### SILVER'S BAD YEAR

### A PRODUCTION ESTIMATE

During 1930 silver showed persistent weak-riss. The driving showed persistent weak-riss. The driving and bendeacy of the price confine of right up to the soles of the year vesterday's quotation of 145 ad yer or being the lovest right year and also the lowest were reconfed. Lar July in the pure on the year was 75 ad. In the rear and also the lowest were reconfed. Lar July in the pure on the year was 75 ad. In the name almost well as the owner of the every of the lowest of the every of the every

Highest mora

the design of th

Labels (1010) Movements

Stald inovements in 1926 were again as cepturally barre, the features being the heavy extenses to frame caparis as, by former country were \$52,185,000, and to the laster \$16,191,000. These two countries, explain Mesess Mocative and Goldenyi, besides taking that build of the South Adview arrivals from weak to week also fook about \$24,000,000 ment the Bark of bindand, which during the year has low \$293,85 or balance, withdrawals for the above mentioned countries naving been anoughly made good by receips from countries in lineautid difficulties, such as Spain Australia and the south American Pepublies.

The receips from South Africa again showed an increase. This was partly due to increased production and also to the fact true there were fractically no other shipments from South Americally and seventy to India, which took \$5,000,000 in bars and sovenegus, or practically the same amount as in the previous year. There were an Shipments either to or from I.S.Ai.

Stocks of silver in Shangasi on December 27 consisted of about 92,000,000 as syrce, \$153,000,000, and 2,000,819c; bara-state Messis Same! Mentague and Co., compared with about 92,900,000oz, in syrce, \$123,000,000, and 2,880 silver bars on December 20.

The London Times 1.1.31

# Letters to the Editor

### SIMPLER COINAGE 69-80

### WITHDRAWAL OF THE HALF-CROWN

TO THE EDITOR OF THE TIMES

Sir,—Will you allow me to support the appeal made by Yr. C. Power, in your issue of september I for the withdrawal of the half-crown from circulation. The proximity in size and weight of the halfgrown and of the horm lead to constant confusion, aspecially with short-sighted people. I have frequently mentioned the matter to booking clerks at railway stations and varrout exception they have agreed that the similarity of these two come is a musaume. From the point of view of reckning, the advantage of the floring is that in contains an even number of shillings, and is the tenth part of a

sovereign.

May I suggest, however, that when the May I suggest, he wever, that when the half-crown is withchawn the Mint should issue a four-sulling piece. This was done some years ago, but the silly mistake was made of also sessing a five-sailling piece, thus adeing to the pre-existing confusion. My suggestion is that our silver coinage should be confined to tid., 1s., 2s. and 4s. As regards the four-shilling com. I think it would be a mistake to make the veight precisely devote the present form. That would be too heavy. The present florm weighs roughly 11½ grammes, a half-crown roughly 14 grammes. I suggest that the new four-sailing piece should weight should be clearly indicated on the coin. This would inaidentally belp to accustom the public mind to metric weights, and thus to some small extent facilitate the introduction of a long-delayed reform which would be of minerse advantage to the nation. the nation,

Yours obediently,

HAROLD COX.

Gray's Inn, Sept. 2.

# CHINA AND SILVER MARKET

INTEREST IN INDIAN POLICY

With reference to the statement made by the Chinese Finance Minister as to the distributions broceeding with the British Government on the question of the Indian Government's silver policy fleater's Agency is informed that earlier in the sommer when the price of silver was falling rapidly the Chinese Minister in London addressed a memorandum to the British Government pointing out the serious effect on British China trade of the fall of the price of silver. The Mannorshim also drew attention to the Increasing difficulty on the past of the Chinese Government to meet its foreign obligations which are payable in gold.

its foreign obligations which are payable in gold.

The Chinase Gevernment asked therefore for the cooperation of the British Government barbicularly which retreates so the sale of salver by the Indian choestnament. This memorandum was referred by the Foreign Office to Ludia, and in the course what is memorandum was referred by the Foreign Office to India, and in the course what is that a day a live who the Gamess Minister, while discussing with the Scoretary of state for Freeign affairs which hashass again made references to the subject of silver.

In Chinese quanters, as is pointed out that the derival contained in the subject of silver, while the subject of silver again made references to the subject of silver.

In Chinese quanters of silver sport current in Shanghai that the deverment as india had negligible to the subject of silver with a Chinese basising corporation as signify below the official sale evidently reserve to a reported situr side as use known has a further site of silver actually book place hast week.

Britain Rejects Silver

It was appropriate that Mr Chamberiain should have exposed so ofearly this week the difficulties of using silver as a supplement to gold for the world's currencies. During the American presidential election campaign Mr. Hoover, particularly when he was visiting the silver mining States, made speeches about the need for international action in raising the price of the metal which may have been taken too seriously by silver currency enthusiasts. There has even been the fanciful suggestim that America would consider the cancellation of, or a huge reduccountries of the world agreed to re-establish silver as a measure of value. There is no reason why any country should take a risk which America itself is not prepared to shoulder, and Mr. Hoover brosself has said that there can be only one monetary standard and that is the Covernment will certainly take care that silver is a subject of discussion at the World Economic Conference, but there will be no opposition to that since everyone would like to see an improvement in silver prices through any really practical means. The Chancellor of the Exchequer's exposure of the weakness of the silver enthusiasts' arguments was prompted by a suggestion that comnodity prices could be raised by using silver along with gold as a monetary medium. Sir Robert Horne argued that the improved price for silver caused by the iucreused demand for it as a currency medium would improve British trade with India and China, Mr. Chamberlain replied that an examination of changes in the price of silver to

the fill ere lought when the terro goo rose.

price of h is different in China The invency is on a silver where igher price for silver basis fina's purchasing power marks are, the capacity to impand the other hand, dearer portes Chinese exports more savani with declining exports erti buy less from abroad. Cleate with the question of 6 Fiver prices and world trade, Anterlain exposed by statisti-48 Aration the weakness of the

Ant that the remonetization of

would speedly result in large one to the world's stocks of ey. He noted that even a rise m the present price of round is Viad to 2s. would not bring into circulation more than 1,000 million ounces. In gold values that would mean an addition of only \$100 million or one twenty-fifth of the world's available supplies of gold. This would be too insignificant an addition to have any appreciable effect upon commodity prices and consequently the Chancellor of the Exchequer dismissed silver as a miracle worker in the economic salvation of the world



# FALL OF SILVER IN CHINA 9. 1-31

### IMPORTERS DISMAYED

FROM OUR OWN CORRESPONDENT

SHANGHAI, JAN. 8

The price of the pound sterling in silver was to-day over 21 dollars, a rate of exchange which is causing importers ex-treme dismay. The present decline, apart from the general weakness of silver, is attributed to payments in settlement of exceptionally large orders, placed in anticipation of the new tariff, and for piece-goods imported from England and Japan to replemsh exhausted stocks. In

dapan to replenish exhausted stocks. In the interior a large aggregate of transactions, it is understood, are still uncovered, and there is apprehension of a further fall in exchange and of failure on the part of buyers to take up their contracts.

The position of the Government is equally ominous. Although the Customs figures for 1930 are not yet available, it is believed that the revenue totalled about \$260,000,000, against \$220,000,000 in 1929, an increase attributed to the imposition of gold duties on imports pre-1929, an increase attributed to the imposition of gold duties on imports previously subject to specific silver duties, and not to any increase in the volume of trade. It is also understood that it cost the Government \$220,000,000 during the year to meet foreign and dorsestic loan obligations secured on the Customs, leaving a surplus of only \$40,000,000 for administrative purposes. With the exchange at the present level it is manifest that the Government will have great difficulty in meeting its obligations during the current year.

cutry in meeting its obligations during the current year.

The feeling grows that foreign Governments interested in Far Eastern trade will have to consider measures to stabilize silver, and, failing action for this object, that there is a risk that the market for foreign products in China in particular will collapse altogether.

The rulers of China unfortunately appear to attach far more importance to messential political projects than to prac-

inessential political projects than to practical issues, and, regardless of their country's financial plight, for which aid can come only from foreign sources, they persist in embarrassing foreign Powers by demands for treaty revision that in the present circumstances are plainly pre-

# BIG INTERNATIONAL LOAN TO CHINA 9. 1-31

AMERICAN PROPOSAL

FROM OUR OWN CORRESPONDENT

WASHINGTON, JAN. 8

It is understood that within the next 10 days the Senate Committee on Foreign Relations will be asked by a sub-committee of its members to consider a report embodying proposals of cooperative action by foreign Governments interested in the making of a heavy loan of silver to the Chinese Nationalist Government to the end that the purchasing value of the end that the purchasing value of silver may be brought back to the normal standard, and a comprehensive plan of public improvements in Chinese territory be carried out under international supervision.

vision.

