Gairdner, Charles

The Royal Commission on Gold and Silver.

THE ROYAL COMMISSION ON GOLD AND SILVER

AN

EXAMINATION OF THE REPORT

WITH REMARKS ON

BIMETALLISM

BY

CHARLES GAIRDNER

General Manager of the Union Bank of Scotland, Ltd.

Read before the Glasgow Philosophical Society (Economic Section), 19th February, 1889.

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AN EXAMINATION OF THE REPORT OF THE ROYAL COMMISSION ON THE RECENT CHANGES IN THE RELATIVE VALUES OF GOLD AND SILVER.

TWO years ago, in a paper read before this Section, I reviewed the Report by the Royal Commission of 1885 on the Depression of Trade. I now propose to continue the subject by examining the Report of the Commission which followed upon the first, and to consider the recommendations it contains.

Let me, in the first place, remind you of the point at which we were left by the earlier Commission. The view taken of the Depression of Trade by the first Royal Commissioners, was that it proceeded from "a diminution and, in some cases, an absence of profit, with a corresponding diminution of employment for the labouring classes." But when they came to examine into the causes of this absence of profit and diminished employment, the Commissioners had to admit that there was no diminution whatever *in the aggregate* wealth of the nation, or in the volume of its trade. On the contrary, they asserted* that the general production of wealth in the country had continuously increased, though its distribution had undergone great changes, with the result that a larger share than formerly had passed to the consumer and the labourer, and a more equal distribution of wealth had thus been promoted. They also recognised that there is now greater competition than formerly with foreign nations, and that there is

* Final Report of Royal Commission on Depression of Trade, s. 92.

therefore need for increased vigilance, for greater activity in the search for new markets, for improved technical education, and for attention to sundry other matters of minor importance, relating chiefly to the transit of merchandise and the like; it being expressly pointed out that the great object to be aimed at was the "*cheapening of the cost of production." The Commissioners admitted that as the result of their enquiries they had "few recommendations to make," and the final conclusion at which they arrived was "†that while, on the one hand, the information they had been able to collect will tend to dispel much of the misapprehension which appears to prevail on the subject of our commercial position, and to encourage a more hopeful view of the situation; it will also show that if our position is to be maintained it must be by the exercise of the same energy, perseverance, self-restraint, and readiness of resource, by which it was originally created."

It will thus be seen that the practical outcome of the first Royal Commission was to discourage the expectation that the so-called "Depression of Trade" could be ameliorated by legislation. But, while this was so, the Commissioners pointed out that the evidence before them had shown that the depression was not confined to this country, and that the changes in the value of the precious metals, as affecting the currency of the commercial nations, had, in the opinion of some of the witnesses examined, a peculiar bearing upon trade and industry, and upon the prices of commodities. They, therefore, strongly recommended that this question should receive "early and separate examination from other points of view than that of their Commission, and that,

* Final Report of Royal Commission on Depression of Trade, s. 94.

† Final Report of Royal Commission on Depression of Trade, s. 106.

apart from its general connection with the depression of trade, it should be treated with reference to our Currency as a whole, and to our monetary system at home, and to its relation to our Colonies, to India, and to Foreign Countries."

The recommendation thus made led to the appointment of the second Royal Commission, the members of which were enjoined to investigate—

(1) The causes of recent changes in the relative values of the precious metals;

(2) The bearing of such changes on the Government of India; on the interests of persons resident there; on the producers, merchants, and taxpayers there; and on the merchants and manufacturers at home who trade with India;

(3) The bearing of such changes on the Trade of the United Kingdom with silver-using countries other than India; on our foreign trade generally; and on our internal trade and industry.

In the event of the Commissioners coming to the conclusion that the changes referred to were the cause of permanent and important evils or inconveniences to the interests above referred to, they were to report on the remedies, if any, within the power of the Legislature or Government, by itself or in concert with other powers, by means of which such evils might be removed or palliated.

This being the general purpose and scope of the Commission, much evidence has been taken which has been summarised in the First Part of the Report. To this part all of the twelve Commissioners are signatories, and as they were from the first equally divided in their general views of the questions remitted to them, they have drawn up this First Part in the form of statement and counter-statement, argument and counter-argument, following one another in rapid and somewhat bewildering succession; so that it is not surprising to find the Commissioners unanimously confessing that from the commencement of the enquiry they had been "*profoundly impressed with the extreme complexity of the questions submitted for their consideration." In the Second and Third Parts of the Report, each signed by six members, and in the Notes appended to them, we get to know more clearly the opinions of the Commissioners, the grounds on which they rest them, and likewise the remedies they recommend.

