INTERNATIONAL BIMETALLISM

AND

THE BATTLE OF THE STANDARD.

BY

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IF I undertake within these walls to speak of money, it is to obey the wish of my distinguished and regretted master, Wolowski, who, in his last illness, wrote me, in a hand already enfeebled: "My strength is forsaking me, but do you continue to defend our cause, which is the truth." I once had fought under the banner of another of our colleagues, M. de Parieu, the apostle of that grand and fruitful idea of monetary union, which he had the good fortune to realize, in 1865, in creating the Latin Union: a success well deserved by his devotion and his perseverance. I thus had observed one of the phases of that movement of assimilation which, by means of a series of international agreements, tends to secure for the civilized nations a concurrent legislation in matters directly affecting their economic well-being. Money being an indispensable instrument in the settlement of the balance of trade between one country and another, it is incontestable that it would be an important step forward, if the different states could be induced to adopt a common coin to be received in payment at the same value.

At the date of the Monetary Conference of 1867, presided over by M. de Parieu, it was hoped that this end would be attained through the general adoption of the Gold Standard; and already the expectation was general that soon we should witness the circulation throughout the world of a gold coin that should be universal, worth twenty-five francs in the Latin Union, a pound sterling in England, ten florins in Austria, and five dollars in the United States. It was then that Wolowski maintained that it was impossible to introduce everywhere the English system of the Single Gold Standard, and that, if the object was to induce all the civilized nations to adopt the same monetary system, this object could alone be realized in establishing everywhere the simultaneous use of the two precious metals at a fixed ratio, as had been done by the French law in 1803. He brought to this contention all the ardour of a resolute conviction and all the arguments furnished him by learning which was as accurate as it was extensive. I was then unable to withstand the force of his reasoning and of the proofs he adduced in its support. Still I remained faithful to the ideal of an Universal Monetary Union, which M. de Parieu had formulated, but henceforth I sought its realization by the only path upon which it seemed to me practicable, namely, the general adoption of the essential principles of the French system.

Later events appear to have brought to Wolowski's view a confirmation so decisive that we have witnessed its adoption by many economists among the most learned and distinguished in Europe and in America, and in the degree in which the edifice of theory which he laid the foundation of has been reared and completed by them, has its teaching become irresistible, and the adhesions or conversions of other thinkers to these views have been more numerous and more important.

There are to-day two schools in political economy: the "historical" or "realistic," which employs by preference the inductive method, and the orthodox or "rational" school, which chiefly makes use of deduction. The inductive school examines facts established by history and by statistics, and endeavours to draw from them the rules which should be applied to the direction of economic interests. The deductive school studies the nature of man, and infers absolute universal laws, which it calls "natural" laws. The first says that political economy is a science greedy of facts; the second affirms, that its principles are so manifest, that they can dispense with the control of facts. The one, lost in the thousand complications of industrial and commercial life, does not always attain a sufficient clearness in its ideas: the other, on the contrary, from the height of its abstract axioms promulgates dogmas to which, too often, experience must give the lie. The "rational" school employs the procedure of reasoning which belongs to the eighteenth century and to the French Revolution; the "historical" school that which Savigny and his successors introduced in the study of Law.

It is of course understood that among economic writers this contrast of methods exists only in widely varying degrees, and often is reduced to a mere divergence of tendency. Still, if it were necessary to cite representatives of the two schools, I should name Ricardo and de Tracy for the deductive, Roscher and Adolf Wagner for the historical school. Other writers, as Adam Smith for example, make use of both methods, sometimes one, sometimes the other.

So far as money is concerned, the theories of these two schools are clearly contrasted. The historical school says: Nature has granted to two metals the qualities necessary for money. No manual of political economy, in enumerating the peculiar properties which have induced men to adopt gold and silver as money, makes any distinction between these two precious metals. History teaches us that, in spite of very imperfect monetary legislation, they have always been simultaneously used by civilized nations. If we seek abruptly to alter a situation which is the result of the gradual evolution of ages, we inflict profound and disastrous perturbation upon society. Let us then consecrate by legislation this natural and historical fact, in establishing a *bimetallic* money.

The "rational" school says: It is contrary to reason to use two metals for the measurement of values, as it is contrary to reason, in political organization, to have two legislative bodies. The people, having but one will, ought to have but one representative body to manifest that will. A single metal suffices for the purposes of exchange; it is therefore necessary to expel the other at any sacrifice. The historical fact that both were used, was merely a mistake. The legislator exceeded his powers. Money is a merchandise. The value of merchandise is regulated by the law of supply and demand, not by arbitrary laws. Gold and silver are merchandise, therefore the law cannot fix a relation of value between these two metals. If the legislator commit the error, commerce will not obey. It will always withdraw from circulation the more highly prized metal, leaving behind only the depreciated metal, now gold, now silver.

Between these two theories concerning monetary systems, in order to determine which is right, it is necessary to recur to the fundamental idea of money. Antiquity has left us two definitions equally profound, due, the one, to the wisest of philosophers, Aristotle, the other to the soundest of jurists, Paulus. It is in the following terms that Aristotle defines money in that admirable book, his Politics, which ought to be the statesman's breviary:—

"The use of money arose out of necessity. . . . . It was agreed to give and receive in exchanges a substance which, useful in itself, was easy of handling for the uses of men; such as iron, for example, or silver, or some other substance of which the size and weight was first determined; and, finally, in order to avoid the trouble of continual measuring, it was marked with a stamp, the sign of its value. . . . . But of itself money is an empty thing, it has value only by law and not by nature, for a change of agreement among those using it can depreciate it entirely, and render it entirely unfit to satisfy our needs."

Aristotle gives elsewhere as the root of the word *νόμισμα*, money, the word *νόμος*, law.

The jurisconsult Paulus, recurring to the origin of money, expresses himself to the same effect as Aristotle: "Buying and selling had their origin in barter. For originally there was no money, nor was one thing called merchandise and the other called the price of it, but each person, according to the convenience of times and of things, exchanged what was useless to him for what was useful, when it happened, as was often the case, that one had need of that of which the other had a superabundance. But seeing that it did not easily or always occur, that when you had what I desired, I in turn had what you were willing to accept, a material was chosen, whose public and permanent value by equality of quantity remedied the difficulties of barter. This material, struck with the public stamp, has its use and its power, not so much from its substance as from its quantity, nor is henceforth each thing [exchanged] called merchandise, but the one is called price." [1]

[1] "Origo emendi vendendique a permutationibus cœpit. Olim enim non ita erat nummus, neque aliud merx, aliud pretium vocabatur, sed unus quisque, secundum necessitatem temporum ac rerum, utilibus inutilia permutabat, quando plerumque evenit ut quod alteri

The whole theory of money is condensed in this passage with a felicity of expression and a profoundness of view which can hardly be sufficiently admired. The language of jurists, it must be avowed, is more precise than that of economists. It is the result of a long process of elaboration which dates back at least to the law of the Twelve Tables; while the language of economists is but a century old, and must frequently express most intricate facts and sometimes general views not easily determined.

Thus, according to Aristotle, money is a political institution; it has its value, not from nature, but from the law. It is the monetary use which is made of the precious metals, slightly useful in themselves, which causes their value. What proves this, is that if custom or law remove this use from them, their value almost entirely disappears. We here find an indication from Aristotle of the cause of the monetary disorder from which at the present moment civilized nations are suffering. Germany has in part demonetized silver; the other states have been compelled to reject this metal from their mints; and thus becoming mere merchandise, silver has lost a part of the value which its employment as money gave it.

Paulus takes up Aristotle's idea, but he completes it

superest, alteri desit. Sed quia non semper nec facile concurrebat, ut, cum tu haberes quod ego desiderarem, invicem haberem quod tu accipere velles, electa materia est, cujus publica ac perpetua æstimatio, difficultatibus permutationum, æqualitate quantitatis subveniret. Eaque materia, forma publica percussa, usum dominiumque, non tam ex substantia præbet quam ex quantitate, nec ultra merx utrumque, sed alterum pretium vocatur." (Dig. xviii. 1.)

by a line which lights up the subject to the very end. The law chooses a fit material as the intermediary of exchanges. It marks it with an official imprint. It guarantees in permanence the weight and fineness of it. But its power of purchasing, its *dominium*, depends not upon its *substantia*, its intrinsic qualities as a metal, but upon its quantity. This single word explains all the complicated phenomena of variations of price. If money increases in quantity, prices rise; if it decreases in quantity, prices fall. The monetary unit, for example, a franc, buys more things according as it is rare; and less, according as it is abundant, although its substance, which is five grammes of standard silver, remains the same. The law can determine what shall be the instrument of exchanges; but it cannot fix the amount of things which that instrument shall purchase, for that will depend upon the number of monetary units which present themselves in the market for the purchase of goods.

An American economist, Mr. Dana Horton, in a very remarkable essay, has clearly pointed out the legal origin of money in history.

In all societies, even the least civilized, we find compulsory payments, fines, tribute, composition or penalty for crimes, and awards of damages. The chief, the law, the custom, the tribunal, in a word, the political or judicial authority, however barbarous the form, must decide in what commodity these various payments shall be made. This commodity will naturally be the one which has been chosen by common consent to facilitate the exchanges of commerce, whether it be cattle, slaves, shells, cloth, fur, salt, or the precious metals.

Here we see clearly set forth the legal and juridical origin of money, and if it were necessary to seek examples in support of this view, I should find them, in great numbers, among the learned works of our "confrères" upon ancient or primitive societies.

Let us state in economic language of the present day, these notions which are furnished us by the philosopher, the jurisconsult, and the historian.

Turgot, Condillac, and in their train the majority of economists, have said *all money is merchandise*, and this maxim has become the foundation of the objections which are raised against the French monetary system in the name of the English monetary system. Nevertheless, this maxim is not completely true, for it is belied by the experience of every day. Bank notes made legal tender have no intrinsic value; they are, therefore, not merchandise. When the coffers of the bank of issue are empty, these notes do not even represent the precious metals of which they promise payment. Notes which cannot be redeemed, will maintain all their proper purchasing power if the rule formulated by Paulus be respected; that is to say, if they are not issued in excessive amount. They may even command a premium if their quantity be inferior to the wants of trade, as, for example, in 1848, in France.

What I look for in money, unless I am a jeweller desiring to make a jewel out of it, is not the material of which it is made, but the purchasing power which it gives me. A piece of money, or a bank note, is a draft drawn upon the totality of commodities. As Aristotle says, "With regard to a future exchange, money is, as it were, our security; for it is necessary that he who brings it should be able to get what he wants." "In modern parlance," as says Dana Horton, "money is an order payable to bearer, on wealth in general." It permits me, at will, to select products to an amount equivalent to its nominal value. A bank note for twenty francs, irredeemable, is worth precisely as much as a *louis d'or* if it enables me to obtain the same amount of commodities; *non tam ex substantia quam ex quantitate*, as Paulus says. I took it not for the purpose of keeping, but of spending it; if it be received in all payments at par, that is all the service that I ask of it.

At bottom, in our modern society as in primitive ages, everything is reduced to barter, commodities and services for services and commodities.

The essential thing is that money, which now enables us to accomplish these exchanges by purchase and sale, now advantageously substituted for pure barter, preserves its value, and it will preserve its value if its quantity itself be stable. Paper money is only inferior to metallic money for two reasons: first, because it cannot serve to pay foreigners, and secondly, because the State can augment its quantity at will.

It follows from these considerations that the material out of which money is made is not necessarily a merchandise. It is, before all, the legal means of payment, the common measure of value, fixed by the law, the instrument of exchange whose permanence is established by the State. It may be made of paper which has no intrinsic value ; it is better to make it of gold or of silver in order to guard it against the abuses of arbitrary issue. When it is made of metal, the gold and silver which compose it have, it is true, been merchandise, but these articles of merchandise have, by means of the law, acquired a pre-eminence which transforms, or, to use a better word, which transfigures them. In their state as money, armed exclusively with the power of extinguishing every debt, of meeting every obligation, they reign in the market. Money is wealth raised to its highest power; he who has it in his hands can buy everything. He who has only commodities has first to sell them, and sometimes, to obtain money he must sell them at any price he can get.

Both by nature and by public authority gold and silver are withdrawn from the influences which determine the value of other objects.

The difference is as follows:—In the first place, the value of other commodities is controlled by the supply and demand combined; the value of money-metals is, on the contrary, controlled by the continued and obligatory absorption of them at the mints at the rate fixed by the law. If the employment of them for coinage should cease, the value of the metal would fall to a half, a third, or further still. The State creates the greater part of the value both of gold and of silver, for it creates a sure market for them.