This sub-commuttee was appointed last march under the authority of a resolution of the Scuate, and was instructed to inquire into the causes of the slump in American trade with China. With Scuator Key Pittman, of the silver-producing State of Nevada, as charman, it has taken testimony in various parts of the United States, and as the hearings progressed the scope of its ultimate recommendations grew. These will be substantially as follows:—That the President be advised, if not incompatible with the public interest, to enter into a discussion with the Nationalist Government of China, and with the British, French, and Japanese Governments, concerning possible financial and advisory aid to China; that the President be similarly advised to discuss with Great Britain the question of silver policy in India; and, finally, with other interested Governments, the possibility of agreement as to the use and exchange value of silver with gold.

For the moment this report awaits the final approval of members of the subcommittee, after which it must be committee as a whole, and in due course fall under examination by the Senate Senator.

sidered by the Foreign Relations Committee as a whole, and in due course fall under examination by the Senate Senator. Pittman is said, however, to have in mind a loan of \$250,000,000 [£50,000,000] to China in standard silver dollars now in the Treasury—and unpopular as a circulating medium—for recoinage into Chinese currency of small denominations, this loan to accompany similar loans by other Governments, to be expended, under the supervision of an international commission, on road building and other approved. sion, on road building and other approved

The Senator is quoted as saying that if out in China, "there would be a market for all surplus wheat in the United States," and that "our sales of automobiles to China would be doubled or tripled to the states and the surplus wheat in the United States," and that "our sales of automobiles to China would be doubled or tripled to the surplus and these ways appreciated." if we got these roads completed.

### SILVER IN CHINA

TO THE EDITOR OF THE TIMES Sir, -- Silver at 13 11-160, reached yesterial a new low level. China has properly placed Costoms dailies on a gold basis, the Hakwan tael being practically 2s. 9d. Gold-casis countries are already suffering severely and are likely to suffer still more as a result of (a) the high cost of goods imported from such countries, and (b) the growing industrialization of China, with its low labour costs and its depreciated (in terms of gold) currency. A leading commercial man resident in Shanghafter many years, writing recently in regard to the Economic Mission from Lancashire which is now examining the situation in China, makes the following comment.—

How can Lancashire hope to remain its

flow can Lancashire hope to remain its business? Of what avail is it to cut down a little here and a little there when exchange is liable to move 20 per cent, either way at any moment and duties are consumtly being increased with no corresponding rise in the local market? If exchange drops much

more it will not be a question of at what prices can Manchester sell to China, but of China competing against her in the world markets, and perhaps even in Great Britain

itself.

These woods may well be poudered by the weavers who are now on strike in Lancashire, but they have not less significance for Europe and America. China's immense matural resources, her small external debt, and her capacity in time to manufacture and export, would make her a powerful competitor for gold, more powerful even than Andia. It seems desirable that international action should be taken to stabilize silver either under the auspices of the League of Nations or in some other marner. There are many relatively small things which could be done—for instance, the restoration in subsidiary coinage of a full percentage of silver; but it needs action on a larger scale than this. This is not a question for China alone. It seems to me she can well afford to let things skide, but countries exporting hitherto to China may well pouse to consider the effects of the decline in silver. A market for a population of 450,000,000 is not lightly to be lost. Yours truly.

CECIL J. LONGCROFT. Yours truly. CECIL J. LONGCROFT.

9, King William-street, E.C.4, Jan. 7.

The London Times 911-31

# UNITED STATES AND CHINA

PROPOSED SILVER LOAN

SAIT Lakes Crrv. Jan. 9.—The International Silver Commission, representing the Western States and Mexico, to-day endorsed a plan submitted by a sub-committee for a lame silver loan to China and recommended that the loan amount to at least 100.000,000oz., to be made by February 15.—Revier.

# CHINA AND PROPOR

Thentsin, Jan. 12.—The Finance Minister Mr. Soong, stated to-day that, though the fall in silver had had a serious effect on China's financial condition, he disapproved the proposed large silver loan to China, which proposal was "obviously detrimental" to China. He added that the United States was anxious to lend a large quantity of silver because the silver mines in America had been hard hit by the slump. Some other means must be found, he said, to restore a better exchange rate between gold and silver.—Recuter.

The London Times
13.1.81



# FALL IN SHVER CHINA OPPOSED TO PLAN OF SILVER LOAN.

THENTSIN, January 12.

Mr. Soong, the Finance Minister, in an interview declared that he was well an interview declared that he was well aware, that the fall in silver had seriously affected. Chica's financial condition, making payments of foreign debts much harder and hindering the import of machinery and other goods. He, however, disapproved of the proposed large silver bear to China and added that the Curied States was anxious to lend as the silver piones in America had occal hard his by the slump. He expressed the opinion that other means must be found to restore a better exchange rate between gold and silver.—Reuten

STRONG DESIRE TO REMEDY SITUATION.

BOMBAY FIRM'S VIEWS.

Interviewed regarding the larest developments in the silver market Mr. Bomonje Merwanjee Delal of Messes. Horwanjee and Sons Bombay, stated to a representative of The Times of

Indic.:—
Since the lowest levels touched by silver prices on Friday and Saturday last, there has been an improvement all round bota locally and in foreign markets. The Tael Exchange has improved during this period from 1sh.—5% to about 1sh.—4%, the local price for a February settlement has actuanced in sympathy from Rs. 39-14 to Rs. 42. There has also been a corresponding rise in London from 18-1160 to 18-15166, for spot delivery. The improvement in price has been as expected, a natural reaction following upon the speculative activity before and during the fall.

The press report from Hemsin of the interview given by the Finance Member in which he is reported to have disagnroved of the proposed large silver loan to China and expressed the wish that other means should be found for rehabilitation, portends to some extent the Leat difficulties that will have to be encountered before the proposals now made can materialise into something conticte.

There is no decent, however, that in

mide can materialise into something concrete.

There is no doubt, however, that in the interest of Asiatic countries and the U.S. A. and international trade a strong desire to remedy the situation exists and it is to be hoped that difficulties will be speedily overcome and a better level of prices established. In view of the unprecedented fall in prices any communation of steps to be taken to support the price will no doubt influence speculators very suborgly, and it would take very little time for speculators in all markets to turn from bears into boils.

The Time of Judica 14-1-31

Hongkong Bank's Good Dividend

The dividend announcement of the Hongkong and Shanghai Banking Corporation for 1930 must be regarded as a tribute to the strength of this great Eastern bank, for in spite of the difficulties created for silver-using countries by the heavy fall in the metal, its profits were evidently larger than in 1929. The final dividend and bonus are again £3 per share and £1 per share respectively, making £7 per share for the year, the same distribution as for 1929. Previous to that year the bonus had been at the rate of £2 per share.

Burma Corporation and Silver

At the annual meeting of the Burma Corporation held last month in Rangoon—a report of which appears elsewhere in this issue—mention was made of the peculiar position in which the company has been placed by the Excise duty recently imposed on silver by the Indian Government. In March last the Government imposed a duty of four armas an ounce on all imports of silver, the effect of which was to enhance to the extent of the duty the value of every ounce of silver in India, and thus to offset some part of the heavy fall in the world price. The imposition of this duty was followed prince and silver produced in India. This, as was pointed out by Mr. P. E. Marmien, vice-chairman of the Burma Corporation, is a direct tax on that corporation, since it is the only important producer within the Indian Empire. The consequence of the duty was, therefore, to throw the corporation, alone of all citizens in India, back on the world price of silver, upon which the actions of the Indian Government itself had not been without their effect. Mr. Marmion contended that it was wholly inequitable to discriminate between hoards of silver above ground, which receive the benefit of the import duty, and those below Indian soil, which have yet to incur all the costs of production, and which when produced are penalized by being subject to Excise duty. Strong representations on the subject have been made to the Government of India, but so far they have been unavailing.

The Landon Times



### SILVER CRISIS.

### WHAT AMERICA MUST DO.

---(SPECIALLY CONTRIBUTED).

One of the most amazing things about the present silver crisis is the cool assumption by the United States of America that India, or rather the Government of India, is to blame for it. America, which has amassed a large portion of the world's gold supply, now says that India should not have a gold standard. According to the Pittman, the Chairman of one of the Senate Sub-Committees, the restoration of the price of silver is merely one of persuading Britain that the establishment of a gold standard for India is "impossible". Has anyone ever paused to think what would have been India's position to-day if she had not had a gold exchange standard? With silver at its present price her fate can well be imagined. The facts connected with the silver slump are beyond dispute. Taey are, briefly, increasing production and a feelining demand. Most of the countries of the world nave in recent years adopted the gold standard. The latest to do so include France, French Indo-China, Iraq and Persia. The net result has been that demonetisation has thrown on the market a vast muantity of silver. India is not the only country selling silver at the moment; French Indo-China and Persia are among others doing likewise. India is selling silver mainly because her currency reserve is overloaded with rupees, and the Government of India want to turn this surplus currency to account. There may be criticism of Government's methods, but that criticism largely takes the form of condemnation of Government for not having sold its silver earlier. The market has in recent years been overloaded with silver from France and French Indo-China, France being able to dispose of her atocks before the market reached its present level. The Government of India waited too long but it is ridiculous to blame India for deing continuously what other countries have already done and are still doing.

