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The Rise of the Gold Standard, 1660-1819

1730

Excerpts from John Conduitt's treatise, 'Observations upon the present state of our Gold and silver coins'. In 1717, Conduitt married Catherine Barton, the step-niece of Sir Isaac Newton, and he also succeeded Newton as Master of the Royal Mint in 1727, holding that office until his death ten years later. His tomb lies adjacent to Newton's in Westminster Abbey. Conduitt's writings as Master of the Mint are less well known than those of Newton, but, like Newton's, they succinctly pose sound and insightful arguments in answer to the problems at hand. Though written in 1730, this lengthy treatise was published for the first time only in 1774 from a manuscript copy that, inexplicably, had been in the possession of the Irish satirist Jonathan Swift. It addresses the relationship between gold and silver in England as opposed to neighbouring countries during the early 18th century and the necessity to bring the proportional value of the metals more closely into line with their value in other European nations.

When we cannot pay in goods, what we owe abroad, on account of the balance of trade, or for the sale or interest of stocks belonging to foreigners, or for foreign national services, our debts must be paid in gold or silver, coined or uncoined; and when bullion is more scarce or more dear the *English* coin, *English* coin will be exported, either melted or in specie, in spite of any laws to the contrary. All that can be done in such cases is, to take care from time to time, that a pound weight of fine silver be worth as much as fine gold in our monies, as it is in the good coins of our neighbouring nations with whom we have the greatest dealings, that it may turn equally to the merchant's account to pay any balance he owes abroad, or to have any balance that is due to him, sent hither, either in gold or silver; for if gold be valued here higher than in other parts, and silver lower, any debts to us from abroad, will be paid only in gold, and any debts we owe abroad will be paid only in silver; and over and above the balance to be paid or received, it will be a profitable trade to import gold, which is over valued, and export silver, which is under valued. The value of gold and silver in respect of each other, has constantly varied in all nations, and must vary according to the plenty or scarcity of either. In *Europe*, for many years, 12 pounds weight of fine silver were equal to one pound weight of fine gold. By the discovery of the silver mines in America, silver fell gradually, from the proportion of 12 to 1, to 16 to 1. In *England*, by the high price of guineas, it has been at all rates, from 12 to above 21 to 1. By the discovery of the new gold mines in Brasil, and an increase of the demand for silver, gold has for some years been falling, and silver rising all over *Europe*. If the importation of gold should still increase, and that of silver decrease, or a greater demand arise for it, a pound of gold may again be worth no more than 12 pounds of silver, as it was formerly in *Europe*, or than 9, as it is now in *China*; and whatever nation will not alter the proportion between gold and silver, according to the general want or abundance of either, only exposes itself to be the dupe of those who do, and to be bought and sold with its own money. In *England*, reckoning the guinea at 1*l.* 1*s.*, 15 *lb.* 2 *oz.* 10*dwt.* 7 *grs.*