In now attempting to bring before you, within the brief space of time at my command, the more salient points of the Report, I do not intend to present any analysis of the evidence. It is extremely conflicting, and is occupied to a large extent with matters not of fact but of opinion. It is necessary, therefore, that it be considered with reference to the knowledge, capacity, and experience of the various witnesses, and, because of this, every one who would form an independent judgment must read and digest it for himself. I think that for this reason, and also because of the very involved nature of the subject, I shall best be of service to you, as practical men, by going at once to the evils and inconveniences complained of, and to the recommendations made for their amelioration.

We find, then, that the only evils and inconveniences which the Commissioners have unanimously agreed to regard as proved are†—

First, The inconvenience and burden to which the commerce between gold and silver-using countries is subject, owing to the fluctuations in the relative value of these metals; and,

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* Final Report on Gold and Silver. Part I., s. 5.

† Report on Gold and Silver. Part II., s. 106.

Second, The difficulties in which the Indian Government is involved, owing, not only to the fluctuations in the relative value of the metals forming the standard in this country and in the Indian Empire respectively, but also to the fall which has taken place in the gold price of silver, as well as the uncertainty and apprehension due to the impossibility of forecasting the future position of that metal, and the extent to which its gold price may yet fall.

As regards the first of these inconveniences, it is only necessary for me to say, before an audience such as this, that fluctuations of the kind referred to belong to the ordinary common-place experience of merchants. They form, no doubt, a troublesome incident in commerce, but one which is perfectly well understood, and now that the great centres of wealth and population are connected by the telegraph it has even less importance than it formerly possessed. I do not think I should be justified, therefore, in taking up your time with any remarks explanatory of this subject.

As regards the second, the case is different. An actual fall of 25 to 30 per cent. in the value in gold of the standard metal of India, and the uncertainty that attends the future, are matters of serious moment to the Government of India, and have naturally created much anxiety. It is easy, however, to exaggerate; and it will, therefore, be well to endeavour to reduce to figures the measure of their importance.

The case of the Government of India has been forcibly put in a despatch addressed by the Viceroy and other high officials to the Secretary of State for India, of date 4th September, 1886. From it, from the financial accounts submitted annually to Parliament, and from other authentic documents, the following facts have been taken for the purpose of arriving approximately at the extent, as well as the nature, of the evil complained of—that evil being the loss occasioned to the Indian exchequer from a certain portion of the disbursements being made in England in gold, while the revenue is received in silver. Taking the figures of the last three years, the following summary shows the net expenditure of the Indian Government in England, and the loss on Exchange charged on the Indian revenues of these years:—

	1886-7.	1887-8.	1888-9.
Sterling,	£14,172,208	£15,216,200	£15,028,700
Exchange,	* Rx. 5,329,712	Rx. 6,390,800	Rx. 6,312,100

If the gold value of the rupee should continue to fall every drop of one penny per rupee would upon £15,000,000 be equal to about Rx. 1,000,000 of additional Exchange.

The particular items which make up the sum of the expenditure in England, and create the necessity for these sterling remittances, may be conveniently grouped thus. I take the figures of 1888-89:—

Interest and Management of Debt, excluding Railways, - - - - - - -	£2,620,800
Railway Revenue Account, - - - - -	5,615,300
Civil Administration, - - - - - -	220,900
India Office, - - - - - - -	199,200
Army effective—Home Charges of British Forces in India, Transports, &c., - - - -	953,200
Stores, - - - - - - - -	1,327,400
Furlough, - - - - - - - -	559,000
Non-effective Charges, - - - - - -	3,532,900
	£15,028,700

The Indian Government complain, then, of the provi-

* Rx. means tens of Rupees.

sion for Exchange of Rx. 6,000,000, more or less, required from their revenues, in order to their meeting engagements to the above amount in England, and they also complain of the great uncertainty which is introduced into their estimates because of the fluctuations in the rate of Exchange. In the despatch referred to above, the position is declared to be "intolerable," and what is stated to be "essential in the interests of the finances of British India is the establishment of stability of value of gold and silver, and the removal of the danger which hangs over the silver market from the existence of large quantities of over-valued silver money in the currencies of France, the United States, and other countries." This, according to the despatch, is to be accomplished by the adoption of bimetallism on the principle of fixing a ratio "not lower than the average market ratio of recent years, and not higher than the former French ratio of 15½ to 1."