OVER-PRODUCTION. have a gold standard. According to Mr. Pittman, the Chairman of one of

### OVER-PRODUCTION.

Now take production. While the demand for silver has in recent years steadily declined, production, for which America is largely responsible, has grown. The world's total silver production in 1921 was roughly 172 million cunces. In 1925 it was 245 million cunces. In 1925 it was 245 million cunces and in 1929 it had jumped to 256 million cunces. The figures for last year are not yet available, but they are not likely to snow any serious decline. Silver is produced mainly as a by-product and that factor has contributed to its output. The animal consumption may be computed roughly as follows:—China 80 million cunces; for manufactures and the coinage of other countries 60 million cunces: total consumption 210 million cunces. This leaves on the production figures for 1929 a surplus of 46 million cunces, added to which is demonstised silver sold by various countries. The demand has, of course, been affected by the troubles in China, out even if conditions in India and China were normal the supply would still exceed the demand. What America is doing, therefore, is to say

"Den't seil silver; as a producer that with belongs to me alone". Other countries are asked to stop selling se that America's increasing production may find a market, while any country which seils silver owing to its currency requirements is regarded by America as queering the piich! Obviously the easiest way of restoring the halance is to restrict output and America, in her own interests as well as those of the rest of the world, must immediately do so. Fortunately certain other circumstances are likely must immediately do so. Fortunately certain other circumstances are likely to lead her to this step. The commodity slump has resulted in a curtailment of metal production, and with that must come a restriction of the output of the by product, silver. But America, possessed of a large part of the world's gold stocks and throwing more new silver on the world than it can absorb, must not be surprised if the rest of the world refuses to accept her assumption that what is lawful for her is not lawful for other countries. for other countries.

Dhe Dimes of Judia

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## SILVER'S DECLINE

# REVIEW OF POST-WAR

FACTORS

In their amount bullion circular Messes, Sharps and Wilkins summarize what they consider to be the chief reasons for the full in silver from the pre-War orice of 24d, to the present level of about 14d, per ounce. They state .— For many years before the War the price of silver had remained in the neighburthood of 24d, with moderate fluctuations of 20 great moment. The War caused an absorbinal rise in the price of the metal, which in due course reacted and again settled around the old pre-War veine. With the recurrence to normal conditions both India and China continued their hand of veins and willingly and easily absorbed the would's production. Now, however, arose important factors which were utimed their hand of veins and willingly and easily absorbed the would's production. Now, however, arose important factors which were thimstily, to bring about the debacle which has blow to the price of silver may we think, be placed to the credit, or otherwise, of our own Government, by their depreciation of our currency from the fineness of .925 to that or .506. This caused a large amount of surplus silver to be placed for side upon the market approximately 10,000,0000x, having been disposed of since 1921, in addition to the requirements for foreign colonge orders underfaken by the London mini. This silver was, in due course absorbed by India and China; together with the world's preduction, so there.

"Following the leaf of our Government came Continental nations, who demonstized their currency and flung the silver upon the markets of the world. The manful way in which India and China; together with the world's preduction, for it was little else than that, lasted for some time, but eventually the purchasing power of these countries broke and the price had to fall. The Continental selling practically ceased at about 19d. and at this level the market for some time, but eventually the purchasing power of these countries broke and the price that the fire and the selling silver by the indian Government for the indian

The London Times of: 15.1.31

THE SLUMP IN SILVER.

The recent slump in the prices of silver to the lowest level ever recorded has revived public interest in the general effects of this decline and the possibility of taking action to arrest the decline and, if possible, raise the price again to a higher level. In America and in China the tendency is to blame the Government of India sales entirely for the fall in price. The absurdity of this attitude chas been exposed again and again in India, but we think it is as well to state India's case once more. The amount of silver sold up to February, 1930, was only about 68 million fine ounces was only about 68 million fine ounces over a period of about three years. Since February, 1930, no silver appears to have been put on the market by the Government of India, and the only transaction which could have affected the market appreciably has been the sale of a large block of silver to the Hongkong and Shanghai Banking Corporation last July. When this sale was effected we pointed out that ale was effected, we pointed out that, although there was a temporary drop in the price of silver when the trans-action became known, the price soon action became known, the price soon recovered again and remained for some time at approximately the level at which it stood before the transaction was put through. If the recent fall in the price of silver had been due to sales by the Government of India, the nature of these transactions would have become within would have become public property before now, and there is every reason to believe that no such transactions have been put through. We do not deny that the large holding of silver by the Government of India which the world knows to be available for sale is a permanent bear factor in the market, but there are many other causes operating which have considerably more influence. The mine production of silver is definitely in exduction of silver is definitely in excess of the world demand, and the latest estimates of the production in 1930 indicate no falling off owing to the drop in price. Again, the situation in China is the determining factor in the demand for silver, and owing to various causes the demand from China has decreased. Finally, many other countries besides India notably Indo-China, have been selling off surplus silver obtained from currency withdrawn obtained from currency withdrawn from circulation and in conducting their sales they have not exercised the same caution as the Government

We fully realise that the effects of the slump in the price of silver are very serious for the whole world and especially for China and India. The fall in the China exchange decreases her ability to purchase commodities from the rest of the world and adversely affects the trade of most industrial countries. In China the rapid depre-elation of the exchange involves dis-organisation of trade and readjust-ment of values, while it considerably increases the financial embarrassments of Government. In India the savings of the masses held in the form of flyer decrease in value and the amount of eredit generally available is thereby diminished, while the Government of India have to face larger and larger losses on their holding of silver.

It is not easy to envisage practicable steps for dealing with the situa-tion. American silver interests are suggesting that the United States Government should make a large silver loan to China and persuade the British Government to stop the sale of silver by India. Such action would un-doubtedly assist American silver interests, but assistance would be given at the expense of India and China, The Chinese Finance Minister has already announced that he does not want a silver loan from America, and we have little doubt that the British Government would be equally firm in reing to penalise India for the benefit

of American silver interests. Budget speech last year Sir George Schuster stated that if other silver interests showed any desire to consider the possibility of joint action for the regulating of sales in order to meet the world's demand, the Government of India would willingly co-operate. no information has been forthcoming regarding any scheme of co-operation suggested in this announce-ment, we must assume that other interests have not shown the necessary desire for action on these lines.

We see many objections to a scheme of this nature. It could not possibly be effective unless it embraced a very large percentage of the world's production of silver and the holdings of silver liable to be thrown on the market and would, therefore, mean agreement between a very large number of ment between a very large number of interests in various parts of the world. Even if such an agreement could be reached, we are doubtful if regulation of sales would really have very much influence on the price in present circumstances. The experience of similar regulation of other commodities, such as tin and copper, has not been happy and has shown that at a time when prices of all commodities are falling it is practically impossible to stop the fall in any particular commodity by temperarily holding up stocks. In the case of silver the difficulties would be narticularly great because the demand is comparatively inelastic, and unless the production of silver is reduced or additional demand present there is little sign of a meve-ment in this direction, but it is not beyond the bounds of possibility that the Central Banks of the world, which are already co-operating in other matters, might also co-operate to increase the use of silver for currency pur-

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is created, regulation would not be world production of silver will prohably decrease considerably on account of the closing down of silver mines which cannot be worked profitably at the present price, and of base metal mines producing silver as a by-product which are no longer profitable are which are no longer profitable on account of the fall in the price of base metals. We doubt, however, if the decrease in production will be sufficient to produce any marked advance in price unless silver is used more as currency by the world in general. At

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SILVER COINAGE IN EAST AFRICA

SILVER COINAGE IN EAST AFRICA

Some 10 years ago, when silver was dear, the currency of East Africa was debased by the issue of an enlarged shilling, corresponding roughly to the size of the silver ruppe, which at that time represented double the value of the shilling. This coin contains a very simil percentage of silver; it readily tamishes and bas little or no intensic value. If this comage were replaced with coins of equivalent size of pure silver the circulation would greatly expand, and there would be an incentive for the African to save money. There have been many cases where a native's savings of a year or two haye, through fire, been reduced to a shapeless mass of base metal for which the authorities refused compensation. The African appreciates allver, and apart from the questionable honesty of leading coins of base metal there is at present an excellent opportunity of restoring the currency of East Africa at a price which may not be repeated in later years, as silver is unlikely to remain for long at 123d an ounce, against the price of 89dd in 1920, when the present currency was issued. The silver content of the African shilling would be worth about 5d. at this price.—Mr. A. Wiggi psworth. For of London Building, Trinity-square, E.C.3.