When the coinage is free, when the mints of France deliver 200 francs for every kilogramme of standard silver, and 3,100 francs for every kilogramme of gold, these metals will not sell for less. Here, therefore, there is a market always open at the legal rate, and this is not true of any other merchandise.

Secondly, the demand for commodities destined for ordinary consumption is limited by the use which can be made of them. Double the quantity of wheat produced, there will be an excess of wheat, and, under the influence of an excessive supply, the price of wheat will be largely diminished.

In America maize is sometimes burned on the spot because no better use can be made of it, and in certain remote districts of Spain, in some years, the vintage produces so much wine that in order to gather it, it is necessary to pour away the wine which already fills all vessels available to contain it. On the other hand, coinable metal is never in excess. Transformed into money, it must be accepted by all sellers and by all creditors. The absorption of coin is limitless. Of no merchandise in the stricter sense of the word can this be said. Add that every new accession of gold or silver, in fostering trade, opens a new field of employment for itself, and so prevents its own depreciation.

Undoubtedly, if the quantity of currency increases, the purchasing power of each monetary unit diminishes; prices rise: but here we meet that intervention of nature which has gifted the precious metals with qualities which further distinguish them from the other products of human toil. They are indestructible; they are not consumed. They serve the uses of men, whether as ornament or as money, by being always preserved. Indeed, their rareness and its result, their great value, lead to an effort to prevent their destruction, and they constitute "the treasure" of legend or of history, the hoard of the Nibelungen or of the Frankish kings. Gold and silver extracted from the bowels of the earth, and accumulated from century to century, form to-day a mass which is estimated at from 60 to 70 milliards francs. This mass, very slightly affected by the variations of annual production, and slowly augmented in a proportion, nearly equivalent to the increase of the earth's population, gives to prices a very stable basis, seeing that the total stock of money changes little, indeed hardly at all, relatively to the use which is made of it.

The quantity of gold and silver produced each year is exceedingly small in proportion to the existing mass, and it cannot be augmented at will, for the veins are rare which sufficiently remunerate the toil of the miner. There is here, therefore, a natural monopoly. It is admitted that in case of a monopoly, it is the demand which chiefly determines price. Now the demand which rules the market of the precious metals is that which acts at the Mint; as the minister Gaudin said in the year XI. (1803), the market value of the precious metals is the Mint price. The State, therefore, which creates the demand, can fix the price. Certainly the arbitrariness of this fixation is restrained within certain limits; for if the price is too low, certain mines will be abandoned; if it be too high, a great number of new mines will be opened. The State which fixes the price of the tobacco of which the *Régie* is the only buyer, can, *a fortiori*, determine at what rates the precious metals shall be admitted at the Mint, and what proportion shall be maintained between silver and gold. This has been in fact the case from remote antiquity; everywhere and always the two metals have served as instruments of exchange at a rate of equivalence fixed by the law, and if this rate has varied, it is simply by reason of the monetary regulations of the various countries which altered the legal value, now of gold, now of silver. The variations in the relative value of the two metals of which history tells, have been the result of legislation, and not of the more or less abundant production of the mines of silver or of gold. The French legislator of 1803, in fixing the rate of equivalence between the two metals at 1 to $15\frac{1}{2}$ was merely acting in conformity with historical precedents, and whatever may be said of him, he was not violating economic laws.

But the adversaries of the French system go further, and firmly maintain that a State may, in fact, establish a ratio; but, that nevertheless, nature and commerce, without troubling themselves about the law, will withdraw the metal in greatest demand in the world's markets by the agency of what the English call "Gresham's law." There is a portion of truth in this objection, which it is worth while to disengage and to bring within its true limits.

In any case, first let us recognize a fact which controls the debate. At the Monetary Conference of 1878, the one among our "confrères" who bears the illustrious name of "the Adam Smith of France," M. Say was able to affirm that during sixty-six years the French system had stood steadfast under circumstances the most extraordinary: wars, invasions, revolutions, crises of every kind, and even under the deluge of gold after 1850, which, it was believed, would bring about its ruin. An occurrence without precedent in economic history was necessary in order to induce, in 1874, the temporary suspension of one of the clauses of the French law, the free coinage of silver, namely, that a great people should suddenly reject the money of its fathers, in order to adopt, on the faith of incomplete theories, a foreign system without root in its national tradition.

When the so-called monetary reform attempted by Germany shall have been either completed or definitively abandoned, the French system, as M. Léon Say has justly said, can again be brought into action in all its parts.

Experience has therefore demonstrated that a single country, provided that it has an extensive territory and a large stock of coin, can in practice maintain the ratio of equivalence between silver and gold which its law has established. At the same time it must be recognized that "Greshams law," without ever completely withdrawing from France either its gold or its silver, as has been commonly asserted, has in turn reduced the French stock of the one or of the other.

Still, this was not the necessary effect of a natural law, but the consequence of the imperfection of human laws, and of the lack of accord between different states. This point is so important that we must seize it fully, by means of an accurate illustration.

In reinforcing their stock of gold, of which the coinage is always free, by a limited coinage of silver dollars, the United States have fixed the ratio of weight between the new silver and the gold dollar at 16 to 1, while, at the same time, France holds her great stock of silver at 15½ to 1.

If the coinage of these two metals were to-day made free at Paris and in the American mints, the result would be that the silver coin of America would be brought over in the Latin Union to be exchanged for gold. The speculator in precious metals, the "arbitrageur," would buy in America 16 kilogrammes of silver for a kilogramme of gold. If he should have 15½ kilos of silver coined at Paris, he could exchange them for a kilo of gold, and with this kilo of gold he could again procure 16 kilos of silver in the American market. And by each operation he would make a gross profit of half a kilo of silver, that is to say, 100 francs on a capital of 3,100 francs, and this capital would give him the same return every time it crossed the Atlantic.

It is thus plain that when the legal ratio fixed between the two metals is different in different States, the French system is threatened or even undermined by the operations of "arbitrage." Inasmuch, however, as the evil has its origin, not in nature, but in the imperfections and in the divergencies of legislation, it is possible to obviate it. The remedy, in fact, suggests itself; it consists in establishing everywhere the same ratio of equivalence between gold and silver. It is this which Newton, called upon to examine the question in his quality of Director of the Mint, had clearly seen, as the following passage shows: "If gold were lowered only so as to have the same proportion to the silver money in England which it hath to silver in the rest of Europe, there would be no temptation to export silver rather than gold to any other part of Europe." Establish the same ratio of equivalence between the two metals, and an end is put to these operations of "arbitrage," which cause, now gold, now silver, to predominate in Double Standard Countries. An international Treaty, if it were subscribed by the great commercial powers, would give an inexpugnable foundation to the system of bimetallism.

This idea of Newton's has been reproduced in our day, and developed by various thinkers, and notably by M. Cernuschi, with a variety of illustration and a brilliancy of argument which have enlisted general attention. The initiative in serious discussion of the international treaty of the great commercial powers was taken in 1878 by the legislature of the great transatlantic republic, under the lead of Mr. Allison, a senator, and it is the formation of such a treaty which is the object of the deliberations of the International Conference now assembled in Paris to continue the work of the Conference of 1878. It can be said then, that three great names preside over the labours of this important assembly: Aristotle, Paulus, and Newton.

In closing this note I desire simply to trace a parallel between the two monetary systems which at this time are disputing for the suffrages of the world: the French system, which makes simultaneous use of the two precious metals, and the English system, which proscribes silver in order to maintain gold alone.

The French system, founded upon nature and upon history, can be introduced everywhere without shock and without injury, for it simply maintains the monetary conditions existing in different countries by completing them through the addition of the metal which has hitherto been unemployed.

The English system does violence to natural and to historical facts, for it forces men who hitherto have always used the two precious metals in their exchanges, henceforth to use only one, whether it be gold or silver. It is, in the full sense of the word, a revolutionary measure.

Accordingly, it is impossible to introduce it except at the price of the cruel crises and prolonged suffering which almost always accompany any violent rupture with the past.

When England adopted her system in 1816, there ensued, both in that country itself and in the whole civilized world, subsidences of prices and economic perturbations, ruin in every form, bankruptcy and reduction of rents, the misery of the labouring classes, the outbursts of Chartism, Socialism in the form peculiar to the time, and the almost universal aggravation of the system of protection.

In 1873 Germany sought to imitate England in proscribing silver. A new crisis ensued, which does not appear as yet to have reached its term. Although it may be premature to attempt to determine with precision the respective shares of influence exerted by the different causes which produced this period of depression, it can be said that it presents characteristics closely resembling those which marked the period between 1816 and 1830.

Germany, indeed, has been compelled to interrupt her monetary revolution in order to prevent the further suffering she was about to inflict upon her own people and upon the entire world. This experience has been so decisive, that it induced one of the first financial economists of England, Mr. Goschen, in the Conference of 1878, to pronounce the solemn warning: "Any important new step in this direction will have the effect of provoking one of the gravest crises ever undergone by commerce."

Indeed, he went so far as to pronounce a word which is the condemnation of the system which is in vigour in his country. The theory of a universal gold standard is Utopian, he said, and, indeed, involves a false Utopia. It is better for the world at large that the two metals should continue in circulation than that one should be universally employed.

The French system, as even its adversaries recognize, would enjoy a stability and a permanence the greater in the proportion of its acceptance by a greater number of States. The English system, as its partisans loudly declare, must remain the privilege of certain chosen people! Thus the former implies the equality and fraternity of nations, for it is offered to all. The second is exclusive, and, in the view of its partisans, aristocratic, for it condemns all countries except one or two to maintain a monetary system which it proclaims to be, in its view, imperfect or bad.

The French system, generally adopted, would secure harmony and accord of interests between nations; for in establishing everywhere the simultaneous use of the two metals, it would furnish the instrument of exchange which is indispensable to such harmony and accord. The English system, on the contrary, reducing to nearly one-half its amount the metallic stock of which the universal currency is formed would provoke a contest to obtain the elected metal, now become insufficient in quantity,—a struggle for gold, as some naturalists would say,—in which high tariffs and high rates of discount would serve as weapons of war.

The principal desideratum in money is stability.

The French system, based upon the total existing mass of gold and silver, supported from two sources whose variations of yield balance each other, must give to prices a stability far greater than is possible under the English system, which has for its foundation a metallic mass of half the extent, and which entrusts the office of money exclusively to one metal, gold, the yield of which from the mines is very irregular, and which, according to the opinions of the most competent geologists, bids fair further and further to decrease.

The French system, establishing a fixed ratio between gold and silver, has been powerful enough, although reigning only in France, to govern the exchanges and maintain the fixity of the ratio of the two metals in the entire world for the benefit of all countries, and especially of England. Since the date when one of its provisions, the free coinage of silver, was suspended, the English system, isolated and thrown upon its own resources, inflicts damage and restrictions without number upon trade with all countries where silver is the sole money, that is to say, with the great majority of the population of the globe.

The legislation of 1803, the commercial habits, and the natural wealth of France, have assured to her this potent circulation of the precious metals which counsellors, who, to my mind, seem very imprudent, are desirous of diminishing. Is it not due to her stock of gold and silver that she has been able to pay the enormous sums exacted by the events of 1870, and to perform the feat, unprecedented and incredible, of maintaining at par an issue of more than three milliards francs of irredeemable legal tender paper?

It is said that England, in its island, can maintain a minimum stock of metallic money, and reduce the metallic basis of credit to its extreme limits, but it pays, for this advantage, by more frequent elevations of the rate of discount, and by crises more intense, so that even here, as Wolowski maintained, the economy is still on the side of France.

Other countries think it essential, and perhaps not without reason, to institute a "treasure" for war. Let it be permitted to a late disciple of the Abbé de Saint Pierre and of Cobden to hope that France may never have need of aught but a "treasure for peace," which provides for her needs in abundance, with facility, and especially with regularity.

Is it not a matter of congratulation that she possesses such a treasure ?

In political economy we can form an opinion of a system according to the evils to which it gives rise, or according to the advantages which it procures. The attempt made by Germany to expel silver having produced, through the entire world, a monetary disorder so profound and so disastrous that the civilized States have sent their delegates to Paris to endeavour to devise a remedy, it is certain that no one will recommend a more extended adoption of the gold standard, the cause of all the evil.

The adoption of the French system, on the other hand, would put an end to the special embarrassments from which the greater portion of these States are suffering.

In fine, a system which provokes resistance, increasing according as it is applied in a measure more complete and more general,—can it be true ?

A system which in conforming itself to the traditions of the past, and to the suggestions of nature, gives satisfaction to the existing interests of all nations, —can it be false ?

THE BATTLE OF STANDARDS AND THE ECONOMIC CRISIS.

