

II.—*The Difficulties of Bimetallism.* By C. F. Bastable, Esq.

[Read Tuesday, 24th January, 1893.]

THERE has been within the past few months a marked revival of the bimetallic agitation, that had for some time previously been declining under the, for it, unfavourable influences of expanding trade and industrial activity. Recent utterances of prominent public men have gained for this technical and obscure subject an amount of attention that no merely theoretical discussion could possibly excite, and hopes seem to be felt in some quarters that all the evils of depression would disappear if the expedient of an international double standard were only adopted. As the advocates of this scheme somewhat too hastily assume that all reason and experience, as well as the weight of competent opinion, are on their side, it may not be unfitting to briefly indicate some of the difficulties that hinder the acceptance either of bimetallicism pure and simple, or any of the numerous half-way proposals as either sound in theory or likely to prove beneficial in practice.

First in order, though not in importance, I would place the fact that a double standard is more artificial, and involves a greater amount of interference by the state than a single one. No doubt all currency systems rest on a legal basis: the very choice of the substance of money is an act of the public power. But, nevertheless, in the double standard system there is an additional complexity in the selection of the due ratio between the two metals in circulation, and it, moreover, involves an attempt by the state to deal with the question of relative values, a subject of peculiar delicacy and offering great opportunities for mistake. The question, "what particular ratio should be chosen?" though lightly passed over by bimetallicists, is one that must be dealt with, and the grounds on which a selection should be made are not very easily discoverable. The hard task of determining the terms of exchange between two standard *media* is far too serious to be made without adequate reason a subject of political debate. One of the features of a good currency system is its automatic working, but the double standard implies a constant authoritative intervention in order to maintain a particular value relation—viz., that between gold and silver.

The second difficulty that the advocate of bimetallicism has to encounter is the dependence of his proposal on an unproved theoretical doctrine. Setting aside obviously untenable views, it may be said that three different theories as to the causes determining the value of money have commanded the support of creditable authorities, and of these two are quite irreconcilable with the arguments for a double standard. The oldest, and at one time most generally accepted theory regarded the value of the precious metals as being fixed in exactly the same way as those of other commodities by their respective "costs of production." This was the position of the so-called "orthodox" political economy as represented in England by Senior and M'Culloch, and it is evident that its truth would at once preclude the possibility of establishing an effective

double standard at any other ratio than that of the respective costs of production of gold and silver, but as this would vary with the conditions of production, a stable ratio would be impossible. We might as well hope by legislative enactment to fix definitely the comparative values of bread and sugar as those of gold and silver, if all these commodities have their values fixed by their relative costs.

Modern economic investigations have, however, rather reduced the importance of cost of production as the regulator of value, by allowing influence to the relative demand for commodities which affects, and is in turn affected by cost. Thus it becomes necessary to see the exact situation of each commodity before we can know the causes governing its value, and it is clear that alike in production and consumption the precious metals are somewhat distinct from other articles. They are produced in a very speculative way; their cost of production is not easily ascertained; while their consumption is so gradual as to allow of the formation of an enormous stock that cannot be readily reduced. The actual quantity of money in existence thus comes to be a prominent factor in determining its value, and it seems possible to assign what would appear to be arbitrary values to the different commodities that form the material of money. These circumstances have naturally made the "quantity" theory of money extremely popular. It is believed that the value of the circulating medium is dependent on its amount, falling as that increases, and rising with its diminution. Here we get an apparent support for the proposal of a double standard? The state can increase the quantity of money by adding a second metal; it thereby lowers its value, or, in other words, since prices are simply expressions of the value of money, it raises prices. When a state gives up the use of a second metal it acts in the opposite direction, and consequently bimetallicists regard the partial disuse of silver by various governments in the last twenty years as a real and sufficient cause of the low prices and fluctuations of trade, which, they maintain, have occurred in the same period. Whether the quantity theory of money is quite so safe a basis for the practical plan of a double standard, is a question that we may reserve for a moment, until we consider another view of the matter that certain facts of modern commerce apparently support. This may, perhaps, best be called the "credit" theory. Its upholders assert that the most potent agent in determining prices, and, therefore, the value of money, is credit. Gold and silver are only, it is said, the "small change" of present day business. The true *media* of exchange are the documents which pass from hand to hand in the course of transactions: it is to their increase or diminution that we must look if we want to understand the reasons for price fluctuations. Without at all accepting this theory in its extreme form, we must admit that in reference to short periods it contains a large measure of truth. Prices were higher in 1888 than in 1885, while in 1892 they had nearly returned to the level of the earlier year, but no one can imagine that this movement was the direct result of parallel changes in the quantity of money. Within a period of even fifteen years the fluctuations of credit are of greater practical

importance than the slower change which may take place in the quantity of the precious metals engaged in monetary use.