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### PRICE OF SILVER will a

### AN AMERICAN PROPOSAL

New York, Jan. 19—Mr Francis H. Brownell, chairman of the board of the American Smalling and Rafteing Company, has put forward a suggested for the stabilization of the price of silver throughout the world. He proposes what he calls a commercial motor of the nations, or sort of gentlemen's agreement, octween the United States, Great Britam including India, France including India China, and any other Powers willing to agree —(1). To withhold the sales of Government-owned silver for a period of, say, three years at less than some fixed price, such as 50c. per oz.; (2) that those (fovernments should purchase the silver they require for subsidiary coinage whenever they require for subsidiary coinage whenever the price in the open market falls below the figure agreed upon as above. (3) to prevent a too rapid rise in silver the Governments, particularly India, might sell Governments, particularly India, might sell Government-owned silver whenever the price was more than, for example, 5c. above the figure agreed upon as above.

Mr. Brownell says the immediate effect of the plan would be to remove from the market the threat of Government sales which alone, would greatly improve the price level as the fall in the garee is not due to over-production, on to the sale of silver formerly used as money.—Sealer

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# PROPOSED SILVER LOAN TO CHINA

CRITICISM IN SHANGHAI FROM OUR OWN CORRESPONDENT

SHANGHAI, JAM. 20

The American proposal to lend China a large quantity of silver has not been taken seriously here, especially as it was pooh-poohed in New York, and Mr. T. V. Soong, the Finance Minister, has said that any such scheme would not be acceptable to China. It is surprising to hear, therefore, that such prominent Chinese statesmen as Hu Han-min and Wang Chung hui are in favour of it, and that a Commission will be appointed by Manking to study the question.

Apparently a definite offer has been made, subject to official approval in the United States, to lend 100,000,000oz. of silver, to be delivered in five instalments of 20,000,000oz. each, the total being subject to 2 per cent interest and repayable in silver over a period of 50 years. The offer stipulates that the silver shall be used for railway and mining development and for public works, and that all the machinery required in connexion with these shall be purchased in the United

States.
The business community here, both Chinese and foreign, disapproves entirely of the idea, on the ground that more silver thrown on the market—a great proportion of which would be used to make gold purchases in the United States -would only accentuate the exchange difficulty, and still further reduce the value of China's currency medium.



# CONTROL OF SILVER PRICES.

AN AMERICAN PROPOSAL

NEW YORK, January 19.

Mr. Francis Brownoll, Chairman of the American Specians and Refining Company, in order to stabilise the price of silver all over the world, has proposed a "Gentlemen's Agreement" hetween the United States, Creat Eritain, India, France (including Indo-China) and any other Powers willing to agree to the undermentioned proposals. The scheme will be.—

Firstly, to withhold the sales of Government owned silver for a period of three years at loss than some fixed pince, such as fifty cents per ounce; sepondly, those governments will have to purchase the silver they require for subsidiary coinage whenever the price in the open market falls below the figure agreed to above;

Thirdly, in order to prevent too rapid a rise in silver, governments, particularly the Government of India will



Sir Isaac Isaacs, the new Gover-nor-General of Australia.

養

have to sell Government-owned silver abenever the price is exceeded, for ex-comple, five cents above this agreed

figure.

Mr. Brownell claims that this plan will immediately remove from the market the threat of Government sales. This alone will greatly improve the price level as the fall in prices is not due to over-production, but to the sale of silver formerly used as money.—Better.

The Dimes of India
21.1.31

## ECONOMIC CONDITIONS IN SIAM 22

## EFFEC OF FALL IN SILVER

Rice is claim's one big trade, and in the past about half the export went to Hong-kong and China, being the best and dearest cereal one, that market. In these circumstances Siam with its currency fixed on a gold basis has been considerably affected by the decline in silver. A year ago 100 ticals were worth 61 Hong-kong dollars; recently the banks were quoting 158 of these dollars for 100 ticals, the consequence being that China can afford to buy very little Siam rice. Not unnaturally perhaps, this led to a report that the Government was contemplating lowering the value of the tical, which caused some alarm in the local market. JR BANGKOK CORRESPONDENT

market.

To end such rumours, and in view of the teheral economic crisis which affects Siam in common with other countries, an official statement has now been issued giving the salient features of the situation. As to the rumours of currency inflation the actual words of the communique are:—"Nothing is of such vital interest to the whole economic life of the pation as the maintenance of a sound currency whatever may be the temporary difficulties which have to be surmounted, and his Majesty's Government proposes to avoid any step in the present crisis which might jeopardise stability of the currency."

That is accepted as a plain denial of the rumours. And, indeed, it is foreign trade, not revenue, which has been the greatest sufferer from the depression so far. That is to say, the foreign finns are more affected than the people of the country.

foreign firms are more affected than the people of the country.

The communiqué states that in the seven months, April to October, the value of foreign imports into the port of Bangkok fell 17.3 per cent, and the value of exports 15.8 per cent. The percentage fall in the provinces was much greater (42.6 per cent, for imports and 30 per cent, for exports), but the port of Bangkok holds between 30 and 90 per cent, of Siam's total trade. In the same seven months, the revenue was less than in the same period of the preceding year by only 4,613,925 ticals, or 8,7 per cent.

the preceding year by only 4,613,925 ticals or 8.7 per cent.

On December 1 last the Treasury balances held in Siam had increased by 13,343,534 ticals, as compared with December 1, 1929, but those held abroad had decreased by 22,603,000. Currency notes in circulation on December 1 had a value of 102,950,347 ticals being 8,007,846 ticals less than on December 1, 1929. The value of the currency reserve held against the note issue was 52,000,000 ticals, held in Siam in silver coin, plus gold exchange held in Siam in silver coin, plus gold exchange held in Siam has not changed; the value of that held abroad shows a decrease of 7,150,000 ticals in the year. The currency situation in fact is exceptionally strong; and, as the communique states, the cituation, though serious, is by no means critical. The Government policy is now one of rigid seconomy, at the same time providing for normal economic development.



# English Silver Coins of Pre-War Fineness.

### NO RE-INTRODUCTION.

LUNDON, January 22. In the House of Commons Mr.



Mr. Snowden.

it was estimated that 70 million ounces had been marketed owing to the lower silver centent of

the present comage.

Mr. Snowden said that he was not considering the abolition of the tenshilling notes with a seew to stingulating greater demand for silver coinage.—Reuter

The Line of Ancie

### LARGER WORLD PRODUCTION

Details of the British Empire's visible stock of gold are given in the annual bullion letter of Samuel Mentagur and Co. They show an aggregate stock about \$5,500,000 larger than a year previously. The following table shows how the totals are arrived at :--

	1930 Figures	A year previously
	AL .	2.30
Black of England, against notes (Dec. 21) Commonwealth Bank,	147,625,622	145,848,399
ngainst notes (Dec. 22) New Zealand banks, cosh	15,386,000	20,437,000
and reserve against acres (Oct. 13) Dominion (severement, as reserve against note issue	6,868,022	7,109,873
and Savines Bank de- posits (Nov. 20) Canadian central gold re-	23,531,200	12,809,000
serves (Oct. 21)	3,000,400	3,005,000
—in Canada (Oct. 31)  Chartered banks of Canada	9,779,000	9,661,000*
-abroad (Oct. 31) Union of South Africa	4,586,000	8,424,000*
Reserve Bank (Nov. 30)	8,462,890	7,879,416
other oanks (Nov. 30) Southern Rhodesis (Nov. 30)	549,497	724,922
Indian Note Reserves-In	180,000	135,000
Indian Goki Standard Re- surve (Nov. 30)	28,805,000	24,165,000
Straits Settlements cur-	2,152,334	2,152,234
Dec. 24	78,336	78,380
(Frehal)	945 944 FOE	040 405 678

These amounts include some substitute coin.

Of the changes in the gold holdings of the other leading nations of the world, the feature during 1950 was, of course, the expansion in the stocks of France and the U.S. The latter's holdings are shown to have risen from £30,872,000 to £872,978,000, of which £254,992,000 (agninst £217,017,000) was represented by the amount in the Treasury on November 30 and the Ualance by the amount in Federal Reserve banks on December 3. The French gold holding increased during the year by £96,000,000 to £431,347,000.

Messus, Samuel Montagu and Co. also reproduce, as usual, Mr. Joseph Kitchin's tabulation of the amount world output of zold since 1914. The table, which is given below, shows that there was a substantial recovery in world production in 1930, due mainly to the Transvasi's seventh successive record annual output:—

GOLD PRODUCTION

(famillons of pounds at 548, 11 ad. per fine oz.)

The rest trans- of the British Foreign World

Year	Trans-	The rest of the Empire	British Empire	Foreign countries	World
1914 1915 7916 1917 1918 1919 1920 1921 1922 1923	85.7 38.6 89.5 38.8 35.8 36.4 34.7 34.5 29.8* 38.9	20:8 22:0 20:0 17:8 15:2 14:7 13:4 12:0 14:8	56 5 60 6 60 5 56 1 51 0 50 1 48 1 47 4 44 6 53 4	34-0 36-1 84-0 30-4 28-0 25-0 20-2 20-5 11-1 29-1	00 5 96 7 93 5 86 5 79 0 75 1 68 8 67 9 65 7 75 5
1924 1925 1826 1827 1828 1829 1830 (est.)	40-7 40-8 42-3 43-0 44-0 44-2 45-6	15-3 36-8 15-9 15-9 15-5 16-3	56.0 56.1 57.6 58.6 59.4 59.7 61.9	24·8 24·7 24·7 24·7 24·0 24·3 23·1 28·6	80.8 80.8 80.8 82.8 82.6 83.7 82.8 85.5

1828 449 154 594 243 887
1820 csi. 456 183 616 236 855

\*\*Output temporarily reinced by strike of white miners
If will be seen that the estimated 1930
production is about 111 per cent. below the
maximum output in 1915.

