

Volume II

The Heyday of the Gold Standard, 1820-1930

1868 February 18

Royal Commission on International Coinage: 'Report from the Royal Commission on International Coinage; together with the Minutes of Evidence and Appendix'. The report is supplemented by thirty-five appendices, covering nearly two hundred pages of text. The appendices contain information about the Paris Conference of 23 December 1865 and much information about gold and gold coinage as the major countries of the world prepared to adopt the gold standard. Listed below are several headings from the contents of the Appendix.

[...]

We turn now to the more limited subject referred to us, viz., whether it would be desirable to make any and what changes in the coinage of the United Kingdom, in order to establish, either wholly or partially, an uniformity of coin among different nations.

There are some questions which seem to be applicable to any system of common coinage, such as that of a single or double standard, what metal is best fitted for the purpose of a standard, the proper proportion of alloy, and others, to the consideration of which we now proceed.

The recommendations of the Paris Conference which are so applicable are —

- I. A single gold standard.
- II. The proportion of 9/10ths of fine gold in the coins.

We entertain no doubt of the necessity for the adoption of a single standard.

In the early ages of European States silver was the general coin and standard, but as gold came into more general use, gold coins were more extensively introduced, and the value for which they were to pass current being fixed by the government of each country, from time to time, probably without any anticipation of the effect that would follow from so doing, a double standard of value was generally introduced.

It is still retained, according to law, in Belgium, France, Greece, Italy, Russia, Spain, Switzerland, and the United States.

In England the double standard ceased practically in 1717, and by law in 1816; and in England, as well as in Portugal, Turkey, and Brazil, a single standard of gold prevails.

In Holland, Germany, and the Northern States of Europe there is a single

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standard of silver.

It is indisputable that the first requisite in any standard, by which value, weight, or size is measured is, that it should be as invariable as the nature of the subject will allow, and we are decidedly of opinion that the double standard of value is liable to more frequent variation than a single standard.

As with a double standard, of two metals, only coins made of one of them can be retained in circulation, the countries in which it exists are liable, not only to a change in the standard of value, but also to a change in the coins which practically form the great mass of the circulation.

Coins of small value cannot be conveniently made of gold, nor large coins of silver. If silver coins form the great mass of the circulation there is generally a deficiency of the means of conveniently paying large sums in coin; and if gold is retained, there is a deficiency of the means of obtaining convenient coin for small payments.

Instances of the uncertainty and inconvenience arising from a double or alternative standard may be found in the history of the currency of several countries.

In England, under the system of the double standard, (as stated in Lord Liverpool's treatise on coins,) a considerable rise in the value of gold, as compared with silver, in the reign of James I, led to the general exportation of the gold coin. To obviate the inconvenience which ensued, several royal proclamations were issued raising the value of the gold coin. The gold coin, however, was overvalued in the proclamation of the 9th year of his reign, and this led to the exportation of the silver coin, to the still greater inconvenience of the various dealers.

Partly from these causes, and partly from the debased of the silver coin, the greatest uncertainty as to the value of the gold coins prevailed for many years. The guinea, which had been originally struck as a 20s. piece, passed successively for 30s., 26s., 22s., and 21s. 6d. At last an end was put to these mischievous fluctuations by a re-coinage of the silver, and by fixing the value of the guinea at 21s. The proclamation by which this was done was issued in the year 1717, and the effect of it has been practically to establish gold from that time forwards as the single standard of value in England.

By the mint indentures, the pound troy of standard gold was coined into 44 ½ guineas, so long as guineas were coined. Since 1816, when sovereigns were substituted for guineas as the principal gold coin of the country, the mint indentures provide that 20 lbs. troy of standard gold shall be coined into 934 ½ sovereigns, thus preserving the former proportion between the weight and the value of the coin. An ounce troy is therefore coined into 3 429/480 sovereigns, which amount, expressed in terms of the currency, is 3/. 17s. 10 ½d., and this in common language is called the price of an ounce of gold.

In France, by the law of 1803, five grammes of silver 9/10ths fine were constituted the monetary unit, retaining the name of a franc ; but the provisions of the law as to gold, and also as to copper coins, gave them a legal currency and

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value, independent of their relation to silver.

The result of this legislation was that a double standard was created by law in

France.

Silver, however, remained for many years the practical standard, but when by the increased production of gold in recent years and the increased demand for silver for the East the value of gold was depreciated in relation to silver, gold became practically the standard of value. The silver coins, of which nearly the whole circulation consisted, were melted down and exported, and the country was put to the expense of a large coinage of gold. If, by any future increased production of silver, the value of silver should be depreciated, a new change would take place, in the opposite direction, and similar inconveniences would again be incurred.

We are of opinion, therefore, that a single standard should be adopted, and further that this single standard should be gold. Gold has been practically the standard in England for a century and a half. It is so in Portugal, Turkey, and Brazil. It is now practically so in France, Belgium, Italy, Switzerland, and in the United States of America, and in fact wherever by law a double standard exists.

In the gold coins of England, Russia, and Portugal the proportion of alloy is 1/12th. In those of the four countries parties to the Convention of 1865, and in the United States, it is 1/10th. The evidence of the officers of Your Majesty's Mint shows that there is no advantage in the proportion of 11/12ths fine gold over that of 9/10ths in gold coins.

[...]

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Source: *Great Britain, Parliamentary Papers, House of Commons, 1867-1868, c. 4073, vol. 27, p. 9.*