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of fine silver are equal to one pound weight of fine gold. In *Portugal*, a mark of gold of 22 carrats fine, and two carrats allay, is coined into 102,400 rees, and a mark of silver 11 ounces fine and one ounce allay, into 6,400 rees; so that at the mint price, one pound weight of fine gold is equal to 16 pounds of fine silver; by reason of which high valuation of gold and low valuation of silver, there has been no silver coined or current there for several years last past, though but twenty years ago it was in greater plenty than gold. To supply the want of it, they coin pieces of gold of several denominations, from pieces of five moedas, as low as the tenth of a moeda, and a great quantity of copper money; but notwithstanding these helps, they are obliged to open books of debtor and creditor for small sums, and the retailers often refuse to sell their goods, unless the buyers bring change with them: which are difficulties, that would be insupportable in a nation that subsists by trade, carried on chiefly by multitudes of labourers and manufacturers. Though a mark of silver at *Lisbon* produces at the mint only 6,400 rees, yet without considering the high price it bears, when the *Portugese East-India* ships are going out, it is not to be bought at a medium, one time with another, under 7,200 rees, which reduces the real proportion between silver and gold in *Portugal* as 14 lb. 2 oz. 13 dwt. 8 grs. of fine silver, is to one pound weight of fine gold, at which rate a guinea is worth 19s. 7½d. In *Spain*, till lately, one pound weight of fine gold was equal to 16 lb. of fine silver at the mint; but weighty silver had always a premium upon it, sometimes as high as 15 per cent. Two years ago, pistoles, that used to go for 32 ryals, were made current for 36; and weighty dollars, which used to go for 8 ryals, were raised to 9½, to put them upon a par with the base silver money current in *Spain*: which is an augmentation of 12½ per cent. on gold, and 18¾ on silver, and reduces the proportion between silver and gold, at the mint in *Spain*, as 15 lb. 17 dwt. 21 grs. to one pound weight, at which rate a guinea is worth 20s. 11d. But besides the additional augmentation of 6¼ per cent. more on silver than on gold, there is still a further premium upon weighty silver; and notwithstanding both the augmentation and the premium, silver only continues to be exported, and only gold and base silver is left in *Spain*. As *Spain* is the country in Europe to which the greatest quantities of silver must be brought, and it cannot be transported elsewhere without new charge and risque, it must be cheapest there, and consequently, ought to have a higher value set upon it in other countries than it has in *Spain*. In *France*, when Sir *Isaac Newton* made his table of assays on foreign coins, silver was to gold as 15 to 1; but at present 88 *French* ounces of fine gold, and 8 ounces of allay, are coined into 360 louis-d'or, which at 24 livres each, make 8640 livres; and 88 ounces of fine silver and 8 ounces of allay, are coined into 99 crowns of three-fifths of a crown, which at 6 livres each, make 597 livres and 12 sols. So that silver to gold in *France* is as 14 lb. 5 oz. 9 dwt. 21 grs. to 1 lb., at which rate the guinea is worth 19s. 11¼d. In *Holland*, five silver ducats are generally equal to three gold ducats. The ducats weigh generally one ounce and twenty-one grains. I have made several assays of the year 1727, and find, they are only 11 oz. 4½ dwt. fine; whereas they were formerly, like the ducats of *Flanders*, 11 oz. 7 dwt. fine, and they go still in payment for as much as the *Flanders* ducats. The gold ducats weigh generally 2 dwt. and 6 grs.; and according to several assays I have made of some of the year 1727, they are 23 carrats 2½ grains fine; at which rate, silver to gold is as 14 lb. 8 oz. 16 dwt. 14 grs. to 1 lb., and a guinea is worth 1l. 0s. 4d. Sir *Isaac Newton*, in his table of assays, makes the ducat only 23 carrats and two grains fine, and the ducats 11 oz. 5 dwt. fine, at which rate silver to gold is in *Holland* as 14 lb. 10 oz. 6 dwt. 13 grs. to 1 lb., and a guinea is worth 20s. 6d. As the several provinces differ somewhat in the fineness of their ducats and ducats, I shall take the medium of these two computations, which is 14 lb. 9 oz. 11 dwt. 13 grs. to 1 lb., at which rate a guinea is worth 20s. 5d. These are

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nations with whom we have the greatest dealings. I have not yet been able to inform myself thoroughly of the proportion of between gold and silver in the variety of coins in *Germany* and *Italy*; but according to Sir *Isaac Newton's* table of assays, silver is higher in proportion to gold in these countries than in *Holland*. It appears from hence that gold is at present much higher, and silver lower in *England*, than it is even in *Spain*, in any other part of *Europe*, or in any other mint, except that of *Lisbon*. According to the foregoing computations, the number of grains of fine gold contained in one pound sterling, or in $\frac{20}{21}$ of a guinea, will produce in *France* only 23 livres and 9 sols., and in *Holland* 35 schellings and 7 grosche in ducats or ducaton: Whereas the number of grains of fine silver contained in 20 shillings will produce in *France* 24 livres 14 sols., and in *Holland* in ducats or ducaton 36 schellings and 7 grosche: so that, it is a profit of above 5 *per cent.* to import gold from *France*, and of 3 *per cent.* to import gold from *Holland*, and export our weighty silver coin in lieu of it, and a greater advantage in proportion to bring gold hither, rather than silver, to buy goods or pay debts. Anyone who considers how often this exchange of silver for gold may be made in a year, will easily account for the small quantities of silver current now, in proportion to what they were formerly, and see that nothing could prevent a total exportation of our silver coin but the lightness of the greater part of what is remaining; there is still a considerable profit to be made, by culling out the weightiest pieces, and picking up those that are new coined. Whoever melts down any new silver coin, and carries it to market where standard silver in bars now sells for 5s. 6d. per ounce, will make a profit of 6l. 8s. on each 100l. sterling, and proportionally any greater or lesser part. As great quantities of our gold coins are likewise considerably too light, foreigners who take our guineas in quantities only by weight, may melt down the heavy ones, and have 21s. here in silver for the lightest, which will make it turn in some measure to account to exchange them for light silver; but even allowing that it is not worth while to export any silver that is not weighty, it is but an uncomfortable reflection that we shall have no silver coin left among us but what is light, and that every ounce of new silver (which at a medium is a loss of $2\frac{1}{2}d.$ an ounce to those who are obliged to coin it) will very probably be either exported or melted down the moment it becomes current, without which it is useless. Since December 1701, when the great re-coinage was entirely ended, the only quantities of silver sent to the mint were what was taken at *Vigo*, or bought by the publick in the year 1709 at of $2\frac{1}{2}d.$ per ounce loss, and in 1711 at 4d. per ounce loss, or sent by the *South-Sea* Company in 1723, when two millions were remitted, or annually by the *Welsh* Copper Company, and Company for smelting lead with pitcoal, pursuant to an act of parliament: So that in 26 years, no silver has been imported to the mint but what was forced thither, though above 11 millions of pounds sterling have been coined there in gold within the same time. The total cessation of any free coinage of silver for so many years, has not been owing to any want of silver in the nation: for it appears by the custom-house books, that within that time, many millions of pounds weight of silver in bullion and foreign coin have been exported; and by entries at *Goldsmiths Hall*, that immense quantities have been wrought into plate. If gold and silver had been these 26 years of the same value in proportion to each other here as in other countries, it is very probable that a great deal of that part of the 11 millions of gold, as was the balance of trade in our favour, would have come to the mint in silver, as it used to do formerly. In the 26 years next after the Restoration, near four millions sterling were coined in silver, though the guinea was then valued as high or higher than it is now.