That such a despatch should have been written in reply to one proceeding from the Lords' Commissioners at home, in which they had stated their opinion "that the question of the possibility of maintaining a fixed ratio between gold and silver is one of the most disputable and disputed points in economic science;" and had quoted, with apparent approval, the declaration recorded by the representatives of Her Majesty's Government at the International Monetary Conference of 1878, that "the establishment of a fixed ratio between gold and silver is utterly impracticable;" is a very remarkable incident in the bimetallic controversy. If this "utterly impracticable" stability between the value of gold and silver be indeed "essential" to the finances of India, these are truly in a perilous condition; but, before accepting the statement literally, let us see what is to be learnt from the accounts.

I find, on examining them, that three of the items of the Expenditure of 1888-9, representing nearly two-thirds of the whole £15,028,700, are composed of:—

Interest, - - - - - - - - -	£2,620,800
Railway Revenue Account, - - - - -	5,615,300
Stores, - - - - - - - - -	1,327,400
	£9,563,500

The item, £1,327,400 for stores, must for our present purpose be struck off, because the Exchange on this item forms simply a part of the price of the stores, and was known to be so at the time the stores were bought. The proportion of the Rx. 6,000,000 of Exchange attaching to this item may be taken to be Rx. 570,000.

The Railway Revenue Account, £5,615,300, represents the interest and dividends payable in England on capital borrowed for the formation of railways in India. It is, therefore, an item distinct from the ordinary taxation of the country, and the Exchange on the remittance forms a proper charge on the revenue of the railways. Prior to 1881 the railway system of India was carried on at an annual loss to the Government, but since that year there has been a profit varying in amount as follows* :—

	Profit.		Profit.
1881-2.	Rx. 1,110,087.	1885-6.	Rx. 855,700.
1882-3.	,, 491,524.	1886-7.	,, 799,000.
1883-4.	,, 1,163,414.	1887-8.	,, 114,000.
1884-5.	,, 1,164,241.	1888-9.	,, 244,000.

This profit, whatever it may amount to, is, of course, liable for the loss by Exchange. At the present time it falls far short of meeting this, but, as will presently

* See Burdett's Intelligence, 1886, vol. 4, p. 43; also East India Financial Statement, 1888-9, p. 58.

appear, there are reasons for believing that an immediate and important improvement in this respect may be counted on. In the latest Government* Financial Report the falling off in the net railway returns of the last two years is explained by the dead weight of new lines in active construction on which interest is paid, although as yet hardly earning any money. It is added that† "meantime the earnings taken by themselves show fairly steady progress, and we may, therefore, reasonably look for early relief from a very large part of the present burden of Rx. 2,150,000 imposed upon us by our railway accounts." The Report expressly states that "we are at an unfavourable point in our railway finance," and there appears therefore good reason to expect that the deficiency now shown in the accounts will almost immediately be largely reduced.

The third item, £2,620,800 for Interest, may, like the last, be expected to undergo some reduction in the immediate future. One of the consequences of the fall in gold prices in the United Kingdom has been an unprecedented demand for sterling securities of the best class, with a consequent lowering of the rate of interest paid on such securities. In the benefits of this movement the Indian Government have had a full share, and in October last the Finance Minister was able to pay off the 4 per cent. loans (which at that time represented the mass of the Indian Government sterling debt), by an issue of a corresponding amount of 3½ per cent. stock, whereby a saving of interest will arise in the current year of £266,310. It is highly probable that additional economies in interest will be practicable in future loans, seeing that the 3 per cents. have been dealt in at 99, and the 3½ per cents. now sell at 108. Thus it appears

* East India Financial Report, 1888-9, p. 59.

† East India Financial Report, 1888-9, p. 60.

that under this item, also, it may be anticipated that even if the Exchange should fall below the present point, there are counterbalancing advantages within view which will in all probability neutralise the loss.

The remaining items sum up to £5,465,200. They are chiefly made up of civil and military charges which, although all subject to modification eventually, may not, in the immediate future, admit of reduction. If this be so, every further fall of one penny per rupee will represent a charge on the Revenues of India, in respect of this group of items, of about Rx. 500,000 or, say £350,000.