I.

FIFTEEN years ago Wolowski remarked concerning the monetary problem we intend to discuss, "It is not a question that is coming to an end, but a question that is beginning." He was quite right, for never has the conflict, whose origin dates back to 1850, been more ardent and more general than at this moment. Strange to say, it is nowhere warmer than in Germany; yet the German empire, following the advice of certain economists, seemed by the adoption of the gold standard to have definitively solved the problem. Cannot this fact be viewed as a proof that it was this very measure which has been the cause of the present monetary embarrassments? If the question of money, one of the most difficult in political economy, is now being so keenly debated, not only in economic works, but in the daily papers of nearly all civilized countries, it is evidently because a very general interest is everywhere suffering.

In what do these embarrassments and sufferings consist? that is the first point to be settled. We shall then have to inquire what are the causes of the evil, and what are its remedies.

Let us begin with Germany, seeing that the crisis dates from 1873, that is to say, from the time when the empire passed from the silver to the gold standard. Here we meet with guides of special competency, Soetbeer, the apostle of gold; Adolf Wagner, the learned professor of the Berlin University; Lexis, professor at Friburg University; Otto Arendt, who recently published one of the best books on the question; and lastly Von Bar, Von Kardorff, and Von Lenthe, who chiefly regard the question from the agricultural standpoint. At the sitting of the Reichstag of the 18th June, 1879, the governor of the Imperial Bank, Herr von Dechend, declared in reply to a question by ex-minister Delbrück, that the sale of demonetized silver had already involved a loss of 96½ millions of marks (£3,860,000), and that for the sale of the remaining half-milliard marks (£20,000,000), a rather higher loss must be calculated on. It was then that Prince Bismarck interposed, and declared he would no longer bear the responsibility of such an operation. Other deficits are also announced. Germany now produces more silver than Peru—about 150,000 kilogrammes—the sale of which now produces annually five million francs less than if the white metal possessed its full value. Since 1873 the falling-off has amounted to twenty-five million francs. Germany owns at least two milliard francs of investments whose interest, paid in silver, now yields twelve and a half million francs a year less than if that metal were at par.

This direct loss, important as it is, is nothing, says Herr von Bar, compared with the indirect loss resulting from the fall of prices. Himself a large landowner, he first speaks of agriculture. It is cruelly suffering from the reduced value of all produce. The farmers are paying their rents irregularly, or not at all; their stock-in-trade has often to be distrained to recover arrears of rent. The landowners are overwhelmed by mortgages. When at last, in order to extricate themselves, they try to sell their estates, they find no purchasers, or have to be satisfied with a price one-third below former estimates. The discouragement is universal. No more agricultural improvements are being effected; employment is consequently lacking, and there is great indigence. Hence that increasing emigration for which special trains and steamers have to be arranged. It is a veritable exodus. What remedy for so much suffering? The agriculturists demanded protection, and it was granted them. They now say it is inadequate, and perceiving at length the real cause of the evil, they claim the abandonment of the gold standard. If this is refused them, they must have, they say, at least double protective duties.

The fact is strange, yet certain, that from this intense crisis sprang that odious and inexplicable return to the intolerance of the middle ages, called the anti-

Semitic movement, the *Judenhetze*. When everybody is suffering from the stagnation of business, the holder of gold, the power of which is increased, appears to be enriching himself by the ruin of others. The manufacturer and agriculturist are crushed. Not only is the capitalist unhurt, but he may even profit by the cheapness of enforced sales. As the holder of gold in Germany generally belongs to the Jewish race, to the Jew the general suffering is attributed. There is, consequently, a desire to defend oneself against him as from foreign competition, and to issue against him I know not what exclusive measures, in reality impracticable.

England has been affected even more than Germany by the depreciation of silver, but as she is richer, the evil was long less perceptible. There were first the losses sustained by India. "Since 1873," said Mr. Goschen, at the Paris Monetary Conference of 1878, "everybody in India has suffered a good deal, private individuals and officials." These losses arise thus: in India money is exclusively silver, and in England exclusively gold. When India has a payment to make at London, she can only, therefore, send silver. As long as France maintained the free coinage of gold and silver at the ratio of 1 to 15½, the value of silver was kept at par. Since the coinage has been suspended, as a necessary measure of defence against the demonetization decreed by Germany, silver has lost from 12 to 20 per cent., consequently every remittance to England by a private individual or an official has been reduced to that extent. The Government has to pay at London interest on loans, pensions, &c. (a sum now amounting to about 15 millions sterling). The settlement is made by means of bills of exchange drawn by the Treasury at Calcutta, and sold by tender at London. At 20 per cent. below par, as in July, 1876, the annual loss would have been £3,000,000. According to a report I have just received by the Finance Department of India, the average annual loss has been 22,400,000 rupees, or in seven years about 400,000,000 fr. (£16,000,000). The reduction on private remittances is also estimated at very considerable sums.

However serious these losses, they are nothing compared with what English commerce has suffered. Mr. Ernest Seyd has shown in his interesting work, *The Decline of Prosperity*, that three-fourths of the exports go to silver money countries. While the exports to gold money countries have risen 9·1 per cent., and have increased from 52 to 56 millions sterling during the period 1872-1878, the exports to silver countries have fallen off 33·3 per cent., and have dropped from 203 to 133 millions sterling. To understand the cause of this deplorable phenomenon, it is enough to read the petitions of the Liverpool Chamber of Commerce and the letters of its chairman, Samuel Smith, and one of its members, Stephen Williamson.[1]

[1] *Depreciation in the Value of Silver. Reasons for the Adoption of a Bimetallic Money System. Letters to Samuel Smith, Esq., President of the Liverpool Chamber of Commerce*, by Stephen Williamson. *Letters by Samuel Smith, President of the Chamber of Commerce at Liverpool.*

The trade with India, China, and South America is subject to constant fluctuations, because the silver received in payment has no stable value. All operations are thus subject to a constant *alea*, and become actual gambling. The essential characteristic of money being the stability of its value, it may be said that this medium of exchange no longer fulfils its office. Hence have arisen those numerous failures of houses engaged in the Oriental trade, of which that of the famous Glasgow Bank offered so terrible an example. Is it surprising that the movement of exports and imports, which had long gone on advancing, has declined since 1873? The fall of prices has likewise been very trying to agriculture and industry; consequently the labouring classes, to defend wages successively reduced, have resorted to constant strikes. In all branches of labour, production, and especially profits, have diminished. Landlords have had to reduce their rents, and are frequently obliged, for want of tenants, to cultivate their lands themselves. The strain is general; even last year (1880), notwithstanding an apparent revival, the London season was much less brilliant than usual. Cries of alarm and despair are heard, like Mr. John Hector's, in his work *Deadlock*, in which he announces permanent stagnation, if England persists in a monetary policy pernicious to others and especially to herself.

Of all the great European States, France has least suffered from the crisis. Her increasing prosperity has offered a contrast to the distress of her two powerful neighbours, the more remarkable because, without reckoning the phylloxera, she should have been overwhelmed by the consequences of a disastrous war, which had cost her ten milliards and one of her richest provinces. Bimetallists point out that their system is still in force in France. What is certain is that she has a monetary circulation thrice as great as that of her neighbours, and that since 1874 favourable balances have further strengthened her; prices have consequently fallen there less than elsewhere, and the sufferings resulting therefrom have been to a great extent spared her. Her monetary position offers nothing abnormal except the composition of the treasure of the Bank of France, which comprises only 500 millions of gold to 1,200 millions of silver. This proportion of gold would certainly be insufficient if there had to be computed remittances to America like those which in two years and a half have taken from Europe more than a milliard of gold.

Strange to say, the United States, which have received this large sum in metal, and to which was added last year 165 million francs of gold produced by their mines, appear to be still suffering from an insufficient circulation. The New York market is constantly tight. Discount is in a feverish state, and the cash at the bank frequently falls below the statutory level. It seems certain that the milliard which arrived from Europe has been definitively absorbed by the new Western States, where the march of business and population is making gigantic strides. In this respect the powerful republic is suffering only from an excess of growth. But there is one detail in its monetary legislation which requires revision. In 1878, the Congress passed the Allison Bill, which ordered the Mint to coin every month at least two millions of dollars of a silver coin, "the dollar of the fathers." Though based on the ratio between the two metals of one to sixteen, more favourable than the French ratio of one to fifteen and a half, this coin at the present price of silver is not intrinsically worth its equivalent in gold. The result is that the bankers have leagued together to exclude it from their tills.

The certificates representing even coined silver are not admitted into the Clearing House. Thus the unfortunate "dollar of the fathers," unavailable for international payments, and expelled by internal regulations, is accumulating in increasing quantity in the vaults of the Director of the Mint, who last year had to ask Congress for a special grant to enlarge them. Unless the Union wishes to amuse itself in raising a cheap pyramid of massive silver, it must consider what to do. Three remedies present themselves. To coin a silver dollar worth as much as the gold dollar, on the basis of either one to seventeen or one to eighteen, as recommended by the late President, Mr. Hayes, which would not be a solution; to stop the silver coinage and keep to the gold standard, which would be a radical step as grievous for the Union as for Europe; or lastly, to form with the chief European States a great bimetallic union, as proposed by the American delegates, in accord with France, at the Monetary Conference now sitting at

Paris. If this proposition were adopted, it would be a relief for all the world. Germany, already holding a great stock of thalers at fifteen and a half, would not have to complete a reform which has already cost her annually, as recently stated by a semi-official journal, more than the support of her whole army. England would see her losses in India at an end, and her commerce, by means of the restored fixity of exchange, would recover its former stability. Europe could more easily pay America the balance for her imports in years of dearth, for she would be able to do so with both metals. In short, the whole world, provided with a circulation better adapted to the growing exigencies of industry and commerce, would resume its advance towards greater prosperity.

To complete the enumeration of the disastrous consequences of the proscription of silver, a very delicate and very complex question, yet one of capital importance, must now be considered. Can the intense and persistent crisis from which commerce and industry all over the world have been suffering since 1873, be attributable to the monetary measures taken by certain States since that date? What first strikes one is that the two economists who specially devoted their attention to the monetary question, M. Wolowski and M. Ernest Seyd, described this crisis beforehand with truly prophetic precision. If a great State demonetizes silver, the consequence, they said, will be these:—1. Commerce will decline, especially in the countries having most trade with foreign countries; 2. The spirit of enterprise in industry will materially languish, and consequently much fewer new establishments will be created than usual; 3. The fall of all prices will lead States having payments to make abroad to impose protective duties in order thereby to obtain a favourable balance of trade increasing their monetary stock; 4. The various peoples of the globe will be divided into two groups, one having gold and the other silver money, and this fact through the sudden and sharp variations of exchange will make their commercial operations hazardous, and will consequently hamper them; 5. The fall of prices will be very injurious to manufacturers, merchants, and agriculturists, and consequently to their workmen; it will benefit only fundholders and those holding capital in money obligations; 6. In this period of depression, the cause of which will not be accurately traced, remedies will be resorted to which will aggravate the evil.

Is not this a faithful picture of the economic facts which have passed before our eyes? Fall of prices, diminution of commercial and industrial activity, general return to protectionist ideas, such are manifestly the features of the prolonged and severe economic crisis which set in after 1873. Lord Beaconsfield also announced that the monetary reform of 1873 would produce great economic derangement and disastrous consequences. The *Economist* foresaw the danger as early as 1869, and in 1873 in its review of the year described it: "unless," it said, "the annual production of gold suddenly increases, the money market of the whole world will be disturbed by this scarcity of metal." Mr. Robert Giffen, a militant monometallist and one of the ablest economic statisticians in England, has shown by a very complete series of tables [1] that the average fall of prices from 1873 to 1879 might be estimated at 24 per cent, and that they had fallen lower than prior to 1850. He fears this fall is permanent, and that it will even go further, unless changes occur in the monetary policy of the European States; the main cause of this fall, according to Mr. Giffen, is the extraordinary demand for gold made first by Germany, and then by America, to place their circulation on the basis of the gold standard. Adding what Holland and the Scandinavian States have required, there is a total, according to him, of 120 millions sterling, or during these eight years an annual extraordinary demand for fifteen millions of gold. As the annual production of this metal is only twenty millions and is rapidly diminishing, only five millions have remained available for the industrial and monetary requirements of all civilized countries, an amount quite insufficient.

