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Address of the President of the Department IV, "Economy and "Trade" of the National Association for the Promotion of Social Science, at the Twenty- Sixth Annual Congress, Held at Nottingham, in September, 1882

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Source: *Journal of the Statistical Society of London*, Vol. 45, No. 4 (Dec., 1882), pp. 558-576

Published by: Wiley for the Royal Statistical Society

Stable URL: <http://www.jstor.org/stable/2979176>

Accessed: 27-06-2016 05:11 UTC

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ADDRESS of the PRESIDENT of the DEPARTMENT IV, "ECONOMY and
"TRADE" of the NATIONAL ASSOCIATION for the PROMOTION of
SOCIAL SCIENCE, at the TWENTY-SIXTH ANNUAL CONGRESS, held
at NOTTINGHAM, in September, 1882.

By PROFESSOR BONAMY PRICE, LL.D., EDIN.

I BEG to invite the attention of the Congress to two mighty struggles which have been carried on this year within the domain of Political Economy. They have awakened, especially the first, the deepest interest throughout the country. The wealth and prosperity of the whole people have been felt to be largely concerned in the issues to which they would be ultimately brought. No small amount of excited and even angry passion has been aroused by the battles that have been fought. The first has agitated great industries; it has brought mighty forces into play; men of no small intellectual ability have led on the movement, and the contest had to be fought out within the walls of Parliament. The second has been less vehement, and has, as yet, generated less general excitement, but it has agitated, and agitates still, some most important trades which hold themselves to be seriously injured by errors prevailing amongst political economists and adopted by the supreme legislature of the country. Such struggles of economical opinion, and the grave importance of the judgments it ultimately pronounced, are, it is submitted, well worthy of being carefully examined by an association which has political economy for one of its departments.

The first of these contests is the war which has raged with so much heat in so many of the trades of England between free trade and fair trade; the second is the assault made by bimetallicists on the character of the money with which the supremely important process of buying and selling is carried on in this country.

As to the first, it will be universally acknowledged that free trade is a principle which belongs to the very essence of that body of teaching which is called political economy. Overthrow free trade, show it to be erroneous, then unquestionably political economy will receive a fearful wound in the authority which it exercises over the intellect of this nation. Free trade, economists maintain, is the one paramount benefit which political economy has conferred on the world. Free trade has made the name of Adam Smith immortal, not only for the truth which he demonstrated, but also for the immense gain which he thereby made

available to the human race. Nevertheless this great truth does not command that universal acceptance to which it is entitled, nor is that large gain realised as widely as it deserves. Down to this very day, amongst highly civilised nations, that truth is distinctly rejected, and defections are constantly making their appearance, where it had been accepted and its enriching action fully accomplished. No other truth, so certain and so beneficial, has ever been exposed to such incessant and irrational rebellion. The opposition to free trade is one of the most surprising facts in human history; what can be the cause of an event so startling? We have not to travel far to obtain the explanation; it is found in a fact which is profoundly characteristic of the industrial life of men. The production of wealth, of the things needed for human existence and prosperity, is ever susceptible of improvements in the processes it adopts. Those improvements are constantly occurring in new localities, in places better suited for the business, or possessing higher talent in their inhabitants for accomplishing the results aimed at. Better and cheaper goods are made; they are bought more readily, and tend to take away the trades from the towns or countries which had previously carried them on. Thus loss, anger, resistance are generated; and the free trade, which bids buyers to seek the best and cheapest goods, is denounced and resisted. When such events occur in the same nation, and a particular trade leaves the district where it had formerly flourished, opposition is impossible; men must, and will be, free to buy where they choose in their own country. But when the makers of the improvements, be it from a richer soil, or better materials at hand, or higher inventive power in the workmen, are foreigners, clamour and opposition become possible, the makers of the cheaper goods are denounced as strangers, as destroyers of native industry, as enemies, and protection, by means of taxation of imports, is called in as the artillery wherewith to carry on war.

Other causes often contribute to bring about the same appeal to an error which helps selfish interests. A Bismarck is ready to depress his nation with loss of wealth from worse and dearer goods bought, when he perceives that the people he rules will resist, probably with violence, direct taxation levied to support the huge army which he has determined that Germany shall possess; he has recourse to protective duties, whose economical disadvantage he probably perceives as clearly as any man.

Amongst other means wherewith to push on this war against reason and common sense, new theories are invented for bringing free trade into discredit, as an abstract and unpractical theory; and other obstacles are brought forward which clever men, with great money interests at stake, are able to frame with much plausibility.

They are always able to find abundant and ever-ready support from shopkeepers, and labourers, and makers of machinery, which the endangered industry gives employment to. Nor is sympathy wanting from men not engaged in business, but full of strong patriotic feeling, and who dwell with pathos on the misery hanging over poor and excellent men whose means of subsistence are threatened with extinction.