There is yet another counterbalancing consideration which must be mentioned, although I have not the means of accurately stating in money the measure of its importance. When Rx. 6,000,000 is represented to be the loss sustained by the Indian Government by Exchange, no allowance is made for the fact that all the loans contracted in England since the value of the rupee fell below 2s. have experienced an advantage on the outward remittance corresponding to the disadvantage complained of on the homeward remittance. For example, the total Government debt in England bearing interest was—

On 30th September, 1880, - - -	£68,852,916
Do., 1888, - - -	94,061,787
Increase, - - - -	£15,208,871

This sum was remitted to India at various rates of Exchange, beginning at an average of 1/7d.·95 in 1881, and descending to an average of 1/4d.·89 in 1888, the general average for the period being, approximately, 1/6d.·75 per rupee, or equal to a profit, so called, on Exchange of about £3,500,000. The same principle may be applied to loans and advances on account of the Railways, whereby this sum would be largely increased.

I have no desire to present the position of India in a light too favourable, but, on the contrary, should prefer to deal simply with the facts as they appear. But at same time it is only right to state that the "evils and inconveniences" to which attention has been called are by no means those of a decaying country. The mischievous consequences to the industrial interests anticipated from the fall in silver have not been realised. Capital has not been withheld from India by England. Trade has not fallen away. The very opposite of these expectations has come to pass. The Honourable Mr. Steel, speaking before the Governor-General and Council on 27th January, 1888, stated that* "We have much reason to look forward with hope to the future. Agriculture, the great stand-bye of the Empire, is flourishing as it never flourished before. The manufacturing interests are prospering and developing, to the great benefit of the country. Trade is growing in magnitude. Communications are being rapidly improved. Our debt, although large, is amply covered by the value of State property."

The result of our enquiry into the accounts and financial reports of the Government of India points, then, strongly to the opinion that the facts of 1888-9 do not justify the anxious apprehensions of September, 1886. Difficulties are the opportunities of capable men; and the very capable rulers of India, having shown themselves equal to overcoming the strain of the last few years, have now the prospect of seeing its severity relaxed. Even if Exchange should fall lower than it now is, there will be compensation in diminished interest and increased railway returns; and, what is of even greater importance, the country itself is in the enjoyment of extraordinary prosperity, and so, in case of need, may be expected to

* Financial Statement, 1888-9, p. 22.

present an excellent and improving subject for the operations of the Minister of Finance.

This, then, is the case, as it appears to me, for the evils and inconveniences which the Royal Commissioners regard as proved, and now let us see what their proposals are for counteracting them.

The general object which it is thought desirable to attain is an extension of the use of silver, whereby its old value in relation to gold may be, in whole or in part, recovered. But the only recommendations on which they agree with unanimity are—

First—*The repeal of the duty on silver plate.

This is a proposition which is hardly within the region of dispute, the only difficulty in the way of its being effected being, it is understood, the arrangement of the drawback on the plate in manufacturers' hands. On the other hand, it is a suggestion of no great importance in its bearing on the question under discussion.

Second—The issue of small notes based upon silver, which, it is considered, might become substitutes for half-sovereigns, and, also, as twenty-shilling notes, might, it is said, be put in circulation without any alteration of the law of legal tender.

This proposal is dissented from by two of the Commissioners, and it has not been made clear how the legal tender of silver itself could continue to be restricted to forty shillings, without a corresponding limitation being imposed on notes intended to be based on that metal. It is unnecessary, however, to discuss this question in the present connection, because it is not supposed that the recommendation could, if adopted, have any but a trifling or transitory influence.

* Report on Gold and Silver. Part I., s. 173.

These being the only suggestions in regard to which the Commissioners (with the exception above stated) are agreed, and no expectation being entertained that their adoption would have any material or permanent influence on the course of prices or on the relative values of gold and silver, it appears that the second Royal Commission, like the first, have failed to agree, even by a majority, to recommend Government or Parliamentary interference in any important form. This, no doubt, is so, looking to the Commission as a whole, but there is a section composed of six Members who are by no means satisfied with a result so futile. They, while concurring with their colleagues so far as they go, record their conviction that the gravity of the evils has been much under-estimated. They contend—

*(a) That the evils arising from fluctuations in the relative value of the two metals—

(1) Hamper the course of trade between gold and silver-using countries;
(2) Stimulate abnormally the trade between silver-using countries to the prejudice of gold-using countries;
(3) Discourage the investment of capital in, and consequently retard the development of, silver-using countries.