The insufficiency in the means of exchange must necessarily have effected a fall of prices. Mr. Giffen is of opinion that a deeper and more subtle cause must simultaneously have operated. He thinks that

[1] See *Journal of the Statistical Society* (March, 1879), reprinted in the monetary document published by Mr. Dana Horton, by order of the United States Congress. Mr. Patterson has also published in the *Journal of the Statistical Society* (March, 1880), a remarkable article entitled, *Is the Value of Money rising in England?* He comes to the same conclusion as Mr. Giffen. Mr. Arthur Ellis, editor of the *Statist* and the annual tables of the *Economist*, gives almost identical figures.

even apart from these extraordinary demands for gold, the monetary stock of civilized nations was not large enough for the ever increasing requirements of trade.

On the one hand, indeed, industry and commerce have developed in an unprecedented proportion, and on the other, the production of the precious metals, especially of gold, has considerably diminished. Then, to cite only a few examples, the production of coal rose in England from 36 million tons in 1846 to 133 million tons in 1876. It has therefore more than tripled. The production of pig iron has quadrupled. The entrances and clearances of ships, exclusive of coasting vessels, has risen from 13,307,000 tons in 1848 to 51,531,000 tons in 1877; it has nearly quadrupled. The exportation of cotton piece goods has increased in the same proportion from 1,096,751,000 yards in 1848 to 3,838,000,000 in 1876. The joint production of the two precious metals has of late years diminished by about 100 million francs (£4,000,000), and the production of gold by 250 millions (£10,000,000). From these two coincident events, augmentation of exchanges and diminution of the means of exchange, must have resulted a want of equilibrium evidenced by a fall of prices. I may add that silver, being no longer anywhere admitted to coinage, has not fed the circulation, when gold became scarce, as it formerly could do.

Mr. Giffen does not think that a materially wider use of instruments of credit has occurred to supply the deficit of precious metals. Indeed, there is no sign of the cheque or clearing system having of late years considerably extended on the Continent, while as to England it had already been carried to a degree regarded as excessive.

The opinion expounded by Mr. R. Giffen is also that of Mr. Thorold Rogers, formerly professor of political economy at Oxford University, and the eminent author of the *History of Prices in the Middle Ages*, who is unquestionably, with Tooke and Newmarch, the most competent writer on the question of prices. Investigating the causes of the fall occurring since 1873, he says:—" The principal, the most general, and in all probability the most durable is the rapid rise in the commercial value of gold. At a time when the domain of civilization is increasing in every direction, and when the need for corresponding means of exchange has consequently increased, one of the great states of Europe, Germany, has expelled silver, and at the same time adopted gold. She thought herself able to do this, owing to the indemnity imposed on France, but she has inflicted the greatest injury on her population and has ruined her industries." Two other authors corroborate the opinion of Mr. Giffen and Mr. Rogers, by the study of facts and the teaching of figures, viz., Mr. W. E. Smith, the author of a paper on the recent crisis which won the Cobden Prize, and Mr. Ernest Seyd, who, engaged in the metal trade, has made a speciality of the scientific discussion of this difficult and important matter.[1]

[1] W. E. Smith. *The recent Depression of Trade.* London, Trübner, 1880.—Ernest Seyd. *The Decline of Prosperity.* London, E. Sanford, 1879.

Some German economists, Mr. Otto Arendt and Adolf Wagner, for instance, while the first to condemn the monetary reform attempted in their country, do not consider it proved that the fall of prices noted since 1873, was chiefly caused by the expulsion of silver and scarcity of gold. Gold, they say, has never been scarce at the banks, as proved by the fact that the rate of interest during this period of depression has always been moderate. This fact, though real, does not prove what is sought to be deduced from it. The same cause, the stagnation of business which depresses prices, accumulates gold in the banks and makes the rate of discount fall. All bankers well know that when the spirit of enterprise languishes, discountable material is wanting, and interest falls. It is necessary to distinguish here, on the one hand, between acute crises, like those of 1847 and 1857, when gold disappears, and when consequently an anxious demand produces sudden and violent elevations of the rate of discount, and, on the other hand, slow crises of industrial anæmia and commercial exhaustion, when capital, for want of employment, is offered at a low price.

Imagine an almost complete suspension of economic movement, prices and discount will fall to a nominal rate.

The facts respecting the period of expansion, 1850-1870, so admirably described and summed up in the masterly work of Tooke and Newmarch, "*History of Prices*," throw full light by deduction *a contrario* on the phenomena of the period of depression, 1873-1879.

What happened after the placers of California and Australia sent their milliards of gold to Europe? At first, gold accumulating in the banks produced a severe fall of interest and a slight rise of prices. These two events, equally favourable to commerce and industry, excited all over the world an unexampled activity. Enterprises of every kind were everywhere started. Thence resulted, first, a great demand for produce and a rise of prices; secondly, a great demand for capital and a rise in discount. After 1873 we witness a reverse phenomenon: silver is expelled, gold becomes scarce, prices fall, industry, losing money, limits its operations, the spirit of enterprise declines, capital, little in demand, becomes a glut, the rate of interest falls. The connection of cause and effect is as evident here as in the period of expansion.

We must now consider more closely what effect is produced on commerce and industry by a slow and persistent fall of prices. This is an economic phenomenon, the importance of which must be obvious to everybody, yet which has hitherto been little studied. I find, however, some very sound reflections on this subject in a recent work by Mr. Erwin Nasse, professor of political economy at Bonn University, one of the most enlightened supporters of the monometallist theory, as also in the report of the Monetary Commission of the American Congress of 1876. It is, of course, necessary carefully to distinguish the fall of prices resulting from a reduction in the cost of production, from a fall produced by scarcity of money. The former offers great advantages, the latter, on the contrary, produces the most disastrous effects, as is well shown by Mr. Nasse. An investment made when prices have risen will involve me in a loss, if prices happen to fall, especially if I have contracted a debt. The latter then becomes overwhelming, and there is a fear of resorting again to credit. The spirit of enterprise is therefore paralyzed. There is no business going on, as people say. I may add that the evil is still more general and serious in industry, in commerce, and in agriculture. Let us take examples. I am a manufacturer, and I buy raw materials at a certain price; while I am converting them into manufactured goods the price drops. Then happens what is often seen in the woollen, cotton, and iron industries. The manufactured merchandise is sold cheaper than the material of which it is made, for the competitor who buys at falling prices can sell accordingly. It is the same with the agriculturist. He takes a farm when wheat is worth twenty-five francs a hectolitre, and calculates on that basis the rent he has to pay. Wheat falls to twenty francs, the farmer is ruined and the landlord has to reduce the rent. His income is diminished, but his obligations to the State as a taxpayer and the interest on his mortgage remain the same. He then, in his turn, feels the pressure, and may be forced to sell his property to get clear. This case being commoner than usual, the result is that the number of estates on sale increases. On the other hand, as people have no confidence in the future, and see the rent of farms constantly dropping, buyers are scarce. In countries with small holdings like France and Belgium, it is the peasants who, buying at any price, push up the price of land; but in falling years the labourer's savings are exhausted; he thinks himself fortunate to retain what he has, and consequently he leaves off buying. Thus, on the one hand, the supply of land increases, and on the other, the demand diminishes. The inevitable consequence is a fall in the selling price of land. My investigations enable me to affirm that this fall is on the average 15 per cent. in Belgium, and 25 to 30 per cent. in England and in Germany, and even more.

The disastrous effects of a diminution of the monetary stock which I have been theoretically explaining, have been produced in a palpable and almost identical fashion under the influence of very similar circumstances, first after 1816, and next after 1873.

These circumstances were, after 1816, the reduction of paper money and adoption of the gold standard by England, coinciding with the marked diminution of the production of the precious metals; and after 1873, the reduction of paper money in the United States, and the adoption of the gold standard by the Union and by Germany, coinciding with the great diminution in the production of gold and with the proscription of silver. This is a chapter in economic history which I think both new and instructive.

England during the war she carried on against France, from 1793 to 1815, was forced to resort to paper money. The Bank suspended specie payments in 1797. Only after 1810 did the excessive issue of notes lead to a nominal rise of prices in paper, which went up to 30 per cent. In order that the Bank might resume specie payments, the circulation had gradually to be diminished, which restored prices to their normal rate. England, at the same time, went over definitively to the gold standard. It was not without difficulty and crisises. In 1817 the Bank temporarily resumed payment, but in 1818 a violent crisis occurred which caused a great suspension. The regular and definitive reimbursement of notes was re-commenced after May, 1821, with a splendid treasury of £11,900,000. To amass this unprecedented heap of gold at a time when that metal was really a rarity, a void had to be created in the rest of the world.[1] At the same time, owing to the wars of Independence, of Spanish American colonies, Peru and Mexico, the production of silver materially diminished. From 894,150 kilogrammes annually during the decade 1801-1810, it sank to 460,560 during the decade 1821-1830, and the production of gold from 17,790 kilos. in 1781-1800 to 11,445 in 1811-1820. The total value of the precious metals annually produced dropped from 265 million francs

[1] In a "Memorandum" furnished to Parliament by the Bank directors in 1832 they give twenty millions as the aggregate amount which they were obliged to obtain from foreign countries, and, as they say, this great supply of gold "could only be purchased by reduced prices of commodities." Thus it is seen that the Bank of England in taking, in 1816-1820, out of the stock of gold of the civilized nations, £20,000,000, was in fact absorbing for England alone a sum equivalent to fifteen times the annual production of gold which was at the time, according to M. Soetbeer, worth £1,320,000.

in 1801-1810 to 161 million francs in 1820-1830. There followed necessarily a general fall in prices, which Mr. Jevons estimates at 30 per cent. at least from 1810-1840.[1] The straits and sufferings which accompanied this change may be traced in Tooke and Newmarch's classic work, *The History of Prices.* Independently of the acute crises of 1835 and 1837, the results of a violent and temporary stimulus, the market was almost always constantly depressed. Thus, from 1839 to 1843, there were eighty-two bank failures, twenty-nine of these being banks of issue.

It was this state of embarrassment which gave rise to the theory of the universal "glut." As the circulation was unsatisfactory, and produce did not sell, it was asserted, as now-a-days, that there was a universal excess of production. A refutation of this doctrine may be found in all treatises of political economy, especially in J. Stuart Mill's. There cannot, say the economists, be a universal glut, for produce is exchanged for produce. If Peter produces two instead of one, and Paul also two instead of one, two will henceforth be exchanged for two as previously one for one.

[1] Here are the very instructive figures borrowed from M. Soetbeer :—

	Kilos. silver.	Kilos. gold.	Total value of average annual production of gold and silver in million francs.
1781-1800	879,060	17,790	259·7
1801-1810	894,150	17,778	265·7
1811-1820	540,770	11,445	161·8
1821-1830	460,560	14,216	153·2
1831-1840	596,440	20,289	205·0

This period of 1820 to 1830, which after such long wars should have led to unparalleled prosperity, was characterized, on the contrary, by cruel distress. The fall of prices was so severe that Brougham proposed to reduce taxes proportionately, and in 1822 the idea was even put forward of reducing the sovereign from twenty to fourteen shillings. Agriculture and industry alike suffered. The distress of the labouring class was evinced in England by bread riots, by threatening Chartist processions, and by demands for help addressed to Parliament. Armed repression had repeatedly, as now in Ireland, to be resorted to. Sismondi speaks of this "great European calamity" in his work, *New Principles of Political Economy*, published in 1827, as follows:—"A cry of distress is raised from all the manufacturing towns of the Old World, and all the fields of the New World re-echo it. Everywhere commerce is struck with the same languor, everywhere it encounters the same impossibility of selling. It is five years, at least, since the suffering began; far from being allayed, it seems increasing with time. The distress of the manufacturers is the most severe, because, unlike agriculturists, their entire livelihood depends on exchanges. The patriotic societies being formed in Belgium and Germany to keep out foreign merchandise are also a grievous symptom of this universal suffering. The (protective) system now prevailing in the public mind has been produced by the distress everywhere visible."

After speaking of the sufferings of the artisans, Sismondi adds:—"At the same time farmers and landlords complain of being ruined; they loudly cry for protective laws, for monopolies; they declare they cannot stand foreign competition, and indeed many farmers become bankrupt, many landowners voluntarily give up a quarter or a third of their rents. Lastly, the frequent incendiarism of crops and farmhouses bespeaks the irritation and fermentation of farm labourers, and the precarious condition of all society."[1]

[1] *Studies in Political Economy*, ii., p. 226. That Sismondi may not be charged with exaggeration for the purpose of enforcing his doctrine of the universal glut, I will quote an extract from a speech delivered in the House of Commons on the 10th July, 1822, by Mr. Matthias Attwood, one of the best informed men of the time on the subject:—"But first he desired the House to consider to what extent and how universal the fall of prices in this country had been, referring to a paper which had been delivered to the agricultural committee of the last session of Parliament by Mr. Tooke, and which contained a list of the prices of thirty of the most important articles of commerce and manufacture, selected as exhibiting the extent of the fall of prices which had taken place on all commercial commodities generally. The prices of all those commodities had fallen to the extent of £40 in the £100. Let this fact, then, be applied to the question as to foreign prices—Was it asserted that a fall of prices as sudden, as great and universal, as this had taken place on the continent at large? If so, it led necessarily to one of these two conclusions: either that all productions had everywhere suddenly increased in quantity, or that money had been reduced in its quantity; for the proportion between money and commodities had been altered, and one of these two conditions must therefore, of necessity, be admitted. Either all the productions of all industry, all climates, and all countries had suddenly increased, which it was impossible to believe; or otherwise, from whatever cause, a reduction in the amount of money generally in circulation has taken place."

