25-000 to Hon. E. O. Wolcott
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STATEMENT RESPECTING THE WORK OF THE RECENT INTERNATIONAL BIMETALLIC COMMISSION

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BY

HON. EDWARD O. WOLCOTT,
OF COLORADO,

IN THE

SENATE OF THE UNITED STATES,

JANUARY 17, 1898.

WASHINGTON.
1898.

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Mr. W. A. Smith

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BY

HON. EDWARD O. WOLCOTT,

OF COLORADO,

IN THE SENATE OF THE UNITED STATES,

January 17, 1898.

Mr. WOLCOTT said:

Mr. PRESIDENT: In the statement which I am glad to make respecting certain phases of the work of the recent bimetallic commission, I must speak, of course, entirely unofficially and as not committing my associates in the slightest degree either to my opinions or deductions. Later in the session we are certain to have ample discussion on the subject of silver, and it will probably be acrid and bitter enough. In my remarks to-day, however, I mean to avoid, as far as possible, anything which may give rise to controversy, and while the account of our negotiations must necessarily seem bare and colorless, the subject of them is one of surpassing interest and importance to every member of the Senate and to every citizen of our country.

When Congress met a year ago, soon after the national election, there was a universal expression by the Republican membership in the Senate that the pledge of the party in its St. Louis platform to promote international bimetallism by every means in its power was an undertaking to be faithfully carried out without evasion or delay.

As a result of this sentiment, and growing out of the action of the Republican members of the Senate, I spent the months of January and February last in London and Paris, with a day or two at Berlin, inquiring unofficially as to the apparent prospects of securing bimetallism by international agreement. During my absence the act of March 3, 1897, was passed, almost without dissent in both Houses of Congress, and became a law at the close of the last Administration.

Chiefly because of my having already undertaken to ascertain foreign sentiment respecting bimetallism, and through no special fitness of mine, the President was pleased to appoint me as one of the special envoys or commissioners under the provisions of the act.

There were three of us appointed. We were all bimetallists; our views were known to the President before our appointment; there was no one of us who did not and does not believe that the financial question overshadows all others, and that continued adhesion to the single gold standard means only disaster to our agricultural and commercial interests.

We spent six months abroad, visiting only Paris and London, returning in November last. Whatever measure of success or failure has been meted out to us, we have been hampered by no lack of authority or sanction or administrative support.

The language of the law itself has been our guide and has marked the extent and limitations of our powers. The President was authorized to call a conference with a view of securing by international agreement a fixity of relative value between gold and silver as money; by means of a common ratio between the metals, with free mintage at such ratio. Or if in the judgment of the President the purpose specified in the first section of the act, that is, if the securing by international agreement a fixity of relative value between the metals by means of a common ratio with free mintage at such ratio, could be better attained by the appointment of one or more commissioners or envoys who should seek by diplomatic negotiations such international agreement, he was authorized to appoint them.

By virtue of our appointment we were authorized to negotiate an international agreement. It seems elemental and unnecessary to say that any agreement negotiated by us could have no binding authority except as Congress enacted it into law. Not only were the authority and sanction and powers with which we were intrusted specifically set forth in the law under which we were appointed, but there were never at any time instructions given us that sought in the slightest degree to change or hamper or limit the full powers conferred upon us by law.

We have been of one mind and in entire agreement during all of our negotiations, and our efforts have been loyally furthered by our representatives abroad, who were fortified by strenuous instructions. In England especially the able and intelligent and cordial cooperation of our ambassador was of great advantage in our deliberations.

We have had, then, a law broad and full in its powers; we have been free to act under its provisions; our views have been identical and earnestly favoring an international agreement, and we have had the hearty support of our ambassador at the Court of St. James. Further than this, from the day of our first entering upon the fulfillment of our duties until now the President of the United States has extended to the mission his unswerving support in all its efforts to bring about an international agreement. There has been no moment that we have not known that back of our efforts was the earnest desire of the Chief Executive to carry out in its integrity the provisions of the platform of the Republican party pledging it to every effort to bring about an international bimetallic agreement.

Since the demonetization of silver by the United States in 1873 there have been three international conferences held in the endeavor to secure the restoration of bimetallism. All of these conferences have been failures. There are eighteen nations of Europe, each emitting coinage of its own, and all of them basing their circulation upon the standard of gold alone. Two of them, Russia and Austria, have since the last conference lowered by law the gold value of the silver in their current silver coins and the value of the paper based on silver; one of the countries has closed the mints in India, its chief colony, the largest absorbent of silver in the world; and, outside of Europe, the Empire of Japan has inaugurated a new ratio between gold and silver of 32½ to 1.

All of these important and independent changes in coinage laws, added to our experience drawn from former attempts, made it evident to us that if a fresh conference were called without a prior understanding first having been reached between some, at least, of the leading commercial nations of the world, another failure would

be inevitably recorded. In reaching a conclusion as to what countries should first be asked to join in the endeavor to secure a preliminary understanding, events of the preceding year much simplified our course. Three European countries, France, Germany, and Great Britain, had within a few months of each other, in language nearly identical, made legislative record of their desire to bring about by international agreement a fixed parity of exchange between gold and silver. It seemed wisest to us, therefore, to ascertain preliminarily whether among these countries some understanding might be reached.

We turned first, naturally, to France. Our sister Republic had for nearly half a century practically alone maintained for the world the parity between the metals. Her interests were largely agricultural. Her people were accustomed to the use of silver as money. Prosperity had attended her financial policy. And, above all, there was at the head of her ministry a far-seeing and courageous statesman who had never faltered in the expression of his belief in bimetallism as the only policy which could stop the steady appreciation of the value of gold and the necessarily equally steady decline in all other values, and the only policy which could overcome the paralysis of agricultural interests, the products of which were compelled to compete with those of the silver-using countries.

It is necessary to remember that in the French Republic, as in our own, the sanction of Parliament was necessary to the consummation of any agreement; and any preliminary understanding could only embody the views of the ministry. France, also, was bound by certain obligations toward her associates in the Latin Union, obligations which she was careful to observe.

The question of bimetallism was viewed in France as essentially an international one. We had before us the resolutions passed by the English House of Commons. We had also the distinct and unequivocal utterances of the 17th of March, 1896, made by Sir Michael Hicks-Beach, Chancellor of the Exchequer, and Mr. Balfour, First Lord of the Treasury, stating the minimum of the contributions England would make toward an international solution of the question, and conveying the intimation that more would be done if possible, but coupled always with the assertion that England would under no circumstances change her existing gold standard. And it was felt that before any definitive action should be sought among the other countries of Europe the exact attitude of England should first be ascertained.

It was agreed, therefore, that France and the United States would together present the question to the English ministry, and would together inquire as to the character and extent of the contributions England would make toward international bimetallism. The position of the French Government upon the whole question was fully and clearly stated in the instructions which the French Government gave Baron de Courcel, the French Ambassador in London. Copies of these instructions were read to us and were sent by cable to the French Ambassador in Washington and by him read to the Secretary of State. These instructions embodied the preliminary understanding already arrived at by France and the United States, and stated unequivocally the desire of France to secure the restoration of bimetallism by international agreement at a ratio of 15½ of silver to 1 of gold.

The importance of this preliminary understanding with France must not be underestimated. While France represents less than

11 per cent of the total population of Europe, in the volume of her currency she stands first, and furnishes more than 23 per cent of the gold, silver, and paper circulating as money in Europe, her proportion being upward of 25 per cent of the gold, 40 per cent of the silver, and 6½ per cent of the uncovered paper. The volume of a nation's currency is not determined by its population, its wealth, and its commerce alone; custom and the habits of its people are powerful factors. Other European countries, comparatively small in area and in the number of their people, furnish large percentages of the money in use, and I think I may say with positiveness that had England even adhered to her assurances of the 17th of March, countries representing more than half of the total money of Europe and the United States would have agreed, prior to a conference, that upon terms to be settled at such conference they would reopen their mints to the unlimited coinage of both gold and silver.

When we reached London and came to consider, jointly with the French Ambassador, the situation in England, there seemed at first but few difficulties in the way. Not only had the House of Commons declared unanimously by resolution on the 17th day of March, 1896, as follows:

> That this House is of opinion that the instability of the relative value of gold and silver since the action of the Latin Union in 1873 has proved injurious to the best interests of this country, and urges upon the Government the advisability of doing all in their power to secure by international agreement a stable monetary par of exchange between gold and silver—

but on the same day both Mr. Balfour and Sir Michael Hicks-Beach clearly and unequivocally stated the position of the English ministry; the same ministry through whom we were to negotiate.

Mr. Balfour said:

> The whole trend of civilized opinion is in the direction of a double standard.
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> It appears to me that under this system we are pledged, and the House is pledged, after the speech of the chancellor of the exchequer, to do as much or more for the bimetallic system, and for the rehabilitation of silver, as it is in the power of any foreign country to do. With this resolution we go to foreign nations and tell them that, though you can hardly ask us to make this great change in our habits, we will do for you as much as you can do for yourselves; we will make this great contribution to a bimetallic system; we will go back upon the deliberately arranged method of providing a currency for India; we will reopen the Indian mints; we will engage that they shall be kept open, and we shall, therefore, provide for a free coinage of silver within the limits of the British Empire, for a population greater in number than the populations of Germany, France, and America put together. [Cheers.]
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> I am glad, then, to think that the resolution will be carried by a large majority [cheers], and I hope it will be understood abroad—in Germany, in France, and in America—that this country is perfectly prepared to bear its fair share in any system which may, once and for all, put the international currency of the world upon a basis just both to the debtor and to the creditor, and a basis far less liable to change than either a monometallic gold basis or a monometallic silver basis can possibly be expected to be. [Cheers.]

Sir Michael Hicks-Beach, himself a gold monometallist, said in terms:

> I therefore do believe that in the matters which I have alluded to there are, as this motion states, evils affecting this country and our Indian Empire in the present low value of silver, and we are perfectly ready, as we have always been, to join with foreign countries in conference as to the best way in which those evils may be alleviated.
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> * * * * * * *
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> What is the policy which, as a Government, we intend to pursue? As I have said, we are willing, we are anxious, seeing that there are evils in the present low value of silver and in the fluctuations in the value of the two metals, to enter into a conference, or into negotiations, which certainly I believe at

the present stage would be much better than a conference, with other countries upon this subject, but we are not prepared to abandon the gold standard in the United Kingdom.

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We can not, therefore, alter the gold standard of the United Kingdom; but, with that reservation, we are prepared, in the words of the resolution, to do all in our power to secure, by international agreement, a stable monetary par of exchange between gold and silver.

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If it be possible for other nations to join in a bimetallic agreement which seemed good to themselves, I have little doubt but that the Indian Government would be prepared to assist by reopening the Indian mints to the free coinage of silver, and that we might endeavor, by other minor means, to promote the increase of silver in coinage and thus aid in an international agreement on this great question.