(b) That there are evils arising from the progressive and continuous fall in the gold price of silver, which, by its effects on the exchange between gold and silver-using countries, places the producers and merchants in the former country at a disadvantage as compared with those in the latter.

(c) That there are evils arising from a fall in gold

* Report on Gold and Silver, Part III., s. 4.

prices of commodities, so far as such fall is due to monetary causes.

(d) That there are special evils which affect India.

They further maintain that most of the evils they describe would be removed by the adoption,* "over a sufficiently large area," of International Bimetallism, and, although this opinion has failed to receive the support of a majority of the Commissioners, I must, on account of the large amount of attention that has been attracted to it, ask you to consider with me the practical bearing its adoption would have on the monetary arrangements of the United Kingdom.

The features of the Bimetallic system which are represented to be essential are—

First.—†Free coinage of both metals into legal tender money; and

Second. The fixing of a ratio at which the coins of either metal shall be available for the payment of all debt at the option of the debtor.

"The particular ratio to be adopted is not," in the opinion of the six Commissioners, "‡a necessary preliminary to the opening of the negotiations," but once fixed it is not to be altered. There is some indefiniteness in regard to the countries that would require to join in the agreement in order to its becoming successful, but it is stated "that the chief commercial nations of the world, such as the United States, Germany, and the states forming the Latin Union should, in the first place, be consulted as to their readiness to join with the United Kingdom in a Conference, at which India and any of the British Colonies which may desire to

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* Report on Gold and Silver. Part III., s. 30.
† Report on Gold and Silver. Part III., s. 34.
‡ Report on Gold and Silver. Part III., s. 35.

attend should be represented, with a view to arrive at a common agreement on the basis above indicated."

The adoption of Bimetallism in the manner above described having been objected to by the other six Commissioners, on the ground that "*the change proposed was tremendous," and that "its very novelty would excite apprehensions which might not be without danger," it is answered "that the system of currency which we now recommend was in existence in other countries for many years before 1873, and its effects practically extended to all the commercial countries of the world. We are not aware that so long as it was maintained in its integrity any evil results ensued. The only novelty in our proposal is that the United Kingdom should join with other nations, specified below in Section 35, in re-establishing a bimetallic system. We are, therefore, unable to understand how, in view of the experience of the past, any ground of serious apprehension can exist."

Now there is no doubt that there is much to be learnt on this subject from the experience of the past. We know, for example, that various nations, acting independently, have at different times attempted to base their currency on the bimetallic principle; have fixed the ratio between the two metals at what appeared to them to be suitable; and in some cases, as in our own in past centuries, have altered the ratio when change in the market value seemed to require it. The experience of France in this matter will best repay examination, for, besides being the most recent in point of time, the facts relating to it have been well ascertained, and the nation, of course, stands in the first rank in point of wealth and power. Her experience,

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* Report on Gold and Silver. Part III., s. 31.

then, tells us that "*in 1803 the double standard, with a ratio of 15½ to 1, was definitively adopted, and in 1865 the formation of the Latin Union, ultimately consisting of France, Italy, Belgium, Switzerland, and Greece, extended and confirmed it."

Under this system let us now see from the coinage returns of France what were the movements of the two metals in that country. We have these from †1816 to 1880, covering two distinctive periods, sufficiently prolonged to show how far the adoption of a fixed ratio operates as a controlling influence when it is at variance with the market value. For example, we find that, according to the elaborate tables of Dr. Soetbeer,‡ the true market ratio of silver to gold on the average of the years 1821-50 was 15·79, being ·29 above the French legal ratio of 15·50,—equal to a difference of 1·87 per cent., whereby the market value of *silver* was below the legal value. On the other hand, in the years 1851-70 the true market ratio averaged 15·41, being ·09 below the legal ratio,—equal to a difference of ·58 per cent., whereby the market value of *gold* was below the legal value. In the first period, embracing 30 years, France coined £18,148,000 of gold as against £127,636,000 of silver, the gold being only 12½ per cent. of the whole. In the second period, embracing 20 years, France coined £257,443,000 of gold as against £28,377,000 of silver, gold being no less than 90 per cent. of the whole. The movement of the metals was thus plainly not regulated by the bimetallic law, which was in force during both periods, but by the Gresham law, according to which the cheaper displaces the dearer metal, and it is because this is so that every

* Sir Louis Mallet's Note, p. 107.

