

Volume II

The Heyday of the Gold Standard, 1820-1930

1888 January 30

Letter from Mr. Alfred de Rothschild to the Chairman of the Gold and Silver Commission.: 'Second Report of the Royal Commission appointed to inquire into the recent changes in the relative values of the Precious Metals; with Minutes of Evidence and Appendices'. Among the appendices is a letter from Mr. Alfred de Rothschild to the Chairman of the Commission advising against the introduction of bi-metallism in Great Britain and advocating the retention of the gold standard. The letter, dated from 4 July 1887, is reproduced below.

APPENDIX I.

Mr. ALFRED DE ROTHSCHILD to the CHAIRMAN of the COMMISSION.

New Court, E.C., 4 July 1887.

MY LORD,

The Governor of the Bank has communicated to the Court the invitation of the Gold and Silver Commissioners to the Directors to offer evidence on the questions now before the Commission, and I as one of the directors beg to avail myself of that privilege. I trust, however, that your Lordship will excuse me if I do not do so at any great length; to do so would entail entering into a great many statistics, and would likewise mean dealing with details and figures which I would infinitely rather leave in more competent hands. But the broad question of whether the introduction of bi-metallism into this country would be desirable, is one which may be approached even by a humble individual like myself.

I am strongly opposed to any radical change as regards the metallic circulation of Great Britain. In the first place, I hold that the progress of civilisation is towards diminishing the requirement of large amounts of bullion instead of increasing the same, and what better proof can you have in favour of my argument than the existence and perfect working of our Clearing House. That institution shows an average weekly return of one hundred millions sterling, which hundred millions sterling mean *bonâ fide* transactions to that extent have taken place without the intermediary influence of bullion or even bank notes.

In the face of such a perfect banking system, or rather such very simple means for the exchange of sums of such colossal magnitude, does it not seem an anomaly to say there is not sufficient bullion in the country; you must make silver a legal tender so as to enable A, at his option, if he owes B, 50,000/., to discharge his debt by delivering at his door so many tons of silver.

Volume II

The Heyday of the Gold Standard, 1820-1930

As long as the British public has confidence in the notes of the Bank of England, this country will not require any excessive amount of bullion; and the moment that confidence ceases, it is the gold which would be sought and not the silver.

What would be the position of the Bank of England if bi-metallism were to be introduced throughout Europe? I venture to think, an extremely dangerous one, and if a financial crisis arose, whether from internal or external causes, the Bank would be unable to protect its stock of gold, and would be inundated with silver. This would not, and does not, apply to other countries, because the laws which regulate the statutes of their State banks are not so clearly defined nor so rigorously enforced.

For instance, the Bank of France in ordinary times does not give any really large amounts of gold in exchange its notes, whilst in extraordinary times it adopts, very promptly, the necessary steps to protect its stock of bullion.

What took place when the late war broke out between France and Germany? The Bank of France not only did not pay its notes in gold, but a quantity of five-franc notes were immediately printed, in addition to which the Bank was authorised to issue more notes than it was legally entitled according to its charter. This did not prevent, nor would it prevent, the French bankers from drawing bullion away from this market, either by sales of bonds on the Stock Exchange or by getting their bills discounted in the open market here.

As regards Germany, that country has also certainly a gold standard, but it would be difficult, if not impossible, to obtain any large amount of gold from Berlin or from any of the branches of the Imperial State Bank.

Then again, as to Italy, there is a large amount of gold stored away there, but, as in reality it does not see any daylight, that country might as well not have departed from its paper currency.

Therefore, to sum up the situation in a few words, London being the centre of the financial world, we have to be doubly careful to protect our stock of gold; but if bi-metallism were introduced throughout Europe, we should have a much greater difficulty in doing so, and should be obliged to increase our stock of silver, whether it suited us or not.

Whilst feeling very strongly on these points, there can be no doubt that there are grievances both in India and China in connexion with the silver question, and if anything could be done towards diminishing those grievances it would be extremely desirable.

To find, however, a remedy for both past and present grievances would be difficult, if not impossible, but as regards the former, old contracts in connexion with pensions, &c., might be revised, whilst as regards present grievances, the fact of the rupee having fallen considerably below its original value is not in itself more unfair than the exchange fluctuating between this and any other country. That something ought to be done for India there can be no doubt; but it hardly seems to me a sound argument to say that because a grievance exists in that country it

Volume II

The Heyday of the Gold Standard, 1820-1930

would be advisable to introduce into this country that which might prove a very dangerous experiment.

I beg to remain,
my Lord,
Your Lordship's very faithful
and most obedient servant
(Signed) ALFRED DE ROTHSCHILD.

The Right Hon. Lord Herschell,
&c., &c.,
President of the Royal Commission
on Gold and Silver Currency

Source: Great Britain, Parliamentary Papers, House of Commons, 1888, c. 5248, vol. 45, p. 1.