Under the influence of causes and motives such as these, the new theory of fair trade has been invented and brought to the front, in the country and in Parliament, to do battle against political economy and free trade. Under such circumstances it becomes very important to examine with the utmost care the real meaning of free trade and fair trade, to analyse the nature of each, to trace out their respective workings, and the effects which they produce. When the temptation to go wrong is so ever present and so strong, when self-interest is driving off the desire of learning the truth, and substituting for it eagerness to discover subtle language for a conclusion already determined on by selfish feeling, the call becomes loud to explain every element contained in the conflicting views, and to endeavour to make the country understand thoroughly whether free trade is as right, as unanswerable, as certainly the one efficient method of developing the people's prosperity as political economy asserts it to be. In conducting this investigation, clever theory and plausible subtleties must be peremptorily thrust aside. Let common sense be the judge to try the issue. Common sense is the foundation, the essence of true political economy.

Let us begin with free trade. First of all, what is free trade? It is a vital matter to define the meaning of the expression accurately. Many meanings can be, and are actually assigned in common life to the word free; but they are distinctly not applicable to the specially defined expression free trade. Thus the abolition of all customs duties on imported goods is frequently demanded in the name of free trade; but that is an unfair treatment of the phrase. The expression free trade gives no authority for such a claim. The free trade of political economy is the free trade of Adam Smith, and nothing else. The abolition of all customs may be right, or it may be wrong; but no judgment either way is to be had by resting the claim on Adam Smith's words.

Then, again, the phrase may seem to forbid all restrictions on trade. Political and other interferences with the free action of traders may be held to be prohibited by the words free trade. The reason already given supplies the answer. Political economy cleaves to Adam Smith's meaning alone. It cannot, and must not, be supposed that any but his meaning can claim the authority of free trade, of being a truth held to be already demonstrated.

This being so, we come back to the question, What is free trade? It seems to me that the essence of the true meaning of the words is that no question must be asked, by the law, as to the place in which any goods were made. Like goods must be treated alike, wherever they may have been produced. Protection, which is universally held to be the contradiction of free trade, does inquire where the goods come from, whether they were manufactured at home or abroad. It says, if they are foreign products they must be taxed on their importation; the same goods, if made at home, shall be free of all duties. Protection does not concern itself with raising revenue for the State; its sole object is to create a distinction between goods made at home and those made abroad. It seeks to make the foreign wares dearer, to impede their importation, to put them under a disadvantage for sale by the side of home products. Free trade can admit without remonstrance the charging of duties on foreign articles, but upon one condition—that the like articles are not produced at home. It makes no objection, on the score of violation of its essential principle, when a duty is imposed by Parliament on the importation of tea into England; there is no favouring of home-made products to the disadvantage of the foreign, for tea is not grown in England.

Which, now, is the right policy, free trade or protection? The answer to this question is clear and easy. Protection arbitrarily and designedly compels consumers to buy the same identical goods from dearer makers instead of from cheaper, because the dearer producers are fellow countrymen. It intentionally, by means of duties levied on importation, raises the prices of the foreign goods, and then drives them out of the market. The difference of price between the dearer home made goods and that of those produced abroad is clearly a tax inflicted on the whole nation for the benefit of a portion of its traders. Without that tax the cheaper foreign goods would be bought. What is this but a poor law imposing a poor rate? Protection diminishes the wealth of a nation by forcing it to employ dearer producers. The wealth lost is consumed by men who live at the expense of the nation, by the action of a very real poor rate. But surely, protectionists reply, you would not suffer a large and flourishing business to be extinguished by foreigners. The nation will be made poorer by such a blow; these industrious traders will lose their employment, and be plunged into destitution. But will they lose employment? reply free traders; will the wealth of the country be really lessened, and the comforts and enjoyments of all its inhabitants seriously diminished? Understand what free trade is and does, and you will see whether it brings loss or gain to a nation, or increase or diminution of employment to its people.

Free trade rests on two fundamental facts. They cannot be too firmly grasped by any one who wishes to seize the vital point of this great contest. The first fact, and it is the cardinal one, is that a nation cannot buy unless it sells. Trade is an exchange of goods; it is absolutely nothing else. Many suppose that to trade is to sell commodities for money; no mistake can be greater. Money is simply and absolutely only an instrument, a tool, for effecting the exchange of the goods bought and sold. Infinitely the larger portion of these exchanges, this buying and selling, is accomplished by pieces of paper with words written upon them. The quantity of metallic money in the whole world compared with the wealth bought and sold is a mere trifle. A nation which could buy only with money would instantly find its trade with foreigners brought to a standstill. Its gold would have gone away in a few days; it could buy no more. This being so, as a hard, dry fact of the real world, it follows irresistibly that if a nation is buying abroad it is also selling abroad to the same extent. It may be that, at the first beginning of such buying, the exchange may be effected by transferring to the foreign sellers investments and debts which had been previously acquired. But that is a process which soon comes to an end; and then, if the purchases continue, goods of equal value must inevitably cross the water in exchange. If the foreign seller refuses to take any English goods, then England must sell to another foreign buyer, who will be told, instead of paying England directly, to pass over the payment to the foreign country of whom she has bought, and the trade will become, as it were, three-cornered. If all foreigners refuse English commodities, then England will be compelled to give up purchases abroad, and must obtain the supply of her wants from English makers. It is scarcely possible for such an event to occur.

