no doubt rightly, that it was to one alone; and certainly every statute and every

mint indenture down to 1816 treated silver as the basis, and treated the gold piece as so many shillings. I don't suppose anyone else took the trouble to go closely into the principle, but none deviated from the practice, which was the ordaining what should be the legal tender monies of the country.

*W.* Should you say that "Silver with Gold rated to it" was either synonymous with, or a substitute for, the Double Standard?

*G.* That is only a matter of nomenclature, or, if you like, of philosophical analysis. In practice, what we have of late called the double standard would give us legal tender money of both metals at a fixed ratio, and that is exactly what Silver with Gold rated to it gave our fathers. It was the only Bimetallism they knew, and they were content. They cared not a straw what it was called, or should be called. Neither do I.

*W.* You have told me much more than I knew. I have yet another point. After all, is not gold the fittest money for a great nation, whose transactions are expressed in millions?

*G.* Oh yes, I know; "Who drives fat oxen should himself be fat"! Those transactions are expressed in pounds sterling; and whether those pounds sterling are silver pounds or gold pounds affects in no way the convenience of commerce. In either case they are paid by cheque and cleared in the clearing-house. The view which you have expressed is one in justification of which no one has ever adduced a single argument. No one has attempted to show by a concrete example why gold should suit England, and silver Bulgaria. It would be possible for England to carry on her daily commerce without gold, but wholly impossible without silver.

*W.* We have not exhausted the argument from the war-chest. Is not gold more convenient for storing?

*G.* Certainly it is. Foreign nations do in effect store it against war, or for other purposes. Russia has I don't know how many millions; Germany also, it is said; and Austria is accumulating. All these can add to their store at pleasure from "the only place where one can get gold," because England is bound by law to give gold to him that asketh, if only he has bills of exchange in his hands.

As to war, again, States, now that silver is discredited, hold gold to prepare for it; but scarcely at all *in* war. You cannot pay soldiers any more than you can pay workmen with gold. Out of £5,826,107 which we sent abroad for the French war, only £519,647 was in gold.\*

*W.* About those Council Bills. Is not their great increase almost a sufficient cause for the fall in the gold price of silver?

\*See Report of the Bullion Committee, 1810.

*G.* How should that affect the price?

*W.* In more ways than one, I suppose. The amount of gold debt payable by India to England is said to have considerably increased; increasing of course the drafts of the Council. But quite irrespective of this, the amount of drafts have, from one cause or another, been greatly augmented; and any augmentation must have this effect, that the merchants who have to make remittances to India buy drafts instead of buying silver, and the price of the metal falls.

*H.* The increase of gold debt is only a small part of the business. How about the great mass of the increase of Bills?

*G.* I admit that to a question put to me in 1876, I gave the very answer which White seems to think sufficient. It was an unmitigated blunder, caused by lack of thought.

*H.* Tell us where the blunder lies. I think I see: You take it to be a confusion of cause and effect.

*G.* To be sure it is. White says it comes "from one cause or another." It is plain that the one and only cause is the Fall in the price of Silver. The Fall is the *cause*; and the Increase in the sum of the Bills is the *effect*, and not *vice versa*. Suppose the United States to cease their purchases, and Silver to fall in consequence from 38d. an ounce to 19d. an ounce, it is clear that for every pound sterling needed by the Council it would have to draw twice as many rupees as before; so that the fall of Silver would, and did, inevitably cause the multiplication of the drafts. The merchants buy more drafts and less Silver.

*H.* I agree.

*W.* So do I. I must fire one shot at you, Gilbertson, before I go to bed. One witness said to the Gold and Silver Commission that you would enable a debtor to discharge a debt of £50,000 by delivering so many tons of silver at his door. What do you say to that?

*G.* I should like to know where he would get them. The inconvenience would be but little greater than being paid in fifty bags of sovereigns, and I doubt the witness had never been troubled in that way. Nor, I think, have we heard complaints that in France the streets were blocked up with waggon-loads of silver! These are imaginary evils.

*W.* Well, I'm off. For my part, I think Gilbertson has had the best of the battle. Good-night, you people.

*H.* Don't go yet. Let us have a turn at the ratio before we go to bed.

*G.* It won't take long. It's a matter which must be neces-

sarily left for the Conference, or rather, in the last resort for Diplomacy to settle ; but it arises naturally out of what we have just been talking of, and there is no reason to avoid the discussion.