It is not here in place, even were it possible, to examine these conflicting theories: I may perhaps express my own belief that each lays stress on real elements of the question unduly neglected in the others; and that the true theory of money value is more complicated than many writers on such matters suppose. But the point I wish at present to insist on is the dependence of the double standard plan on the establishment of one of these theories and the refutation of the others. Now, it seems almost self-evident that some near approach to agreement on the part of those able to judge should be reached before existing monetary systems are altered. It rests on the propounders of a particular line of policy to establish beyond question the foundations on which they desire to build. The adoption of very sweeping changes in the currency laws on the faith of an unproved doctrine is hardly in accordance with practical wisdom.

The next difficulty in the way is presented by the fact that the most serious evil to be met by the use of a double standard—the gradual rise in the value of gold and the fall of prices—may be remedied in other ways each more effective for the purpose than bimetalism. We often hear that gold is getting scarce and that it alone will not suffice for the money needs of the world, with the hardly appropriate metaphors of the “narrow bed” or the “scanty blanket” added as illustrations. A little consideration shows that the scarcity of gold admits of an easy remedy. If it should ever happen that 100 sovereigns were to be as valuable or have as much purchasing power as 200 have now, the reduction of the amount of gold in the sovereign to half its present amount would restore the old state of things. Money in this respect differs from other commodities, since its function is to facilitate exchanges. Half a loaf cannot well take the place of a whole one, but the half-sovereign could do the work of the sovereign. By adjusting the quantity of metal in coins to the amount available for use we can always secure an amount of circulating medium adequate to maintain prices at their old level. The objection that a reduction in the quantity of metal in a standard coin is a debasement of the currency is beyond question true, and this would of itself seem a sufficient condemnation of any such measure, but then it is only accomplishing openly and without disguise what bimetalism seeks to reach in a less direct manner and with less security that the desired end will be gained. Much of the argumentation in favour of the double standard as giving a larger supply of money is tainted by the same fallacy that underlies all plans for the issue of debased or inconvertible paper currencies.

Another mode of meeting the evils alleged to result from appreciation of the standard substance is by the creation of what is known as a *tabular standard of value*. By taking the comparative prices of commodities at different times it is possible to estimate within limits the change in the purchasing power of money between those periods, and, if it is thought desirable, to adjust the relations of

debtors and creditors accordingly. Thus for example, if, taken on the average, the prices of commodities have fallen 20 per cent. since 1873, all debts existing from that date could be lowered by 20 per cent. Rent or interest of £100 would be placed at £80 as being the present equivalent in purchasing power of £100 in 1873. The employment of a tabular standard is, indeed, not free from complications; the commodities to be included, the weight to be given to each, and the differences in the modes of expenditure of different classes all require careful examination. It has, however, in common with the direct alteration of the amount of the standard substance in coins, greatly the advantage over bimetallism in that it thoroughly meets the evil which the double standard only palters with. By the very nature of the case the conjoint use of silver with gold must be an irregular and imperfect mode of correcting the fluctuations of prices. Though metallic money passes into circulation from the mines or stores in which it is held, in conformity to general laws of distribution, it is not easy to say what will be the exact course of distribution in any particular instance, or the precise effects on prices. The surrounding conditions are too many to permit of exact prevision. It is in fact quite possible that the first result of international bimetallism would be a large drain of silver from India and China with perhaps a heavy fall of prices in those countries, a very serious disturbance of Eastern trade and severe pressure on the great mass of the native population. The supposed advantage of a stable exchange between England and India would be more than counterbalanced if Indian local prices were pulled down in proportion. Whether the new distribution of the precious metals under the action of a fixed ratio would ultimately yield a higher scale of prices, when the effects produced (1) on the production of gold and silver, and (2) on the system of credit are taken into account may well be doubted; but, granting that it would, the result would be certainly irregular and not the same for any two countries. Moreover, there would be no protection whatever against appreciation of gold and silver together in the future, owing to reduced supplies or increased cost of procuring both metals. The double standard is then a doubtful and uncertain remedy for the very disease for which it is prescribed.