DECLINE IN SILVER PRODUCTION
Messas. Montagu estimate the world production of silver in 1930 at 244,000,000 fine
ounces, compared with the record production
of 251,715,000 fine ounces for 1929 as estimated by the director of the United States
must. "Depreciation in the value of silver,"
states the circular, "led to the closing down
of some of the mines in Mexico, and it is
possibly for this reason that the production
of that country, month by month, showed
considerable variation; nevertheless, the
attempt to offset low prices by an endeavour
to increase the output of ligher grade mines
seens to have met with success. In the
United States, where silver is produced as a
by-product, there has been a falling-off which
may be traced to the decline in base metal
prices, although Canadian profaction shows an
increase."

The extent to which supplies have been
augmented by silver derived from demonetized
com has again been substantial. Indian
Government silver has been the most importunt factor in this direction, and shipments
of unrefined silver have been made periodically to England besides the sale to the For
East mentioned earlier (this sale amounted to
15,000,000c2.]; it is probable that the amount,
provided by the source was in the neighbourtood of 30,000,000 fine ounces. Supplies were
forthcoming from Erance during the first hair
of the year, and although the total derived
from that currier is difficult to estimate, if
was possibly altogether some 23,000,000 fine
ounces. A new factor was the appearance in
this direction, and shipments
of 13,500,000 representing about 18,50,000
fine ounces of silver.

The London Times 28/1/31



FALL IN SILVER PRICES 23 11/31

### MEANS TO AVERT WORLD CHAOS

CIFAOS

Mr. J. R. Darling, a director of the Midland Bank, gave an address on "The rehabilitation of silver" at a luncheon given yesterday by the Royal Empire Society at the Cannon Street Horel, E.C. Colonel A. W. Jarvis, chairman of the council, presided.

The Charatan said we were going through times of mexampled depression, world depression to a great extent, which we in this country informately accentiated by taxing industry beyond its capacity and pouring money, as it were, down the sink.

Mr. Darling, before beginning his address, read a delegran which he had received from Colonel Harden, of the China Press. Shanghai, asking for legislation to prevent further world chaos owing to the fell in the price of silver.

We were confronted with a world economic crisis of an mexampled magnitude, said Mr. Darling; a crisis that could only be overcome by an adequate world remedy. The fundamental cause of the crisis was that broadly speaking one-half of the world was becoming unable to sail because the other half had been readered anable to buy. They were unable to bey because a large part of the value of their money, which for many centuries had been silver, had been fillched from them. At the same time, wast quantities of gold were being extracted from the bowels of the earth and reinferred in the varilts of central banks, where much of it did not function as money. He coofidently believed that there was an adequate remedy for this world crisis. The cause was entirely artificial, and the nature of the remedy was obvious—to restore equilibrium through raising the value of the grotesquely undervalued silver by, in effects, backing it with gold.

It might come as a supprise to find finat while to-day gold had been accorded a value which was more than 60 times that of silver, the relative production of the two metals had remained pretty much what it had been nor at least 100 or 500 years. Figures supplied to him in the United States recently showed that over the period since 1493 to the present inner one of the control

was directly and seriously affected, and this in turn reacted on the purchasing power of the other 1,000,000,000.

INDIAN GOVERNMENT'S POLICY

There was something fundamentally and radically wrong with the money of the world. The serious fall in silver which had occurred in the past five years, and especially during the last 12 months, was due in the main to the Indian Government endeavouring to pass from the gold exchange standard to a purely gold standard. It was not so much the actual sales of silver by the Indian Government as the menace of large prospective sales that demoralized the silver market. In pursuance of its policy the Indian Government was supposed to have said 100,000,000c. of silver, but to carry out the programme recommended by the Hilton Young Commission of 1936 would necessitate the sale or absorption of at least a further 300,000,000cz. The only big market left for this silver was China, with results that they were witnessing to-day. When visiting the United States recently, he found hearly every one with whom he discussed the subject, severely critical of the silver policy of the Indian Government.

India however, had not been the only country to knock down silver values. French Indo-China had demonetized silver: Britais, f.ance, and Belgium had debased their silver comes, and it was estimated that the supply of silver on the market was increased by 133,600,000cz, from this source alone. Five years 190 the China dollar was worth over 28; to-day it was barely worth one. Unless we could raise the standard of Asia, the East would inevitably drag our standard of inving down. And the most effective way to raise the standard of the Rast was to restore silver to its rightnil and time-honoured position as the co-equal with gold, at a given ratio, in the money of the world. Such restoration could be done by the nations of the world agreeing to issue their currency notes against both gold and silver at a given ratio.

Urging the rehabilitation of silver by imperial action, Mr. Darling said that one of the Empire's greatest assets was our gold production, for which the world was scrambling. Since the War we had produced no less than \$550,00,000,000 of it, and the Empire's output was now \$60,000,000 a year. Where was that gold to-day? Through selling it in a most unbusinesslike way at a fixed price regardless of the demand, it had slipped through our fingers and a great deal of it was lying in the vaults of the Federal Reserve Banks and the Bank of France. According to the gold standard system, those countries should have become ere now the better countries to sell in But that had not come about, and in this respect the gold standard had broken down. The remedy lay in our hands, if only we had the courage to apply in By pooling or rationalizing the Empire's gold and reserving the right to raise the price should need arise, the Empire was in a position to straightein out this great money tangle in which the world found itself.

# PLAYED BY SILVER IN PRESENT TRADE DEPRESSION

CAUSES OF RECENT FALL IN PRICE.

### Round Table Conference of Producers and Consumers in Various Parts of the World Suggested.

Mr. Findlay Shirras points out that in the search for the causes of the prevailing trade depression little attention has been paid to the part played by the catastrophic fall in the price of silver. Silver is closely connected with the purchasing power of Indians and Chinese, who together constitute nearly two-fifths of the human race, and the price of silver is consequently of extreme importance not merely to producing countries, like the U. S. A. and Mexico, but to all countries with which large consumers of silver trade. countries with which large consumers of silver trade.

Endorsing the remark of the Bombay Marwadi Chamber of Commerce that "the situation calls for immediate and effective measures," Mr. Shirras says: "No scheme can be effective unless a very large number of interests in various parts of the world, both producers and consumers, agreed to a Round Table Conference."

The efforts made in this connection by the Chinese Minisor in London are recalled as also the assurance given by Sir George Schuster, on behalf of India, that "if the other interests oncerned show any desire to consider the possibility of joint ction for the regulating of sales in order to meet the world's lemand, the Government of India would willingly co-operate."

### Indian Government's Offer Recalled.

The catastrophic fall in the price of fleer is a factor in the present trade operation which its demand. If it remembered that his population of dia and China, according to the other process of the control of the present diality is demand. If it remembered that his population of dia and China, according to the ost recent available data, is 350 and an initions respectively out of a sail world population of 1833 militing or 87 per tear of the whole, it is consumers of the white next are facted by the fail in filver. Before a reemt fail in silver. Before at reemt fail in silver before at the silver to the fail of these bears has a factor of this on the idear of silver in the form of jewelley is obtions as his axing occrease in with this his credit may be set usly affected. China is in this relative to the silver is still the stundard of her wrenty. China is niver before a friendless commodity. In the universal search for the causes of a reemt stump in trade invention to the world I wonder whether safficing out the stundard of the remaining power seriously the price of silver. Silver, in large the process of the fall in the considering of sales in order to the world I wonder whether safficing to the world I wonder whether safficing the process of predicting of a feed on stump in trade invention to the world I wonder whether safficing to the process of the fall of the considering cither the safficing four transition of silver. Silver, in the world I wonder whether safficing the process of the fall of the considering of sales in order to the world a countries with a purchasing power of nearly two falls of the fall of the process of the fall of the safficing that it is to the observed to the safficing that the safficing the safficing the safficing the safficing the safficing that the sa erroe, Bombay, to the Government I India when it was stated that the situation calls for immediate and flective measures."

### CHINA'S EFFORTS.

Last year the Chinese Minister in condon addressed a Manorantian to the Eritish Government pointing out the acrious circut on British-China he higher towersment pairsing out the actions effect on Rmitish-Chiur cade of the fall of the noise of liver and the thereasing difficulty on the part of the Chinese Government of need his foreign obligations which it bayan's in gold. The Unitese covernment taked for the co-operation take 22 tills (severnment, Mr. Svous.

interested in the scabilisation of the price of silver all over the world. It is also a sympathetic abover to the request which the Chinese Governme.