*H.* I hear it said that you bimetallists always avoid the discussion ?

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

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

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

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

*G.* All wisdom is not granted to the Solomons who write in newspapers. The one in question has failed to apprehend what those evils are.

*H.* How would you treat the matter ?

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

*H.* It seems to me preposterous that England, a great monetary State, should go into a Conference without a clear and decided opinion as to what she intends and desires as to the ratio, and merely allow herself to drift. Which ratio do *you* adopt ? You must make up your mind, or your opinion will not be worth a dwt. of depreciated silver !

*G.* I can at any rate give you the *pros* and *cons* for the three courses. The first course is an honest one. We have injured our own people both at home and in India, and other nations also, by our legislation. We have by it given an advantage to certain classes, and prejudiced other classes. To reverse this, as I have said before, would be simple justice. If I were master, I would do it and fear not. It would be obviously the easiest plan, having regard to the Latin Union and Germany and the United States, and would be the only one likely to embrace all the commercial world.

*S.* How would foreigners view it ?

*G.* It would cause no disturbance to the Latin Union, Holland and Germany, where  $15\frac{1}{2}$  ounces of silver coin have still the same *vis liberatrix* as one ounce of gold. In the United States 16 ounces have it, and their people would make an apparent gain. England, having no standard silver money, would neither gain nor lose on this score.  $15\frac{1}{2} : 1$  gives us a definite fixed point, and *could* be settled beforehand, but it would be ridiculous to expect England to pin herself now to a figure that must necessarily shift from day to day.

*W.* Why do you speak of the Latin Union? That body no longer exists, I am told; but is resolved into its component parts, with each of which, by the way, you would have to reckon. I am sure I read in some newspaper that it was dead.

*G.* When did it die?

*W.* In 1873, I suppose, or 1876, when the Mints were finally closed to silver.

*G.* I saw no such announcement in the daily papers, nor, indeed, anywhere else, till the *Economist*, this year (1892), spoke of its "collapse," using it as a convenient argument to show that there could be no durability in an international monetary agreement.

*W.* If it still exists, it is a proof, is it not, that an international monetary agreement is more likely to be durable than not?

*G.* To be sure it is. It has lasted now intact 27 years; or if it has been indeed dead, it has behaved very oddly for a defunct. Its last meeting was in 1885, when it decreed the prolongation of its existence for five years, since when it goes on from year to year with a year's notice required in case of denunciation. Meanwhile, it is fulfilling all its appointed functions. I hear, too, that it is now deliberating, or about to deliberate, as to the attitude which it shall observe at the Conference.\*

*W.* I confess that I thought that its function was to maintain the price of silver, and that that having failed its occupation was gone.

*G.* There is not a word in the treaty about the price of silver. What should induce France or Italy in 1865 to be solicitous about maintaining the price of silver or gold? The two metals were with them on an equality (at a certain ratio) and the question of price of either did not and could not arise. The only places of any importance, where a price for either metal existed, were silver-using Germany and gold-using England; and the Latin nations were not so solicitous for the welfare of either of us that they should desire to raise the price of any of the commodities in which

\* The Conference has met and has suspended its sittings till May next.



we respectively dealt—unless, indeed, they were themselves producers of them.

*W.* Was there anything happening in 1865 which should make them apprehensive about silver?

*G.* The English price of silver had remained at a certain level for 60 years or so, and was at the moment above that level; nor was there the slightest indication that any thing would occur to disturb it. I cannot imagine that it could have occurred to any member of the Latin Union that it was necessary to take steps to “maintain” it. Can you?

*W.* No, nor any one who knew the facts; but then you know newspapers seldom disturb themselves about such trivial things as facts. What was the purpose of the Union?

*G.* Just what the treaty states, and what it has always fulfilled and is still fulfilling. To ensure the free circulation amongst its members of the gold and silver coins of each; to which end they were to be of prescribed weight and fineness.

*W.* Were they not obliged to coin certain quantities of each metal?

*G.* Not at all. They were under no obligation to coin either silver or gold. In 1873 they thought it good, first partially, and then wholly, to close their Mints to silver; and they agreed to do so. When the time comes they will agree to open them again.

*H.* You have your history right enough. Now to return to the second mode of which you spoke, in which the question of Ratio might be treated.