The truth taught by this analysis is clear and certain. Under free trade, foreign countries, if they carry on trade with England, must, and do, buy of England as much as they sell to her, and they do afford as much employment to English workmen and capitalists as if she had made all the goods herself, and had bought nothing abroad. The same commodities as are needed for English buyers are now made in a foreign country, but that country, directly or indirectly, calls for the production of English goods of the same value, and English trade and its people are in no way whatever injured. Most plainly, therefore, free trade never can, and never does, do any harm to the country which practises it. No proposition in Euclid is more certain or more clearly demonstrated. Free trade never does anything more than exchange goods made in the free trade country for others made abroad; goods of the same value must be manufactured and sent off to pay for those bought of the

foreigner; there is only a change in the kind of the commodities made. It is impossible for any protectionist to refute this fact, and by it the theory he believes in is killed off.

But there is a second fact embodied in free trade. The goods formerly produced cease to be made in the once protected country; they are now procured from another land, and, be it carefully noted, at a smaller cost: fewer goods are now given to the foreign than were given to the home makers. Less capital and labour are now required to acquire the commodities needed. Thus there is a clear saving of capital and labour, a surplus left over after the foreign have replaced the home commodities. That surplus of capital and labour remains as the net profit of practising free trade. At no greater expense than formerly this surplus of capital and labour remains an increase of wealth. The country becomes richer by the new additional products it grows, though still setting to work only the same quantity of effort and cost, the same amount of capital and labour.

The conclusion demonstrated by these facts is irresistible. Free trade is always right, protection always wrong. Protection always brings loss of wealth, whatever be the motive which may lead to its adoption. It admits of no defence; reason and common sense alike condemn it. Its professed object is to make a country richer; as a dry, hard fact, it always makes a people poorer. But truth does not always prevail in this world; ignorance, prejudice, personal and private interests, selfish instincts, national sentiment, and other powerful forces resist and conquer it. Free trade may be said to be ever assailed by war; nowhere do the teaching and the practice of free trade receive universal submission. If we look round the world, we still find many lamentable defections from its counsels. Political feelings, anger against the foreigner who reduces or suppresses a home trade, pity for the sufferings of fellow countrymen, and other rebellious impulses war down reason and good sense, and raise up barriers of custom house duties around nations. The majority of the great nations of the world are revolting against free trade, though many must be aware that they are seriously injuring their industrial prosperity. The United States, one of the most intelligent of peoples, have surrendered their understanding to the blind passions of protection, and actually consent to see their commercial fleet driven off from the carrying trade of the whole world by their own act, by compelling their merchants to build ships with American iron. England, to her infinite honour, has listened to the voice of truth, and has opened her ports and markets to all merchandise without asking from whence it came.

Yet even in England peace has never been absolutely triumphant. Trade encounters painful oscillations of profit and loss; bad

seasons, both at home and in countries which are large buyers of English goods, wars which have impoverished customers, and other causes have been active in diminishing trade. Above all, amidst such sufferings, to see foreign nations levying heavy duties on British goods, whilst England throws open her markets without a charge to every trader on the globe, has kindled a strong feeling of resentment in many hearts, and has raised a hot and angry cry for retaliation. Cheapness has been denounced as a national calamity; a marvellous sentiment truly from the lips of men professing to be in search of the enjoyments and utilities which wealth bestows. Competition is held up to public reprobation as the monster evil of our day. To get rid of its presence, and to acquire for home manufactures a comfortable and assured possession of the supplying of English buyers with the goods required by human life at handsome prices, a powerful league has been formed by eminent merchants and traders to rescue suffering industries from the assaults of strangers. A loud demand for retaliation has been fanned into a hot flame. Why should men who drive away English products from their ports by prohibitory custom dues be suffered without restraint to crush down hard working Englishmen in their own country by low prices?

Under such feelings a new principle, a new conception of trade, is invented and preached. Fair trade is the true thing, the right policy to be always adopted. Fair trade is the title which the league has adopted: it calls itself the Fair Trade League. Fair trade is defined to be like for like—protection for protection, and, but not so clearly pronounced, free trade for free trade. There is a grand sound of justice in such a name; it is sure to attract supporters from many quarters.

But this is not all the artillery which is brought to bear against free trade. A clever addition is made to the policy of the league. The sense of empire is called out in every Englishman's heart. England possesses a vast colonial empire, in which India also is included; but the colonies have independent legislatures, some of whom have adopted protection, even against the products of the mother country. The ambition of the league is to gather England and her colonies into one great trading empire; with real inconsistencies of doctrine for the league, the colonies are to be invited to abolish their policy of protection against England. In exchange for this concession, they will constitute with the mother country one nation—with absolute free trade between all its members, and the result will be to "transfer the great food growing industries we employ from protective foreign nations, who refuse to give us their custom in return, to our own colonies and dependencies, where our goods will be taken duty free, with the sole exception

“of revenue duties!” A vision of a vast trade is flashed before the mind, fed by an immense empire, and able to inflict retaliation and punishment on foreign nations which tax our goods. Whether it is reasonable to expect that colonies now practising protection against the mother country will find in this imposing scheme any motive or compensation for abandoning it we need not stop to inquire; it is sufficient to perceive that the vision of a vast empire taking the products of the mother country without the burden of protection must exercise no small fascination in attracting supporters to the action of the Fair Trade League.

