

MONETARY UNIFICATION.

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THE prominence given lately to all questions of political economy, especially to the subject of metallic currency by the official international conferences of 1867, 1878 and 1881, leads one to examine the monetary history of the past. Without taking a retrospective view it would be hardly possible to realize the various changes that have taken place, many of which have been very gradual, so gradual as scarcely to arrest the attention of contemporaries.

In my brief essay I wish to point out principally the important fact that the money systems of the chief commercial nations are tending steadily towards unification. The development is in many respects like that of the Roman money system, the points of resemblance being distinctly seen by a comparison of the monetary facts of ancient and modern times.

The Roman system was originally based on copper, all the coins being of that metal and consequently all contracts estimated according to its value. When silver became sufficiently abundant from conquest and commerce to enable the Romans to substitute it for copper, the standard was changed and copper fell to a subordinate position, which it has since retained in Europe with a few temporary exceptions in modern times. When the gold of the East found its way to Rome very much as silver had found its way, by conquest chiefly, the silver standard gradually yielded to one of gold and the silver coins became subsidiary. By the time of Vespasian gold had become practically the measure of value, although accounts were still

reckoned for some time in denarii and sestertii. The development was a natural one, the superior metal becoming naturally the measure of value.

François Lenormant in his interesting and able book, called "Money in Antiquity," sums up the changes in Rome as follows: "Among the Romans and other peoples of central Italy up to the consulship of A. Ogulnius and C. Fabius (485 of Rome, 269 before J. C.) the standard was of copper; from that date until the end of the Republic the standard of silver was adopted, and finally under the empire the gold standard." He adds, "It can be laid down as a principle that the ancients knew nothing about the impracticable pretensions of what is called at the present time bi-metallic money or a double standard. On the contrary we find that they always adopted one metal as the fundamental standard and regulator of the whole monetary system. The metal selected varied, as must necessarily happen, according to the particular circumstances of the countries and epochs."

The changes of standard in some of the countries of Europe in modern times have been similar to those of antiquity. Sweden, for instance, was obliged to resort to a copper currency after her disastrous wars, which had deprived her of most of her silver and gold. Silver was, however, soon restored as the measure of value, and now gold has become the sole standard of the country. In Russia copper remained the medium of exchange much longer than in Sweden, but the power of the government, although great, could not impose, for any length of time, an artificial value on copper beyond its market one compared to silver, and contracts were made based on the latter metal in spite of the law. By an edict of 1655 copper was declared to be of the same value as silver. A copper copek of the same weight as a silver one was legally as valuable, no matter what the market ratio of the two metals might be, just as the present French law makes an ounce of gold

worth fifteen and a half ounces of silver, regardless of the real ratio. In the former case, however, the proportion was arbitrary from the beginning, while in the other the rate was considered in 1785 to be the true one. The fluctuations were, as might be expected, frequent and great. At one time a silver copek was worth one hundred and fifty copper ones, although by statute they were declared to be of one and the same value. It was not until 1810, after much misery had been inflicted upon the people, that silver became the lawful standard, and it has remained so to the present day, although by a decree of 1876 coins are no longer struck for private account.

Spain, the principal recipient of the gold and silver of the new world, was reduced to a state of bankruptcy by the vast quantities of copper coins issued at a large profit to the government, which were made legal tender for any amount and which became the sole currency of the country. Weisse, the historian, writes: "Manufacturers hid their merchandise and work was everywhere interrupted. Gold and silver were either hoarded or exported, all confidence in the government was destroyed and merchants even refused to advance provisions for the royal table on credit; bankruptcy terminated worthily the disastrous reign of Philip the Fourth in 1665."

The impossibility of establishing a permanent ratio between copper and silver was abundantly demonstrated in most countries, but it was not until the early part of this century that England learnt the lesson fully, when she was obliged to recoin her copper money. That money having been issued with its intrinsic value equal to its nominal, and the price of copper having risen in the market, a penny was no longer worth the two hundred and fortieth part of a gold sovereign, but considerably more, so much more that the copper pieces began to be hoarded. I quote from Ruding: "the price of copper having risen, the subsequent issues were reduced in size and all the time the old Tower

half-pence of a weight still inferior were suffered to circulate with them. The consequence of this deviation from the first and most important principle of coinage was such as might surely have been easily foreseen. Whenever copper happened to rise in price the lean coins soon devoured the fat ones." "From a sudden rise in price of copper (1805) the greater part of the penny and two-penny pieces disappeared, because they were worth, when melted down, nearly one-third more than their value as coins."

