

Volume II

The Heyday of the Gold Standard, 1820-1930

1878 November 27

International Monetary Conference, 1878: 'Report of the Commissioners appointed to represent Her Majesty's Government at the Monetary Conference held in Paris in August 1878'. The conference convened at the insistence of the United States to consider the adoption of a common ratio between gold and silver. The report summarises the positions of the United States and most western European countries towards the proposal.

TO THE LORDS COMMISSIONERS OF HER MAJESTY'S TREASURY.

May it please your Lordships,

We have the honour to forward herewith the *Proces Verbaux* of the International Monetary Conference, held in Paris under the presidency of M. Leon Say, which we were requested to attend by your Lordships Minute of the 5th August last.

The Conference met at the instance of the Government of the United States, in accordance with the second section of the Act passed by Congress early in the present year, "to authorise the coinage of the standard silver dollar, and to restore its legal 'tender character.' The words of this section are as follows:—

"Immediately after the passage of this Act, the President shall invite the Governments of the countries composing the Latin Union so called, and of such other European nations as he may deem advisable, to join the United States in a Conference to adopt a common ratio as between gold and silver for the purpose of establishing internationally the use of bi-metallic money, and securing fixity of relative value between these metals."

In the letter which your Lordships caused to be addressed to the Foreign Office on the 20th May last, in answer to the invitation of the United States, it was stated that

"the United Kingdom has, since 1816, or for a period of more than 60 years, confined itself to a single standard of value, viz., gold. The policy of a single standard has been accepted by Governments of all parties, and by the people. It has never in fact been seriously attacked, and without entering on a theoretical discussion, my Lords consider themselves justified in asserting that both Government and people are satisfied with a system which has approved itself to them by long experience, and that there has been and is no expression of public opinion in favour of an endeavour to establish a common ratio between two metals

Volume II

The Heyday of the Gold Standard, 1820-1930

which vary continually, and not simultaneously, in value. The question, therefore, to be submitted to the Conference is not an open question so far as the United Kingdom is concerned."

[...]

Your Lordships, however, subsequently received a communication from the Secretary of State for India in Council, in which it was stated that, considering the important bearing of this question on the interests of India, his Lordship would be glad to learn that Her Majesty's Government had decided to take part in the proposed Conference; and your Lordships, therefore, consented that this country should be represented, provided that the terms of the invitation were so far modified as to allow the free discussion in all its bearings of the subject of the standards of currency used in various countries and the relations which exist or can be established between them, it being clearly understood that England could in no way depart from the policy in respect to currency questions which she has pursued for the last 60 years.

The Government of the United States having accepted the representation of Her Majesty's Government upon these terms, your Lordships were pleaded to request us to proceed to Paris in order to represent Her Majesty's Government at the International Conference on Bi-metallic Currency which met in August last. The understanding with regard to our taking no part in any vote which would place in question the maintenance of a single gold standard in England was of course embodied in our instructions.

The distinct limitation thus imposed on our proceedings at the Conference did not, however, preclude us from taking an active part in its deliberations. For, in the first place, our position with regard to the Indian Empire, where the silver standard prevails, and with regard to which we were not bound as we were in the case of England, gave us a most important locus standi, and the deepest interest in any discussions involving the future of silver; and in the next place, we found that the representatives of several other Governments were, similarly with ourselves, distinctly precluded from voting on any proposition which would involve changes in the currency laws of the countries which they represented.

While, therefore, the United States had called the Conference together with a view to common action being taken, it was clear, at the very commencement of our proceedings, that, with few exceptions, the countries of Europe were convinced, even before our sittings were opened, either of the inexpediency or of the impossibility of the course which was recommended by the United States. Declarations were accordingly soon made by the representatives of various Governments making it at once apparent that the Conference would have no practical result.

Dr. Broch (Norway) was the first to declare that the Governments of Sweden and Norway, who were committed to the single gold standard, had accepted the invitation of the United States on the same terms as those on which Her Majesty's

Volume II

The Heyday of the Gold Standard, 1820-1930

Government consented to nominate your Commissioners.

M. Pirmez (Belgium) and M. Feer Herzog (Switzerland), representing countries included in the Latin Union where the double standard still exists in a modified form, had received the most stringent instructions not to commit themselves in any way to the ultimate maintenance of silver as a standard in their respective countries.