We ask now, What judgment must be passed on fair trade as compared with free trade? It turns on one single point only:—Is retaliation a winning process, a wealth creating policy for a nation to adopt against a foreign country that inflicts protective duties on its goods? In one sense it is conceivable that retaliation may be defended. It may be employed as an act of war to bring the protective nation to its senses, as a punishment inflicted for mischievous and erroneous action. But this is a consideration which lies entirely outside of political economy. It belongs to the province, not of the economist, but of the statesman. The economist informs him that all war involves loss of wealth; it is for the statesman to decide whether such a war against protection practised by the foreigner is likely to obtain the end for which it is had recourse to, and whether, when obtained, it will be worth the cost incurred. But retaliation, as a permanent course to be pursued by a country attacked by protective duties, belongs entirely to the decision of the economist. The enemy is determined to inflict protective duties as an unchangeable system; it is for the economist to report whether counter protection will win greater wealth for the nation assaulted than persistence in free trade.

The judgment is easy. It has been shown, and must be taken for granted here, that free trade increases the wealth of a country, and protection diminishes it; consequently, by giving up free trade and substituting for it protection, a certain and abiding loss of wealth is incurred. Is there any compensation obtained for this loss by making the foreign attacking nation suffer a loss on his side by putting duties on his wares? None whatever. The facts are simply these. England incurs a loss by America putting a heavy duty on English iron. Her trade is diminished; her power of acquiring wealth is lessened; there is less demand for her iron, the iron industry suffers. But at the very same time she is reaping a very real gain by procuring corn from America duty free. America derives a profit from this sale of corn; England does the same. Both win, both are enriched; but England, of course, is injured by the duty charged on her iron. Now let England retort

with a counter duty on the corn sent by America. The price of the American corn is raised in England, or its importation stopped altogether. In either case England loses. Her people must pay more for their bread without any compensation for this additional cost. American wheat becomes dearer, and with it English wheat also. The farmers make a gain, but at the expense of every consumer of bread in England. Without the counter protection England would have had the same quantity of bread, and by means of its cheapness, an addition of other goods besides, with the same cost of capital and labour. This is incontestably a second loss. Two losses, instead of one, ruin the policy of retaliation; it is an inexcusable blunder to practise it.

So judged the British parliament when the issue was brought before it last spring. It repudiated the policy of fair trade. It ought to be a matter for great rejoicing to the whole nation that it was ruled by a legislative that possessed so thorough a knowledge of the matter it had to deal with, and saved the people from what would have been a heavy, self inflicted calamity. The more this great question is studied, the more evident does it become that the assertion made above is true, that free trade is always right.

We pass on now to the second struggle which has agitated the domain of political economy, the fight for bimetallism. This is a subject of a very different nature from that of free trade *versus* fair trade, and unfortunately far less generally understood. It will compel us to enter into greater detail.

In the first place, what is bimetallism? It speaks of two metals used for making coins; but the use of two such metals is not bimetallism in its technical sense. England employs two metals for making coins with, gold and silver; but she is not a bimetallic country, for two reasons. First, the mint is under no obligation to coin all the silver which may be brought to it; only enough is coined as shall satisfy the want for small change, enough to buy with in small shops and small markets. Secondly, silver shillings are not legal tender for more than forty shillings of debt. No creditor is bound by law to accept on presentation forty-one or more in discharge of the debt due to him. Under such a system a large mass of silver coin could not be needed, and if coined would incur depreciation of value. Bimetallism, on the contrary, coins all the gold and silver presented to the mint in a fixed ratio towards each other; and such coins are legal tender to any amount.

But we have not yet reached the essence of what is called bimetallism. It expresses a very peculiar demand made by its advocates. That essence is the requirement that in the coins gold should be related to silver in the proportion of $15\frac{1}{2}$ ounces of silver to 1 of gold. This is a most peculiar, nay, a most strange demand.

In the metal market, at the shops of the bullion dealers, gold is worth about eighteen times as much as silver; that is the proportion in which the two metals stand towards each other, that is the value of each metal; one is worth, can buy, eighteen times the weight of the other. It is plain, therefore, that a coinage which decrees that $15\frac{1}{2}$ ounces of silver shall reckon and shall be available for paying a debt of one ounce of gold is false money; it is untrue, the relative values of the metals express a proportion which no dealer in metals in the metal market would listen to for a moment. He would ridicule the idea of giving to a man who brought him $15\frac{1}{2}$ ounces of silver an ounce of gold. He would be a heavy loser by such a sale; yet this is precisely what the bimetallists are clamouring to effect. Such money would not do the work of true barter, true buying and selling; it would not give equal for equal, value for value.