† Report on Gold and Silver. Part I., s. 124.

‡ See the translation printed in the appendix to the Final Report on Gold and Silver, p. 162.

nation in its turn, which, acting independently and alone, has attempted to base its standard on the bimetallic principle, has been compelled, sooner or later, to modify the ratio or abandon the principle.

But the new principle which is to remedy the defect inherent in isolated national action is that of Union, for bimetallic purposes, among the leading nations of the world. This principle has found partial illustration in the Latin Union, and it is interesting to ascertain how far their experience throws new light upon the subject. What was to be expected from the experience of individual nations acting independently was, that as long as the adopted ratio was fairly expressive of the market values of the metals, no important consequence would ensue. If a serious divergence of values should happen to take place, caused by an increased abundance of the more highly-prized metal—gold—the nations of the Union would make no objection to the consequent substitution of gold for silver. If the tide should turn, and threaten to deplete the newly-made stocks of gold, they would then have to decide between parting with their gold in exchange for silver, or suspending the regulations of the convention. These circumstances having actually arisen, the nations of the Union found themselves powerless to uphold the conventional ratio, and so elected to suspend the obligation to continue the coinage of silver. As Professor Sidgwick, a *quasi* bimetallist, has told us, the difference between the ratio and the market values must not be "*too great or too prolonged," and the learned Professor's opinion was completely justified by the experience of the Latin Union.

Still the six bimetallist commissioners, more confident than Professor Sidgwick, are by no means prepared to

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* *Fortnightly Review*, October, 1886.

surrender their case. They think to surmount the difficulty experienced by France acting alone, and by the five nations acting in concert, by simply enlarging the scope of Union. If all the world could be got to join it, then the difficulty, in their opinion, would undoubtedly disappear. If even "a sufficiently large area" would join it, the difficulty, for all practical purposes, would also disappear. To both of these propositions I must oppose a direct negative, and that for the following reasons:—

In the *First* place, the introduction of the United Kingdom into an enlarged Latin Union would be a "novelty," not only as being the admission of a new and important member, but in respect that, unlike any of the members of the former Union, she would be *facile princeps* the great Creditor member.

Secondly,—The United Kingdom would be the solitary member representative of the gold interest, pure and simple, all the other nations being holders of silver in excess of their wants, while at same time they, like every civilised nation, are imbued with a decided partiality for gold.

Thirdly,—It being one of the essential conditions of the Union that the debtor may pay his debt in the form of legal money most convenient to himself, it is contrary to reason and experience to suppose that the debtor nations would not pay their debts in silver, of which they have too much, instead of in gold, which they desire to retain.

Fourthly,—While, as regards our foreign transactions, the effect of joining the Bimetallic Union would thus be to put a stop to our customary supplies of gold from abroad, the demand on the home banks for gold would continue and increase. If a bank at home, relying on its legal right to pay in silver, were to decline to pay out gold when demanded, this, according to all experience, would be the most effective stimulus for creating an abnormal demand for gold, and would at once send it to a premium on its conventional value. Gold would then cease to be taken to the banks; hoarding of gold would become general; banking, as now understood and practised, would be at an end, and with it the supremacy of Great Britain as the financial centre of the nations.

Fifthly,—The inevitable consequence of this country joining the Bimetallic Union would thus be that, sooner or later, and probably without much delay, our monetary system, while in name bimetallic, would become in fact monometallic on the basis of silver, and we should illustrate on a grand scale the unfailing action of the Gresham law, according to which the cheaper displaces the dearer metal.

Sixthly,—This movement would not be confined in its influence to the United Kingdom. The practical meaning of gold being at a premium, in the circumstances described, is that it has become more valuable as merchandise than it is as money, and henceforth would be reserved for use as a sort of monetary merchandise. The demonetization of gold would thus follow upon the forced rehabilitation of silver, and one of the chief purposes of the bimetallists, viz., the raising of prices by increasing the effective supply of legal money, would be defeated.