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

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

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

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

*G.* Well, even so, it would absolutely prevent a further fall in silver, and it would restore a par of exchange, thus facilitating

the employment of English capital in permanent works in silver-using countries. A settlement would have been arrived at, not indeed wisely nor too well; but I would accept it. We never had a true ratio; but this, for want of a better, would serve the purposes of commerce, much as  $15\frac{1}{2}$  did, without any greater pretence at accuracy. Even if, under lower prices, the production of silver should decrease, and the divergence between the quantities of the two metals should increase, we should never feel it or know it, except by statistics.

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

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

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

*G.* That would operate fairly. Suppose an agreement reached on the 15th of June. It might provide that it should come into effect on November 1, and that the ratio should be based on the price ruling at the close of business on the 31st October. The price would, doubtless, rise to a point corresponding to the expected increase in the demand.

*H.* You don't, then, think the present market price indicates the true ratio?

*G.* Certainly not, if by the true ratio you mean the true proportion of silver to gold in the world. When 15.5 to 1 was adopted by the French law, that had been the legal ratio for many years, and was no doubt believed to represent more or less truly the real proportion between the two metals. If we take it to be so, the proportion has long since changed in favour of silver, the addition from 1803 to 1866 to the stock of gold having been £999,559,000, and to the stock of silver only £785,358,000. Therefore, if there was any great object in ascertaining the precise proportion, we should find it nearer 12 than 18. That, however, is not a question of practical politics.

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

*G.* How should it? The market price of to-day shows only what a buyer, at a given moment, will pay for a commodity, the chief use of which has been proscribed. Did you see Meysey-Thompson's illustration of this? He said: "Supposing a decree

that no man should wear a hat; people might make hats, buy and sell hats, carry them in their hands, sit on them, play football with them, hang them up anywhere; but, on no account, wear them on their heads. It is probable that the price of hats would fall." The Government of the day would no doubt say, with you, Harrop, that "the then existing price indicated the natural value of a hat; that they had not interfered with price; that they had left that to the natural laws of supply and demand." That is just what they have done with silver. They have cut off five-sixths of the demand; and then they say the resulting price is a true indication of the value of the commodity? Repeal the Hat Edict, and you would find that the neglected stock of hats would again be in use on the heads of the lieges, who would very cheerfully pay the accustomed price for them. So would it be also with silver. Restore its use as full money and you would see that its price would respond.

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

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

*H.* That, then, would be your third course?

*G.* Yes, the compromise, based upon a ratio somewhere between the present market price of silver and the price ruling before the closing of the Mints; and if to such a compromise we must come, the terms of the compromise would have to be settled at the Conference. But it is possible that no arbitrary compromise would be so acceptable as a proposal to adopt the ratio indicated by the price which the market itself might fix in view of the opening of the Mints; and if there were really a fear of speculation that might be met by shortening the time to a few days after the Delegates should have come to an agreement on the principle, but I doubt so uncertain a proposal would satisfy neither France nor Holland.

*S.* But would any agreement at all be reached?

*G.* Who knows? We know that it is desired by the United

States and was desired by the Continental nations ; but it is idle to say that they won't agree before we have made the attempt.

Now, my good friends, Smail has finished his second cigar, Harrop is yawning *à démonter la mâchoire* (and no wonder). I vote we all go to bed.

S. We have had a very interesting conversation, and I at least will ponder over it. What say you, Harrop ?

H. I have never committed myself, so I may vote as I please.

G. Hear my last reflection. I would say, in conclusion, that if it could be shown that all the contentions of the monometallists and of the bimetalists were absolutely equal, and that it was impossible to discover more weight in one scale than the other as far as the old arguments were concerned, I should still, on a totally different ground, advocate bimetalism as a step forward in the right direction, inasmuch as it creates an international system instead of an insular or national one ; and I believe that, whether you admit it this year or next, a time must come, and come soon, when we shall again have ONE MONEY THROUGHOUT THE WHOLE REALM OF COMMERCE. Good-night !

HENRY H. GIBBS.

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*Note to p. 51.*—This was an under-estimate. The calculation is that there are about 8,000 dentists in America who use gold, and 2,000 in England, and that on the average they use 1lb. troy each ; so that, allowing nothing for any gold used elsewhere, the annual consumption is 10,000lb., which would be £467,000 sterling, supposing a standard of 11/12 fine.