This is a matter of vital importance for the every day life of every man; and so it becomes in the highest degree necessary, in order to know how to deal with it, to master thoroughly the true nature of money, what it is, and how it does its work in the world. All nations use money, cannot live without it; all handle it, all talk about it, yet probably there is no subject so entangled as money within the whole range of political economy. Every man thinks and speaks as if he knew all about it—yet how many can tell clearly what money is!

What, then, is money? How was it born into the world? What work has it to do, and how does it do that work?

Money is a tool, nothing else—as really, as simply a tool as a knife. Precisely like a knife it is sought and acquired, not to be possessed for its own sake, but solely for the sake of the work it performs. And what is this work, what is this tool wanted for? To effect exchanges, to be given away in exchange for something else, and then in turn to travel on and to make a second exchange. It obtains for its possessor some commodity or service which he desires. But why was such a tool needed? Why could not commodities be exchanged for each other by means of direct barter? Because direct barter would have been arrested by the greatest difficulty which the social life of mankind could have had to encounter. Human beings, unlike animals, were formed to make various commodities for each other. How were they to be exchanged? How could the men who mutually wanted each other's goods be brought together for exchanging? A farmer required a coat, but no tailor was in search of a calf: how was he to obtain clothing? Here were two buyers and two sellers, yet neither could procure what he wanted. Money was invented to overcome this most embarrassing difficulty. The farmer sold his calf to the

butcher for money, and exchanged that money at the tailor's for a coat. Money served as a mere tool for exchanging indirectly the calf for a coat. The embarrassment was instantly removed; the exchanging of all commodities was easily effected, and the greatest principle of associated human life was established—division of employments.

This analysis brings out at once the greatest characteristic of the tool money. It is ever circulating. No one takes it for its own sake, to be retained for use and enjoyment. Every man receives it for the very purpose of parting with it again. Money ever kept locked up is an utterly useless tool. It works only when it circulates, when it passes into another man's hands.

The fact that money is nothing but a tool enables us to answer easily the question, How much money is wanted? As much as we can get, shout the multitudes who believe in the mercantile theory, who are delighted with the right balance of trade when a country exports more goods than it imports, and is ever receiving the difference in money. Such persons are wholly ignorant of the real nature of money, that it is nothing but a tool.

The rule for the numbers of all machines is the same universally: so many tools are wanted as shall be able to perform the work required to be done. Any excess beyond this number is a pure superfluity, a waste of the expense which it cost to make the machines. The work which money has to perform is to exchange commodities. This it does by circulating, by being taken by a seller of goods to be given away in turn by him as a buyer of other goods: it does nothing for him except to buy with when he has sold. This useful service it performs only when it leaves his hand. Money, coin, is wanted for ready money buying only, and trifling is the quantity needed for such buying in comparison with the gigantic amount of sales and purchases effected by pieces of paper called bills and cheques. Alas for the theory of a favourable balance of trade by the side of such facts. The money flowing in from abroad—which, be it observed, is not new wealth gained, but only metal paid for with goods of equal value sent away—when a country has enough to serve as ready money, is a lot of useless tools which must be locked up in chests and vaults. Has any man ever been known to go on buying more tools than he can use? Would he be admired for such conduct? Of course a reserve stock is required for money as for most tools, but that is a matter which does not enter into the discussion of its nature.

Now arises the fundamental question which it behoves every man to grasp—yet how many can answer it? No man understands what money is, if he is unable to see the answer. How does money perform its work? The tool, knife, works by means of its sharp

edge—it cuts; every one sees this instantly; but how many can tell how it is that money buys? It works by means of its worth, its value, as a piece of metal. On this cardinal fact all understanding of what money is hangs. The whole battle with the bimetallist turns upon it. To buy is to exchange one thing for another on the basis of the value of the one being equal to that of the other. But what is the quantity of value which each possesses? That is the critical point. In common life, the value of the thing is held to be its price, what it will fetch in money; but that leaves the value of the money fetched unexplained. We obtain that explanation by saying that the value of the money is calculated in the same way as that of the article bought. The amount of the money given is determined by the cost of producing the metal, precisely as the price of a coat or a loaf of bread is determined by what they cost to produce. The quantities of the metal and the commodity exchanged are regulated in the same way. As Aristotle pointed out, gold, money, is chosen simply as one of many commodities. The cost of production of gold or silver is the amount of goods of all kinds which the miner must have to induce him to get the metal out of the mine. As all commodities are exchanged for the same article, the precious metal, their several values are expressed in, are measured by, the value of the metal of which money is composed. Each has a price in money; their values can all be compared with each other.