Our own country had the same experience during Washington's administration, when the copper money had to be reduced in weight, as it was stated, "on account of the increased price of copper and the expense of coinage."

Even as late as 1852 there was considerable opposition in France to the reduction of the copper coinage to an even metric weight, making the ten-centime piece ten grammes in weight, the five five grammes and the one centime one gramme, it being argued that the effect of reducing that coinage in weight would be to rob the poor. But it was then fully shown that the intrinsic value of a token money need not be equal to its nominal, and in fact that it ought to be below the possible limit of fluctuations.

With the few temporary exceptions cited above, silver has been in Europe the standard of value since Charlemagne's time until the present century. The period in which gold became the sole measure of value in France in 1577 was so short that it need not be taken into account. The fact is interesting, however, as showing an early effort made by some of the enlightened French political economists to make silver subordinate and to place gold in a commanding position to which it was then entitled from the debasement of the silver coins and the falling value of that metal. This action of France anticipates that of England by nearly two hundred and fifty years. It had been found impossible to make the people accept the gold and silver coins at a rate fixed by law. As Le Blanc says:

“the people put what price they pleased on the coins,” and Secousse, one of the old French writers, adds his testimony by saying: “France is full of a great quantity of coins of different weights and fineness, the price of which depends entirely upon the will and caprice of the public.” “Foreign money is also received in business, notwithstanding the prohibition of the king, and the people alone determine the value of it.” The uncertainty became so great that the people tried to protect themselves against the frequent fluctuations by stipulating for payments in definite weights of metal. As the gold money had been much less tampered with than the silver it was decreed in 1577 that “the gold écu should be taken as the basis and only foundation of all accounts, values and estimations.” Unfortunately, according to Le Blanc, the partisans of the old order of things had sufficient influence to restore silver to its former position, and it was ordered in 1602 that all contracts must be again based on the silver livre.

After the restoration of silver the financial situation became so intolerable (the gold écu which by the law of 1574 was valued at fifty-eight silver sols having risen to seventy-two sols in 1609), that a meeting was called of experts from all parts of the kingdom to devise some remedy, but before anything was accomplished, the King, Henry IV., died. From that time until a few years ago silver has remained the measure of value in France. The linking together of gold and silver at a fixed ratio regardless of the market value and treating them upon an equality has had the effect, as Levasseur states, of leaving France, as it did other bimetallic countries, always in possession of the cheapest metal. He writes in 1858, when discussing the gold question, “Ten years ago our gold was taken from us, now our silver is being carried off, and every time the market price differs from the official one, the dearest of the metals is exported from the country.”

In the present century England has been the first to

recognize officially the impracticability of establishing a permanent ratio between gold and silver by making gold the sole measure of value, and her example has been followed by the leading nations, sufficient gold from California and Australia having been added to the metallic currency of the world to allow them to do so. The outpouring of the gold mines since 1849 has had precisely the same effect as the addition of the oriental gold had upon the Roman monetary system.

So far as the metal is concerned the chief countries of the world are now prepared for the selection of an international unit.

It would be an interesting study to examine in detail the gradual extension of the Roman money system, absorbing as it did, the various coinages of northern and central Italy, the cities of Magna Grecia and Sicily, the states and towns of Greece, including the monetary leagues (which resembled to a great extent the Latin and Scandinavian unions of the present time), the kingdom of Egypt and the various systems of Asia Minor. The process of assimilation was slow, as many of the mints situated in the conquered provinces were allowed to retain for some time the right of coining a local currency, very much as England has permitted in many instances the continuance of local currencies in her colonies, but by the time of Diocletian the whole coinage of the empire was concentrated in the imperial hands, and a coin struck in Rome was current from the Atlantic to the confines of Persia.

