

Leaflet

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# BIMETALLISM, FREE TRADE, and DEMOCRACY

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AT the recent Monetary Congress in Paris, Mr. Grenfell, one of the directors of the Bank of England, read a letter from Mr. Gladstone, in which the latter declared that, to his mind, bimetallism was only Protection in disguise. This opinion of the illustrious statesman is due probably to the fact that he has frequently seen bimetallism defended by the partisans of Fair Trade. One name alone ought to have been sufficient to have warned him against so hasty a judgment—that of Sir Louis Mallet—one of the most ardent and most eminent champions of freedom of trade, and, therefore, of the simultaneous employment of gold and silver. Manchester, the fortress of Free Trade, has to-day become that of bimetallism. Moreover, as Professor Foxwell, of Cambridge, pointed out, all the scientific authority of England is to-day on the side of bimetallism; for the professors of political economy, almost without exception, have openly declared themselves in favour of the system. If, therefore, the opinions of Mr. Gladstone were well founded, it would be necessary to admit either that all these professors—that is to say, all the most competent authorities on this matter—are Protectionist or that they are so ignorant of the science they teach as to be unable to perceive the relation between bimetallism and Protection.

The fact is, however, that no such relation exists. On the contrary, it is gold monometallism, that is, the proscription of silver as legal tender money, which is Protectionist in principle, and especially in its practical consequences. This is perfectly evident. Consult any treatise on political economy, from Adam Smith down to Jevons's special book on "Money," and in all you will read that there are two precious metals possessing all the necessary qualities of a good medium of exchange—gold and silver. In conformity with this fact of nature, all peoples, from the most remote antiquity, have used these two metals simul-

taneously. When in 1816, England proscribed silver—an example which has been followed since 1874 in all other countries except India—an arbitrary law was enacted which established protection and monopoly in favour of gold, in opposition to the natural order of things, to historical traditions, and to the universal practice of Free Trade.

But, it is said, the other countries are not forced to imitate the example of England. Mistaken notion! So long as bimetallism acted in France, the silver money in Germany, in America, in India, discharged the same function as gold money, because its value, thanks to the action of the French law of the year 1802, remained stable. To-day, when proscribed silver has only an ever-varying value, no State will any longer make it the basis of its circulation, and each State demands gold. But gold being a very rare metal, and the greater part of the supply, moreover, being employed in the arts, does not suffice to supply all nations with the means of exchange of which they have need. Hence has followed a “struggle for gold” which is fatal to Free Trade. Prince Bismarck, in one of those figures of speech which present the vital reality of things, has likened gold to “a narrow blanket, of which everyone strives to obtain his share.” This warfare is carried on not by means of armed men, but by means of advances in the bank rates and advances of the Customs tariffs. With the hope of producing a favourable balance of trade, which will cause gold to be imported, or which will, at least, prevent it from being drained away, the various States put constantly increasing duties on commodities imported from abroad. This has been the policy of Russia, Germany, Italy, Austria, Roumania, Spain, &c. The same thing has been done and will be done with still greater emphasis by the American Republics. During the crisis caused by the monetary contraction from 1820 to 1830, the Continental States, in precisely the same way, resorted to Protection in order to preserve their monetary stocks. In the midst of a universal “scramble for gold,” for “the too narrow coverlet,” how can the admirable motto of Cobden, “Free Trade, Peace, and Goodwill among nations,” be realised?

Consider the monetary positions of different countries. France alone, the home of bimetallism, possesses gold in abundance. England has so little that at the present moment the withdrawal of two millions sterling has sufficed to raise the rate of discount to 5 per cent. in London. The premium on gold fluctuates about 120 per cent. in Buenos Ayres, 33 per cent. in St. Petersburg, 13 per cent. in Athens, 20 per cent. in Vienna, 15 per cent. in Madrid, and 15 per cent. in Rome. Holland, although a very rich country, no longer carries on its internal exchanges with anything but silver and paper. Russia, Austria, the South American States, reduced to inconvertible paper money, have no hope of establishing a metallic circulation on a gold basis. Italy, with scarcely any of the yellow metal left, will also, it is to be feared, be forced back again to irredeemable paper. Such is the enormous evil caused by gold mono-



metallism to so many nations, and, as a necessary consequence, to the entire commercial world, and surely it is in the strongest degree a hindrance to Free Trade. In the trade of Europe with Asia and America, excepting the United States, a new uncertainty is added by the protection of gold to the ordinary uncertainties, because all who sell in these two quarters of the globe are paid in silver, of which the value varies unceasingly. Is it not opposed to the most obvious interests of a great commercial country like England that so many States should be reduced to the position of having only paper money of always varying value?