But it must never be forgotten that the value of money is subject to a most disturbing force, which creates incessantly severe fluctuations in its power of purchasing. Money, like every other commodity, falls under the universal law of supply and demand. As a rule, its power to buy consists of its cost of production. If that cost is not replaced, on an average, by what it procures of other commodities in exchange, it will not be dug out of the mines, precisely as wheat will cease to be grown if the variations in the quantity gathered, caused by the seasons, do not balance each other and remunerate the farmer on a series of years. These fluctuations in the value of money, however, are more frequent and last longer than those which befall most commodities: and the disorder and mischief they bring with them are often most serious. Changes in the value of money alter the values in the market of all other articles, as well as the worth of the yield of all investments. By the same stroke, as it were, they enrich and at the same time impoverish multitudes. Mines are most variable in the quantity of the metals they yield: their power to affect prices is enormous. Nevertheless, these changes in the intrinsic worth of the precious metals have not been so excessive as to expel them from being used as the money of the world. Their power in exchanging is, as a rule, their cost of production, and that is what

must on an average be given to the miners to induce them to continue mining, subject to the fluctuations created at times by the state of their supply and demand in their markets.

Here I hope I may be forgiven, if I venture to repeat a little tale which I have already told elsewhere: it singularly reveals how money performs its work. I was leaving Geneva a few years ago, and paid my bill to the landlord of the hotel with English sovereigns calculated in francs at the rate of exchange of the day. He then looked over them in his hand, and asked me whether I could give him a Queen Victoria sovereign in exchange for one with the King George and the Dragon. I did so, and asked him why he preferred the one sovereign to the other. He instantly replied, "Sir, all these sovereigns will be melted before to-morrow evening; the King George and the Dragon was coined many years ago, and is probably of light weight; the Queen Victoria is modern and of full size." No answer could be more instructive. The nature of money and its mode of action stood forth in the clearest light. Manifestly I paid the debt I owed with pieces of metal, with a certain weight of gold: as such the landlord treated them and accepted them as payment. Food and lodging were exchanged by direct barter for small lumps of gold of given weight and purity.

Steadiness of value is the highest virtue which money can possess. Its importance is supreme. Every man who sells, takes money on the faith that he will be able to purchase with it other articles worth the one which he had given away. If he buys at once, he is sure to accomplish this; but what if he purchases property which is meant to be kept for many years? Think what the consequence would be if the value, the buying power of money, was suddenly doubled or halved by altered cost of production; conceive the effect of such a change on the value of land and houses, on all fixed incomes or the returns from all investments. Look at what would happen in consols alone. Those whose fortunes were laid out in the funds would become twice as rich at the cost of the nation, or only half as rich, to their own ruin. Unfortunately, perfect steadiness of value is unobtainable, for the mines which produce the precious metals are liable to fluctuations in their yield to the labour and capital by which they are worked, and then the cost of production of the metal, that is, its value, is changed. It is a misfortune which cannot be entirely avoided, but it may be affirmed with truth, that these fluctuations in value have not been so heavy as to render the precious metals unfit to be the tool of exchange. In steadiness of value gold is acknowledged to possess signal merit.

Further, it is obvious that the worth of the precious metals falls

under the law which rules the value of all commodities, the law of supply and demand. The mines may be fitful in their yield, war may call for large quantities of money, great developments or fallings off in trade may vastly increase or diminish the want of money, and thus mischievous alterations in its value may be generated.

It may now be asked, if money works by means of its value as a commodity, how comes it to pass that pieces of paper which speak of money, but do not give it, can buy as easily as coins? The answer is not difficult. Money works, not by any of the physical properties of the metal of which it is composed, but by its value. A note is a ticket for some metal left in a cloak room. The metal is not in hand and does not pass, but its value does pass, is transferred to the possession of the seller, and its embodiment in writing suffices to do the work of the money pledged by the written paper.

We reach now the battle between monometallism and its rival, between a single or a double standard for money. It must be clearly understood that it is a fight for one legal tender or two, for that I hold to be the meaning of the word standard. A standard is metallic coin which the law commands a creditor to receive as the full payment of the claim which he has against the debtor. Ought coins made of gold or coins made of silver to be the legal tender of a nation, or either of them at the choice of the debtor? Here, at starting, I beg to call your attention to very weighty words written by a great authority in these matters, Mr. H. Hucks Gibbs, ex-governor of the Bank of England: "With a single standard, every one who buys and every one who sells knows precisely what it is that he gives and what it is that he receives for the commodity with which he is dealing. Of the single standard of these realms, I will say, that if nothing else had to be taken into consideration, and if we had dealings with no other country but the British Islands, our system would be perfect." And, mark well, this declaration was made by an eminent bimetallist. These are admirable words. The principle they proclaim is the very essence of a good monetary system. They tell us that the money of England is perfect, that any man in England who gives or receives it knows thoroughly the meaning of what he does in buying or selling a commodity at a stated price. He understands the precise nature of the exchange he is making between the worth of the article which is exchanged for money and the value of the money given for it. What higher quality of good money can be conceived? This energetic and distinguished bimetallist tells England that she has the best conceivable money, and yet he labours hard to deprive her of it. He toils to persuade the lawgivers of England

to get rid of the perfect system and to adopt an inferior one. His judgment on English money is final and complete; it is excellent—best that can be invented. The merit assigned to it ought to be decisive: it bids Englishmen to hold fast the excellent tool of exchange they possess, and not to strip themselves of the precious utility of that excellence. And what is the reason put forward for urging a change which may well be thought so extraordinary? Regard for the inhabitants of England in respect of the enormous money transactions which they carry on in their own country? Nothing of the kind. Their dealings with foreign nations are alone thought of, and the inferior moneys they possess. Would it not be a wiser, a more intelligible course to pursue to exhort these foreign nations to listen to good sense, to give up their inferior money systems, and to take in their stead the perfect money with which England is blessed?