To bring the silver and gold to the same proportion here as they bear to each other in the neighbouring nations, either the value of the guineas must be lowered in respect of the silver, or the value of the silver must be raised in respect of the gold. The reasons given

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for lowering the gold are, that gold is only to be looked upon as a commodity, and so should rise or fall as the occasion requires; that it either is not, or ought not to be a legal tender at a certain rate, but go only according to its intrinsic value; and therefore no person will have any reason to complain of any necessary reduction; that if the guinea be 6*d.* too high, the landlord, who receives his rents in gold, receives 6*d.* less in a guinea from his tenant than he ought to have; and is defrauded so much; and that if you lower the gold, that will sink the price of the silver, and bring it equally with gold to the mint, and that the exchange will alter to your advantage in the proportion you lower the gold. The objections made to lowering the gold are, the immediate loss that will accrue upon all the cash in the Exchequer and publick offices, and in the Bank, and in the hands of bankers and private persons, and in the payments to be made to foreigners, at least for the debts now due to them; for though when you buy anything of foreigners they will take your gold and silver only according to the intrinsic value, they must receive their debts according to the denomination you put upon them. Thus, all those who lent money in *Spain* upon the flota and galleons, when pistoles went at 32 ryals, and dollars at 8, were by the intermediate augmentation of the money obliged to receive it back again in pistoles at 36 ryals, and dollars at 9½; *à contra*, if a foreigner orders his correspondent here to sell for him 100*l.* *South-Sea* stock, and to remit him the produce of it, which we will suppose to be 105*l.* if guineas go here at 21*s.*, the foreigner is paid with 100 guineas; but if they are reduced to 20*s.* 6*d.* he correspondent must remit him 102 guineas and nine shillings for what he bought perhaps with guineas at 1*l.* 1*s.* 6*d.* The objections to raising the silver are, that where leases have been made or goods sold, or money lent for a certain number of pounds sterling, upon a presumption that a pound weight of standard silver should be paid for 3*l.* 2*s.*, if you cut it into 3*l.* 4*s.* the lessor and vendor are defrauded of the additional 2*s.* That an ounce of fine silver is, and always has been, and ought to be the standing and invariable measure between nation and nation; and that if you once alter the silver, which is your bushel, no nation will know how to deal with you hereafter, and that the exchange will alter to your disadvantage in proportion to the extrinsic argumentation [*sic*] of your silver. In answer to these objections it may be said, that it is worth considering, whether the person who pays ought not to be regarded as well as he who receives; and whether it would not be as hard to hurt the first by lowering the guinea, as the other by raising the silver. That nine parts in ten, or more, of all payments made in *England*, are now made in gold, and if so, they will be very little affected by any alteration in the silver. But supposing for argument sake, that all payments in *England* are paid in silver, the receiver, in that case, loses more at present than he would do if a pound weight of standard silver was cut into 3*l.* 4*s.*, for the species of silver in which payments are chiefly made, are now, by wearing, considerably lighter than the new coin made after that rate would be. [...] When both gold and silver are raised in any country, beyond their intrinsic value, as now in *France*, the exchange will fall in proportion; but as nine part in ten, or more, of all payments in *England*, are made in gold, and, for want of large parcels of weighty silver, great quantities of guineas are exported, it is to be doubted that, whether the raising the silver will alter the exchange even so long to our disadvantage, as the lowering of gold [i.e., by Royal proclamation on the 22nd of December 1717, as recommended by Sir Isaac Newton] did to our advantage. It is certain that the giving silver here the same value, in respect of gold, as it has in other countries, is no reason for the falling exchange; and in money matters, what is not grounded on a solid foundation, cannot have any durable effect; and they fear of giving foreigners only a groundless pretence for the falling exchange, ought not to deter or divert us from preventing the real advantages they make at present, or may make, at our expense.

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Necessity and convenience will make that coin the measure which is in greatest plenty: It was for this reason, that silver, and not gold, was the first measure. Wherever the silver coin of any country is bought at a premium, with the gold coin of the same country, there gold is the measure, and silver is the merchandize; and wherever gold is a legal tender, at a certain rate, it is as much a measure as silver. In *Denmark* and *Sweden* the good silver coins are not to be had without a premium: In *Portugal* gold is now the only measure, and in *Spain* too; for no payments are made there in any silver, but what is base, without a premium, even for bills that are payable in dollars.

Source: Shaw, ed., 1896, pp. 181-214.