This was nearly the picture presented to me by English farms, when I visited them last summer, minus the agrarian crimes reserved for the other side of St. George's Channel: Universal complaints by farmers, fall of rents, farms given up, lands lying fallow, everything just as fifty years ago.

From 1817 to 1827, such were the economic sufferings in the United States, that an increase of customs' duties was demanded as a remedy. The details of this persistent crisis will be found in the reports of Mr. Fearon, sent by the English to America to study the situation. In France, the same pressure,

Mr. Attwood mentions also the fact that the minister of the Netherlands, after describing a state of things somewhat similar to those of England, admits "that the taxes should be reduced in proportion to the decline in produce."

Mr. Attwood, speaking of the state of Ireland, says:—"The want of food in the midst of cheapness had reached to the farmers and small shopkeepers. There was a famine, but it was not accompanied with dearth; the people perished with hunger, but there was no deficiency of food. The farmers were destroyed for want of a market for their productions; the people died without the means of purchasing. That was a condition unnatural, monstrous. They might well say there was something in the condition of Ireland mysterious, obscure, and difficult to be solved."

In the same debate, another member of the House, Mr. Western, said, speaking against the act of resumption:—"Two-thirds of the cultivators of the soil had in the course of a few years, and in a time of profound peace, been rendered insolvent. The turn of the landowners would soon come—they would soon be involved in the ruin of their tenantry."

The champions of monetary contraction replied that the glut arose from over-production. That is what is still said now. The figures collected and classified by M. Soetbeer, which explain the phenomenon by showing the diminution in the production of the precious metals, were not then known.

the same appeal for the protectionist system. In the address of the Chamber of Deputies of the 26th November, 1821, "the complaints of agriculture, that nursing mother of France, were laid at the feet of the throne." The increasing distress in the eastern, western, and southern departments proved that "the measures too late taken against the importation of foreign corn are insufficient." Recently, in the *Société des Agriculteurs de France*, we heard the same speeches, dictated, it must be confessed, by similar circumstances. I borrow from Tooke's book facts which prove that the distress was everywhere the same, as remarked by the King of France, in his reply to the address of the Chamber of Deputies, in 1822. Blake, in his *Observations on the Effect of Government Expenditure*, states that, according to communications received from landowners in Piedmont, the price of agricultural produce had fallen more than one half. According to the testimony of Dutch farmers, the rent of land had fallen more than one-third. The reports of the English consuls of the time are full of details of the fall of prices. In 1819 Hamburg was visited by a series of bankruptcies which led to others all over the north, at Stockholm, Stralsund, Stettin, Riga. In 1820 bankruptcies abroad produced a severe crisis at Hamburg. The premium on gold mounted there nearly 10 per cent., prices fell, and at the same time, the rate of interest remained very low, just because of the stagnation of business. Discount which in April, 1819, was at 3, falls in August to $1\frac{1}{2}$. These few facts, which it would be easy to multiply, will suffice to give an idea of the long and severe crisis which followed the adoption of the gold standard in England, and the reduction of one-third which took place in the annual production of the precious metals from 1820 to 1830.

In his excellent work, *Silver and Gold*, Mr. Dana Horton has proved, in my opinion conclusively, that England in definitively proscribing silver in 1816 committed a great injustice and a great blunder; a great injustice, for the national standard in England was Elizabeth's pound of silver, and by forcing taxpayers to pay the immense debts contracted from the end of the eighteenth century to 1815 exclusively in gold, when that metal was still really scarce, the burdens of the nation were increased in an outrageous degree, to the profit of the fundholders; a great blunder, for England carrying on an immense commerce with India and all silver standard countries had the greatest interest in having with all those countries a common instrument of exchange, formed, that is to say, of the same monetary metal. But for French bimetallism the English trade with Asia would never have found a fixed basis of exchange, and would long have demanded, as it is now doing, the abandonment of the exclusive gold standard.[1]

[1] In his Protest (21 June, 1816), Lord Lauderdale shows very forcibly this great evil:—"By rejecting silver coin as a measure of value, you at once deprive this great mercantile country of the possibility of having a par of exchange with any part of Europe, where, generally speaking, silver coin is exclusively the measure of value: for if gold coin is to be the legal tender in this country, whilst silver is a legal tender in others, the par of exchange must

From 1873 to 1879 the same causes seem to produce similar effects. Germany, like England in 1816, passing over from the silver to the gold standard, hoards the metal whose production is diminishing, and at the same time the coinage of silver is everywhere suspended. There necessarily results a fall of prices and a universal crisis, of which everybody tries to discover the causes. The conse-

depend not only on the balance of remittances, but must be subject to the daily fluctuations arising from the variation in the value of these several metals."—*Hansard*, 1816, p. 1238.

Alexander Baring, first Lord Ashburton, who, according to Mr. Grenfell, had perhaps the largest and most complete experience of affairs of every kind, except military affairs, of any man of his day, gave evidence in 1828 as to the consequences which had followed a blind adherence to Lord Liverpool's doctrines, in which he said:—" He had always thought that it was possible and desirable to maintain in this country, a silver currency, as legal tender, founded on the proportion of silver to gold established in the currency of France, or something very near it." And he gave as a reason for that opinion:—" That a sudden change from peace to war, a bad harvest, or a panic year, arising from overtrading and other causes, imposes upon the Bank of England, which is the heart of all our circulation, the necessity, for the purpose of protecting itself, to stop the egress of specie, sometimes even to bring in large quantities into the country. Now it is evident that the Bank, wishing to reinforce its supply of specie, could do so with infinitely increased facility with the power of either drawing in gold or silver than if it were confined to only one of the metals."

Mr. Dana Horton, in the Appendix ix. of *Documents of the Monetary Conference of* 1878, gives the titles of a large number of works relating to the crisis of 1815-1830.—E. Tatham, *Observations on the Scarcity of Money*. London, 1816, in the *Pamphleteer*.—D. Lubé, *Argument against one Gold Standard*, London, 1832.—F. Nebenius, *Uber die Schwankungen der circulirenden Mediums in Europa*, &c. (D. V. Schr. xii. 1-72).—A. Alison, *England in* 1815 *and* 1845; *or, a Sufficient and a Contracted Money*.

quences of the fall of prices are both curious and melancholy. The first to be noted is that this slow and continuous fall makes manufacturers lose, and thus leads the worst organized to ruin. The number of bankruptcies everywhere increases: in America it rises from 2,915 in 1871 to 10,478 in 1878; in England from 9,194 in 1875 to 15,059 in 1878. In other countries, though the figures are less alarming, they imply a frightful mass of ruins, sufferings, and distress.

The second effect, resulting from the first, is a slackening in the creation of new enterprises. As the existing ones yield losses instead of profits, capital holds aloof; it waits for a revival. I borrow from a Belgian financial paper, the *Moniteur des Intérêts Matériels*, some figures which give an idea of this really extraordinary depression. New investments of every kind in civilized countries reached a total of fifteen milliard francs in 1871, twelve milliards in 1872, eleven milliards in 1873, four milliards in 1874, 1,700 millions in 1875, three milliards in 1876, seven milliards in 1877, four milliards in 1878, and nine milliards in 1879. The effect of the crisis is here clearly evident.

As there are much fewer new enterprises, fewer machines, fewer rails, and fewer buildings, less produce of every kind is required. The diminution of production occasions a lessened demand for labour, consequently a fall of wages. Even in America, about 1876, the number of workmen unemployed or working half days was estimated at three millions. When wages are insufficient they are absorbed by the cost of food, and leave scarcely anything for other wants. The labouring class then consumes fewer textiles, fewer boots, fewer stockings, fewer utensils, and the numerous industries which labour for these various requirements suffer in their turn. In our economic world, which rests on the division of labour, this connection of cause and effect soon embraces the whole circle of productive activity.

Failing remunerative employment, capital accumulates in the banks and in the hoards of individuals, even though it has to be satisfied with the scantiest interest. It finds, indeed, two advantages in this. In the first place, it escapes the inevitable losses awaiting it in commerce and industry. In the second place, while everything around it is declining and lessening in value, it, like the sage of Lucretius, sees its power of acquisition augmenting :—

> "Suave mari magno, turbantibus æquora ventis,
> E terra magnum alterius spectare laborem."

It is when gold becomes scarce that its power is seen. It then becomes wealth in the perfect concentrated and, as it were, ideal state, for by its means everything else is procured in ever-increasing quantity, as admirably depicted by the American Monetary Commission of 1876 :—" The very same reasons which make capitalists refuse to exchange money, whose command over property is increasing, for property, whose command over money is decreasing, also makes them refuse to exchange it for labour. In a commercial sense, industrial enterprises are never undertaken nor carried on, except with the hope and expectation of gain. This expectation, unless under exceptional conditions, falling markets destroy. While capitalists, for these reasons, cannot afford to invest money in productive enterprises, still less can anybody afford to borrow money for such investments at any rate of interest, however low, and but little money is now borrowed, except for purely speculative ventures, or to supply personal and family wants, or to renew old obligations. Money withdrawn from circulation, and hoarded in consequence of falling prices, although neither paying wages, nor serving to exchange the fruits of industry, nor performing any of the true functions of money, is nevertheless not unproductive. It may not be earning interest, but it is enriching its owner through an increase of its own value, and that, too, without risk and at the expense of society. . . . The peculiar effect of a contraction in the volume of money is to give profit to the owners of unemployed money through the appreciation of its purchasing power, by the mere lapse of time. It is falling prices that rob labour of employment, and precipitate a conflict between it and money capital, and it is the appreciating money that renders the contest an unequal one, and gives to money capital the decisive advantage over labour and over other forms of capital invested in industrial enterprises. . . . The labour of the past is enslaving the labour of the present; at least that portion of the labour of the past which has been crystallized into money is enabled, through a shrinkage of its volume, and while lying idle in the hands of its owners, to increase its command over present labour and over all forms of property. The labourers must make their wants conform to their diminished earnings. Consumption is, therefore, constantly shrinking towards such limits as urgent necessity requires. Production, which must be confined to the limits indicated by consumption, is constantly tending to a minimum, whereas its appliances, built up under more favourable conditions, are sufficient to supply the maximum of consumption. Thus idle money, idle capital, idle labour, idle machinery stand facing each other, and the stagnation spreads wider and wider. It is in the shadow of a shrinking volume of money, that disorders, social and political, gender and fester, that communism organizes, that riots threaten and destroy, that labour starves, that capitalists conspire and workmen combine, and that the revenues of government are dissipated in the employment of labourers, or in the maintenance of increased standing armies to overawe them."

It is then, indeed, that Shakespeare can exclaim:—

> "Gold, yellow, glittering, precious gold,—
> Thus much of this will make black white; foul fair;
> Wrong right; base noble; old young; coward valiant."

Exposed to ruin if it moves, certain to win if it remains stationary, capital withdraws from circulation and holds aloof from production.[1] Consumption is

[1] In a paper entitled *Du Caractère de la Crise économique actuelle*, M. George de Laveleye brings out in strong relief this inertia of capital:—"The characteristic sign of the crisis raging all over the

then reduced, a market is lacking, machines put out their fires, labour is wanting. There is the spectacle of that general stagnation, wrongly attributed now to a universal glut, now to over production, now again to foreign competition.