Not only so, but our own ambassador, in May, but a few weeks before our arrival, and while we were already in Paris negotiating with the French ministry, had, in an interview with Lord Salisbury, been told that the English Government still adhered to the policy outlined in the speeches of its ministers in the House of Commons.

We were not, therefore, intruders. We could present ourselves with the certainty of that reception which must follow direct and open invitation. And the welcome we had the right to expect we received. From the day we reached England until we left it finally in October, our official treatment was everything that could be desired. The English ministry, in terms, asked the French Ambassador and ourselves to suggest wherein, in our opinion, England could materially contribute to a solution of the question, and at the same time retain for her own people the gold standard, and what are termed the "proposals" were not volunteered, and were made only by way of suggestion at the explicit request of the English ministry. When they were received they were treated with full consideration, as were the representatives of the two Governments conducting the negotiations.

It is not surprising that another view should have prevailed in this country, a view based on the intemperate and hostile and somewhat brutal utterances of the London press respecting the proposals of the French and American representatives. The newspapers of London, like the newspapers of many of the capitals of the world, are dominated by and allied with the banking element, and reflect their views and often their expressions. The business of money loaning is an engrossing pursuit, not always tending to the cultivation of the amenities of life, and it is not to be wondered at that the London newspapers, voicing that industry, should, in their hostility to a policy of which they disapproved, forget for the moment that courtesy which is due to the stranger within the gates, especially when he comes upon invitation, and that they should be led to characterize proposals as "impertinent" which were made only upon request of their own Government.

In response, then, to the request of the English ministry, a number of suggestions were offered as indicating channels through which England might aid in a favorable international solution of the money question. It was natural enough that in England any change of economic policy would meet with great opposition. In the other leading commercial nations of the world, merchants not past middle age could recall the time when bimetallism prevailed, and grains of silver were as much a standard of value as grains of gold.

In England the business men of to-day, and their fathers and grandfathers before them, have known only gold monometallism,

and when we approached England we realized perfectly that in furtherance of any settlement of the question English mints would not be opened to the unlimited coinage of silver for use in England as money. Short of this, however, England could be a most important factor in bringing about the result we desired. The vital point in all our negotiations with Great Britain was, of course, India. Everything else was of comparatively slight importance; but if certain countries were to open their mints to the unlimited coinage of silver, England, by enlarging her use of that metal, might divert at first silver which would otherwise be offered for coinage at the open mints, and her action in this regard might tend to establish public confidence in the proposed financial policy.

Mr. President, it may be of some interest if I explain briefly some of these proposals. One of them, which was not perhaps generally understood here, was the proposal that there should be some contribution based on the Huskisson plan, or something similar. The plan takes its name from a communication of William Huskisson, one of the ablest financiers that the world has known, who in 1826, after England had gone to the gold standard, suggested that, all other countries but England being upon the silver standard, it was essential for the prosperity of England that she should have silver included in her money, but he did not want it to interfere with her token silver coinage, which was a legal tender for 40 shillings only. He therefore made the suggestion that the mint should be made a bank for the reception of bullion, and that silver bullion should be received there and certificate given to the person presenting it, stating its weight and fineness and its value at a blank ratio; but further on in his recommendation he said there was but one ratio to adopt, and that was the ratio adopted by France of 15½ to 1, and then providing that these certificates should be redeemable only in silver of that weight and fineness, but should pass current in all transactions.

In his suggestion, in order to overcome its possible interference with token silver, among other reasons, he provided that the amount of silver to be deposited should be not less than 200 ounces and the certificates to be issued should never be less than £50. This was followed soon afterwards by the Duke of Wellington's proposition of a similar character, suggesting instead of a minimum deposit of £50 that it be raised to £200.

The next suggestion was a proposal that the Government should enter upon the coinage in England of rupees and standard silver dollars, and make the latter legal tender to whatever amount silver might be made a legal tender within Great Britain. The principal value of any such suggestion could be sentimental only. The mints would never be used unless they were needed, and if needed, there was every reason why they should be used.

England had already, in December, 1894, entered into an agreement with two banks in the Straits Settlements, the Hongkong and Shanghai Bank, and the Bank of India, Australia, and China, whereby she agreed to coin for the Straits Settlements all the British dollars which might be requested, which should be of the same weight and fineness as Mexican dollars, at a seigniorage of 1 per cent, but the amount to be coined in any year to be not less than $5,000,000. Since that time she has coined some 16,000,000 British dollars, and the suggestion was made that they be made tender in Great Britain to the amount to which silver should be

made a legal tender, and at the nominal value of 4 shillings. With a coinage value of 4 shillings 4 pence, if the parity was maintained, they would never be presented, and the value of this concession would be sentimental, but go far to establish confidence in the coin in the Straits Settlements, where they would circulate.

These two suggestions, the Huskisson plan and the one I have just stated, were made at the solicitation and request of certain gentlemen on the other side of the water who believed these contributions to the plan to be valuable. The other contributions of which we have heard so much were by no means new. The suggestion of the holding of one-fifth of the reserve in the issue department of the Bank of England in silver was passed upon favorably long ago. As everybody knows, the permission to so apportion it was included in the charter of 1844, and as far back as the conference of 1881, when there seemed some prospect of our reaching an international agreement, our minister to London, then Mr. Lowell, inquired of the English Government whether or not, as a contribution to an international bimetallic agreement, England would consent to put one-fifth of her reserve in the coin and bullion department of the bank in silver, and Lord Granville wrote to the authorities of the Bank of England and received an affirmative answer—that they would make this contribution.

As Mr. Lowell had not made the inquiry at the request of our Government, a report was not made upon it, but later on the ambassador of Italy in London renewed the request of the English Government and received the formal answer which is published in the proceedings of the conference of 1881, expressing the willingness of the Bank of England to make this contribution toward an international settlement of the question. All the gold members, every one of them, of the gold and silver commission of 1886, which made its report in 1888, reported that this concession ought to be made and could be made, and in December, 1891, Mr. Goschen, a member of the present cabinet and then chancellor of the exchequer, in a speech before the Chamber of Commerce of London, declared that the policy of keeping one-fifth of the reserve of the issue department of the Bank of England in silver ought to be carried out.

The other contribution, Mr. President, the calling in of the 10-shilling gold pieces and issuing silver in their place, would have provided for some £23,000,000 worth of silver, a material contribution to the further and enlarged use of silver.

The other suggestion was as to the 20-shilling notes. Both of those suggestions were recommended in terms in 1888 in the report of the gold and silver commission of 1886 as a concession which should be made if any attempt were made internationally to settle the silver question by the inauguration of a bimetallic system, and the 20-shilling notes were specifically recommended by Mr. Goschen.

Thus, Mr. President, speaking very briefly and very hastily, I have covered the other suggestions that were made to the English Government when we were requested to indicate what contributions England could make. All other proposals, however, were of infinitely small importance compared with that respecting the reopening of the mints of India to the unlimited coinage of silver and the repeal of the order permitting gold to be paid for Government dues and to be exchanged for Government rupees.

This great dependency has a population of 290,000,000 of people for centuries accustomed to measure all other values by silver.

Since the days of the Mogul dynasties, I think, she has known no other standard but silver. Again and again attempts have been made to put gold into India. The mohur, the exact weight of the rupee, but a gold coin, and worth fifteen times as much, has been made legal tender and been authorized by law to be received in payment of Government dues, but it never passed into circulation. Another gold coin, known as the pagoda, worth about $1.75, but differing in value in the different provinces of India, has been sought to be introduced, but was invariably refused general circulation. Up to 1835 each separate province in India issued its own silver rupees, of varying weight and fineness, and in 1835 a law was enacted providing that the Madras rupee, the present rupee, should be the standard and destroying the legal-tender quality of gold.

Later gold was, by order in council, made tender to the equivalent of 10 rupees, but nothing apparently was done about it. It was never acted upon. But silver was the invariable standard in India until June 26, 1893, when the mints of India were closed to the coinage of silver, in accordance with the recommendation of the commission known as Lord Herschell's commission.

There is estimated to be in India silver to the enormous amount of upward of seventeen hundred and fifty million ounces. Of this there is coined into rupees and in circulation as money about 570,000,000 ounces. There is coined into rupees and hoarded about 150,000,000 ounces. There is in bullion, hoarded, and in bangles and other ornaments, easily convertible into bullion, more than one thousand million ounces.

Contemporaneously with the closing of the India mints an order was made providing that sovereigns and half sovereigns of current weight should be received at all the treasuries of British India and its dependencies in payment of sums due to the Government and in exchange for Government rupees as the equivalent of 15 rupees and of 7 rupees and 8 annas, respectively. This announcement was accompanied by a public statement of the viceroy that it was intended to introduce a gold standard into India, but that gold would not be made a legal tender for the present.

The effect of this action, of course, was to limit the maximum value of the rupee, measured by gold, to 1 shilling and 4 pence, (1/4) and practically to attempt to declare the ratio between gold and silver in India to be 1 to 22 and a fraction; a ratio which was nearly, but not quite, maintained from the date of the closing of the India mints until last week, when India exchange was quoted at 16½ pence. I hope at a later time to be able to discuss in the Senate the effect of this action of India upon the possible future action of the United States, and also the remarkable action which the Chamber of Commerce of the Straits Settlement took last month in petitioning the English Government to give them an entirely different ratio; to put them upon a gold basis and give them gold pieces of one-tenth the value of the sovereign—50 cents—and make it the equivalent of the silver dollar. But to-day I do not care to go into that branch of the question.

There was both in England and in India bitter opposition to the closing of the India mints, not only from bimetallists but from merchants, bankers, and others having relations with that country. The measure was declared by some authorities to be

temporary and grave doubts were expressed on every side as to the wisdom of the policy. There has ever since been a widespread impression that the India Government would be glad to retrace its steps. Many English gold monometallists of wide influence believe the policy to have been a mistaken one and would be glad to see the India mints reopened, if it could be done without stimulating the cause of bimetallism and as a separate and distinct action. There was a general opinion, not limited to England, that the India Government would be quick to avail itself of an opportunity to reopen its mints and would welcome any international attempt toward bimetallism that would raise the value of silver, and would be glad to cooperate in such an attempt.

This belief found expression in the speech of the chancellor of the exchequer of March 17, and I am sure that I violate no confidence when I say that the answer of the India Government protesting against reopening India mints was as much a surprise to the English ministry as it was a disappointment to us. While the protest was not final and while the English Government in London could have overruled the objections from India, yet such action would have been contrary to all precedent. As a matter of fact, the home Government, it is said, unanimously upheld the report.

Frequent statements in our papers assert that the answer of India was dictated from London. It may be that the blind and unreasoning fury of the city of London directed against any suggestion of contributions or concessions to an international settlement of the currency question which should recognize silver, and which threatened a panic and the overthrow of any ministry which attempted it, may have rendered the reply of the India Government not wholly unwelcome; but the policy outlined in the letter of September 16, signed by the viceroy and his associates, must stand as the deliberate and uninfluenced judgment of that Government.