Still another difficulty remains for notice. So far we have taken it for granted that there has been a general fall of prices due to reduced supplies of money. This position is not at all thoroughly established. Some persons are even courageous enough to dispute the fact of a fall in prices, but a stronger body of opinion, while admitting the fact, denies that scarcity of money is the cause. It maintains that lower prices are really due to improvements in production and transport which have lowered the cost of producing most articles in common use. As instances, the economy of transit which has resulted from the opening of the Suez Canal, from the Indian railways, and the development of the Western American States, is brought forward. Invention in industrial processes has also been active, so that the lower prices of wheat, wool, sugar, iron, and copper, to mention only a few articles, find their true explana-

tion in the conditions of supply affecting each. Changes in respect to the production of commodities are just as important as those affecting the production of money: if the mass of disposable commodities be largely increased, while the total cost is unaltered, it is clear that each unit will have a lower money value. So long as the sum of incomes is untouched, and more especially so long as services of all kinds retain their value, a fall in the prices of commodities merely means a larger return of advantage to the labour of the world. In this connexion it is significant that nominal wages have hardly fallen, while real wages are decidedly higher than they were twenty years ago. Nor do either the income-tax returns or the death duties show that decline that might have been expected under a steady appreciation of the standard of value from causes affecting it alone. The decline of rents, or more generally land values all over Europe and Eastern America, can be directly referred to the influence of improved transport, and is, in fact, a striking illustration of that so-called Ricardian theory of rent, which is ever gaining wider acceptance among economic students. Industrial and commercial depression may be produced by many different influences, and it is always well to examine the special conditions of each industry before ascribing a number of what may be quite distinct events to one general cause. Nor have we yet exhausted the doubtful points in the bimetallic argument. It is very common to hear of the disuse of silver, and of the attempts to banish it from circulation. We are assured that the monetary policy of France, Germany, and the United States has expelled silver from their currencies, with the obvious implication that a reversal of that policy would have the opposite effect. But when we look at the facts we find that this unused and demonetized silver is not to be found. The Latin Union employs a large mass of silver in its circulation; England and Germany both have it for token coinage; the United States has been gradually accumulating a very large store of this metal, and on faith of it issuing certificates, which are used as circulating *media*. Eastern countries are open to receive all the silver that may be sent to them for monetary use, and the very absence of an abnormal drain of silver to the East, which has been sometimes regarded as contradicting the economic theory of the distribution of the precious metals, really exhibits the adjustment of relative values under new conditions, and further shows how treacherous a support the quantity theory of money is in the interpretation of particular cases. The industrial uses of the precious metals must also be remembered, as well as that quasi-monetary use which, *e.g.*, makes the Indian natives hoard gold so largely, but which is not amenable to legislation. Here, again, the objection to state interference presents itself in a more concrete form. In dealing with the delicate and often obscure forces that operate on the conduct and habits of mankind in respect to money, we cannot trust to deduction from a single general principle. After making the utmost concession to the believers in the quantity theory, we are as little justified in trusting to its invariable working as in holding on theoretic grounds that a day in February *must be* warmer than one in January.

From this uncertainty and complexity in the operation of economic forces, it is plain that the reversal of an economic process hardly ever restores things to their former position. Bimetallists assert that the demonetization of silver has brought about certain evils which they hope to remove by a return to the older system. But if various classes have been injured by monetary changes during the last twenty years, it is yet, owing to the new relations that have been formed, quite hopeless to expect that each sufferer will be indemnified by the adoption of a double standard. On the contrary, new injustice would in many cases be inflicted, and some branches of commerce seriously disturbed. The mercantile classes in India seem to be awakening to the perception of this fact, and we may be sure that if the double standard were ever tried, or about being tried, in this country, aggrieved interests would soon make themselves heard.

Next in this set of difficulties is the absence of any due recognition in the bimetallic theory of the strength of the forces that have brought about the movement towards gold monometallism. As soon as a nation reaches a certain position of civilization and commercial activity it seems almost naturally to adopt the most valuable metal as its standard. The Roman Empire, the Italian Cities of the Middle Ages, England, the United States, and most European countries have followed this line. Their conduct may be quite unreasonable, but it is none the less a fact, and as such must be reckoned with. And further, no country that has got a gold standard shows any desire to give it up. It may be anxious that some, at least, of its neighbours should do so, and even be willing to make concessions in order to induce them; but the monetary conferences of the last thirty years give ample evidence of the absence of any real desire for an international double standard. Looking back on the course of development, we see that each of the leading countries has at the earliest opportunity adopted the gold standard, and that this policy is in harmony with the sentiments of the commercial classes and the advice of the most competent authorities on monetary questions. Even since the partial reaction of opinion in favour of bimetallism, the same current of sentiment is in force. It is doubtful how far those who discuss such questions have studied the proceedings of the conferences of 1878 and 1881, but in both we find almost exactly the same general character as in the recent one at Brussels. Under formal expressions of sympathy, and diffuse discussions of very speculative proposals, there is the fixed determination of the principal European States to hold by the gold standard for themselves. The economic interests of powerful classes, and the political interests of the great military states, favour the retention of a gold currency as the best basis for trade and the most convenient instrument in case of war, a fact which leads at once to the last bimetallic difficulty that we need consider—viz., the probability that the double standard, if adopted, would be only nominally in force, and might at any time be abandoned. It is well known that London is the only free gold market in Europe: at any other commercial centre obstacles are placed in the way of gold withdrawals, and this was

equally true of France under the strict double standard. The disposition to hoard gold for public and especially military ends is not likely to cease in consequence of an international convention establishing the double standard. There would also be the probability of commercial dealings being still by express agreement or usage carried on by means of gold or documents representing it. Thus, both on the side of the governments and on that of the people there might be a practical abandonment of the double standard in spite of the most carefully arranged treaty.