As a still more curious consequence, the capitalist, by reflex influence, is struck in his turn. Alison, in his *England in* 1815 *and in* 1845, speaking of the monetary contraction which followed the resumption of payments in gold by England in 1819-1821, says: "There is no doubt that the reduction of the rate of interest inflicted on holders of capital as great a loss, in many cases, as that undergone by the producing classes through the fall in the prices of merchandise. It was during the period of low prices which followed 1820, that France converted the 5 per cents. into 3

world since 1873 is an enormous abundance of money which everywhere remains unemployed, occasions a rise in public funds, and a fall in the interest of money, and is at the disposal of business or investments which hitherto do not offer themselves." The cause of this fact, according to the author, must be sought in the narrowing of the field of employment. By forty years investments Europe has been thoroughly equipped for labour; factories, railways, canals, bridges, have been constructed: what is there left to do for the new capital created by savings? The yield of investments will therefore fall from 4 to 3 for unquestionable securities, from 5 to 4½ or 4 for probable securities, from 8 to 6 for industrial enterprises, from 10 to 8 for speculations. I think that this remark, partially corroborated by M. Paul Leroy-Beaulieu, is well founded, but it is not sufficient to explain the intensity and universality of the present crisis, which is felt even in India and America. In the United States the field of employment was certainly not lacking, yet there was a crisis. Since our gold has been flowing thither a marvellous activity has reappeared.

per cents., and England her 4 into $3\frac{1}{2}$; the same phenomenon happened during the crisis of 1873-1879. Capital, shunning industrial enterprises, took refuge in what the Bourse styles investments *de tout repos*,—State funds, municipal loans, first-class securities, and debentures. Under such circumstances a state converts its loans from 5 into 4 or 3 per cents. Unconvertible securities rise, so as to give 1 or 2 per cent. less to those buying them. The basis of capitalization is changed at the expense of the new capital seeking employment. The fundholder's income falls to the level of the new prices. A period of general impoverishment is thus gone through, until economic life resumes its usual march with a reduced monetary circulation. The equilibrium is then re-established, except for all long-term debtors, taxpayers, landowners in debt, industrial companies with debentures, &c. The taxes and annuities to be paid remain the same, and to meet them more articles have to be handed over, because they have fallen in price.

"In what proportion did the monetary contraction contribute to the crisis of 1873-1879? I should not yet venture to be positive on this point, but everything tends to the belief that it was one of the chief causes. This crisis, indeed, is not due to a general over-production. In the first place, such excess of production has been witnessed only in the metallurgic industry. In the second place, the march of over-production crises is well known. They do not last long, for, on the one hand, the worst equipped factories cease to manufacture, and, on the other hand, the fall of prices leads to an increase of demand which soon restores the equilibrium. Economists, moreover, have demonstrated that there cannot be a universal glut. I have already remarked that stagnation could not be attributed to the lack of a field of employment, which certainly was not wanting in America, as is now quite evident. There is but one absolutely international element of the economic life of nations, and which has been everywhere exposed to a more or less severe derangement, viz., money. History teaches us, too, that the increasing or diminishing influx of metals has always exerted on prices an influence not proportionate, yet certain. Since the fifteenth century prices have quintupled, because America has flooded us with its treasures. From 1810 to 1848 we see contraction of the means of exchange and a marked fall in prices. From 1850 to 1870 the influx of gold from Russia, Australia and California produce a rise of 10 to 20 per cent. in prices. From 1873 to 1880 again, we see a diminution in the annual supply of money, as in the beginning of the century, and a simultaneous fall in prices. These facts, it seems to me, warrant the conclusion that any measure tending to lower prices should be absolutely condemned. As Mr. Jevons has said:—" It stands to reason, of course, that if several nations suddenly decide that they will, at all cost, have gold currency, to be coined in the next few years, the annual production cannot meet the demand, which must be mainly supplied, if at all, out of stock. The result would be a tendency to a fall of prices."

II.

Let us now examine the remedies proposed for the evils resulting from the monetary disorder prevailing all over the world since 1873. We must not forget that it is a mysterious, "insidious" disease, to use M. Ernest Seyd's very appropriate expression. I will here borrow a simile from Mr. Stanley Jevons, whose book, *On Money*, and whose investigations of prices are so well known. Value, he says, is the most invisible and intangible of spirits, it comes and goes without being suspected, whereas tangible and palpable matter remains the same. How obscure and uncertain are human affairs! Nothing affects us more closely than this question of value and of the money which measures it, for it affects the property, income, or wages of us all; yet nothing is more difficult to be elucidated, nothing is less understood. The value of things diminishes; my balance-sheet shows a deficit. Why? a gold sovereign is still a sovereign. No doubt, but there is less gold: therefore to obtain the equivalent of a sovereign I must sell or place in my balance-sheet more articles.

Some economists, in the fore-front of whom should be named M. Michel Chevalier's learned successor, M. Paul Leroy-Beaulieu, think the evil arises from the double standard existing in France, and that in order to cure the Continent, economically ill, the gold standard must be adopted. Others, like Mr. Goschen, say that every fresh demonetization of silver "would produce a more disastrous crisis than any of those recorded in history," but they advocate a compromise; nations should be divided into two groups, the civilized using gold alone, the others silver alone. Yet other economists, like M. Cernuschi, think the cure consists in the adoption of the simultaneous employment of both metals with a fixed and uniform ratio, that is to say, of international bimetallism. These last ideas, as is well known, induced the convening of the Monetary Conference which met this year (1881) on the 19th April at Paris.

Let us first look at the gold standard panacea, and let us listen to M. P. Leroy-Beaulieu. My system, he tells us, is the only rational one. As to the fear of a dearth of gold, it is childish. Mines, it is true, are producing much less, and America is carrying off the gold it lately sent us, but credit, railways, and telegraphs will allow of the same amount of exchanges being effected with less gold.

I think, for my part, that the monometallic system is not the most rational. It is simpler, like the political system which consists in having only one Chamber, but in the complexity of social affairs the simplest mechanism, though it may seduce mathematical minds, does not usually respond to the historical necessities and requirements of mankind. I set aside, however, theoretical discussion in order to keep for the present to this very practical question: Assuming gold monometallism to be best, is there enough of that metal to enable civilized nations, especially France and Germany, to dispense with silver as legal tender?

On the eve of the Monetary Conference of 1878, I endeavoured to show that both metals together scarcely sufficed for monetary and industrial consumption. In an important work, *Zukunft des Goldes* (*The Future of Gold*), an eminent Viennese geologist, M. Suess, proved that gold must become rarer in proportion as civilization exhausted the new placers from time to time discovered, and this forecast has already been realized in these three last years, for the production of gold is constantly falling. Let us try and draw up the gold budget, putting on one side what is produced, on the other what is consumed.

The production can be established with tolerable precision. According to Sir Hector Hay, the English authority often appealed to, the total was 460 million francs in 1874, 485 in 1877, and 400 in 1879.[1] An economist who studies the monetary question with extreme care and a thorough knowledge of details, M. Otto Arendt, estimates the total production for 1880 at 450 million francs (£18,000,000), thus allotted:—Russia, 125 millions; United States, 150 millions; Mexico and South America, 37½ millions; Australia, 112½ millions; other countries, 125 millions. The estimates for Australia vary very much, because the quantities of gold extracted pass

[1] According to Sir Hector Hay the quota contributed by each producing country to this last total (1879) is as follows in francs:—United States, 162,500,000; Australia, 87,500,000; Russia, 112,500,000; other countries, 37,500,000; total, 400,000,000. The figure for Australia is, I think, below the reality: it is generally stated at 125,000,000 francs.

from one province to another, and are thus reckoned twice over; this explains why Sir Hector Hay's figures are generally below those found elsewhere. As for the United States, those of the well-known firm of Wells and Fargo are generally accepted. Notwithstanding the differences of details the total of 450 millions is universally adopted. Compared with the golden years of the placers, the production has fallen off by 300 million francs, which is enormous.

This total production of 450 million francs is evidently inadequate for the actual wants of humanity, and much more so if the civilized states adopt the gold standard.

But what is especially important for Western Europe, which does not produce gold, is not merely what is yearly extracted from the mines, but what may reach it from the producing countries. In this respect the future presents itself under still gloomier colours than when the decreasing figures of production are considered. England, as is well known, is the great market whither the precious metals flow from all sides. Here are the proportions in which the stream is being reduced:—From 1858 to 1877 England yearly received on the average 160 millions of francs from Australia, and 140 millions from the United States. In 1878 there still arrived from Australia nearly 140 millions, but in 1879 only seventy-seven millions, and in 1880 eighty-five millions, with insignificant quantities from the United States, neutralized by enormous exportations.

In France the imports of gold in bullion and coin in the decade 1860-1869 were 400 millions per annum. They gave place to an excess of exports of 176 millions in 1879 and 218 millions in 1880. No doubt the bad harvests of these last years account for these great differences, yet certain recent phenomena seem likely to last. The *Economist* has remarked that Australia is beginning to keep its gold, in the first place, for home employment; and secondly and especially, for the requirements of its direct trade with the extreme east of Asia.

When the United States were under the greenback system, all the gold produced left for Europe. It now remains in the immense Republic, which seems insatiable.

The third great producer is Russia, which extracts from Siberia 125 million francs of gold. But as she has indirectly increased her customs' duties by requiring payment in gold, it follows that Russian gold will henceforth, to a large extent, remain in Russia, pending the possibility of a metallic circulation.

Unless a very unexpected change occurs in the international balance of trade, the share of gold obtained by Europe will diminish, until extremely reduced prices call it back.

Let us now try and calculate the consumption of gold. This budget, like that of every state, is divided into two distinct accounts, the ordinary budget and the extraordinary budget. M. von Neumann-Spallart, of Vienna, publishes a yearly return of the commerce of the world, in which the data on this point are summed up and verified with irreproachable accuracy. He gives the various estimates recently made respecting the industrial consumption of gold. The English economist, Mr. Fawcett, who is a member of the present ministry, states it to be 500 millions. Mr. E. Pierrepont, examined by the American Monetary Commission, estimates it at 250 or 275 millions of francs. The estimate thus varies from 250 to 500 million francs. In the United States, according to the Director of the Mint, industry has absorbed in 1880 fifty millions of francs; France takes at least as much; England more, probably seventy millions; in Holland the gold passing through the treasury in 1877 amounted to six millions, or 1½ francs per head.

These figures tend to show that 250 millions may be accepted as a minimum.

India, during forty years, has absorbed about sixty million francs of gold per annum. M. P. Leroy-Beaulieu assumes for the wear of money sixty millions a year, but if the States now using either paper or silver went over to the gold standard, this figure, taking the same basis, would have to be raised to ninety millions. M. Michel Chevalier estimated that hoarding and losses carried off another fifty millions.

The annual coinage of gold has been for twenty-nine years nearly 800 million francs. Deduct what you will for the double reckoning of money coined in one country with the metal of coins coming from another country, and a considerable sum will yet remain. It would have to be materially increased under the universal gold standard, inasmuch as only one great State, England, has it now, and as all the other States must then be provided for. It is needless to add up these figures; they conclusively show that the gold annually produced is already, and would become in the future even still more insufficient for the requirements of the world.

I might here invoke the opinion of all competent authorities. I will cite that of Mr. W. Bagehot, the late editor of the *Economist*, a clear and far-sighted mind to the highest degree. Mr. Bagehot wrote, now four years ago:—"England alone absorbs on the average £4,432,000 of gold a year, which makes more than a fifth of the total production. If America, Germany, and the Latin Union went over to gold, there would certainly not be too much of it. The monetary markets of the world would probably be tight through this insufficiency." He did not speak either of Italy or Austria, still less of Russia; yet these three States, with their 144,000,000 of inhabitants, will wish for their share of the metal being scrambled for. Italy is at this moment claiming hers. I do not think there is a well-informed economist who would undertake to prove that Mr. Bagehot was mistaken.

Notwithstanding all the perfection of credit, the need of gold, instead of being narrowed, will be necessarily enlarged for various causes such as these: first of all the increase of population in countries where gold would be the sole standard.

This increase certainly exceeds five millions a year, inasmuch as it is a million in the United States alone.

How much metallic money is required per head? This evidently depends on the total amount of business, the rapidity of circulation, and the more or less extensive use of instruments of credit.

The Italian finance minister—a distinguished financier and economist—M. Magliani, has summed up some interesting facts on this point in his statement of the reasons for the abolition of forced currency. According to his calculations, there should be in fiduciary and metallic money 277 francs per head in France, 142 in Great Britain, 119 in the United States, and 98 in Germany. These figures seem to me too high, even including the two metals, fractional money, and non-converted notes. M. Soetbeer reckons in all for countries considered civilized 16,735 millions of francs.[1] M. von Neumann arrives at a much lower total. But as several States

[1] It may not be uninteresting to reprint here the detailed figures of M. Soetbeer, adding that they are very approximate estimates. The English Silver Commission of 1876 asked Mr. Bagehot what he thought was the monetary stock. "I might," he replied, "give you a figure, but it would not be worth the paper it was written on." This was going too far. Here is M. Soetbeer's estimate :—

	Francs.
Great Britain	3,375,000,000
English Colonies and India . . .	750,000,000
Latin Union	6,250,000,000
Low Countries	122,500,000
Scandinavian States	257,500,000
Germany	2,000,000,000
Rest of Europe	1,875,000,000
United States	2,105,000,000
General Total . . .	16,735,000,000

have only paper money, the general average cannot be taken. France is an exception through the abundance of her metallic money, as England is by the way in which she supplements it. If Germany were taken as a rule, we should arrive at forty-six francs per head. Reduce it to forty francs, and there would still be 200 millions a year required to keep the metallic circulation on a level with the demands of population increasing at the rate of five millions a year.