To us the India situation is inexplicable. Millions of people, most of them extremely poor, have for years invested all their savings in silver. These accumulations a few years ago were worth a thousand millions of dollars and more. To-day they are worth less than half that sum. By the closing of the India mints and the artificial gold value given to silver India is at a great disadvantage with the neighboring countries, the exports of which are stimulated by the higher premium on gold, and they are robbing India of much of her manufacturing and export trade. The present policy inflicts upon India as well the evils of an insufficient and steadily lessening currency, evils which the vicissitudes of that dependency during the last twelve months have served to emphasize.

The world has heard much of the famine in India and of the great funds subscribed for its victims. It has not been, however, so generally known that the famine was one of money rather than food; that the contributions were chiefly forwarded to India in the form of money and not grain, and that during the whole period of the famine rice was abundant where men were starving, and its price was but a trifle over a cent a pound, less than the price of wheat in England. For all these evils, the loss in the value of the savings of the people, the disadvantage of a different purchasing value for silver in India from that which prevailed in China, the evils of an insufficient volume of money, and the enormous injury which commerce suffers through violent fluctuations

in the rate of exchange, we offered what we believed to be a remedy. Our offer was refused, and the refusal must be considered as final until the failure of the experiment upon which the India Government has entered shall be demonstrated.

The English ministers have published, of their own motion, the résumé of the interviews which were held in London, and with it the correspondence between the home and India Government. I shall ask to append a copy of this résumé to these remarks. The story of our English negotiations is not wholly told in this publication, but it covers them generally.

There was one oversight in communicating the so-called proposals to the India Government. It was distinctly understood at all our interviews to be a condition of the assent of any country to an agreement that it should be entirely satisfied that the plan proposed, because of the adhesion of a sufficient number of other nations, or otherwise, would secure the maintenance of the parity proposed. Had this been fully understood it is possible, though not probable, that a somewhat different answer would have been returned from India.

Any statement respecting our negotiations would be incomplete if it contained no reference to the unusual and largely unforeseen obstacles we encountered.

First among these came the remarkable drop in the price of silver, which fell between March and September from 64 cents per ounce to 51.7 cents, and fluctuated violently during a still longer period. Nothing could from the point of view of sentiment have so discredited our attempts to restore silver to its old pedestal as this extraordinary decline in its bullion value; and it was but little compensation to us to know that the fall came chiefly through the action of the smelters of the United States, who became apprehensive and, contrary to custom, sold not only their stock of bullion on hand, but sold also for thirty and sixty days delivery. It was wildly charged that there was a conspiracy to lower the price of silver, but a reasonably careful investigation puts the responsibility for the unusual decline at the door of our own smelters, aided perhaps by a small pool in New York which helped depress the price.

It was also unfortunate that coincident with our negotiations tariff legislation in the United States was necessary. We steadily declined to discuss bimetallism and tariff together, or to make one in the least degree dependent on the other. The French ministry did not attempt to make the one control the other, and every civilized nation recognizes that the question of tariffs is one to be determined exclusively by the country imposing the duty. Future negotiations, however, respecting bimetallism must to a certain extent take account of tariffs. Radical tariff changes the effect of which is to destroy the industries of a friendly nation breed hostility and ill feeling, and an alliance that would ordinarily be welcomed becomes unpopular and undesirable.

While we were in France, during the very period of our negotiations, such really unimportant but frictional enactments as those imposing a duty on works of art and limiting the free luggage of a passenger returning from Europe to $100 in value, both of which bear heavily and almost exclusively upon French artists and French merchants, were ingrafted upon our tariff laws, causing no end of complaint; and had legislative action in France been necessary in the line of our negotiations, it would have been made

evident that certain of our tariff provisions had strained somewhat the traditional friendship between these two nations.

We were advised also that there was much ill feeling in Germany growing out of certain of our tariff changes. It is not the amount of duty imposed, but it is the sudden and radical changes in tariff laws which stir unfriendly feeling. In what I have said as to the effect of tariff changes upon the sentiments of foreign nations toward us I desire to exclude Great Britain. That is the one country where sentiment plays not the slightest part. Her adoption or rejection of a proposed international policy is always dependent on whether English interests, intelligently and selfishly considered, would be the gainer or the loser thereby. No other country has the right to find fault with this course, which seeks always the main chance, knows no traditions of friendship or of enmity, and looks only to England's gain, and it is worth something to any country dealing with her to be under no sense of obligation.

We were also somewhat embarrassed by the statements of representatives of New York bankers in England, who sought access to English officials and assured them that any sentiment which had formerly existed in the United States in favor of bimetallism was dead; that the mission was sent solely as a sop to a few far-Western Republicans; that the country generally favored the gold standard, and that the President of the United States shared this view. The statements were untrue, of course, but in support of them these people assumed to present interviews and statements of the Director of the Mint, a hold-over from the last Administration, the late Comptroller of the Currency, an equally precious legacy, now out of the public service and translated to a Chicago bank, and pretended statements in letters and interviews from the Secretary of the Treasury, to the effect that there was no chance for international or other bimetallism and favoring the permanent adoption of the gold standard.

Nobody in Europe cared a rap what the two minor prophets thought or said, as nobody in this country cares, but the alleged statements of the Secretary of the Treasury were a different matter. We insisted that the letters must be forgeries and the interviews fictitious, and I trust they were, for it was inconceivable that a member of the Cabinet would seek to undermine the efforts of a mission appointed by the President and whose efforts he was cordially and zealously seconding.

We were also attacked from time to time by statements from extremists in the other direction, insisting that our efforts were sham and pretended; that we had no hope or expectation of success; that the President was secretly opposing us; that it was a disgrace to our country that we were permitted to invite other countries to join us in open mints; that it was humiliating that we were even consulting any other country on the subject; that failure was inevitable, and the sooner we came home the better. It was a new and somewhat ludicrous view of the silver question that made it humiliating that this country should invite other countries like France to join us in open mints, or that made it unimportant to ascertain the attitude of India, with her thousand million ounces of silver in bullion and ornaments changing hands in the bazaars at bullion value, and her 570,000,000 ounces of silver in silver coins doing duty at the ratio of about 22 to 1.

This attitude was by no means universal, and I beg to make

especial exception of the distinguished Senator from Arkansas [Mr. JONES], chairman of his party's national committee, who, from the first suggestion of an effort to secure an international agreement, while not believing it feasible, has ever lent the project all possible support, and sought only to strengthen the hands of the mission. It is unfortunately true, however, that the bitterness of the last campaign so blinded the vision of many men that the thing they believed to be impossible they came to hope would be impossible.

All of these occurrences, however, disturbing as they were, did not probably affect the outcome, so far as there has been up to this time an outcome of the negotiations.

Upon receipt of the formal answer from Great Britain we returned home, after having first proceeded to Paris, where we consulted at length with the French premier, M. Meline.

This, Mr. President, in brief, is the statement of our negotiations up to this point. The situation summarized is about this:

England finally and explicitly refuses to open English mints to silver or to alter her existing gold standard. She declines to open India mints to the coinage of silver, basing her refusal specifically, first, upon the lack of certainty that France and the United States could together maintain the parity between gold and silver at the ratio suggested, and, second, upon the proposed ratio of 15½ to 1. We are invited to make any further proposals which shall take into consideration these objections, but it is apparent that for the time being it is useless to count on any cooperation from Great Britain towards a bimetallic agreement.

France actively desires to see silver restored to its old position as a standard of value equally with gold. She insists, however, that the problem is one which demands international action and the cooperation to some adequate extent of other leading commercial nations of the world. Questions of possible future negotiations between France, the United States, and other countries and the question of change of ratio are for the moment held in abeyance. While we hope for continued joint action, France owes no further duty to us. She stood shoulder to shoulder with us in our attempt to secure from England even the concessions she voluntarily offered a few months ago.

In days when the influence of the money lender is potent in almost every capital of the world and dominates courts and national policies the ministry of France stood fearlessly by the interests of the whole people and counted the welfare of its hundreds of thousands of small holders of land dependent for their existence upon the fruits of the soil as paramount to that of the powerful class, which wants money dear and grain cheap. Whatever may be the final outcome of an effort through methods of diplomacy to secure some international action in favor of silver, the people of these United States will always remember gratefully the attitude of France upon this great question.

It is my sincere conviction that an international bimetallic agreement is still feasible, by the terms of which certain countries will join us and open their mints to the unlimited coinage of silver, and others will contribute to the plan an enlarged use of that metal as money; and I say this the more freely because I shall give way upon the commission to somebody more fitted for such negotiations and better able to give them his constant time. This result can not be brought about without the expenditure of both time

and patience, and the persons intrusted with the duty of negotiation must have back of them the hearty support of the President and of Congress.

It may also be necessary, in my opinion, to make concessions in the ratio, bringing it somewhere in the neighborhood of 20 to 1, more nearly approximating the ratios recognized by Russia, Austria, and India. There are many countries unvisited where there is a strong bimetallic sentiment, and which would undoubtedly cooperate in some fair plan. The Right Hon. Leonard Courtney, in a recent speech, stated that it was reported that the German Emperor had said he was extremely sorry and disappointed to hear that the India government would not reopen India mints. I trust this may be true, and, in any event, there are many promising fields as yet untrodden, and many avenues through which we may hope for success.

The cause of bimetallism is not dead in Europe. It is a living, vital, and growing force. Wherever the possession of land is accompanied by the possession of intelligence you find a bimetallist, and in countries where rank and ancient lineage are still associated with ancestral holdings, devotion to the principles of bimetallism is not yet discreditable, nor are its advocates classed as clods or cranks.

Here, Mr. President, I should naturally end this account of our negotiations, negotiations which are still pending and undetermined. The extraordinary statements, however, lately made by the Secretary of the Treasury, and which, unexplained, must seriously affect the future of any further attempts toward securing international action, require some reference at this time.

When Congress convened on the 6th of last month, the President, in his references to the subject of international bimetallism, spoke earnestly and anxiously of his desire to see an international bimetallic agreement consummated. His assurances gave renewed hope to bimetallists all over the country, and seemed final and conclusive answer to those who had claimed that the President was not in earnest in his efforts toward international bimetallism. For myself, I needed no such proof. I had again and again been made to know how genuine was the President's devotion to this settlement of the vexed question. Within a fortnight after this, with no event meanwhile which would change existing conditions, the Secretary of the Treasury, in support of a bill which he has prepared respecting the currency, said as follows to a committee of Congress:

> The objects I have in mind in the series of provisions offered by me are four in number:
>
> 1. To commit the country more thoroughly to the gold standard, remove, so far as possible, all doubts and fears on that point, and thus strengthen the credit of the United States both at home and abroad.
>
> * * * * * * *

The two statements are utterly at variance and contradictory to each other. They can not be reconciled. This is not the proper occasion to analyze the bill of the Secretary. It will reach limbo long before it reaches the Senate. He proposes to capitalize the premium on our bonds sold recently and to make them, with others to be issued, a security definitely payable in gold.