Since, then, the English system is thus perfect, the system of a single metallic standard—it becomes highly desirable that we, who are asked so vehemently to abandon it, should understand what it is. It might seem that Mr. Gibbs's description of it is incorrect. Two metals, and apparently two standards, form parts of it. Up to forty shillings, as has already been said, the creditor must accept the shillings: is not this a second standard? At first sight it might certainly be so understood, yet Mr. Gibbs is right—there is only one money standard in England. The difficulty is in the shilling; the shilling must be explained. The money of England contains three metals, nevertheless it buys and sells only with gold. The shilling does not buy with its silver alone; it gets help from gold. The definition of a sovereign is a given weight of the metal gold; it states all that a sovereign is. The definition of a shilling is radically different; it is the twentieth part of a sovereign. In value the silver of a shilling is not equal to the twentieth part of a sovereign; there is not silver in it enough for that. A shilling, really, is a token; it indicates something else, namely, the gold lying in it unseen. Twenty shillings by law are the equal of a sovereign. This fact, coupled with the inadequate quantity of silver, reveals the token. In a much wider sense yet is this true of a penny; it is the twelfth part of a shilling, the two hundred and fortieth part of a sovereign by law. The value of its metal is not the thing which counts, but the value of the sovereign with which by law two hundred and forty pence are exchanged.

For what reasons, we now ask, do the bimetallics demand that the gold standard, which is pronounced faultless, should be supplanted by bimetallicism? The frequent and heavy depreciations in the value of silver have been the explosive force of the whole of its action. Those who had large debts to receive from nations

using silver or had to buy in countries using gold have suffered severe and incessant losses. Foreign nations, whose money was silver, and all property sold in them was paid for in silver, were hit hard in paying debts of trade due to gold-using nations like England. They were compelled to pay for what they owed to those countries with much more silver; more francs had to be given for the sovereign due in England. India, too, was more struck by the sinking value of silver than probably any other country. A larger quantity of silver had to be given for purchases made in England. Loans, or the interest due on them, for railways and similar purposes, which India was obliged to pay in English money, compelled more silver to be remitted to England at the heavy cost of the senders. Then again, a large portion of the national revenue of India had been settled a century ago in fixed amounts of silver rupees; when those rupees sank in value from two shillings to eighteenpence, a most severe diminution of the public income was sustained, whilst the demand for expenditure was ever increasing. The Americans, too, being large producers of silver, joined loudly in the outcry, and stirred up several leading nations to make a revolution in their money. In all directions they clamoured that money should be made of silver. Many Englishmen were deeply interested in these events. It was very unpleasant to Englishmen trading with India to be paid with rupees which could be converted only into much less English money, whilst the selling prices of their goods in India had not gone up; thus loss and embarrassment sprang up in the Indian trade. These and other like causes created trouble on all sides. Germany found out the same truth as had forced itself on Mr. Gibbs; it changed its currency, discarded silver, and for it substituted the perfect metal gold. By this act she extricated herself from much harm, but she also thereby increased the losses and the anger of silver using and silver producing countries.

Out of this tumult of losses and discontent, generated by the heavy depreciation of silver money, sprang up the war of bimetallism against monometallism. The bimetallists attacked the single standard of gold with an arbitrary theory. The law, they exclaimed, can and must make $15\frac{1}{2}$ ounces of silver worth an ounce of gold at the very time when that ounce of gold fetches 18 ounces in the metal market. The bimetallist decrees that silver shall have two prices in England, one that it possesses as an ordinary commodity in its own market, the other in the currency of the country. Thus a large unnatural increase of value is given to silver. The interest of the nation is despised, its perfect system of currency is thrown to the winds, the profits of the owner of silver govern the situation, and practical common sense is outraged

by the determination to give two prices to the same article, at the same time, and in the same country. Law is to perform this miracle. It is true that silver has stood towards gold in the proportion of $15\frac{1}{2}$ to 1, but this came from the fact that at that time the price given by the law was in harmony with that which existed in the open market for silver. France and the Latin Union gave this value to silver in their currencies, and succeeded in maintaining it for a while, but then the natural value of silver was higher. Indeed, it is held that it was at this period the dearer metal, dearer than the price given to it of $15\frac{1}{2}$ to 1. But successful mining made silver much cheaper, and the bimetallic law could not prevent its fall in value. The Latin Union, we are told, has given up the attempt to maintain by law a ratio of value between the two metals.