With reference to the sale is like the Government of India o scheme can be effective unless a lary large ambert of inderests in various parts of the world, both producers and communities agreed to a Round Table Conference it is as has been proved in the case or other commodities well high impossible when the whole sale order to the whole sale provided in the case or other commodities well high impossible when the whole sale order to the sale of the sale of the sale. A speculator can be selling forward or selling short influence the market greatly indeed he may, to use an expression of the bullion market "small the terms of the sale. A speculator can be selling short influence the market market "altogather.

The statistics of prices and produced in the continuous fall in urices in recent years as already been reformed to The difference over the price in 1920 when the price in 1921 whe

ly sensitive marker at not have a way exhibered a way exhibered to the first possible of the first possible of the price of silver way to desire the same, or same lookalf a construction of the first of the last centering the price of silver way the free way year it was the pre-way year it way to desire the price of silver way the naximum price even the way to desire the price of silver way the naximum price even the way to desire the price of silver way to desire the price that date shows IM silver orders, again from the scane of the pre-way year to 15.11 his good on the pre-way year to 15.11 his good on the pre-way year the seasonable nope of wone pre-price that one shows IM silver orders, again the pre-way year the seasonable nope of wone pre-price than the pre-way year to 15.11 his good on the pre-way year to 15.11 his good on the pre-way year the seasonable nope of wone pre-price field. For sevency-way years before the price of silver the price of silver in the currence of the world way to desire the price of silver in the currence of the world way to the pre-price that the present time has varied by very way to the field of the Latin Union, in 1830 the same and the pre-sent time has very unclear the pre-price of the world to-day view and the pre-price of the world to-day view and the pre-price of the world to-day view and the pre-price of the wo

but cling to gold with extraordinary tenacity.

Another point of importance before analysing the statistics is to not how the price of silver is fixed. Four bullion brokers meet in Lendon daily at 1-45 p.m. and on Saturdays at 11-45 a.m., and, after comparing their orders for the purchase and sale of silver, announce to the world in a literal sense the purchase and sale of silver, announce to the world in a literal sense the purchase and sale of silver, announce to the world in a literal sense the purchase and sale of silver, announce to the world in a literal sense the purchase and sale of silver, announce set by one firm is based on the London price, due allowance being made for the cost of transporting silver from London to New York. The official price is that paid by smelters to producers for the silver content of complex ores delivered for smelting and producers are paid at the price prevailing on the date of ore telivery. Two other prices are anounced dady in New York. In bid and the asked The lifterence between the official and the commercial price of silver varies. In New York according to market conditions and may be less than one cent or as high as 6 cents rarely more, per onnee fire. In London there are two nuctations—that for spot centvery and a separate price for future silver. Ready silver is deliverable within leven days future within sixty days it the selfet's onton. Future silver in New York is soid at the selfet's

### (Continued from preceding column)

31-1-31



## CAUSES OF DEPRESSION IN SILVER PRICES.

# International Conference Urged.

### SALES BY THE GOVERNMENT OF INDIA: CHINA'S CONSUMPTION.

In his second and last article on the present depression in silver prices, Mr. Findlay Shimas points out that a decline in silver prices does not always result in decreased production because silver is mainly a by-product of other metals and its output is therefore affected by the prices of these

The principal consumers of silver in the world are China and India and it is hoped that when conditions improve in China there will be a bigger consumption of

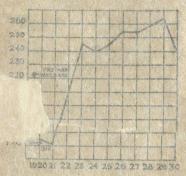
Mr. Shirras, discussing a possible solution, considers joint action for the regulation of sales as the best possible method to deal with the problem.

A conference representative of producing and consuming countries called by the League may result in clearing the uncertainty and make for a sustained recovery of silver

### (BY G. FINDLAY SHIRRAS.)

The production of silver in 1930 was 240 million ounces as compared with 261 millions in the preceding year. The figure for 1930 is back to the level of 1924. Silver is produced matrly as a by-product of base metals such as lead and copper and this expetals why a decline in silver prices does not always result in decreased production. Indeed a study of the production and prices for the list few years would almost lead to a contrary conclusion. The output is given in the colowing chart.

PRODUCTION OF SILVER. (MULLIONS OF FINE OZS.)



Note: Figures refer to mine produc-tion only and do not include sales of silver by rovernments which aithough new supplies are not production.

The output of silver is affected by the prices of the base metals in the production of which silver is incidentally obtained. About 80 per sent, is a byproduct of other mining Interest years in addition to mine production there have been new sources of apply from Covernments such as these of inda-China and India, not to mention Western Countries demonetising silver. As important outlet for these distributions source of supply. This is illustrated in the following degram showing the supplies of silver from all sources for the latest available year—1920.

WORD Supply of Selver, 1929.

WORLD SUPPLY OF SILVER, 1929.

EXATOLOG OTHER COUNTRIES (MINES) CANADA (MINES) U.S. A (MINES) MEXICO (MINES)

The total amount of silver sold by the Government of India since the Milton Young Currency Commission's Expert to the end of February, 1950, was 67.8 milton fine onness and the userage urite worked out at 25 %-8d, per 52. During last gold weather in a law menths the Government of Indo-China actualty sold 50 million ounces, moch of which found its way to China. The late Mr. Benjamin Strong, Governor of the Federal Reserve Bank of New York, when he gave evidence in 1926 year, when he gave evidence in 1926 year, when he government of India's proposal to sell during the years her silver stocks amounting at that time to 657 million fine ounces, said that this would mean a drastic reduction in the price of the metal to Ch cents are ownee or lower. Mr. J. M. Keynes also said before the Commission that fif a policy of this kind were announced the future price of silver would be undermined. It might well happen, when it was seen that the price of silver was doomed to fall, that there would be a strong tendency to charge ever from silver to gold in all parts of the world where silver is

In Tield as a store of value, so that a cortain fall in the metal might precipitate a much greater fall. The fall in price has not been altogether mexpected and, as Sir Charles Addis, Director of the Earls of England and of the Honestong Shanghai Bank anticipated in ms evidence. China has tried to get out of the difficulty by a consideration of the proposal to give up silver for gold by a gold Exchange Standard. Professor Kemmener recommended 'The adoption of a qualified gold standard nasis by progressive stages, starting with the more advanced provinces and then extending it throughout the country.' If such a proposal were adopted it would mean that China would require a share of the world's gold to back up her new Currency. During the last three years China's consumption of the world consumption of silver has varied from 25 to 35 per cent, or these two countries alone have consumed more than two-thirds of the supply. The burden of supporting silver, therefore, rests almost entirely upon the East, particularly upon China, whose carrency is, as already pointed out, on a silver standard, China is still a distressful country but with settled conditions the demand for silver should increase. Stocks in a twelvementh have increased in Shanghai from 85½ million tacks of sycee, 126 million dollars, and 7,320 hars at the end of 1925 to 92½ million tacks of sycee, 126 million dollars, and 7,320 hars at the end of 1925 million tacks of sycee, 155 million tacks of sycee, 155 million tacks of sycee, 155 million dollars and 2,100 hars in 1920. Some rauthorities believe that this silver could be absorbed by China were trade to be unhindered. The following diagram shows the world consumption in 1929, the latest available year for which details are available.

TORLD CONSUMPTION OF SILVER, 1929.

CONAGE REMAINDED	16%
ARTS & MANUFACTURES U-S-A & U-K	14%
INDIA	26/
CHINA	44%
	100/

What then of the future? The best possible solution is that of Sir George Schuster when he suggested the possibility of joint action for the regulation of sales. Ferhaps the League of Nations might call a conference or the Bank of Imeriational settlements at Barel might call a Monetary Conference of Central Banks. This comference would have to be representative of producing and constaining countries and it may be possible by the spirit of compromise to reach a satisfactory solution. One thing is, however, clear that America cannot expect after India or Chim or for that matter any other consumer to agree to any proposal as for example increasing the use of silver for currency purposes which would be discavantageous to the uonsuming countries, as a whole. A full and frank discussion by Central Banks and the nationals of each country concerned may result in clearing the uncertainty which prevails and in making for a sustained recovery of silver throughout the world.