After the breaking up of the Empire into many independent fragments the monetary unity ceased, and by the time that feudalism was at its height, when local independence was carried to an extreme, when, as a writer says, "every temporal and spiritual baron considered himself as the king of his peculiar district and presuming upon the weakness of the executive government assumed all the prerogatives of royalty and especially the valuable one of striking money,"

the multiplicity of systems caused serious inconvenience. In England, for instance, during Stephen's reign more than eleven hundred owners of castles usurped the right of striking money. As the chronicler writes: "from these dens of thieves issued the greater part of the base money which brought incalculable mischiefs upon the people." In addition to these "unauthorized mints," as they are called by Ruding, which were destroyed by Henry II., there were many royal and ecclesiastical ones, over which it was difficult and in many cases impossible to exercise proper watchfulness, as is shown by the record of punishments inflicted on the mint officials.

Out of this chaos order grew slowly. Cranmer, the Archbishop of Canterbury, and Lee, the Archbishop of York, in Henry VIII.'s time, were the last of the ecclesiastics who exercised the right of striking money, but it was not until "the reign of Mary that the custom of coining in the subordinate royal mints entirely ceased." The English system spread to Scotland in 1706 after the union was cemented. That is, as far as the gold and silver coins were concerned. The copper money of England was not placed on a satisfactory footing until the beginning of this century. The reform of the copper coinage, as token money, had been very slow. In 1611 Sir Robert Cotton states that there were then in London three thousand persons issuing token money, and about the same number in the rest of England. As many of these tokens were never redeemed the loss to the public was great. Petition after petition was sent to the government begging that some remedy might be applied to the evil, and finally all private issues were forbidden. In 1826 the Irish money was made of the same weight and fineness as that of England, which completed the monetary unity of the three kingdoms.

The experience of France was very much like that of England. During the reign of Hugh Capet there were, according to Hallam, one hundred and fifty private mints

in the country, while Le Blanc asserts that "every petty noble usurped the privilege of coining." The right was also conferred by the royal authority upon many, especially ecclesiastics. So great became the confusion from the variety of coins of different weights and fineness in circulation that in 1321, Philip the Long attempted to establish one set of weights, measures and money for the entire kingdom, "so that the people, as the proclamation reads, can transact business more surely." The royal proclamation was the result of a meeting of deputies assembled for the purpose seven years before, who recommended that all the nobles should be prohibited from coining for a certain length of time, "otherwise the kingdom would never have good money." The projected reform met with such opposition from the privileged classes that very little progress was then made, a few nobles only giving back their right to the royal authority upon receiving a certain sum for the loss entailed. The impulse was, however, given resulting ultimately in the establishment of a single system, the seigneurs of Boisbelle being the last of the nobles to avail themselves of their privilege in the eighteenth century. It is singular that, while the central government was regaining the sole right of striking money, it should have permitted a dual system of its own to exist for four hundred years. The *livre tournois*, so named from the city of Tours, and the *livre paris* or *livre* of Paris were two units existing side by side. The *livre* of Paris was worth one and a quarter *livre tournois* and both *livres* were used constantly in business transactions. The anomaly ceased, however, in the reign of Louis XIV. who made the *livre tournois* the sole unit of the monarchy, which being very slightly changed, so as to make it weigh exactly five metric grammes, became the *franc* during the Revolution.

We can hardly realize the monetary confusion of France that resulted not only from the number of independent mints issuing money of various weights and degrees of fineness

ness, but also from the constant official debasements of the coins themselves and the legal changes made in their valuation. Levasseur gives the number of alterations made by the government from the twelfth century to the eighteenth as two hundred and fifty for the silver money and one hundred and forty-seven for the gold. There were, also, many foreign coins in circulation, which do not seem to have been driven from the country by stringent laws and severe penalties, for we find the prohibition to use them renewed in almost every reign. In addition there were large quantities of counterfeit money, owing to the facility given by the various weights and different degrees of alloy used, notwithstanding the papal bulls of excommunication issued against the malefactors, which apparently produced no effect.

It would be tedious to enumerate the names of the cities, duchies, principalities and kingdoms in Italy that struck coins of various denominations. Vincenzo Promis in his thorough work gives the number of Italian mints, including the Papal, as two hundred and fifty during a period extending from Charlemagne's reign to the present century. The want of uniformity and simplicity was strongly felt, and Scaruffi, one of the early Italian political economists, proposed in 1579 that all the Italian states should use the pound of Bologna as the unit of weight. He proposed further that all coins should bear numbers indicating their weight and fineness and also the number required to weigh a pound, securing in this way, as he says, "their universal currency, as if the world were a single city or monarchy." The present century has finally seen the various Italian systems merged into the French, which gradually extended from Piedmont, where it was introduced in 1793, to Genoa in 1827, then to the island of Sardinia in 1843 and ultimately throughout the whole peninsula and the island of Sicily.