The Secretary forgets that only a few months ago, when the country was in dire distress, we were compelled to pay nine millions of dollars for the privilege of keeping the word "gold" out of some of these very bonds. He ought not to forget, for the bank

of which he was president, it was said, got some of the bonds and received some of the proceeds of that deplorable transaction. But I do not intend to discuss the bill, which the President's message specifically does not indorse, and it is premature to criticise the Secretary's Republicanism, for his advent into the party and the Cabinet were practically contemporaneous. We must accept the situation.

In my opinion, the great majority of the members of the Republican party are bimetallists, and the fact that they are misrepresented by a Cabinet officer is not pleasing, but it is endurable. The selection of the members of his official household is the President's own affair; and so long as he stands upon the question of bimetallism where he has ever stood, there is no serious ground for apprehension. But even in the inconceivable event that the Chief Magistrate of this people should in the exercise of his judgment determine to countenance the final fastening upon this country of the burdens of the gold standard, I trust we may still find warrant for faith and hope in the pledges of the party and the wisdom of its counsels.

We will cross our bridges when we come to them. The time when this country will submit to the final imposition of gold monometallism is far away. Whatever differences of opinion may exist as to the ability of this country to maintain alone the parity between silver and gold, there is no question that the concurrence of other nations would help and not hinder the cause of bimetallism in the United States, and efforts to secure it ought to receive the cordial support of every citizen who is opposed to gold monometallism.

International bimetallism is not a myth, a chimera. The people of Europe are, even as we are, struggling to keep their heads above water and seeking blindly for that which may make for prosperity and for progress. The evils of falling prices and dearer gold bring poverty and disaster to them as to us. It is said that the influence of money grows year after year. So also does the influence of those great masses who toil from dawn till dark upon soil which God made rich and the unwise laws of man make profitless.

> With useless endeavor
> Forever, forever,
> Is Sisyphus rolling
> His stone up the mountain!

And every year of added burdens and lessened prices swells the ranks of those who refuse longer to believe that overproduction, cheaper transportation, and labor-saving inventions, can account for the steady decline in values since the mints were closed, nearly a quarter of a century ago. Dollar wheat is dollar wheat the world over; but it does not tell the same story in France and Germany, where drought and flood have left only starvation in their wake, that it does here where the misfortunes of the Old World have brought prosperity to the New.

Much of the recent legislation in Europe looking to the increase of gold holdings, and the depreciation of silver, finds its origin in the exigencies of a situation where readiness for war is the paramount necessity. There is hardly a statesman in Europe who believes the last word has yet been said upon the question of the remonetization of silver, and hardly one who would not welcome an effort to settle the question internationally. Only a few days

ago, just before Christmas, in a debate in the French Chamber, M. Méline again declared from the Tribune that the French Government was at one with the United States on the question of bimetallism!

In the face of such a declaration it is as cowardly to abandon hope as it is false to talk about failure. International bimetallism is to the gold monometallist a stumbling block, and to the silver monometallist foolishness, but it is nevertheless a splendid possibility. Its accomplishment would be the greatest blessing that could befall our people, and to achieve it we might well afford to sink for the time the hostilities of party and the bickerings of faction. [Applause on the floor and in the galleries.]

APPENDIX.

CORRESPONDENCE RESPECTING THE PROPOSALS ON CURRENCY MADE BY THE SPECIAL ENVOYS FROM THE UNITED STATES.

[Presented to both Houses of Parliament by command of Her Majesty, October, 1897.]

No. 1.—*Foreign office to treasury.*

FOREIGN OFFICE, *July 27, 1897.*

SIR: I am directed by the Marquess of Salisbury to inform you that a meeting took place at the foreign office on the 15th instant, which was attended by his lordship, Mr. Balfour, Sir M. Hicks Beach, Lord George Hamilton, the French ambassador, the French minister (M. Geoffray), the American ambassador, and Messrs. Wolcott, Paine, and Stevenson.

The following proposals were made by Senator Wolcott:

1. The opening of the Indian mints, and the repeal of the order making the sovereign legal tender in India.

2. The placing of one-fifth of the bullion in the issue department of the Bank of England in silver.

3. (*a*) The raising of the legal-tender limit of silver to, say, £10.

(*b*) The issue of 20-shilling notes based on silver which shall be legal tender.

(*c*) The retirement, gradual or otherwise, of the 10-shilling gold pieces, and substitution of paper based on silver.

4. An agreement to coin annually £—— of silver.

Present silver coinage average for five years about £1,000,000, less annual withdrawal of worn and defaced coin for recoinage about £350,000.

Alternative proposal.—4. Agreement to purchase each year £—— in silver at coinage value.

5. The opening of English mints to the coinage of rupees and of a British dollar, which shall be full tender in Straits Settlements and other silver-standard colonies, and tender in United Kingdom to the limit of silver legal tender.

6. Action by the colonies and coinage of silver in Egypt.

7. Something having the general scope of the Huskisson plan.

I am, etc.,

GEORGE N. CURZON.

No. 2.—*Treasury to India office.*

TREASURY CHAMBERS, *August 2, 1897.*

SIR: I am directed by the Lords Commissioners of Her Majesty's treasury to request you to lay before the Secretary of State for India in council the inclosed copy of a letter, dated the 27th ultimo,* which has been received from the foreign office, embodying the currency proposals which have been made to Her Majesty's Government by the special envoys from the United States, and which are supported by the ambassador of France.

It will be seen that among the proposals is one for reopening the Indian mints to the free coinage of silver and the repeal of the order making the sovereign legal tender in India. My Lords regard this as the most important of the proposals which they are invited to consider. The question which it raises involves serious issues in India, and before expressing any opinion on it themselves they will be glad to learn the views of the Secretary of State and of the Government of India.

I have, etc.,

E. W. HAMILTON.

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* See No. 1.

No. 3.—*Foreign office to treasury.*

FOREIGN OFFICE, *August 5, 1897.*

SIR: With reference to the letter from this department of the 27th ultimo, I am directed by the Marquess of Salisbury to transmit herewith, to be laid before the Lords Commissioners of Her Majesty's treasury, copies of printed memoranda of the meetings held at the foreign office on the 12th and 15th July, at which the special envoys of the United States submitted the proposals of their Government with regard to currency.

Lord Salisbury would be glad to be favored with the views of the Lords Commissioners upon these proposals.

I am, etc., F. H. VILLIERS.

[Inclosure 1 in No. 3.]

Memorandum of a meeting held at the foreign office on Monday, July 12, 1897.

Present: The Marquess of Salisbury, Her Majesty's Prime Minister and Secretary of State for foreign affairs; the Right Hon. Lord George Hamilton, Secretary of State for India; the Right Hon. Arthur James Balfour, First Lord of the Treasury; the Right Hon. Sir Michael Hicks Beach, Chancellor of the Exchequer; his excellency the Hon. John Hay, Ambassador Extraordinary and Plenipotentiary of the United States; the Hon. Edward O. Wolcott, Gen. Charles J. Paine, the Hon. Adlai E. Stevenson, envoys of the United States on special mission.

Lord Salisbury invited a statement from the representatives of the United States as to the nature of their mission, whereupon Mr. Wolcott, on behalf of the special envoys, recited the essential provisions of the law under which he and his colleagues had been appointed, and explained the objects of their mission. He said, also, in substance, that the special envoys had determined that it was important to ascertain, as definitely as possible, in advance of an international bimetallic conference, if one should be called, the views of the governments which might participate therein, and the extent to which they would contribute to bring about a favorable result of such conference.

Mr. Wolcott explained that the special envoys had determined in the first instance to ascertain the views of the French, English, and German Governments on the question of reaching an international agreement respecting bimetallism. This determination was based upon the resolutions heretofore passed by the English House of Commons on the 17th of March, 1896, by the Prussian Landtag and Herrenhaus on the 16th and 21st of May, 1896, and upon the resolution proposed in the French Chamber of Deputies by M. Méline on the 17th of March, 1897, and signed by 347 of his colleagues, all of which resolutions Mr. Wolcott read.

Mr. Wolcott said that the special envoys had proceeded first to France, and that they had reached a complete and satisfactory preliminary understanding with the Government of that country; that in the negotiations to be carried on in England the special envoys believed they would have the full cooperation of the ambassador of the French Republic in London, His Excellency Baron de Courcel; that the French ambassador was, for the moment, absent from England, and that the special envoys of the United States would have asked a postponement of the meeting had it not been for the fact that the French ambassador had requested them to proceed with the meeting in his absence.

Mr. Wolcott then presented some reasons which, in the opinion of the special envoys, rendered it desirable that some international agreement for the restoration of bimetallism should be reached, and explained why, in their opinion, the success of this effort depended upon the attitude which England would take regarding the question. He then stated that the special envoys requested that England should agree to open English mints as its contribution to an attempt to restore bimetallism by international agreement, and dwelt upon the importance of the fact that France and the United States were together engaged in an attempt to bring about such an agreement, and were cooperating together to that end.

Lord Salisbury desired to know if the French Government would cooperate upon the basis of opening their mints to the free and unlimited coinage of silver. Mr. Wolcott answered in the affirmative. Lord Salisbury then asked at what ratio, and was informed by Mr. Wolcott that the French Government preferred the ratio of 15½ to 1, and that the United States were inclined to yield this point and accept this as a proper ratio. Considerable discussion on the question of the ratio and the method by which it should be settled then took place, the special envoys taking the ground that the countries which opened their mints should among themselves determine the ratio. The Chancellor of the Exchequer suggested that if Indian mints were to be opened, England might be held to be interested in the ratio, but the special envoys did not accede to this view, and called attention to the fact that by opening

Indian mints the English Government did not thereby adopt bimetallism in any form.

It was then suggested that further proceedings should be deferred until the French ambassador might be also present.

The Chancellor of the Exchequer, in further conversation, said that if the suggestion of opening the English mints was to be made he thought an answer in the negative would undoubtedly be given. The First Lord of the Treasury asked whether, assuming this request for opening English mints to be refused, it was desired that the subject be discussed upon the basis of something different and less than the opening of English mints.

Upon a mutual understanding that in the absence of the French Ambassador anything said should be considered as said informally, a discussion then took place as to the concessions that England might make toward an international solution of the question, if it should refuse to open English mints.

Mr. Wolcott, for the special envoys, presented the following as a list of contributions which, among others, England might make toward bimetallism if an international agreement could be effected:

1. Opening of the Indian mints.

Repeal of the order making the sovereign legal tender in India.

2. Placing one-fifth of the bullion in the issue department of the Bank of England in silver.

3. (*a*) Raising the legal-tender limit of silver to, say, £10.

(*b*) Issuing the 20-shilling notes based on silver, which shall be legal tender.

(*c*) Retirement, gradual or otherwise, of the 10-shilling gold pieces, and substitution of paper based on silver.

4. Agreement to coin annually £—— of silver (present silver coinage average for five years about £1,000,000, less annual withdrawal of worn and defaced coin for recoinage, £350,000).

5. Opening of English mints to coinage of rupees, and for coinage of British dollar, which shall be full tender in Straits Settlements and other silver-standard colonies and tender in the United Kingdom to the limit of silver legal tender.