Seventhly,—The idea of a Bimetallic Union presupposes the existence of fairly similar conditions and aims on the part of its members. It has been shown, for instance, to be a fatal objection to the stability of the system that one of the members should be largely and permanently the creditor of the others; but this is not the only incongruity that would be developed by a Union such as is proposed. There are nations with banks and nations without Banks. In this country we have slowly created a banking system of high credit and security, and have brought its services home to almost every household. By this means we have reached the point at which the practice of hoarding has almost ceased to exist. Our gold, apart from what is required for the arts and manufactures, is in full circulation as money, and the reserves of gold money are readily accessible to our creditors whether home or foreign. In a hoarding country, on the other hand—such, for example, as India—banking is an exotic, and the precious metals, instead of being gathered into the banks and made serviceable as part of the machinery of commerce, disappear in quite extraordinary quantities. They are to a large extent hoarded, and pass out of use as completely as if they had been returned to the earth from which they came. From 1850 till 1888,* the net imports of silver into India averaged more than £7,000,000 per annum, making an aggregate in 38 years of £268,000,000. In the last 8 years (1881 till 1888) the net imports into India of silver were £54,000,000 and of gold no less than £31,000,000.

These figures enable us to form some idea of the absorbing power of India, a power which is by no means directed only to the standard metal, silver, but is ready to be applied equally to gold. Suppose, then, that alongside of our great dependency there were created a market where silver could be exchanged for gold at a fixed and favourable price, in unlimited quantity, would not the astute Indian merchants avail themselves of it? Would not a hoarding nation prefer the cheaper and more easily hoarded metal? and would not the Bimetallic Union thus become a huge international machine

* Report on Gold and Silver, Part I., ss. 16 and 36.

for facilitating the transference of gold from the creditor to the debtor nations, some of the greatest of which are without any effective system of banking, and in whose hands, therefore, the gold would cease to perform any useful function whatsoever.

Lastly,—In these objections to the adoption of Bimetallism I have not assumed that any further depreciation of silver is in store for us, nor that the ratio adopted by the Union would be materially different from the present market values. Were these contingencies, or either of them, realised, the process of substituting silver for gold in the United Kingdom would be immensely accelerated, and the tendency to hoarding gold intensified, while the effect at the mines would necessarily be to stimulate the production of silver and to discourage the production of gold.

From what has been said, I think it will be admitted that there is room for considerable surprise that the bimetallist members of the Commission should have reported that they were "unable to understand how, in view of the experience of the past, any ground for serious apprehension should exist" in regard to our joining the Bimetallic Convention. I submit that there are grounds for the gravest apprehension, that we, by joining the Union, would not only be quickly denuded of the gold we possess, but would be rendered impotent to recover it, because we should have surrendered the vast claims we now hold over the gold of other countries, in respect of advances and loans made for repayment specifically in that metal.

The conclusion, then, to which I trust I have led you, as I certainly have brought myself, is that, while a Bimetallic Union such as is proposed might, to countries oppressed with over-valued stocks of silver, prove to be a highly convenient and advantageous machine for transmuting silver into gold, and, thus, in the first place at least, be an important benefit to them, it would, in the United Kingdom, produce a monetary and financial revolution which we are not called upon to undergo. The "evils and inconveniences" complained of seem to me of extremely small account compared with it. The depression of trade is beginning to pass away, and the industries of the country are moving on at a lower range of prices, not greatly different on the average, according to the most authoritative tests, from that of forty years ago. That there should have been a fall in prices is a misfortune to some, a benefit to others. But just as it was no duty of the State to interfere when prices were rising, so is it none now. Then the propertied classes had the benefit, now the consumer and the labourer. Then the cry of complaint was because of the "unearned increment," now because of the unspent decrement. The question whether or not a better standard than gold can be found is fair matter for discussion, but I hope I have made it clear that Bimetallism, as now proposed, cannot be entertained. It would have been satisfactory if the Royal Commissioners had pronounced emphatically to that effect. They have not done so, but have left the subject to the judgment of the people; and as the consumers and labourers are in no way interested in promoting by legislation the return to high prices, I do not doubt that the people generally may be relied on to aid those who feel bound to withstand all rash and dangerous innovations directed to that end.

I would, in conclusion, again commend to your attention the evidence to be found in the Blue Books, a complete set of which will be found in the library. The two Royal Commissions have proved barren of the kind of fruit many, no doubt, expected them to have yielded. The first Commission admitted that they had no recommendations to make fitted to dispel the Depression of Trade; and the second has been equally unsuccessful in clearing up the mysterious relations between money and prices; but they are both entitled to our thankful acknowledgments for the large amount of valuable information they have gathered together.