Other Governments, such as that of Austria, had instructed their representatives to state that they intended to maintain an expectant attitude, and when France, the leading country in Europe amongst those where the silver currency has not been demonetized, also declared in favour of an expectant attitude, it was perfectly clear that all prospect of any common action for the "rehabilitation of silver," such as was desired by the United States, was out of the question even among a limited group of nations.

Germany was not represented at the Conference. Her abstention (to which we shall have to refer hereafter) naturally increased the difficulty of arriving at any understanding. The representatives of the United States were most loth to recognize this position. To the very close of the Conference, supported by Italy alone, they pleaded on behalf of common action as if it were an open question, and when compelled to acknowledge that action was impossible, urged at least a common theoretical declaration in favour of such action, though the instructions of the majority clearly precluded such a course. But in view of the circumstances which we have detailed, most of the members of the Conference perceived at once that no definite result could be obtained, and that it only remained to exchange opinions, and to collect all possible information as to the intentions and policy of the Governments represented with regard to the monetary circumstances of their respective countries as affected by the fall of silver.

We have great satisfaction in stating that in this respect the most perfect frankness prevailed, all members of the Conference vying with each other in contributing materials of common interest, and in stating, without reserve, how their Governments viewed the position.

We had the advantage not only of obtaining information during the debates of the Conference, but also of exchanging private communications with the Delegates from the different countries. We trust that the information thus collected, especially as to the probable future policy of various states with regard to the Silver question, may not be without some interest.

The present position of most European countries with reference to a metallic currency is well known to your Lordships. Besides the United Kingdom, Germany and the Scandinavian Union, comprising Sweden, Norway, and Denmark, have completely adopted the single gold standard.

Holland is in a transition state. By a law passed in 1875, a new monetary system was legalized on the principle of a double standard. Gold was valued in relation to

Volume II

The Heyday of the Gold Standard, 1820-1930

silver at 15.625 to 1. Her object was to provide gold for Europe and silver for her Eastern possessions, keeping the same currency in both divisions; as, however, the depreciation of silver made rapid progress, Holland has, since 1875, suspended the coinage of silver, while nominally retaining the double standard.

In the Latin Union, which comprises France, Belgium, Switzerland, Italy, and Greece, the double standard still prevails, gold and silver coins being legal tender for unlimited amounts, though the coinage of silver bullion into coin has been for the present suspended, and Italy, it should be added, having still a forced paper currency, though a member of the Union.

Austria and Russia have also a forced paper currency, but the unit of value is nominally a silver coin.

Accordingly, at the present moment there is an important group of nations with a single gold standard, an important group of nations with a double standard, and a third group of nations which originally had a silver standard but now have a forced paper currency.

No European country represented at the Conference has a metallic currency with a single silver standard at present, but both the United Kingdom and Holland have Eastern possessions in which a silver currency alone exists.

The United States of America are in a transition state, about to resume specie payments, and to resume them on the footing of a double standard, but with limitations as to the amount of silver which is to be coined.

Such are the actual circumstances of the various nations. *

We proceed to describe the attitude which they appear to have assumed in regard to the silver question.

The countries which have adopted a single gold standard, and have no Eastern possessions, have clearly made up their minds. Germany, it was understood, declined even to attend the Conference lest her attendance should be interpreted as a sign of wavering as to the policy to which she had committed herself. In the Scandinavian Union any deviation from the course adopted in 1873 seems equally out of the question.

In Holland the position is far more complicated. Her Government are feeling the difficulty caused by the currency of her Eastern provinces most acutely, and are apparently watching the course of the English Government in relation to India, with a view to examine whether it may afford a practical solution for their own adoption under analogous circumstances. Holland is therefore inclined to maintain

* Spain and Portugal were not represented at the Conference. Spain has adopted the currency of the Latin Union though without entering the Convention, and has suspended the free coinage of silver from 1st May last. The monetary system of Portugal is based on gold alone.

Volume II

The Heyday of the Gold Standard, 1820-1930

an expectant attitude, but according to the opinion expressed by her representatives she has become convinced that a single gold standard is most suitable to her as a European nation, although a single silver standard may be right or necessary in her Eastern possessions. Her proximity to Germany, and her intimate commercial relations with that gold-using country, have brought this conviction forcibly home to her.

The attitude of the countries comprising the Latin Union is particularly interesting. Though bound together by existing conventions they are at present actuated by the most divergent opinions.