In .	continuation of table on	0. 183
	THE EMPERATOR STREET TO BEAUTY	of
	Fontical Economy	
Year	Price of silver	Relation
16 1898	per standard oz.	E M
	A ACCOUNT	
1911	STATE OF THE PROPERTY OF THE P	37.7
1912	24 9/1/6	37.8
1913	28 1/82 27 9/16	32.80
1914	27 9/16	33.3
1915	25 5/16	36.7
1916	23 11/16	39 21
1917	81,5/16/5	29.63
1018	4.0%	22.71
1919	47 9/16	19_5.
1920	61 7/16	15.11
Feb. 19	20	/60 / / / / / / / / / / / / / / / / / /
(maxin		
price)	8936	10.5
1921	3679	31.67
1922	81 7/16	30.59
1823	31 15/16	30.97
1924	34	80.49
1925	32%	29.00
	28 11/16	33.36
1927	26 1/30	36.04
T1928	26%	35.09
1930	24 7/16	38.36
1030	17 11/16	NOTE THE VALUE OF THE PARTY.
1981	13 3/16 Lowest Jan.	9 70 20
1451	13 Latest Jan. 20	68.85

2

The Times of India 2.2.31

Promities concluding stricle which we bulkled on the future of aller to is clear that the fundamental causes is clear had the fundamental causes of the fall in price are not far to seek. Silver is largely a by-product of the base metals and with the growing production of these in the last decade silver production has continuously increased. In addition to this fact frame and Belgium are now demonetising the white metal as they are on the gold bullion standard. Great Britain has reduced the fineless of her silver coinage and shows, acof her silver coinage and shows, according to the receist pronouncement of the Charcellor of the Exchaquer, not the least sign of retracing her footsteps. Indo-China and India have already sold, or are disposing of their surplus stocks. China, whose their surplus stocks. China, whose stocks are high, may absorb more silver with settled trade conditions. About the middle of 1930 her sales, however, on forward account became a predominating factor and on June 24 cash silver was quoted at 45 7-16d, with forward at a discount of 11-16d. There was a gradual recovery to 17d. in September mainly owing to Indian purchases on forward account and to some inquiry from China. Towards the end of the year the sales from China were increased by American banking troubles in the States which led to nervousness in Shanghai. It will be advantageous if the cheapness of silver leads to larger industrial uses, assuming the cheapness continues. Recently, for example, a new use for silver has been found. Silver solder, being highly resistant to hear and vibration, has been used with success in the aeroniane industry and in the manufacture of industrial. and in the manufacture of industrial alcohol stills. In the automobile in-dustry and similar industries its use may open up a considerable market.

Below

The suggestion made in these arti-cles that after a careful examination of the available statistics a conference convened by the Central Bank of Central Banks, the Bank of Inter-national Settlements, of which an American is chairman, or by the American is chairman or by the League of Nations is worthy of the most careful consideration. There have been such conferences in the past, notably the International Monetary Conferences Held in Paris in 1867, 1876 and 1881 and in Brussels in 1892. The Genoa Conférence the war has won its laurels because most States are carrying out its re-commendations. Moreover, internatonal co-operation among central tanks is stronger than ever before. The offer of Sir George Schuster on behalf of the Government of India which our correspondent quotes is eminently reasonable. If the other interests down interests desire to consider the possibility of joint action to regulate sales the Government of India would willingly co-operate. More than that India in her own interests cannot do. that It cannot be forgotten by the United States, Mexico and other producing countries that the Covernment of India have surplus stocks of silver and with the refinery at the Bombay Mint are now an important producer of silver. For better or worse, silver is an ordinary commodity liable to variations in price, like other comvariations in the state of the supply and de-mand. That is the all important fact that must be frankly and squarely faced by any government which he-lieves it can maintain silver at a particular price. In India Government do not go into the market as a delier unless they are advised that the market will not be appreciably affected

me Jemes of In

2 - 2 - 31

THE PRICE OF SILVER

The price of silver has now very nearly fallen to is, an ounce. While economists seem to differ on most points, it seems probable that lew would dispute that the collapse is the price of this metal is one of the most disastrous of all the twice collapses which characterize the present trade depression. It looks as if no recovery can be expected in China and other Oriental countries so long as there is no improvement in the price of silver. On the other hand, a definite change has the better might have far reaching beneficial results both directly and indirectly through its asychological effect. My surpose is to suggest that this countries should now revert to the use of standard silver for us currency. If other European countries should now revert to the use of standard silver for us currency. If other European countries should now revert to the use of standard silver for us currency. If other European countries should now revert to the use of standard silver for us currency. If other European countries should now revert to the use of standard silver for us currency. If other European countries should now revert to the use of standard silver for us currency. If other European countries should now revert to the use of standard silver for us currency. If other European countries should now revert to the use of standard silver for us currency. If other European countries should be about its. Sd. at the present price of silver,—Mr. Huon Bir-near, Euntington Assot, Berks.

The London Times 10.2-31

### U. S. A. and Silver.

Nobody outside America is likely to be enthusiastic over the recommenda-tions of the U. S. Senate Foreign Relations Committee to restore the price of silver. Three methods are proposed—negotiations with Great Britain to suspend the "dumping" of India's silver on the world's markets, an international conference to reach an understanding about the use of silver money, and an international silver loan to China. Each of these proposals is conceived entirely from America's point of view, and for that reason they are not likely to be acceptable to the world as a whole. The old to the world as a whole. The old charge of silver "dumping" by the Covernment of India has been answered repeatedly. Many other countries besides India have of late sold silver heavily owing to a change over to a gold or gold exchange standard, and there is no reason why India zione thould be accused of upsetting the market. If there has been any dumping it must be laid at the door America, which keeps on producing silver far beyond the world's present powers of absorption. The suggestion for an international conference to reach an understanding about the use of silver money is more feasible, but it is not likely to have any success unless the Central Banks of the world co-operate. If they do so, then the United States and France must be prepared to reconsider their policy of hoarding gold sorely needed by other countries. China has already definitely said that she does not want an international silver loan, and no useful purpose would be served by dis-cussing one. What China needs is a gold loan, which that country is not likely to get unless. America parts with some of her gold reserves. India would warnily welcome any proposals. to restore the price of silver, which has a vital bearing on the wealth of her people, but these proposals must command the support of all countries whose co-operation is essential. They are of little value if they are conceived, as in the present case, purely in the interests of one country.

### HOW TO IMPROVE SILVER PRICES.

AMERICAN PROPOSAL. WASHINGTON, February 11.

The following recommendation for inpuroving the U.S. trade with China and restoring the price of silver have been made to the Foreign Relations Committee of the Senate by the Sub-Committee appointed to deal with the subject;

(3) Negotiations with Great Britain to suspend the policy of dumping silver from India on the world's mar-

(2) An international Conference to reach an understanding in respect of the use of silver money; and
(3) An international silver loan to the conference of t

The Chairman, Mr. Pittman introduced resolutions in the Senate recuesting President Boover to carry out the recommendations.

He will ask the Foreign Relations Committee to consider the resolutions immediately.

The Times of India

# CHINA ASKS FOR SILVER LOAN.

# THOUSAND MILLION OUNCES.

REQUEST TO AMERICA.

WASHINGTON, February 18.

Judge Paul Lineberger, Legal
Adviser to the Chinese National
Government, has received a telegram signed by Hanmin, President of the Legislative Department of the Chinese National
Government, directing him to
open negotiations with the
American Government for a loan
of one thousand million ounces
of silver of the value of 260
million dollars.—Reuter.

### More About Silver.

The Indian market is inclined to treat with scepticism the report from Washington that the Chinese National Government has asked the United States for a huge silver loan. The amount itself is suspicious. One thousand million ounces represents the world's entire output of silver for nearly four years. Moreover, pro-minent Chinese politicians have al-ready said that China does not want a silver loan; the country is flooded with silver, and to bring silver in large quantities to China meantime is

akin to carrying coals to Newcastle. or, as a writer in the North China Herald recently put it, to an extra supply of hot air for Shanghai in August Ohina's internal and external trade is suffering from the deterioration in the price of silver, enhanced by the fact that the country's currency is based on a silver standard. The obvious remedy for China's difficulties is a gold loan, which would firm her exchange and strengthen her trading position: In America's case the wish may well be father to the thought, as nothing would suit the purpose of United States' financiars and business men better than a silver loan to China, one of the plans proposed by the U.S. Senate Foreign Relations Committee to restore the price of silver. Meanwhile the Finance Committee of the Senate, pursuing its campaign to relieve the situation, has requested President Heover to negotiate with other Governments so as to prevent further flooding of the world with Silver. Incidentally the Committee, by the statistics which it gives, provides refutation of the recent charge brought against the Government of India by America of upsetting the market by silver "dumping." It is pointed out that of 315 odd million ounces of silver released on the world market during 1930, Mexico provided over 105 million cunces, the United States 50 million ounces while India came a poor third with 29 1/2 million ounces. If any "dumping" of silver is going on, plainly Mexico and the United States are the chief sinners, and as the Mexican silver mines are largely American owned the United States must share the blame for Mexico's over-production. None would be better pleased if the Senate's suggestion is adopted than countries which have suffered from the silver slump, but it is quite clear that at any in ternational conference other issues besides that of silver would be raised and the United States representatives would have to listen to some plain speaking.

### SILVER CRISIS.

### SENATE'S REQUEST TO PRESIDENT HOOVER.

WASHINGTON, February 18.

The Finance Committee of the Senate has requested President Hoover to negotiate with other Governments with a view to effecting the suspension of financial policies, which it is chimed, have resulted in floodresulted in flood-ing the world mar-ket with silver. It is pointed out that of 315,200,000 is pointed out that of 315,200,000 ounces of silver released on the market daring 1920. Mexico provides 105,700,000 ounces, the United States 30,300,000



President Hoover. ounces and India 29.500,000 ounces. Reuter ...