The budget of gold, based on Dr. Soetbeer's figures—which have been adopted by the Gold and Silver Commission—shows clearly how inadequate is this metal for the requirements of the world's circulation. The average production is £20,000,000 sterling. On the other side, there is consumption in the arts, £12,000,000; average consignments to the East, £4,000,000; wear and tear, loss, &c., £2,000,000; total, £18,000,000. There remains, therefore, for the requirements of exchange for the entire world, with a rapidly increasing population, industry and commerce, £2,000,000! Who will pretend that this is sufficient when even gold and silver together had already become insufficient?

But that which makes the monopoly and protection accorded to gold not only anti-economic, but anti-democratic and really odious, is that the interests of the tenants and the taxpayers are sacrificed for the profit of bankers and capitalists. If 100 kilogrammes of wheat are worth 20f., the farmer or the taxpayer discharges an obligation of 20f. by parting with 100 kilogrammes of the wheat. But if the price of wheat falls to 10f. he has to part with 200 kilogrammes, and he has 100 kilogrammes less for himself. Therefore, the monopoly of gold, by making money more scarce, and thus lowering prices, adds to the charges on debtors and taxpayers. And do not let us forget that the peoples of Europe are burdened with a debt of 120 milliards of francs (£4,800,000,000).

This consideration especially affects Ireland. Distress and agrarian disturbances began in Ireland during the severe crisis of 1820-1830, when the diminution in the production of the precious metals and the adoption of the gold standard by England had ruinously depressed prices; and the same sufferings have weighed down the Irish since 1874. How is it that Mr. Gladstone does not understand that the worship of the golden calf is the greatest obstacle to the emancipation of Ireland? The Irish question is more agrarian than political. To solve it the cultivators of the soil must be its owners. If you can let tenants hold their land for nothing, it would be all right; but if they have to pay a fair rental either to landlords or to the Government, or to purchase at a fixed price, they must then sell produce so as to procure the amount requisite for purchase or fair rent. If the price of this produce is very low, and falling still lower, then the tenants will be incapable of

raising the required sum, and it will be necessary to evict them, as is done at the present time, or to cancel their debts. The monopoly of gold being wholly insufficient, a fall in prices must ensue; hence the ruin of the Irish cultivators, in spite of Home Rule.

In the Greek democracies, the legislators, and noticeably Solon, reduced sometimes all debts by law, in order that the people might not be brought to misery by usurers. After the discovery of America and that of the "placers" of California and Australia, nature, not law, reduced the weight of debts by increasing the quantity of money. To-day, an arbitrary law has favoured creditors in a most unjust manner, inasmuch as everywhere—as in England before 1816—the people had previously the right to pay their debts with either metal, whereas they are now forced to pay exclusively with gold, at a time when that metal is becoming more and more scarce. What could be more odious? How can Mr. Gladstone, who has always placed his eloquence and energy at the service of the popular cause, now pronounce against the interest of the people and in favour of that of the capitalists? Let us hope that the future leaders of the English democracy will see that the iniquitous monopoly accorded to gold sacrifices the most active part of the nation to the idle part, and that they will restore to the two precious metals the rôle which science, history, commerce, and the free consent of the peoples had guaranteed them throughout the past.

NOTE.—The "Daily News," of November 21st, writes as follows, which directly bears out Professor de Laveleye's contention:—

"Several reports upon agriculture in foreign countries have been recently received by the Board of Agriculture. Among these there is an interesting account of agriculture and the increasing demand for agricultural implements in the district of La Rochelle, France, from Vice-Consul Warburton, who says . . . .  
'For some years past there has been great suffering amongst farmers, who have been losing money and living on their savings; but these are now exhausted, and starvation stares them in the face, unless they can either get the amount of protection necessary to enable them to exist, or else, by reducing the expenses of cultivation and increasing the returns, get more out of the land, and turn a loss into a profit. Their own idea is a large protective duty.'

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