In Germany a similar development can be observed.

The local mints and local systems were numerous, even a private individual like the banker Fugger of Augsburg possessing the right of coinage, which was exercised by his family for nearly a hundred years. The Archbishop of Cologne retained his privilege until 1801, and the Archbishop of Mayence until 1803. Before the establishment of the Empire in 1870 the number of systems had been somewhat reduced, so that there were in currency only seventeen gold coins of different values and sixty-six silver ones.

The experience of our own country, although brief in point of time, is instructive. The modified English system prevailing in the colonies, modified in regard to weight, the Dutch system of the New Netherlands, the Swedish system of New Sweden existing for a short time on the banks of the Delaware, the Spanish and French systems of Florida, Louisiana, Texas and California have disappeared. The right of striking money taken from the States and conferred upon the national government has given us a coinage current from the Atlantic to the Pacific. So accustomed are we to a single and simple system, embracing our vast area, that we can hardly picture to ourselves the condition of Switzerland where up to the year 1850, when the French system was introduced, each canton preserving its sovereign right, there were in circulation "all kinds of German thalers, German florins, Austrian zwanzigers, French money and about one hundred and sixty cantonal coins." The American system now embracing the Dominion of Canada and the distant Empire of Japan is one of the claimants for universal adoption.

India has at present a single money system; Java has adopted the Dutch coinage, while China has this year entered upon a reform of her copper money, which will eventually lead to a change in her whole system. In speaking of the impending change in China the *London Economist* remarks: "It used to be said that every street

in Peking had its own money weights, touch of silver and degrees of depreciation in its cash, and the same confused differences prevail more or less throughout the Empire."

By this brief review it is seen that out of the chaos of the middle ages a few distinct monetary systems have emerged, that present claims for universal acceptance. The English pound claims a present commercial supremacy and in addition it has become the unit of the growing empire of Australia. The French system now extends from the Straits of Gibraltar to the Black Sea, as the Austrian eight florin piece has been made the equivalent of the twenty franc piece and has these two denominations stamped upon it, while Greece, Servia, Roumania and the duchy of Finland have ranged themselves under the same system, and the Argentine Republic made in 1881 its five peso piece to be worth exactly twenty-five francs. The unit of the newly created German system can scarcely be considered as a claimant for general use, but any proposed international coin must meet some of the requirements of that country.

It is quite evident that we have now reached a point in the progress towards unification when we should consider fully the essential conditions of an international unit and decide upon the best without national prejudice.

The unit to be adopted ought to be a gold coin of a convenient size, of a weight and fineness that will change the existing systems as little as possible. The weight and alloy might be indicated on the coin itself, so that the people may learn to estimate its value not for its name, but for its intrinsic worth. As the French metric system has been adopted by many countries and seems destined to further extension, in England and America probably by making the pound equal to half a kilogramme, the weight of the coin should be a definite one of that system.

The very statement of the conditions suggests the solution. The English pound, the American half-eagle, the Japanese five yen piece, the Austrian eight florin, the Ger-

man twenty mark, the Spanish twenty-five peseta, the Argentine five peso, the twenty-five franc piece struck by Belgium in 1848 and proposed in 1867 by Napoleon the III. for France, approach each other very closely, so closely that a slight change in each of them—very slight compared to the alterations which all systems have undergone in the past—would make them of equal weight and fineness. A gold coin weighing eight grammes nine-tenths fine would be a compromise upon which all could unite. Such a coin, which would still be called a sovereign, five dollars, twenty marks and twenty-five francs, would leave the subordinate silver and copper money untouched, and retain the nomenclature and divisions of the different systems as they now are. A point of contact would be secured, while each national coinage would be locally independent.

It seems eminently fitting that our country should be the first to propose officially such a unit. Standing among the foremost of the progressive nations, with local prejudices less deeply rooted than those of other countries, any plan offered by us would receive respectful and attentive consideration.

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