6. Colonial action, and coinage of silver in Egypt.

7. Something having the general scope of the Huskisson plan.

Some general conversation followed in regard to the preceding suggestions, and the interview terminated, to be resumed on the 15th July, 1897, when it was understood that the French ambassador would also be present.

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[Inclosure 2 in No. 3.]

Memorandum of a meeting held at the foreign office on Thursday, July 15, 1897.

Present: The Marquess of Salisbury, Her Majesty's Prime Minister and Secretary of State for Foreign Affairs; the Right Hon. Lord George Hamilton, Secretary of State for India; the Right Hon. Arthur James Balfour, First Lord of the Treasury; the Right Hon. Sir Michael Hicks-Beach, Chancellor of the Exchequer; his excellency the Baron de Courcel, Ambassador of the French Republic; M. L. Geoffray, French Minister Plenipotentiary; his excellency the Hon. John Hay, Ambassador Extraordinary and Plenipotentiary of the United States; the Hon. Edward O. Wolcott, Gen. Charles J. Paine, the Hon. Adlai E. Stevenson, envoys of the United States on special mission.

The French ambassador was invited to declare the position of the French Government upon the question under consideration, and said in substance the following:

"Senator Wolcott having asked me to state precisely the point of view of the French Government in the question which engages us, I shall attempt, despite my slight personal competence, to make clear the considerations which have led my Government to associate itself in the actual negotiation.

"I should first of all recall the fact that the French monetary system, as it was established at the end of the last century and at the beginning of the present century, is based upon the simultaneous employment of gold and silver, of which the legal ratio has been fixed at 15½. This ratio has not been arbitrarily conceived.

"The men of great scientific worth who recommended it to the adoption of the legislative power had made long and careful preliminary investigations, and they reached the conclusion that the figure of 15½ represented the average and in some degree normal and natural ratio of the value of the two precious metals, such as resulted from universal use from an early period; that is to say, almost since the epoch of the discovery of America and the great economic renaissance of the sixteenth century.

"The legal system established in France upon this basis has operated for a long time in a manner fully satisfactory to the French nation. But for about twenty years this system has been disturbed by different causes which I will not undertake to enumerate here, because I should be afraid of doing it in an incomplete or insufficiently exact manner.

"One of these causes is doubtless the superabundant production of silver. However that may be, a disturbance has been produced, the former normal ratio of the value of gold and silver has been put in question, and there has resulted therefrom an unrest almost universal. This unrest has been more or less profoundly felt by the different nations. Perhaps England is less sensitive thereto than we are in France; but I am persuaded that she does not escape it, at least if the position of the British Empire in its entirety is considered, with all its dependencies—notably that very considerable dependency, India.

"Even in England it is incontestable that the agricultural classes complain of the depreciation of silver, and that more and more numerous voices demand that a remedy be applied to a monetary situation actually inadequate.

"In France we have been led to fight the evil by the closing of our mints to the silver metal; that is to say, by the temporary suspension of the coinage of silver. But this measure is only a palliative, and it is itself the symptom of a disturbed situation. We cease, in fact, to coin a money of which we do not cease to have need, and which has preserved its entire legal value. This paradox naturally does harm. Our population, notably the agricultural population, finds that it has not at its disposition sufficient resources in currency, in metallic money. On the other hand, if the Government in the actual state of affairs reopens the mints to the free coinage of silver, we would be flooded by the abundance of this metal coming from all other countries of the world, and we could not resist the even greater evil of the inevitable depreciation of one of our precious metals; that is to say, of the effective destruction of the legal ratio upon which our monetary system is based.

"We are persuaded that the state of affairs which has caused among us this very disadvantageous perturbation is in itself a temporary remedial phenomenon, and that it is only a question of remedying it by temporary measures which will permit us, and which will permit the entire world with us, to attain the epoch of a reestablishment of a normal exchange. In other words, we think that the production of silver, more active in certain quarters of the globe in the last quarter of a century, is not of itself considerable enough to change in an enduring manner the normal ratio between gold and silver after these two metals will have been scattered over the entire surface of the world among all nations who are called upon to absorb them.

"There is, then, in our eyes, a need which is perhaps transitory, but which is actually common to all the commercial nations, of taking measures adequate for assuring, by a common understanding, the reestablishment of the normal ratio of 15½ between silver and gold.

"If measures of this kind should be adopted by all the commercial nations, we would be able to reopen our mints to the free coinage of silver without fear of being submerged by an excessive influx of this metal.

"The reopening of the mints of all the commercial countries to the free coinage of silver in the ratio of 15½ with gold would be the most natural and the most efficacious means of arriving at the result sought for. This is the desideratum which I am instructed to bring forward here, and which I am particularly to urge upon the English Government as a primordial condition of the success of the common understanding.

"If the Government of the Queen, even in consenting to reopen the mints in India, should refuse to adopt the same measure for England, at least would they not be able to take certain measures which would be, up to a certain point, equivalent, in order to maintain the full value of silver, and to prevent India from being the victim of a depreciation of this metal in consequence of an unlimited coinage? It is not within the province of representatives of France to search out or to formulate these equivalent measures which it is in the interest of England itself to take, and the choice of which should belong to it.

"But in default of measures of this kind, which should be really sufficient to contribute to the maintenance of the nominal value of silver, the French Government would not consider the reopening of the mints of India alone as a guarantee sufficient to permit them to reopen the French mints to the free coinage of silver.

"By way of suggestion, I would indicate, as one of the measures which the English Government might usefully adopt, the annual purchase of a certain quantity of silver metal, which might afterwards be disposed of as seemed best—either it might be preserved in ingots, or it might be used for regular consumption, or it might be sent to India.

"This quantity might be fixed approximately, at least for a number of years, at a sum of £10,000,000 in nominal value. This is, perhaps, only a palliative. It is, in any event, only one of the expedients which would be deemed necessary. But I am to urge strongly that the English Government determine to take measures of this kind or other equivalent measures if, as I believe, it recognizes with us the necessity of improving the monetary situation in a great part of its empire—I may say, in a great part of the entire world."

Lord Salisbury then asked whether the French Government would decline to open its mints unless England would also open her mints. The French ambassador replied that he preferred to discuss the subject upon the basis that France would go to open mints if England would consent to open her mints, but that he would not exclude from his view the question of contributions by England toward maintaining the value of silver, short of open mints. The Chancellor of the Exchequer, in response to this, stated definitely that the English Government would not agree to open English mints to the unlimited coinage of silver, and that, whatever views he and his colleagues might separately hold on the question of bimetallism, he thought he could say they were united upon this point.

The French Ambassador, upon being asked what contributions he suggested, replied that among other contributions he thought England should open her Indian mints, and should also agree to purchase annually, say, £10,000,000 of silver for a series of years.

The suggestions made by the special envoys at the interview on the 12th July were again read, and the special envoys accepted also as important and desirable the proposal that the English Government should purchase annually, say, £10,000,000 of silver, with proper safeguards and provisions as to the place and manner of its use.

The French Ambassador expressed his approval generally of the suggestions of the special envoys as being serviceable in the consideration of the question. It was then understood that the proposals submitted by the French Ambassador and by the special envoys of the United States should be considered and due notice given when a reply could be made.

Lord Salisbury requested Mr. Wolcott to prepare a résumé of the proceedings of this and the preceding meeting.

No. 4.—*India office to government of India.*

INDIA OFFICE, *August 5, 1897.*

MY LORD: Your excellency is aware that special envoys from the United States and the Ambassador of France have had interviews with members of Her Majesty's Government in order to discuss the subject of currency reform, in which the Governments of both those countries are at present much interested.

2. The result of those discussions is that Her Majesty's Government have been asked whether, on certain conditions, the question of reopening the Indian mints, which have been closed since 1893, would be taken into consideration.

3. Her Majesty's Government understand that the Governments of France and of the United States desire to open their mints to the free coining of silver, as well as of gold, such silver to be made legal tender to an unlimited amount at a ratio of 15½ of silver to 1 of gold, provided that they are satisfied they would receive such assistance from other powers in increasing the demand for silver as would, in their opinion, justify them in such a policy. They propose to summon an international conference to deal with the matter, if they are led to believe, by the preliminary inquiry which they are now undertaking, that such a conference would arrive at any satisfactory result; and they ask whether, if their mints were opened as suggested, your excellency's Government would undertake to reopen concurrently the Indian mints to the free coinage of silver, and to repeal the order which made the sovereign legal tender in India.

It would in this case be clearly understood that no action shall be taken by you until you are satisfied that the intentions and undertakings of the two Governments will undoubtedly be carried into effect.

4. Her Majesty's Government have replied that they will consult your excellency's Government upon these proposals, and I invite you accordingly to give them your most careful consideration.

5. It is argued that, on the one hand, very great advantages would be gained for India under an arrangement which could not fail to have the effect of raising materially the gold value of silver, and consequently of the rupee, and which, if it were maintained, would give a good prospect of a more stable ratio, when once the first disturbance was over, than has been known for many years. In that case the heavy loss which is now sustained both by your Government and by all individuals who depend upon a silver currency for the payment of liabilities contracted in gold would, in all likelihood, disappear; and holders of rupee values would benefit greatly by the increased command of sterling values which such a change would necessarily give them.

6. The present system, however great may be the benefits which it has conferred, may appear to be one of artificial and arbitrary restriction, which is thought by some to have an injurious effect on the course of trade, and the fact of its removal would have the advantage of leaving the expansion and

contraction of the currency to the natural forces of the market. I believe, morever, that your excellency will agree with me in thinking that the maintenance of the exchange value of the rupee at a point considerably above the intrinsic value of the silver which it contains is not without inconvenience, and that a policy which, without lowering exchange, would restore the rupee to a value practically unmodified by mint regulations has much to recommend it.

7. On the other hand, there are certain objections which will readily occur to your excellency, such as the disturbance and dislocation of trade which might perhaps follow a great alteration in the rate of exchange, and the possibility, however remote, that the value of the rupee, as measured in commodities in India, would be so far enhanced as to cause discontent by increasing seriously the amount payable as taxation.

8. A more serious question, in my opinion, is whether the combination of only two governments, even though the countries which they represent are as important financially as France and the United States, is sufficient to give such a reasonable promise of stability and permanence to an arrangement of this nature as would justify India in facing the undeniable risks and inconveniences attaching to such a change in her system of currency. No doubt, however, the conclusions to be formed on this aspect of the question must in part depend on the terms of the arrangement made between the governments concerned.

9. In conclusion, I will remind your excellency that in 1892 the policy of closing the mints was only recommended by your excellency's predecessor in council on the ground that an international arrangement, similar to that which is now contemplated, was not then obtainable. This is clearly stated in the letters of Lord Lansdowne's Government, dated the 23d March and 21st June, 1892, and I shall be glad to learn whether your excellency sees any reason to modify the views therein expressed, and if so, on what grounds.