Not only does the number of people increase, but they produce and exchange much more. The figures summed up by M. von Neumann are both curious and instructive. The special commerce of the chief countries of the world, not including freight, may be represented by the following figures in milliards of francs:—1860, 28; 1865, 35; 1872, 53; 1876, 54; 1878, 55.

The increase, formerly enormous and regular, suddenly stops the very year silver is proscribed. No doubt this increase does not necessitate the employment of a proportionate quantity of precious metals: far from it. Credit comes in for an increasing share; nevertheless, a certain quantity of coin is still necessary as basis of credit.

Another circumstance often overlooked is at the same time very important. The rising tide of civilization is constantly reaching new regions and awakening therein the spirit of enterprise. Exchanges multiply and prices rise. This is what must inevitably happen in the whole east of Europe and the whole west of America. When in Bulgaria a sheep costs thirty francs instead of ten, more money will be needed to pay for it. This phenomenon of the absorption observed in India after the "cotton years," in 1864, has been observed in the United States in colossal proportions. The milliard francs of gold sent by Europe in two years to America has been absorbed by the far West, and at this moment, metal is so scarce at New York, that banks have fallen below the statutory limit.

As remarked by Mr. Cliffe Leslie, the milliards poured on the world after 1850 by Australia and California did not raise prices in France and England to the extent foretold by M. Michel Chevalier, because that gold was scattered over vast regions which had been left outside of the current of the precious metals arriving in Europe after the 16th century. According as prices rise in these remote regions, more coin, solely for this reason, becomes necessary.

According to another remark by Mr. Leslie, the gold and silver converted into articles of luxury or ornament are not only taken away from the exchanges, but require metal in their turn in order to be exchanged. How should gold alone, whose production is declining, be sufficient for all these requirements, expanding in all directions with increasing intensity ?

But railways, telegraphs, and credit, it is said, diminish the use of gold. This is true compared with the amount of business transacted, but it is the reverse of the truth, taken absolutely, for these improved means of exchange increase business on an incalculable scale.

Let us first correct certain erroneous but widespread ideas respecting the influence of credit on circulation and prices. Bank notes can be reckoned only as supplementing metallic money by the quantity not covered by coin. The metal which is not in circulation cannot be added to the note which represents it, and which circulates. The old Bank of Amsterdam and the United States' Mint have issued notes, certificates of the deposit of metal. This deposit of gold or silver which remains stationary is, therefore, of as little assistance to the circulation as if it were still at the bottom of the mines. Bills of exchange, so far from effecting a payment like the bank note, usually require two payments instead of one. I sell merchandise for one thousand francs; I draw a bill for that sum, and I receive the amount from the banker who discounts it: first payment. The banker presents the bill on its falling due: second payment. The bills remain in the banks, covering the notes which circulate instead of them. The influence of cheques on prices is still ill defined. In any case, only cheques exchanged at a certain day can be reckoned. It would be as absurd to add up all the exchanges settled by cheques in a month or a year, as to cast up all the payments effected in a year by means of coin. Instead of one year, why not extend the calculation to ten years? To get the statistics of instruments of exchange of various kinds, it is, first of all, necessary to assign only a very small share to those which simply defer payments by multiplying them, like bills of exchange; and, secondly, to reckon them at a certain moment, and not to add up all the operations they effect.

These precautions of calculation being taken, it may be admitted that credit partially replaces money; but, on the other hand, it considerably stimulates transactions and facilitates enterprises, this requiring more instruments of exchange. It is with this view that their organization or extension is demanded. Extending credit acts like an influx of gold; it progressively increases the use of it. Every atom of precious metal which issues from the mine makes an opening for itself, stimulating along its course fresh activities. The proof of these curious phenomena will be found in the very complete chapter devoted by Tooke and Newmarch, in their *History of Prices*, to the influence of Australian and Californian gold on social progress. Railways and telegraphs act in the same direction, and still more powerfully. After 1850 M. Michel Chevalier predicted that gold would fall 50 per cent. Newmarch insisted that the new gold would find employment if only in the construction of railways, and would consequently lose none of its value. Newmarch has proved to be right.

What an astounding mass of payments, indeed, have not been called for by the construction of these railways and the traffic they create! The total cost of the 350,000 kilometres existing in the world is estimated at 4,000 million sterling, which sum has had to be expended for navvies' wages, iron rails, sleepers, and rolling stock. The approximate receipts of a million sterling a day, and an expenditure, including the payment of dividends, to the same amount daily, produce the transfer of more than two millions. What an item in our individual expenditure is the cost of railway journeys! You go and spend six weeks at Nice or in Italy. To attend a dinner or a funeral you go from one end of your country to the other. The peasant, as long as he is at a distance from the new highways, remains under the shadow of his church steeple; but let the railway pass near him, and he, in turn, sets off to visit the country town, or even the metropolis. All these caravans of human beings, everywhere on the move, require money in their pockets, which they did not formerly need. Some years ago, the foreigner's dream was to go once in his life to Paris.

Steamers and railways allow of immense exchanges between country and country previously undreamed of, and consequently necessitate those heavy remittances of cash of which we must speak, seeing that these have afresh called attention to the monetary question.

A gigantic economic phenomenon is going on under our eyes. The commercial axis of the world is being shifted. The development of the United States, accelerating with wonderful rapidity, is entirely altering the industrial situation of Europe. Henceforth we are dependant on America, for it is she who supplies us with a large portion of our food and raw material, and, to pay her, we must send her either merchandise or precious metals. If we can send her manufactured goods, our industry revives, as was seen last year; if, on the contrary, we should have to go on sending her our precious metals, we should be exposed to a terrible crisis, whose disastrous consequences it is impossible to foresee.

In order to understand the importance of the phenomenon, we must again quote figures. A moment's attention must be allowed them if it be admitted that they contain the secret of our economic destinies. The great fact which has of late produced alarm is the despatch of gold we have had to make to America. It was fifteen millions sterling in 1879, fourteen in 1880, and more than fifteen millions between the end of the United States' financial year (30th of June, 1880), and March of the present year. The flow of gold is going on as I am writing these lines, and the recent report of the Finance Department of the American Union says on this point, "The considerable excess of our exports over our imports makes it probable that we shall see the monetary current continue to flow towards America, perhaps on a still larger scale than heretofore."

Only a few years ago we yearly sold to the United States more than they bought of us, and consequently to pay the difference they sent us the gold and silver they produced. Now that they have abolished their forced currency, they keep their gold, while, by a sudden and unprecedented change, their exports exceed their imports by more than eighteen millions sterling a year, whereas they were before always below them. It is evident that if Europe, which produces no gold, had to go on sending twelve to sixteen millions of that metal every year to America, we should soon be reduced to silver or paper money. Our imports have been exceptionally swollen, because successive bad harvests have forced us to apply to the Union for an extraordinary supplement of wheat, but the disquieting and unknown factor which appears before us is this. From the remotest antiquity there has always been a metallic current drawing silver to India and the extreme east. The cause of it is manifest. We apply to Asia for commodities we cannot obtain at home, tea, cotton, spices, indigo, various tissues, and the Asiatics buy comparatively little of our manufactured products. May not a permanent and more or less intense gold current establish itself between Europe and America? The situation is not without analogy to the Indian trade, for we have absolute need of some of the American products, such as wheat, petroleum, and cotton. America, on the contrary, tends more and more to dispense with our goods, because with better educated and more intelligent workmen, and a more general use of machines, she manufactures as well as, and sometimes better than we. To cite but one fact, I confess that I cannot see American watches figuring in shop windows at lower prices than Geneva ones without being uneasy. When I receive a book from the United States, I cannot help admiring the print, the paper, and even the string around it. The growth of America and the advance of her industry are stupifying. I will mention but two instances.

The United States had, at the end of 1880, 150,000 kilomètres of railway, Europe 175,000; their network being thus nearly as extensive. Last year they constructed 11,500 kilomètres; in other words, they would take less than three years to make a network like that of France, which at the end of 1880 was 27,700 kilomètres. Hitherto we have partially paid America by sending her iron rails, especially the Bessemer steel rails. But look how the iron industry has progressed in the United States. In 1877, 560,587 tons of that steel were produced; last year, 1,203,173 tons, or an increase in four years of 115 per cent. This year the latter figure will be greatly exceeded, for immense new furnaces have been established, the Vulcan Steel Works at St. Louis, the Pittsburg Bessemer Company, the North Chicago Steel Company, and the Colorado Iron Steel Company. Old firms like the Bethlehem and Pennsylvania Steel Works have been considerably extended. The production of Bessemer steel in the United States will soon therefore equal that of England. In pig iron the advance is less rapid: it has risen from 2½ million tons in 1872, to 3,900,000 in 1800. In England it is 7,800,000. Last year England sent to North America nearly 2,000,000 tons of iron and pig iron, but this was a temporary phenomenon. In 1878 the export was only 105,000 tons. Probably it will cease entirely.

The result of these facts is evident. The American market will gradually be closed to England. It will, on the contrary, remain much more accessible to

French products, which are specialities, such as wines and all articles whose value consists in taste and elegance. Stuart Mill has shown that gold cannot continuously pass from one country to another. Wherever gold accumulates, he says, prices rise, whereas they fall wherever coin diminishes. A moment therefore inevitably arrives when the dear country has an interest in buying more in the cheap country: an equilibrium is thus effected. The example of India proves however that this law is not without exceptions: India absorbs silver regularly and uninterruptedly, because it is there partially withdrawn from circulation to form hoards or ornaments. This will not happen in the United States to the same extent as in India, yet it is unanimously testified that the negroes are beginning to form small hoards, and that the people of the West are showing an unwonted preference for hard money, that is to say, for metallic money. When will this absorption of gold in hoards and in circulation come to an end? It is difficult to foresee, especially as under the influence of European gold a period of rising prices is evidently beginning in the United States, and consequently one of expansion of all economical activity, very similar to that which followed the arrival of Californian gold after 1850. There, too, the inflowing metal will first find employment in an increasing number of enterprises and exchanges. It will partially resume the road to Europe, according to Mill's theory, only when industry at bay has reversed the balance of trade by famine prices.

Let us sum up the ordinary budget of gold. The figures are so alarming that we hesitate to give them. The general conclusions are these: Production is yearly diminishing and requirements go on increasing through the development of civilization, commerce, and industry, notwithstanding the improvement and more frequent use of instruments of credit. The probable balance of trade between Western Europe and gold producing countries, California, Russia, and especially America, tends moreover materially to reduce, if not entirely to suspend the influx of that metal.

Let us now look at the extraordinary budget, I mean the demands which, once satisfied, will not recur, bearing in mind, however, that the maintenance of the new gold circulation would require an increased annual consumption. Let us begin with Italy. According to the finance minister, M. Magliani, Italy requires, besides a milliard francs of notes, 1,200 millions of coin. She is borrowing only 400 millions in gold, because she counts upon silver. To substitute the gold for the silver standard in France, Belgium, Switzerland, Spain, Greece, Roumania, Holland and her colonies, four milliards would scarcely be enough. The learned professor of Friburg University, M. W. Lexis, estimates that to establish a full circulation in Germany and the United States on the sole basis of gold and notes payable at sight, without paper money, two milliards at least would be necessary. Austria will probably soon endeavour to resume specie payments, in which case she would require one-and-a-half milliards. It follows that, without reckoning Russia, the total requisite for passing over to the sole gold standard would be from seven to eight milliard francs. Where would these be found when the production is already inadequate? How could this reform be effected, when Germany, though with five milliards of tribute at her disposal, has not arrived at it? Who would now venture to propose a re-commencement of the ordeal? It is needless to dwell further on this. The long-cherished dream of the exclusive gold standard appears after this decisive experience as an impracticable Utopia.

As is well known, there are now two schools of political economy: the old school, which from certain abstract principles deduces absolute rules, regardless of traditional necessities or existing realities, and the new school, which shows that these very principles are often unsound because incomplete, and that history must moreover be taken into account. M. P. Leroy-Beaulieu in France, and Mr. Cliffe Leslie in England, have justly and severely criticized the old method which has already caused mankind so many evils.