Many persons who admit the impossibility under present conditions of the establishment of a double standard yet think that some palliative may be found, either by limitation of silver coinage in countries that have that metal as their standard, by expedients calculated to secure a wider employment of silver as subsidiary currency, or, lastly, by purchase of silver at or above the market price by the interested governments. Any such expedient seems to be rather likely to increase existing inconveniences. Limitation of silver coinage, *e.g.*, in India would still further lower the value of silver bullion, while it would place the currency of that country in a dangerous and abnormal position, not to speak of the possible stimulus to illicit coining. More extensive use of silver as token coinage would really mean forcing on the users of money a form of currency which is not required by them, and would besides have a very trivial effect. But it is to plans for the purchase of silver on a large scale that the strongest objection may be taken. Purchase of silver may indeed cause a temporary relief, but the stocks so formed are a constant source of apprehension, since at a future time they may be thrown on the market and bring about a fresh fall in value. A cursory examination of the policy of the United States suffices to establish the reality of this danger. The Bland Act of 1878 decreed the purchase of a minimum amount of silver monthly, and the Sherman Act of 1890 has further extended the system. Ever since 1878 one of the principal reasons alleged for the low price of silver and disturbance in the silver market was the apprehension of a repeal of the Bland Act, and the consequent deluge of silver on a perturbed market. The measure of 1890 led to a brief recovery in the price of the metal, but was speedily followed by a fall to the lowest point ever reached—an event predicted by Mr. Giffen. Is there any reason to believe that fresh action in the same direction will be attended by better results? The accumulation of stores of silver by state intervention is as little calculated to ultimately maintain the position of silver as the formation of reservoirs with very precarious banks is to reduce fears of an inundation. It is even less so; for the artificial purchases are a direct inducement to fresh production of the depreciated metal.

The foregoing considerations are all, I believe, real and pertinent, and present elements that should be taken into account. When combined, they seem to show that the adoption of a double standard is neither sufficiently justified by theory nor advisable as a matter of practical policy. I have no desire to discredit the scientific ability or the zeal for the public good displayed by the many

able and earnest advocates of the double standard; nor would I deny the possibility of its effective working under certain conditions. I cannot, however, escape the conviction that its upholders under-rate the difficulties of their proposal quite as much as they over-rate its advantages, and that both on theoretic and practical grounds adherence by this country to the tried and well-attested monetary policy of the last hundred years is the right and proper course.

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III.—*Magistrates' Law and Suggested Increase of Jurisdiction and Powers.* By Fletcher Moore, Esq., J.P.

[Read Monday, 1st May, 1893.]

WHEN undertaking to write a paper on this subject for your Society, I had little idea of how it would develop upon paper in its progress, or of the difficulty there would be in condensing the subject, and, at the same time, eliminating technical phrases so as to popularize the subject, whilst bringing it within the limits of a paper suitable to the Society. It is necessary for these reasons to cut out many details which, though comprehensible to the legal members, would yet appear stupid and monotonous to others. I content myself with pointing out these difficulties and asking my audience for their kind indulgence if I fail in my efforts.

Few but those who have frequented the magistrates' courts in Ireland, commonly known as the petty courts (numbering over 600) can have any idea of the vast amount of work that is quietly and steadily gone through during each year by magistrates who gratuitously give their time and labour to the state. And no light task this is, when thoroughly and conscientiously carried out—the magistrates having to wade through and puzzle out the meaning of numerous and oftentimes involved Acts of Parliament without receiving any assistance in their task from the executive government. In days gone by, such assistance was given by the legal Adviser to the Castle, from whom the magistrates, if in doubt about a case, could obtain an opinion and advice about some knotty legal point; but of late years economy seems to have prevailed, and the Castle Adviser-ship is defunct. This is certainly a subject of regret, as it greatly weakens the advantage to the public of these most useful courts by placing the magistrates sometimes in a dubious position, desirous to do their duty, but hampered by the difficulty of ascertaining the true meaning of a doubtful clause of some statute which, probably, should be construed by the light of some later legal decision of the superior court, that the magistrates very likely never have heard of, for the executive government takes no steps to communicate these legal decisions to petty sessions courts.

If the magistrates determine to deal with the case under their summary jurisdiction, they may have their order set aside by the superior court as not being within the scope of that jurisdiction; whilst if they send it on for trial, it may turn out that they should