10. The question involves issues of such magnitude that I can not ask your excellency to reply to this dispatch without taking such time as you may require for full deliberation and confidential discussion. As, however, it is important that Her Majesty's Government should, as soon as possible, be in a position to give an answer to the French and American representatives, I trust you will at once undertake the consideration of the matter, and that you will let me know your views without any unnecessary delay.

I have, etc.,

GEORGE HAMILTON.

No. 5.—*India office to treasury.*

INDIA OFFICE, *October 13, 1897.*

SIR: I am directed by the Secretary of State for India in council to forward, for the information of the Lords Commissioners of the treasury, the inclosed copies of a correspondence which has taken place between his Lordship and the Government of India on the subject of the currency proposals of France and the United States.

2. It will be observed that on the 5th August, Lord George Hamilton invited the Government of India to give their most careful consideration to these proposals, which were to the effect that the Governments of the United States and of France should open their mints to the free coinage of silver, as well as of gold, such silver to be made legal tender to an unlimited amount at the ratio of 15½ of silver to 1 of gold, provided that those Governments were satisfied they would receive such assistance from other powers in increasing the demand for silver as would in their opinion justify them in such a policy.

They proposed to summon an international conference to deal with the matter if they were led to believe, by the preliminary inquiry which they were undertaking, that such a conference would arrive at any satisfactory result, and they asked whether, if their mints were opened as suggested, the Government of India would undertake to reopen concurrently the Indian mints to the free coinage of silver and to repeal the order which made the sovereign legal tender in India.

3. To this dispatch the Government of India have replied in a letter, dated the 16th September, in which, as will be seen, they recommend the rejection of these proposals for reasons which they state at considerable length.*

4. The Government of India have, in consideration of this question, the advantage which local knowledge and daily experience of the working of the present currency system can not fail to give. It is upon them, moreover, that the duty of carrying out the proposed change would necessarily fall; and they would have an interest in its success or failure with which that of no other Government or public body can for a moment be compared. In these circumstances, the Secretary of State in council feels that, apart from

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* See inclosure 2 to this letter.

all other considerations, he could not act in opposition to the strongly expressed views of the Government of India unless he were convinced that the proposed scheme is intrinsically sound, and that it would confer real and lasting advantages upon the Government and people of India.

5. After most careful consideration Lord George Hamilton has arrived at the conclusion that the scheme does not fulfill those conditions, and that the criticisms of the Government of India upon it are in the main well founded. Those criticisms are so clearly and fully stated in the inclosed letter that he does not feel it necessary to recapitulate or enlarge upon them; there are, however, one or two of their arguments in which he desires more especially to express his concurrence.

6. The first of these relates to the question of the ratio between gold and silver to be adopted in the proposed international agreement. The difference in the market value of the two metals is in the proportion of about 35 to 1, whereas the ratio proposed is 15½ to 1; and his lordship can not avoid the conclusion that the adoption of a ratio differing so widely from that which actually obtains between the two metals at the present time constitutes in itself a most serious, if not insuperable, objection to the proposals under consideration.

7. Lord George Hamilton is also in agreement with the Government of India as to the grave results which any failure of the suggested arrangement would entail upon India. He believes that, owing to the special circumstances of that country and the peculiar nature of the obligations of its Government, those results would be far more disastrous than any which would, in the event of such a failure, be incurred by France and the United States, and he would therefore be unable to consent on the part of India to the proposed experiment unless he were thoroughly convinced that its effects would be not only advantageous but durable.

8. On this point, he regrets to say, he can not profess to be satisfied. Without discussing in detail the reasons which have led the Government of India to conclude that the proposed system could not be regarded as secure, he considers that, taken together, they show that it contains elements of uncertainty and danger which he does not think that the Government of India should be called upon to face in disregard of their own strong conviction as to the peril of the course they are asked to pursue.

9. It has not been suggested, nor is it part of the proposed agreement, that France and the United States should, if the arrangement failed to maintain the desired ratio between gold and silver, become monometallic silver-using countries, nor is it easy to see, even if such an undertaking were offered, how it would be made effective under certain conceivable contingencies. Yet, in the absence of any such safeguard, India has strong reasons for declining to adopt a policy which might end in placing her in the position of a country having a monometallic currency heavily depreciated, and yet unassisted, or at best only slightly assisted, by the currency requirements of the countries upon whose invitation she had taken such action.

10. Lord George Hamilton desires me to say that he is fully conscious of the fact that these proposals, if they were adopted, might have an effect extending far beyond the boundaries of Her Majesty's Indian dominions, with which he is principally concerned. But he does not think it necessary to discuss the subject from that point of view, or to consider whether or upon what conditions it would now be desirable to substitute an international agreement such as was contemplated by the Government of India in 1892 for the policy which was adopted in 1893.

He can only deal with the particular proposals now before him, and, as regards these proposals, he has been unable to avoid the conclusion that they do not satisfy the conditions necessary to justify such a change of policy as has been suggested to him.

11. The Secretary of State in council must therefore record his concurrence in the request of the government of India that Her Majesty's Government will not assent to the undertaking desired by France and the United States.

I have, etc.,

ARTHUR GODLEY.

[Inclosure 1 in No. 5.]

India office to Government of India, August 5, 1897.

(See No. 4.)

[Inclosure 2 in No. 5.]

Government of India to India office.

SIMLA, *September 16, 1897.*

My LORD: We have the honor to acknowledge receipt of your Lordship's dispatch of the 5th of August last, asking for our opinion whether the Indian mints may be reopened to silver as part of a contemplated arrangement un-

der which France and the United States of America will open their mints to silver as well as gold.

The present currency systems of the three countries may be thus described: France and the United States both have a gold standard; their mints are open to gold and closed to silver; but gold and silver coins are alike legal tender to an unlimited amount in both countries, at a ratio of 15½ to 1 in the former and of 16 to 1 in the latter. The currency system of India is in a transition state; the government of India in 1893 decided to establish a gold standard, and the first step toward that object was the closing of the mints to silver by Act VIII of 1893. The silver rupee is still the sole legal-tender coin, though the government has by executive orders undertaken to receive gold and sovereigns under certain restrictions set forth in notifications Nos. 2662 and 2663 of the 26th of June, 1893, the rate of exchange adopted being 16 pence the rupee or 15 rupees=1 pound sterling.

The measures to be taken when the transition period has passed have not been laid down, but it is probable that the Indian mints will be opened to gold, and gold coins will be made legal tender to an unlimited amount; silver rupees would also continue to be legal tender to an unlimited amount, and the ratio between the rupee and the gold coins as legal tender would at the same time be finally settled. The system toward which India is moving is thus a gold standard of the same kind as that which now exists in France and the United States, but with a different ratio for legal tender; but for the present the mints are closed both to gold and silver. The transition period has lasted for more than four years, but there is ground for hope that it is now drawing to a close.

The changes which are involved in the arrangements proposed to Her Majesty's Government are the following: France and the United States are to open their mints to the free coinage of silver, continuing the free coinage of gold and the unlimited legal tender of coins of both metals, the ratio remaining unchanged in France and being altered to the French ratio of 15½ to 1 in the United States. India is to open her mints to silver, to keep them closed to gold, and to undertake not to make gold legal tender. France and the United States would thus be bimetallic; India would be monometallic (silver); while most of the other important countries of the world would be monometallic (gold).

The object which the proposers have in view is the establishment of a stable relation between the values of gold and of silver. This would include the establishment of a stable exchange between the rupee and sterling currency, which was the object of the government of India in the proposals made in our financial dispatch of the 21st of June, 1892, which proposals ultimately resulted in the adoption, in view to the attainment of that object, of the policy of a gold standard and in the closing of the mints to the free coinage of silver.

If, then, it were certain that the suggested measures would result in the establishment of a stable ratio, the Government of India might well consider whether their adoption would not be preferable to the policy to which they committed themselves in 1893 in the hope of attaining the same result by isolated action on the part of India alone. The principal questions, therefore, for us to consider are, whether the measures are more likely to succeed than the policy of 1893, and what consequences to India may be apprehended if the measures should fail of success after being brought into operation. From this point of view we propose to discuss the effect on trade and industry, and on our own revenues, of the changes when made, and of the failure of the arrangement, if it should fail, the chances of success and the risks of failure.

The first result of the suggested measures, if they even temporarily succeed in their object, would be an intense disturbance of Indian trade and industry by the sudden rise in the rate of exchange, which, if the ratio adopted were 15½ to 1, would be a rise from about 16 pence to about 23 pence the rupee. Such a rise is enough to kill our export trade, for the time at least. If the public were not convinced that the arrangement would have the effect intended, or believed that it would not be permanent, the paralysis of trade and industry would be prolonged and accompanied by acute individual suffering, none of the advantages expected would be attained, and the country would pass through a critical period which would retard its progress for years.

How long the crisis would last before normal or stable conditions were restored it is not possible to conjecture. It would be long even if the mercantile and banking community saw that silver was being steadily maintained at the prescribed ratio, while any indication of unsteadiness would greatly prolong the period by giving foundation for doubt. If the doubt should happen to be justified by the results, the position would be disastrous alike to the State, to individuals, and to trade generally. The exchange value of the rupee having risen suddenly, without any intermediate steps, from 16 pence to some higher figure, it would fall quite as suddenly to a point far lower than its present level, probably to 9 pence, or even lower. Such a fall would, apart from other disastrous results, necessitate the imposition of additional taxation to the extent of many crores.

We may here remind your Lordship that such an agreement as is proposed is an infinitely more serious question for India than for either of the other two countries, for it seems clear that practically the whole risk of disaster from failure would fall on India alone. What would happen in each of the three countries if the agreement broke down and came to an end? France possesses a large stock of gold, and the United States are at present in much the same situation as France, though the stock of that metal is not so large.

It may be admitted that if no precautions were taken these gold reserves might disappear under the operation of the agreement, and in that case, if the experiment ultimately failed, the two countries concerned would suffer great loss. But it is inconceivable that precautions would not be taken, at all events so soon as the danger of the depletion of the gold reserves manifested itself, and therefore it is probable that no particular change would take place in the monetary system of France or the United States, the only effect of the agreement being a coinage of silver which would terminate with the termination of the agreement. Thus the whole cost of the failure, if the experiment should fail, would be borne by India.

Here the rupee would rise with great swiftness; it would keep steady for a time, and then, when the collapse came, it would fall headlong. What course could we then adopt to prevent the fluctuation of the exchange value of our standard of value with the fluctuations in the price of silver? We do not think that any remedy would be open to us, for if the Indian mints were reopened to silver now it would, in our opinion, be practically impossible for the Government of India ever to close them again, and even if they were closed it would only be after very large additions had been made to the amount of silver in circulation.

There is another important consideration in which India is affected in a manner different from France and the United States. The effect of the scheme will probably be an increase in gold prices (that is, in the prices current in France and in the United States) and a fall in silver prices (that is, in the prices current in India). This is not the place in which to discuss the economic effects of a rise or a fall in prices, a matter in respect of which there may be difference of opinion. But we presume that France and the United States contemplate with equanimity the possible effects of the change of prices upon their trade and production generally, while it is manifestly impossible for us, affected as we are in the opposite direction, to take the same view.