It is in its name that the necessity of the single standard is imposed as a dogma. From the remotest antiquity both metals have served as money on an equal footing. All treatises on Political Economy show that they have alike the qualities fitting them for the function of an instrument of circulation. Arbitrarily to expel one of them is to cause the most serious derangement in all business and all prices, for it is considerably to reduce the basis of them. No matter, the theory is true,—it must triumph even if it is to reign over ruins. The historical school, on the contrary, relying on geology and tradition, defends the traditional function of gold and silver.

The system which consists in dividing nations into two groups, one with gold and the other with silver money, is more feasible, for it is that which now exists, not *de jure*, but *de facto*. But its consequences are so disastrous for the trade between the two groups, as shown by the petitions of English Chambers of Commerce and the recent memorandum (1880) of the Finance Department of India, that it cannot be deemed a definite solution. One example will make this serious detriment apparent.

I sell to India, Chili, or China, merchandise for 200,000 francs. I shall receive in payment 1,000 kilogrammes of silver or an equivalent bill. What are these 1,000 kilogrammes worth ? That depends on the price of bar silver at London, which formerly was regularly worth rather more than 60*d.* an ounce, but which is now worth 55*d.*, 52*d.*, 50*d.*, or even only 47*d.*, as in 1876. I am, therefore, paid in a merchandise constantly variable. The barbarous period of barter is restored.

As long as the Paris Mint gave 200 francs for a kilogramme of silver $\frac{9}{10}$ fine, the price of that kilogramme could not fall below 200 francs, less the cost of carriage. This is theoretically evident, and M. Ernest Seyd has proved, by precise and irrefutable figures, that the variations in the value of the white metal quoted at London never really exceeded that limit. The conclusion is that it was French bimetallism which supported English monometallism.

As plainly shown in an able pamphlet, *Monetary Relief*, recently published under the signature of Nemo, "owing to the proximity of London and Paris, England was virtually in the position of a French department. The certainty of being able at any moment to exchange silver for gold at Paris in the ratio of $15\frac{1}{2}$ to 1 rendered impossible the maintenance of an appreciably different ratio at London." The fixity of price of silver and of the monetary exchange with silver money countries has now disappeared. This is for England especially a cause of losses and perturbations, of which commerce loudly complains.

It now remains for us to consider the third remedy proposed, international bimetallism. Bimetallism, as is well known, is the French system. It consists in establishing a fixed ratio of 1 to $15\frac{1}{2}$ by according free mintage to gold and silver, which converted into legal money become unlimited legal tender. This system has at nearly all times and everywhere existed, but as a natural fact, so to speak, without scientific or logical basis. The law of 1803 in France gave it this. It can invoke in its favour illustrious names, such as Newton in England and Hamilton in America.

Alexander Hamilton, distinguished alike by his far-seeing wisdom and his practical and comprehensive knowledge, in his masterly Report of January, 1791, to Congress, upon the establishment of a Mint, in speaking of gold and silver coinage, used the following language:—"Upon the whole, it seems to me most desirable not to attach the unit exclusively to either metal, because this cannot be done effectually without destroying the character of one of them as money, and so reduce it to the character of mere merchandise. To annul the use of either of the metals as money is to abridge the quantity of circulating medium, and is liable to all the objections which arise from the comparison of the benefits of a full with the evils of a scanty circulation. It is often in the case of trade as desirable to possess the kind of money as the kind of commodities the best adapted to a foreign market." [1]

Its "doctrinal" theory was laid down, however, for the first time by Sismondi, whose arguments have been developed by Wolowski in his defence of the existing monetary system against Michel Chevalier who wished, as will be remembered, to substitute for it the single silver standard. M. Cernuschi, Vrolik, and others, have since greatly strengthened the theory by adding the condition of "internationality."

It was under this form of international bimetallism that the doctrine made its late decisive conquests in Italy, in Holland, in the United States, and in Germany, where it can count among its partisans the most competent representatives of economic science, Rau, Roscher, Adolf Wagner, Schäffle, Lexis, Otto

[1] "The certain preventive of fluctuations in the comparative value of the two metals will be found in the diffusion of both throughout the world, and this diffusion depends upon their becoming a joint standard of value."—HUGH McCULLOCH, *The North American Review*, June, 1881.

Arendt, von Stein, and Joseph Neuwirth. Even Soetbeer, the head of the monometallists, has acknowledged international bimetallism to be not only theoretically justifiable, but practicable. England, in turn, seems now being converted in the train of Mr.. Henry Hucks Gibbs, exgovernor of the Bank of England, Mr. Grenfell, its present governor, the Liverpool Chamber of Commerce, and the Finance Department of India.[1] What is more, the system was translated into action by the Congress of the United States in the Allison Bill of 1878, which offered a monetary union of the civilized world on this basis.

The two great objections made to bimetallism are these: First, it is absurd to establish a fixed ratio between two merchandises; secondly, the double standard is only an alternating standard, for the metal in demand outside the country flows out and is replaced by the depreciated metal. Let us briefly consider the weight of these two objections.

Law, it is said, cannot decree that 1 kilogramme of gold shall always be worth 15½ kilogrammes of silver, any more than it can decide that one hectolitre of wheat shall always be worth two hectolitres of oats. If the monetary system thus caricatured was of such manifest absurdity, nobody could account for its having worked in France for seventy years, to the

[1] Here are the concluding words of a memoradum of this department on bimetallism (June, 1880):—" Unless resort is had to the only effective remedy, namely, the readmission of silver to the function from which it has been arbitrarily expelled, there will open before the world a period of incalculable sufferings and evils."

satisfaction of the whole world, and for its being supported by the leading economists of Germany, Italy, America, and Holland. But the objection rests on a misconception. Money is confounded with other merchandise, whereas it essentially differs from them. Money is indeed a merchandise, as far as it is made of gold or silver, but it is a merchandise of a peculiar nature. It is pre-eminently an instrument of payment created by law, and endowed by it with a fixed paying power.[1] Thus, there are two notes whose intrinsic value is *nil*. On one is inscribed 100 francs, and on the other 1,000 francs. On condition that the State receives them in its Treasury at that rate, and even without obliging individuals to accept them, these notes will circulate at the legal rate as long as the quantity in circulation does not exceed requirements. Unconvertible, they will even be at a premium, if the quantity in existence is below that required by the necessities of exchange. This was seen

[1] Aristotle, the most sagacious of philosophers, has brought out into bold relief, in his *Ethics*, this character of money :—"By virtue of a convention, money has become the medium of exchanges. We call it *nomisma*, because it is such by the effect, not of nature, but of law, and because it is in our power to change it and render it useless." When we say "money," *nummus*, we recall therefore the action of law. Turgot and Condillac were not right in saying that all *money is merchandise*. Money is the measure of value, and the instrument of exchange established by law. Gold and silver, when money is made of them, are merchandise, but a merchandise whose value is fixed by law, and production limited by nature. The legal character of money has been well brought out by M. Cernuschi, and also by Mr. Dana Horton, in an Essay, *Money and Law*, translated myself: *La Monnaie et la Loi*, Paris, Guillaumin, 1881.

after 1848. What maintains the value of the note, even more than its equivalent value in metal, is the limit fixed to its multiplication by law, or by the amount of bullion in the bank of issue. Notes are then subject to the law regulating the value of everything existing in limited quantity, such as old pictures and statues. The demand alone fixes the price, which is what is called a monopoly price.

As to gold and silver, with free coinage, the quantity of money is limited, not by law, but by nature itself, which furnishes the precious metals only in very limited and usually very regular quantity. The purchasing price is fixed by the Mint at 200 francs the kilogramme of standard silver, and 3,100 francs the kilogramme of gold. Bimetallic law does not assume that the ratio it fixes will always remain unchanged; it only says that the Mint will always give legal money for silver or for the gold at the legal ratio. But, in fact, the power of the Mint price is so great that it makes the market price. If these metals became as abundant as iron, such a rise of prices would result that they would become unfit to be retained as money, but in fact, and owing especially to the too little noticed phenomenon that the first effect of a fresh influx of gold or silver is considerably to stimulate the economic movement, it has happened that, except after the discovery of America, the supply has scarcely exceeded the demand. During the early part of this century it was even inadequate, and the result was a disastrous fall of prices. Nature itself thus gives a basis to bimetallism.

There is, however, another danger which it may incur, one arising not from a natural event, but from the act of man. If, for instance, in France the law allows you to pay a debt with 1 kilogramme of gold, or with $15\frac{1}{2}$ kilogrammes of silver, while in the United States the debtor must hand over 16 kilogrammes, as is now the case, it will be the interest of the American creditor to get coined at the French Mint $15\frac{1}{2}$ kilogrammes of silver, with which he will obtain 1 kilogramme of gold, the latter sufficing to pay his debt. He will gain 100 francs, less expenses. It was the transfer operations carried on by metal merchants which, at different times, cleared off now gold and now silver from the United States, England, and other countries. The reason for this is very simple.

Metal goes where it is most valued. When therefore the ratio between gold and silver is not identical in great countries having many commercial relations, bimetallism is menaced or weakened by what is called Gresham's law.

France alone was able to resist this inconvenience by maintaining all over the world the ratio of 1 to $15\frac{1}{2}$ fixed by her and without either her gold or her silver being ever exhausted, for we have still napoleons of the first Empire, despite the scarcity of gold prior to 1850, and 5 franc pieces, despite the extraordinary demands of India after 1864.

To withstand the operations of metal merchants, there is a very simple means. It has been pointed out very clearly by Newton and recently very ably developed by M. Cernuschi. Let all countries agree in establishing the same ratio of value between gold and silver, and transfer operations thenceforth become impossible. If at Paris, London, Berlin, New York, and even Calcutta, I obtain exactly 1 kilogramme of gold for $15\frac{1}{2}$ kilogrammes of silver and no more, I shall have no interest in buying gold with silver, at any of those places. This conclusively shows that if all countries adopted bimetallism based on a uniform ratio between gold and silver, the alternation of the two metals by the act of man would be impossible. This is as clearly demonstrated as a theorem of geometry or algebra can be. It follows that the nearer this ideal is approached, the firmer will be the basis of bimetallism.

Dutch monetary documents, whose authority is generally acknowledged, and the coryphæus of the monometallists of the world, M. Soetbeer, admit that the agreement of England, the United States, Germany and France with the Latin Union would suffice to maintain the stability of the ratio adopted. To what country indeed could people go to coin either the gold or silver sought to be exported outside such a powerful union ?

The immediate and permanent advantages of this solution to all civilized countries are evident. It puts an end to those violent derangements of the money market which have been the inevitable consequence of the violence offered to history and nature. Germany has no longer to incur fresh sacrifices to effect the main object she had in view, the creation of an imperial money instead of those shapeless and manifold coins which formerly circulated. Italy may restore her metallic currency and make her gold loan, without the risk of the metal newly regained leaving for America or England. France may again set going her temporarily paralyzed national system. The United States, freed from the embarrassments of her present coinage law, obtain the valuable advantage of having a more abundant instrument of settlement for their immense balance of trade with Europe. England is the greatest gainer. The despairing complaints of the Indian Treasury and of the London and Liverpool trade are redressed. The profit is enormous without reckoning the elasticity restored to the exchanges with Asia and South America, which is an incalculable advantage. Silver now proscribed, shut up in each country, and accumulating inert in the vaults of the Banks of France and Germany, no less than in those of the American Treasury, which have become too small, silver is again international money, and resumes the historical function it has fulfilled from the remotest antiquity. Lastly and above all, a germ of economic antagonism disappears, whose results might be more serious than is imagined. America sends us some of her most valued statesmen to establish with Europe a monetary union, which would ensure great facilities to international commerce. What a mistake it would be not to accept her proposal! Contrary to a somewhat widespread opinion, Europe would be the greatest gainer by this agreement. The advantage to America would be that it gives Europe greater facilities for paying her imports.

Prince Bismarck has made two remarks on this subject, which being the expression of the actual truth, settle the question. Speaking in 1879 to Mr. Kelly, an American Congressman, of the German Monetary Reform of 1873, he said, "We listened in this matter to an eminent economist, and we now see that we have only put plain water into our soup boiler." Recently in the Reichstag he thus summed up his opinion: "Gold has become like too scanty a blanket which everyone struggles for, and which makes people squabble."

The men whose position enables them to see most clearly speak in the same tone. Mr. Gibbs in a pamphlet printed by the Bank of England says, "The question of gold is more and more taking the shape of a monetary struggle between Europe and America."

I recently heard M. Leon Say express himself thus: "If nothing changes, within two years we shall everywhere have the silver standard and perhaps paper money."