But let us suppose that the false ratio is adopted and continued on in England, what will be sure to befall the two metals and the currency? Gresham's law will assert itself, the undervalued metal will leave the country. Foreign nations will pay their debts to England with cheap over valued silver. We are assured that there is a vast demand for gold in Asia, and also an immense stock of silver. Merchants will buy that silver at the low value of 18 ounces for an ounce of gold. They will send it to England, and get it coined into the new shillings. With $15\frac{1}{2}$ ounces of these silver coins they will get an ounce of gold, take it across the water to Asia, and sell it there for 18. They clear a profit of $2\frac{1}{2}$ ounces, and the pleasant operation will be continued till the gold coins of the country are carried off. Is this the result which the bimetallicists desire? They have never yet shown that it will be possible upon their system to escape it. Gold will be cleared away from the money of the country, and along with it bimetallicism. Monometallic silver money will have absorbed the whole currency. There is an abundance of silver underground wherewith to carry out the operation.

It is not easy to believe that any bimetallicist who can think has persuaded himself that this scheme of currency can live by the side of two markets, two contradictory prices for silver; he must be nursing himself with the pleasant illusion that if all nations agree to use gold and silver for their currencies upon one and the same valuation of the metals, the real metal market will follow suit, and adopt the same relative prices for the metal used for other purposes.

But now there is a question which ought to be put categorically to every bimetallicist, and which he is specifically bound to answer. He seeks to make England a bimetallic country, to make both metals legal tenders in her currency, to place silver on the same

level with gold. In organising this change at the present hour, why does he not take the two metals at their true, their actual market values? Why does he not make the start with a ratio of gold to silver of 1 to 18? Why does he not demand that in the coinage 18 ounces of silver shall be the value of one ounce of gold? It is impossible for him to give a reason, within the principles of currency, why he should not, in framing his new system, give to the coins of the country the respective values which belong to them as metals. The essence of money, as has been stated, is to give equal for equal, value for value. How can it be repudiated with credit by men who are carrying out a revolution in the name of reform? To build on an untruth is not the deed either of good statesmanship or good business. Again I ask of every bimetallist, why do you not, in preparing what you call the right system of currency, give to each of the two metals which you establish as legal tender the value which belongs to it in the bullion market? If an answer is refused, is it impossible to escape the suspicion of selfish motives or ignorance of the nature of money?

But whilst dissenting absolutely from the system of currency now proposed by the bimetallists, I am anxious to express my conviction that the use of silver in the money of the world is a matter of great importance. The numbers of mankind are rapidly increasing. Civilisation is expanding in all directions, and is constantly calling for an enlargement of all the machinery required for ministering to its wants. That the need of much larger supplies of metallic money will steadily grow in urgency is incontestable. Gold alone would, almost certainly, be unable to meet the demand; its value might be very largely increased, to the utter confusion of investments and debts; silver would have to be called in to give help. I have not seen any other method for accomplishing this object, consistently with the nature and laws of sound money, except the plan suggested by Mr. Clarmont Daniell, in his pamphlet "Gold in the East." He adopts one governing standard for all the world—gold. With this he associates silver as a second legal tender to any amount, but upon the express condition that its value in the bullion market should be ascertained from time to time, and the proportion which the silver coins shall bear to those of gold be determined and proclaimed by competent authorities. Silver would then stand in its true and just relation of value to that of gold in the national money, and it would be a matter of indifference whether payment of purchases or debts was made in gold or silver coins; and I may add that we are told that "from 1257, when gold was first coined in England, to 1664, when the first guineas were struck, the rate at which gold should exchange for silver was fixed by proclamation "from time to time!"

This plan of forming a double standard founded on sound monetary principles does not meet with the attention it deserves. It needs discussing before it can be said that it will work successfully. The false ratio of 1 to $15\frac{1}{2}$ of gold to silver has been advocated and pushed forward by men of great ability, yet a system perfectly true in principle for obtaining the very object sought, a double standard of gold and silver, has received from them no notice whatever. Indeed, at the meeting of the International Monetary Association it was received with laughter, evidently on the supposition that the authority proposed by Mr. Daniell might put on silver any artificial value at its pleasure. It would have been well if the author of this merriment had taken the pains to understand what he was speaking about. It is a most fundamental element of Mr. Clarmont Daniell's plan, that the value assigned to silver in the coinage should be the very same as its value as metal in the market. Clearly that value would necessarily vary from time to time, because the value of silver as a commodity is subject to many variations, but that defect is inherent in the supply of the precious metals from the mines. To study Mr. Daniell's system, and to endeavour to procure from it some workable method of adjusting the coins of the currency to each other, would be a process far wiser than recklessly to clamour for a ratio of 1 to $15\frac{1}{2}$ for gold and silver at the very time when they can be bought in the metal market in the proportion of 1 to 18.

The war of the metallisms is still raging. An appeal to the judgment of parliament has not yet been made. It is clear that many conversions of members of the House of Commons must take place before the bimetallism of a false proportion between gold and silver can be victorious.