Moreover, it seems to us somewhat unfair to expect that India should, after its struggles and difficulties of the last decade, consider itself on the same plane in the discussion of these projects as France and the United States. India has, since 1893, passed through a period of serious tension and embarrassment alike to trade and to the Government. We are satisfied that, great as have been the troubles which have attended this period of transition, the attainment in the end of the paramount object of stability in exchange is worth more than all the sacrifices made. We believe that our difficulties are now nearly over, and that we shall, in the near future, succeed in establishing a stable exchange at 16 pence the rupee by continuing the policy initiated in 1893.

The United States are possibly, in part at least, inspired in making these proposals by the idea that they may have before them some of the difficulties and dangers which we have experienced. We need not say that if our way was clear before us, the consideration that another and a friendly nation would derive benefit from the course adopted by us would present itself to our minds as a good reason for the adoption of a course of action which would have that result. But the case is quite different when, on the eve of emerging with success, by our own unaided efforts, from the monetary disturbances of the last twenty years, we are asked, in view of the benefit to other nations, to throw away the advantages we have gained and plunge into a new period of struggle and change. Only the most absolute certainty of early and permanent success would warrant our acceptance of such a position.

We can not help seeing that if the policy of 1893 is now abandoned and if the triple union now proposed as a substitute should fail in its operation or should terminate, and in its failure subject Indian trade to the violent shocks we have described, the government of India could not, as a responsible government, call upon the commercial public to face another prolonged period of doubt, suspense, agitation, and difficulties. For it must be clearly and fully recognized that if India joins in the proposed measures we shall be left dependent, as the sole means of attaining stability in exchange, on the success of those measures, and that, if they should fail, India must be content to remain permanently under the silver standard with all its admitted disadvantages.

If, then, there is any reasonable doubt of the success of the suggested measures, we are of opinion that we ought to refuse to cooperate, and should maintain our freedom to watch the course of events and take such action from time to time as these may render expedient. A possibility, or even a

probability, that the efforts of France and the United States might meet with success would not be enough to justify us in parting with our freedom or doing anything to further an experiment which, if it fails, will entail consequences to the trade and finances of India which must be described, without any exaggeration, as disastrous.

We have given very careful consideration to the question whether France and the United States are likely, with the help of India, to be able to maintain the relative value of gold and silver permanently at the ratio they intend to adopt, and have come to the conclusion that while we admit a possibility of the arrangements proposed resulting in the permanent maintenance of the value of gold and silver at the ratio of 15½ to 1, the probability is that they will fail to secure that result, and that it is quite impossible to hold that there is anything approaching a practical certainty of their doing so.

One reason for this conclusion is that the arrangement would rest on too narrow a basis. A union consisting of two countries, with a third lending assistance, is a very different thing from the general international union of all or most of the important countries of the world which was advocated by the government of India in the dispatches of March and June, 1892, and of February and September, 1886.

To afford a hope that a monetary union will succeed in establishing stability in the relative value of gold and silver, it is essential that the nations adhering to it should be of such number and importance that the metallic currency of the whole body shall be of sufficient extent to allow of the exercise of adequate influence on the value of the two metals.

We doubt whether any two, or even three, nations in the world, unless, indeed, one of them was Great Britain, could comply with this condition, and we have no hesitation in saying that France and the United States and India certainly could not. The intended ratio assigns to coined silver a much higher value than the present market value of silver, and the market value could only be raised by transferring the demand for coinage from gold to silver. But France, the United States, and India all possess a very large stock of silver coin, and it is doubtful whether there is much room in them for a large increase in the silver coinage except by the displacement in France and the United States of the existing gold coins.

It is quite possible that the whole of the gold coinage of both France and the United States might disappear and be replaced by silver coins before the market value of silver was raised to the intended ratio with gold. Whether the Governments of those countries will allow a total displacement of their gold by silver coins and the possible export from the country of the entire stock of gold is, as we explain in paragraphs 6 and 16 of this dispatch, open to more than doubt; and in so far as either enforces measures to prevent gold from being exported, the power of the union, and possibly also its desire, to effect its object will be diminished.

A further doubt occurs to us in the possibility that either France or the United States may, for reasons which will suggest themselves to your lordship, be reduced for a time to a paper currency. In that case, the agreement would cease to operate for an indefinite period under the stress of circumstances. This possibility, though of no importance in the case of a union comprising all the important countries of the world, can not be disregarded when two or three countries only form the union.

Another important source of doubt lies in the consideration that a three-sided agreement is open to much greater risk of termination by the action of one or two of the parties than a many-sided agreement such as the Government of India advocated before 1893. In the latter all the commercial countries would be in the union, and all would be in an equal position; there would be no ground for supposing that the operation of the agreement benefited one country at the expense of another.

There would, therefore, be no substantial inducement for withdrawal from the régime adopted by common consent; the union might, for practical purposes, continue to subsist and to produce its effect even after the dissenting country had withdrawn. On the other hand, in a three-sided agreement such as is now proposed, either France or the United States might any day find some reason for thinking that some other nation was obtaining some advantage at their expense in consequence of the great difference in the standard of value, and thereupon discussions might ensue as to the expediency of terminating the agreement, which would have only a less serious effect than its actual termination.

Another reason for anticipating that the proposed agreement is not likely to succeed will be found in the considerations mentioned in paragraph 6 regarding the improbability of France and the United States allowing their gold reserve to disappear. We attach great importance to these considerations, because we are convinced that they vitally affect the prospects of any agreement being successfully carried out. With the precautions to which we have referred the experiment might be continued, for the risk to the two nations would be very small. But without these precautions, or if they

proved to be inadequate for their purpose, i. e., the retention of a sufficient stock of gold, we believe the inducement to abandon the experiment would be very strong, and even if one country adopted that course, it would be impossible to prevent the whole agreement breaking down.

For these reasons alone, without taking into consideration the objections based on the particular ratio proposed, which we shall separately discuss, we have no hesitation in recommending your Lordship to refuse to give the undertaking desired by the Governments of France and the United States. We are quite clearly of opinion that the interests of India demand that her mints shall not be opened as part of an arrangement to which two or three countries only are parties and which does not include Great Britain.

We note that the proposals of the Governments of France and the United States are subject to the proviso that they are satisfied that they will receive assistance from other powers in increasing the demand for silver. We believe that a limited increase of the quantity of silver used as currency will exercise a very trifling influence, if any, in raising the gold price of silver, and that the only assistance from other powers which can be of any real value would be the addition of other countries to the bimetallic union of France and the United States. If, however, assurances of really substantial cooperation should be secured from other countries, we shall be glad to learn the exact nature of the assurances, and we shall then consider whether the promised cooperation changes the conditions of the problem or adds materially to the chances of success.

We believe, however, that whatever inducements are held out to us by other nations, our best policy in monetary matters is to link our system with that of Great Britain. Our commercial connections with that country are far more important than those with all the rest of the world put together, and more than a sixth part of our expenditure is incurred in that country and measured in its currency. The advantages which in this respect we gain by following the lead of Great Britain are not obtained, or not fully obtained, if we become members of a monetary union in which Great Britain takes no part. And, indeed, as we have already explained, we have little hope of an efficient union being formed unless Great Britain is a member.

We think it a reasonable position for us to take with regard to the present proposals by France and the United States that we should say that the government of India strove long and earnestly to further the formation of an international union; that when they saw that the opposition of England rendered impossible the attainment of that object within any measurable time, they temporarily abandoned their efforts in that direction and decided, as the least prejudicial of the courses open to them, to throw in their lot with Great Britain and to adopt the gold standard; that, as it appears improbable that an effective union will be formed without the adhesion of Great Britain, and as the measures adopted to introduce a gold standard in India are now approaching final success, they consider that it will be wisest to adhere to the course adopted in 1893 until Great Britain is prepared to join in international bimetallism, and that they therefore wish to adhere to the same monetary standard as Great Britain, with which nation they are most closely linked both in respect of their commercial relations and in all other respects, and to refrain from becoming a party to arrangements with other nations in which Great Britain sees ample reason for refusing to join.

So far the arguments we have offered in discussing the chances of success or failure of the arrangement have been independent of consideration of the precise ratio proposed by France and United States. We have objected to the arrangement on grounds which apply to it, whatever be the ratio adopted, but we must add that our objections are greatly strengthened by the fact that so high a ratio is proposed as 15½ to 1. It seems to us that the difficulty of making the arrangement effective will be immensely increased by the adoption of a ratio differing so widely from the present market ratio. Indeed, even if it could be maintained successfully, we should object to that ratio in the interests of India, and we recommend that your Lordship should, on behalf of India, decline to participate in or do anything to encourage the formation of a union based on that ratio.

We have said in paragraph 5 that the first result of the proposed arrangement would be an immediate disturbance of trade and industry by the advance of the exchange value of the rupee, which will be very intense if the rise is from between 15 and 16 pence to about 23 pence. There is no doubt that the effect would be to throw some branches of the export trade of India and the industries connected therewith (the planting industries, for example, in which a large amount of European capital has been embarked) into the most depressed condition for some time at least. The period of depression might be long or comparatively short, though there are authorities who are inclined to attribute a permanently disastrous effect to such a large and sudden rise in exchange, and to apprehend that Indian commerce might be utterly shaken by the change.

In any case, we are of opinion that the true interests of India demand that any measures for attaining stability in the rate of exchange between gold and silver should be based upon a rate not greatly differing from 16 pence the rupee, and that any measure which would raise the rupee materially higher than that level involves great dangers, for which we see no adequate compensations. Your lordship will observe that we attach no special importance to the advantages to be derived from the proposed considerable rise in exchange, mentioned in paragraph 5 of your dispatch, and consider them to be far outweighed by the resulting evils.

Pressed as we have been for many years by the difficulty of finding the continually increasing number of rupees requisite to discharge our sterling liabilities, we are apt to look too exclusively at the effect which a rise of exchange would have in diminishing the burden of that demand upon us. We do not deny that a large surplus of revenue will arise from so great an improvement in exchange; but it is not to be forgotten that there are many respects in which our revenue account must directly suffer by a rise in the exchange value of the rupee, and that these considerations ought to greatly influence our estimate of the benefit to our revenue account which is almost the sole advantage which, as a Government, we can expect to obtain from the proposed measures.

The anticipated fall in prices is one that will adversely affect both our revenues and the general condition of the agricultural classes in the country. To take the case of our land revenue, a very large portion of the country has passed under land-revenue settlement during the last ten or fifteen years. One of the factors in fixing the demand of the Government for revenue is the price of agricultural produce. If that price falls away, the heavier the demand becomes, and if it falls away materially the relation between the price that the ryot can obtain for his produce and the assessment he has to meet may be so seriously altered as to affect the agricultural prosperity of large tracts of country.

The work of resettlement is a tedious one; it can not be effected in all probability for some years, and when it is effected it will pro tanto dissipate much of the advantage which the rise of exchange would bring to the Government account.