Your Lordships are aware that in 1873, in view of the depreciation of silver which then first threatened to deprive the countries forming the Latin Union, whose currency was based on a double standard, of the gold which had for many years been the chief metal in use, the Swiss Government invited the other Powers to join in a Conference. The meetings held in 1874, 1875, and 1876, resulted in a limitation of the coinage of five-franc pieces, which in the latter year was restricted to 120 millions of francs, allotted in various proportions to the five States composing the Union. In 1877, on the proposal of France, it was arranged by correspondence that this quantity should be reduced by one half, and in 1878 the coinage of silver money of full value was entirely stopped, except that Italy was permitted to recoin the demonetized silver of the petty States to the amount of 10 millions of francs. But though these measures have been taken by common accord, the views of the ultimate solution held by the various members of the Union differ most materially. The French Government appears to believe, and evidently hopes, that after a lapse of time silver may so far recover its value and assume a steady relation to gold, that France may be able to return to the normal action of a double standard, which is at present interrupted by the suspension of the free coinage of silver five-franc pieces. But as it is obvious that it is impossible to allow the free coinage of silver at the ratio of 1 to 15.5 without the certainty of losing all the gold in the country, the present policy of the French Government is to maintain the status quo. It will be observed that the Minister of Finance, at the third meeting of the Conference, stated that while unable to accept the proposals of the representatives of the United States, he would be unwilling positively to reject them, and this statement fairly represents the present attitude of France, and is in accordance with the statements made by M. Dumas, who presided over the meetings of the Latin Union in 1876.

At that Conference Switzerland had already advocated the adoption of the single gold standard; Belgium appears to be strongly disposed in the same direction; and it is likely that these countries will take advantage of the first favourable opportunity to legislate in that direction. The Latin Convention continues in force until the 1st January 1880, and is terminable then, and at intervals of 15 years, at one year's notice. Conferences have however been in progress among the members of the Union since we left Paris, which appear likely to result in some temporary prolongation of existing arrangements, the suspension

Volume II

The Heyday of the Gold Standard, 1820-1930

of the coinage of silver five franc pieces being continued. It is not probable that Belgium or Switzerland will be able to carry out their wish for a single gold standard for some time to come.

The Greek Government had directed their Chargé d'Affaires to attend the Conference, and to state that Greece was not prepared to depart from the present expectant policy of the Latin Union.

The remaining nation which forms part of that Union, viz., Italy, has a forced paper currency. Her opinion appears to be that it would probably be easier to resume specie payments upon the basis of a double standard than upon the basis of gold alone, and upon that ground she is not disinclined to the principles submitted by the United States. The representatives of Italy were indeed the only members of the Conference who gave an eager support to the proposals of the American delegates, and your Lordships will observe that they alone declined to accept the resolutions framed in answer thereto, and that they placed upon record their opinions in favour of the double standard, and of the adoption of an international ratio between gold and silver. It may be worth observing that a large amount of Italian subsidiary silver is said to be held in the Bank of France, and as this token coinage must be redeemed by the issuing country, it will be seen that France possesses a powerful means of exercising influence over Italy in matters of currency.

Austria, though, like Italy, having a forced issue of paper money, appeared to be more inclined to follow an expectant attitude and less disposed to cast in her vote at once with the Bi-metallists. The consideration that it would be obviously cheaper and easier to resume specie payments in silver, which is now at a very small premium as compared with paper, has evidently great weight with her. On the other hand the proximity of Germany, with whom Austria transacts four fifths of her commerce, points to the advantage of the adoption of a monetary system based upon gold alone. Such a transition could not, however, be effected without cost; and the Government appears to be favourably inclined to the use of both metals.

One other country which has no metallic circulation was represented at the Conference, viz., Russia. Her monetary system, like that of Austria, is nominally based upon silver, but the opinions expressed by her representative were decidedly opposed to a bi-metallic system.

Your Lordships will, therefore, perceive that while Germany and the Scandinavian Union adhere to the principles which they have so recently adopted, Holland, Belgium, and Switzerland appear also to be decidedly in favour of the single gold standard; that France appears to be in favour of a double standard, but is not prepared, under the present circumstances, to resume the free coinage of silver; that Greece maintains a similar attitude; and that, of the countries having a forced paper currency, Austria and Italy appear to be inclined towards the employment of the two metals as being more likely to lead to the resumption of

Volume II

The Heyday of the Gold Standard, 1820-1930

specie payments, while Russia remains faithful to the principle of a single standard.

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Source: Great Britain, Parliamentary Papers, House of Commons, 1878-1879, c. 2196, vol. 21, pp. 1-5, 105.