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REVIEWS

Studies in Currency, 1898. By LORD FARRER. (Macmillan & Co.)

UNDER this title Lord Farrer has collected and reprinted various papers, magazine articles, and pamphlets written by him in connection with the bimetallic controversy. Six out of these fourteen productions were written for the Gold Standard Defence Association, and some of them have already been mentioned in our review of the papers issued by that society.

In the longest paper in the book, entitled "What do we Pay With? or, Gold Credit and Prices," we find Lord Farrer closely following the teachings of Mr. Macleod in these matters. Here again we come across the controversy, already alluded to in our review of the Gold Standard Papers, as to whether it can "be proved that the fall in prices has been caused by the want of gold"; and here again we find it difficult to discover the exact signification of these words. The general drift of the argument in this paper, if we understand it right, is to prove that the enormous extension in the use of credit instruments in comparison with coin makes the amount of coin in circulation a matter of secondary importance. No doubt there are vast numbers of transactions in which gold is merely the standard of value, and in which it is in no sense the medium of exchange; and for these transactions no gold whatever is wanted, and none will be kept. But for the remaining transactions there is a basis of gold required, though it may be but a slender basis; and what Lord Farrer should tell us is the laws which regulate the volume of this basis. Of course the state of commercial development is, as Lord Farrer points out, a factor of the utmost importance. But the influence of one independent variable does not in the least degree lessen the influence of other independent variables; and we want to know what is the most important quality in a coin—the monopoly rupee for example—to be studied when considering the amount of rupees which may be expected to be wanted by the people of India under different conditions. Is it the colour, the weight, or the size of the coin? Obviously not. And at present it is obviously

not the value of the metal in the coin. What quality then remains but the value? And is not the value of the rupee the same thing as average prices? Or rather is not one the reciprocal of the other? If then we are driven to the conclusion that the value of the rupee is the most important quality of the coin in determining the amount which will pass into the general circulation, we are really saying, in other words, that the index number, or the average of prices, is a most important variable in connection with the quantity of coin in circulation. And this is what Lord Farrer appears to deny, though his denial is not very explicit.

Lord Farrer's great experience at the Board of Trade will naturally lead the reader to pay special attention to his paper on "Bimetallism and the Foreign Exchanges." He discusses this matter in a very impartial spirit, and his general conclusions do not appear to be open to criticism. He shows that the break in the gauge between gold and silver-using countries does cause inconvenience and real loss, though the effect on our trade has often been grossly exaggerated. He indicates very clearly the confusion of thought which has led many people to believe that the fall in the gold price of commodities—*e.g.* wheat—must be connected with the alteration in the rate of exchange, rather than with forces directly tending to lower the value of such commodities. But Lord Farrer appears to us to push his arguments a little too far. No doubt the fall in the gold price of silver should not be compared to a bounty on exports from silver-using countries; but we believe that the depreciation of the currency may have a considerable stimulating influence on trade, an influence which Lord Farrer appears altogether to deny. A large number of facts are adduced to prove that the movement in the rate of exchange cannot have had a great or predominant influence on the volume of international trade; but they hardly prove, as he would have them prove, that no such effect has been produced; for the influence of the other variables may have been so great as to make it impossible to trace the connection between cause and effect in this instance.

Where we should differ with Lord Farrer would probably be in his belief that all the circumstances of trade quickly adjust themselves to new economic conditions. He tells us that the wage-earner suffers some temporary loss in consequence of a depreciation of the currency. But the word temporary in this sense may cover a very long period; and as the loss to the wage-earner is a gain to the capitalist, the stimulating effect on the export trade from the country affected may be felt for a long period. The word "loss" moreover, needs some qualification. In so far as the wealth transferred from the labourer is spent in luxuries by the capitalist, then the loss is unmitigated; but in so far as it is spent in reproductive works, to that extent the labourer will eventually benefit by the expenditure, and the diminution in his real income is *pro tanto*, somewhat akin to a saving and investment for the future.

Lord Farrer appears to us also to be led into some errors by the habit of always measuring value by gold as a standard. For example, he says of silver that it "has lost more than half its purchasing power in London." Yes, if the purchasing power means the power of purchasing gold; but no, if it means the power of purchasing commodities in general. Then, again, he does not admit that the burden thrown on the people of India can have been "increased by the fall in the rupee." No doubt this is true if we measure the burden by means of gold as a standard; for the debts of India are payable in gold. But if the burden is measured by the exchange value of the debt, then, gold having risen in value, the debt must have increased proportionately, if measured by that standard. We presume that Lord Farrer's answer to this contention would be that the amount of human exertion expended in the payment of the debt is the true test of whether the burden has increased or not; and that the increase in the output of commodities has been so great in recent years that the increase in the exchange value of the debt does not represent an increase in the burden of satisfying that debt. This may be true as regards England; but as regards India, has the output of commodities per head of the population increased in proportion to the rise in the value of gold? We much doubt it, and we cannot but believe that the gold debt does press more heavily on India than heretofore.

We are, however, heartily in accord with the concluding sentence of this article. "We think it eminently desirable that there should be throughout the world, and especially throughout the British Empire, a stable par of exchange;" and we are glad that Lord Farrer is not amongst those monometallists who are advocating the retrograde policy of a silver standard for India.

The other articles are of less general interest, consisting of an article from the *National Review*, of letters to the *Times*, and of extracts from Blue Books. But no one can lay down this book without feeling that Lord Farrer is keenly in earnest in his endeavours to maintain a sound currency for his country, and that his efforts are single-minded and patriotic.

L. DARWIN

The Gold Standard. (Gold Standard Defence Association Pamphlets. London: Cassell & Co.)

UNDER this title we find a reprint of the first twelve papers issued by the Gold Standard Defence Association. They are very valuable as indicating the basis of the rooted objection which is felt to bimetalism by the majority of English financiers. But they remind us of the productions issued during a general election for the purpose of catching votes, and have all the faults of that class of literature. The object is to convince the opponent rather than to display the whole truth, and many facts and arguments are consequently entirely ignored. Few even