So, also, as regards our railway revenues, which are now so important a portion of our income. They are in part directly dependent upon the activity of the export trade, and a blow struck at that trade will be felt by us immediately and directly through our railway account.

For these reasons, therefore, in addition to those set forth in the earlier portion of this dispatch, we recommend that the reply to the request of the Governments of France and the United States should be in the negative. We presume that a union based upon a ratio low enough to suit our interests would be unacceptable to France and the United States.

With reference to paragraph 6 of your Lordship's dispatch, we invite attention to the description of the present currency system of India given in paragraph 2 above. There appears to be some misapprehension in the comparison drawn between the arrangement proposed by the United States and France and the "present system" in India.

The present system is, of course, open to the objection that it is one of artificial restriction, but it is essential to bear in mind that it is not a permanent system, or, indeed, a system at all. We are in a transition period, moving from one system to another, and the present artificial restriction is merely a temporary expedient which has for its sole object the acceleration of the movement, and which will cease to exist at the completion of the movement. Thereafter the expansion and contraction of the currency will be left to the natural forces of the market; that is, it will be regulated automatically by the inflow and outflow of gold.

It is true that the system will be open to the other objection stated in paragraph 6 of the dispatch, that the rupee will continue to remain at a value above its metallic value; but—as was pointed out by Lord Herschell's committee—this is an objection which has not made itself seriously felt in the other countries, including France and the United States, in which an analogous system has been in operation for many years. It is not likely that the objection will make itself seriously felt in India when the gold standard has been effectively introduced.

The question really is not one of comparison, as put by your Lordship, between the present temporary expedient in India and the arrangement proposed, but between a gold standard and the proposed arrangement, which involves the abandonment of the policy of a gold standard, adopted in 1893, in favor of reversion to the policy of a silver standard.

In paragraph 9 of the dispatch your Lordship reminds us that "in 1892 the policy of closing the mints was only recommended" by Lord Lansdowne's government "on the ground that an international arrangement, similar to that which is now contemplated, was not then obtainable," and we are asked

to say whether we see any reason to modify the views expressed in that sense in the dispatches of the 23rd March and 21st June, 1892.

In reply, we have first to point out that the international arrangement which Lord Lansdowne's Government contemplated is very far from being similar to that which is now proposed. The proposal now under consideration is for a union of two countries only, with some assistance from a third. The international arrangement contemplated in 1892 was a general bimetallic union of all important nations, or, to use the words of the dispatch of the 4th September, 1886, which is referred to in paragraph 2 of dispatch of the 21st June, 1892, as expressing the views held by Lord Lansdowne's Government, "an international agreement for the free coinage of silver and the making of both gold and silver coin a legal tender at a fixed ratio by a group of nations possessed of a metallic currency of sufficient extent to maintain that ratio permanently." We have already stated our opinion that the agreement now proposed does not fulfill the last-named essential condition.

Secondly, circumstances have essentially altered since 1892. Despairing of securing the adoption of any of the measures which they had persistently urged, the Government of India decided to attempt the establishment of a gold standard, and, as the first step, closed the mints to the coinage of silver tendered by the public. If the proposals now made had been made in 1892 or at any time before June, 1893, it is conceivable that the Government of India of that time would have welcomed them as containing a possibility of securing the objects they desired, and would, in order to secure their adoption, have agreed to postpone the closing of the mints and to keep them open for a period sufficient to allow a full trial to the measures of France and the United States, say for five years.

But our position is now very different. The experience of the last three or four years has cleared up many doubts which were present to our predecessors' minds in 1893, and it has taught us that the course we actually adopted in 1893 really had in it better chances of success than the alternative of a partial international agreement. To agree not to close mints still open for a definite time, and to agree to reopen closed mints, are two very different things. The former course would have been justifiable if the measures proposed were such as to afford a reasonable expectation of securing the main object of the Government of India, namely, stability in the rate of exchange. The latter is entirely unjustifiable unless the measures afford a practical certainty of securing that object.

The conditions under which we have had to reply to your Lordship's dispatch preclude our consulting the commercial and banking communities in this country, although the subject is one in which they are, as we have explained, most closely interested. It was only after prolonged public discussion, and after a formal examination by a committee of experts, that the policy of 1893 was adopted; and if we thought it our duty to advocate a change in that policy instead of to set out the strong objections which we see to its abandonment, we would nevertheless strongly deprecate any steps of the kind being taken without the fullest preliminary consideration on the part of the banking and commercial bodies in this country.

To sum up our reply to your Lordship's reference is a strong recommendation that you should decline to give the undertaking desired by France and the United States. Our unanimous and decided opinion is that it would be most unwise to reopen the mints as part of the proposed arrangements, especially at a time when we are to all appearance approaching the attainment of stability in exchange by the operation of our own isolated and independent action.

ELGIN.
G. S. WHITE.
J. WESTLAND.
J. WOODBURN.
M. D. CHALMERS.
E. H. H. COLLEN.
A. C. TREVOR.

No. 6.—*Treasury to foreign office.*

TREASURY CHAMBERS, *October 16, 1897.*

SIR: With reference to your letters of the 27th July and the 5th August last, I am directed by the Lords Commissioners of Her Majesty's treasury to request you to inform the Secretary of State for Foreign Affairs that they have had under their consideration the proposals respecting currency which were submitted to Her Majesty's Government by the representatives of the United States and France at the conferences held at the foreign office on the 12th and 15th July last.

Of these proposals it is evident that the first, which relates to the reopening of the Indian mints to the free coinage of silver, is by far the most

important; and on the 5th August the Secretary of State for India in council addressed a dispatch to the government of India, asking for an expression of their opinion on the subject.

I am now to inclose a copy of a letter from the India office,* forwarding the reply of the government of India to this inquiry.

It will be observed that their "unanimous and decided opinion is that it would be most unwise to reopen the mints as part of the proposed arrangements," and that this conclusion is indorsed by the Secretary of State in council.

My Lords have read with attention the reasons by which this conclusion is supported. Among other arguments, the government of India point out that they can hardly be expected to give up the policy which for four years they have been endeavoring to make effective, in the absence of substantial security that the system to be substituted for it is practically certain to be stable.

If, owing to the relative smallness of the area over which the bimetallic system is to be established, to the great divergence between the proposed ratio and the present gold price of silver, or to any other cause, the legal ratio were not maintained, the position of silver might be much worse than before, and the financial embarrassments of the Government of India greater than any with which they have as yet had to contend.

These are arguments against the proposals, as they stand, of which it is impossible to deny the force. But even were they less strong than they appear to my lords, or than they will probably appear to the representatives of the United States and France, the Government of India could hardly be compelled, against their own decided opinions, to make a second important change in Indian currency within so short a period as four years, at a time of exceptional difficulty and suffering.

In these circumstances my Lords would suggest that the French and American representatives should be informed that their first proposal is one which Her Majesty's Government are unable to accept.

Due consideration has also been given to the remaining proposals, but my Lords do not feel it to be necessary to discuss them at the present moment.

The proposal respecting the Indian mints was not only alluded to by the First Lord of the Treasury and the Chancellor of the Exchequer in the debate of the 17th of March, 1896, as by far the most important contribution which could be made by the British Empire toward any international agreement, with the object of securing "a stable monetary par of exchange between gold and silver," but it would also appear that the representatives of the United States and France entertain a similar opinion with regard to it.

My Lords would, therefore, ask the Secretary of State to ascertain how far the views of the French and American Governments are modified by the decision now arrived at, and whether they desire to proceed further with the negotiations at the present moment. It is possible that the time which has elapsed since the proposals were put forward in July last may have enabled the representatives of the two Governments concerned to form a more accurate estimate than was then practicable of the amount of assistance which they may expect from other powers, and of the success which their scheme is likely to attain; and that Her Majesty's Government might thus be placed in a position to consider the subject with a fuller knowledge than they now possess of many circumstances materially affecting the proposals before them.

I have, etc., E. W. HAMILTON.

No. 7.—*The Marquess of Salisbury to Mr. Hay.* †

FOREIGN OFFICE, *October 19, 1897.*

SIR: Her Majesty's Government have given their most careful consideration to the proposals respecting currency which were submitted by the representatives of the United States and France at the conferences held at the foreign office on the 12th and 15th of July last.

Of these proposals it is evident that the first, which relates to the reopening of the Indian mints for the free coinage of silver, is by far the most important, and consequently a dispatch was addressed on the 5th August to the government of India by the Secretary of State in council,‡ asking or fan expression of their opinion on the subject.

I have the honor now to inclose a copy of a letter from the India office to the treasury, forwarding the reply of the government of India to this inquiry.*

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*See No. 5. † A similar letter was addressed to M. Geoffray.
‡ See No. 4.

It will be observed that their "unanimous and decided opinions is that it would be most unwise to reopen the mints as part of the proposed arrangements," and that this conclusion is indorsed by the Secretary of State in council.

Her Majesty's Government have carefully considered the reasons by which this conclusion is supported. Among other arguments, the government of India point out that they can hardly be expected to give up the policy which for four years they have been endeavoring to make effective, in the absence of substantial security that the system to be substituted for it is practically certain to be stable.

If, owing to the relative smallness of the area over which the bimetallic system is to be established, to the great divergence between the proposed ratio and the present gold price of silver, or to any other cause, the legal ratio were not maintained, the position of silver might be much worse than before, and the financial embarrassments of the government of India greater than any with which they have as yet had to contend.

These are arguments against the proposals as they stand of which it is impossible to deny the force. But even were they less strong than they appear to Her Majesty's Government, or than they will probably appear to the representatives of the United States and France, the government of India could hardly be compelled, against their own decided opinions, to make a second important change in Indian currency within so short a period as four years at a time of exceptional difficulty and suffering.

In these circumstances Her Majesty's Government feel it their duty to state that the first proposal of the United States' representatives is one which they are unable to accept.

Due consideration has also been given to the remaining proposals, but Her Majesty's Government do not feel it to be necessary to discuss them at the present moment. The proposal respecting the Indian mints was not only alluded to by the First Lord of the Treasury and the Chancellor of the Exchequer in the debate in the House of Commons on the 17th of March, 1896, as by far the most important contribution which could be made by the British Empire toward any international agreement with the object of securing "a stable monetary par of exchange between gold and silver," but it would also appear that the representatives of the United States and France entertain a similar opinion with regard to it.

Her Majesty's Government are, therefore, desirous to ascertain how far the views of the American and French Governments are modified by the decision now arrived at, and whether they desire to proceed further with the negotiations at the present moment. It is possible that the time which has elapsed since the proposals were put forward in July last may have enabled the representatives of the two Governments concerned to form a more accurate estimate than was then practicable of the amount of assistance which they may expect from other powers, and of the success which their scheme is likely to attain. Her Majesty's Government might then be placed in a position to consider the subject with a fuller knowledge than they now possess of many circumstances materially affecting the proposals before them.

I am, etc., SALISBURY.

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