Nu Times of India 20:2-31



### THE FALL IN SILVER

### CHINESE COMPETITION IN COTTON GOODS

FROM OUR OWN CORRESPONDENT

SHANGHAL FEB. 23

The exchange improved sharply here today in consequence of the international
interest which is now being aroused in
the silver question. The proposal to lend
China a large quantity of silver is not regarded here as practical politics, but Mr.
T. V. Soong, in a statement on the resolution of the International Chamber of
Commerce in Paris, recommending that
its members should urge upon their
Governments the early consideration of
the silver question, says that China would
readily take part in any international conference and cooperate in any realistic
measures for the stabilization of silver.

The present lew exchange is regarded here as most damaging to the foreign import trade, and, though the full effect is not yet visible, it is expected that from April or May enward the Customs duties will show a heavy decline. Exports show no signs of revival, and in the absence of the purchasing power arising from a brisk export trade China sitiaply cannot afford to buy goods priced in gold with her depreciated silver currency. Industrial countries, therefore, cannot expect anything but a steady fail in the Chinese demand for their products until the prospects of silver improve either through international or other agency.

There is another aspect of the silver question which has not received sufficient attention abroad, though it is of especial interest to exporting countries. Cotton manufactured in China has, for some time past, been slowly but surely invading foreign markets. The quality of the Chinese article, produced in mills with the latest equipment, and managed and supervised by foreign experts, compares with anything of its class, wherever made. These goods were gaining access to foreign markets when silver was double the price it is to-day, which means when the Chinese workman was receiving wages representing twice as much in gold as they do to-day. In other words, the labour costs for the Chinese cotton now being marketed abroad are now practically only half what they were when silver was double the price, and the goods therefore

Not only, then, is low silver keeping foreign goods out of China, but low silver must tend to develop industry within China and to enable her to compete in the trade of the world. The Japanese have long realized these possibilities and have established in China some 60 cotton mills, involving a huge amount of capital. The realization of the potentialities of Chinese industry is only dawning, but already the Chinese artisan, under foreign instruction and supervision, is working on complex machinery with amazing results, and the fact should not be overlooked that he works for something like a tenth of the wages paid in England and quite as effectively as the average English artisan. If China ever evolves a five years plan, it will be much more dangerous to the industrial countries of the world than the

present effort of Soviet Russia.

INTERNATIONAL SILVER CONFERENCE. 257431

CHINA TO PARTICIPATE.

Mr. Soong, Finance Minister, stated to-day that Government was prepared to participate in the proposed international silver conference and co-operate in measures calculated to lead to the stabilisation of the value of silver.—Reuter. Reuter.

The Times of India



### REHABILITATION OF SILVER,

### BANKER'S SCHEME FOR NEW EMPIRE CURRENCY.

BANKER'S SCHE

EMPIRE

Of the alignand same, gave an andreas on the secretal manual of silver at a minched of the repair chapter Society at a minched of the manual samples of the college of ms address with a world scheme chairs of an attackent and magnitude—as crisis of an attackent magnitude—as arises that can only se overcome by all address of this origin there have no under the several colleges. But a fundamental cause which it is essential should be removed, is that, broadly speaking, one-half of the world is becoming unable to sail because the other half has been rendered unable to buy, any are unable to buy decides the other half has been rendered unable to buy, any are unable to they more winder of the value of their money winder for man yearing and re-interred in the value of their money winder of the vast quantities of gold are being extracted from the bowels of the carried banks, where much the valuation of carried banks, where much the values of the carried banks, where much the values of the state the constitute the world's money is in new your to a fact the state the constitute the world's money is in new your to half the pulse of the remedy is obvious. It is to restore equilibrium through relating the pulse of the remedy is obvious. It is to restore equilibrium through relating the pulse of the remedy is obvious. It is to restore equilibrium through relating the pulse of the remedy is obvious. It is to restore equilibrium through relating the pulse of the remedy is obvious. It is to restore equilibrium through relating the pulse of the remedy is obvious. It is to restore equilibrium through relating the pulse of the r

EFFECT ON THE EAST.

Let us now look at the effect of ellycy depreciation upon thins. If we year ago the China dollar was worth well over two shilings, to-day it is barely worth one. Thus the senious decreased, for obviously you cannot buy with one shiling what you could will two. But in the China is becoming a producing competitor in the markets of one word. In China is becoming a producing competitor in the markets of one word. In China hill workers can be engaged at about it per month how can Lancashire compete with the wage. I have been in correspondence with a very able and far-secing observer of conditions in China. In a recent communication he says:—Let it be remembered that China is now entering upon a mechanical era. Here is a nation of 400 million labourers whose standard of westerness is measured in bowls of moe. The mechanises of output of such a country will bring ruin to the working flasses of both funcione and America. The coming shock to our standard of living will be tremendous. We will witness in the field of industrial enterprises a new verification of Greenam's law. The debased standards of Asiath existence (largely produced by the sepreciation of silver) will most certainly drive out of existence income his a tendard of his producing of the upon which Europe and Americas social standards are based. I have myself no first land knowledge of China, but this at lease to me seems clear, that uniess we can raise the standard of Asia, the East will inevitably drag our standard of thing down. And the most effective way to raise the standard of the money of the world.

WEST MUST CHANCE VIEWS.

### WEST MUST CHANGE VIEWS.

WEST MUST CHANGE VIEWS.

How, then is this to be accusaged? First of all, we to the Wood must change our viewpant. We must cannot be regard silver merely as a commodity. Fundamentally, after mones is more important to the world than gold in fact, gold as more was intually changed, gold as more has intually changed, gold as more has intually changed, gold as more has intually changed in the West was intually changed in and cheques against neal to the notes. But in the flust had spread in all tropical countries, silver money is a necessity. For again when have been acceptanced to use it as a medium of exchange and as a store of value. This value, however, has been filled from their first by the nations of the West said and next by the unitions of the West and next by the Covennout of India trail. For reason, both economic and more, it is of vital importance had active stops should as more be taken to rectore it. This can be done by the nations of the work agreement to insue their currency moves against this was and next had a siven patit. This can live their currency moves against the first must comment, if the deta, which imparts our mirror of the work agreement to insue their currency moves agained to the many and were at a given patit.

engender that silver so used works be need up indesintely in the values of the West Accuptess some of it would into a temporary rossing-place there. Eur with one value of silver restored and stabilised with the hast provided once again with addest silver money there would be a natural new from the values of the West to the coltage of the population of the globe, silver money is a necessity

### AN EMPIRE SCHEME.

AN EMPIRE SCHEME.

The addressing the Fellows of the royal empire Sockety I would, adveever, like to rever more particularly to the committees and could about a great order and the royal about a committees and that a great order about the great resources on the imported of the burning of the Empire's greaters.

The advances that the these resources are the resources of the sampler of ours but when it comes to taking a trivial pricturally noted by the foreign section. The sample of the Empire's greatest absets to the gule production, for which the world is schambing. It is at the good that the world and gots dammed up in one collecty of another, that the first source of the great would be asset in the first instance to renabilists giver—we might say to guarantee shiver—who may after it has accomplished that The world in the berninttod to flow out into the world. In what way would the berninttod to flow out into the world. In what way would the find guarantee the value of sliver in the host clistific way that can be devised. As a banker the best guarantee is finow, although we do not orten get it. In when the sample and the parametee are suncient to cover his guarantee and house the simple would retain sufficient gold to cover its holding of sliver and if need be it would retain sufficient gold to cover its holding of sliver and if need be it would retain sufficient gold to cover its holding of sliver and if need be it would retain sufficient gold to cover its holding of sliver and if need be it would retain sufficient gold to cover its holding of sliver and if need to the gold and sliver at a minimum price would retain sufficient gold to cover its holding of sliver and if need to its would retain sufficient gold to cover its holding of sliver and it has sufficient to do so. And if would venture to might to you that this yould be a number of the control to be in gold than letting it also would stimulate, directly and malitreely the during the sline is the order.

A SUPER-BANK.

whose world, which is its crying need to-day.

A SUPER-BANK.

The meananism by which this would be orought about would be a superbank in the Empire, which would take over by purchase the existing stocks of gold and silver held by the Government and bushes that issue currency in the Empire. These stocks would be paid for in Nex, the new currency unit. I have already advocated, which would be the Bank of the Empire's mometary unit, if would be a purely bookkeeping unit, instead of holding gold or sliver against their currency notes, the issuing buths and Government would hold a building at the Empire in Hex. But there need be no change in the actual currencies. Gold would be purchased at a minimum price of one class for lik grains of fine gold, which is the gold content of our old friend the sovereign. Sliver would be purchased at—let us say—a fixed price of case stax for 1250 grains of fine sliver. That is, a value would be imparted to sliver which would be one-tweatleft or sliver which would be one-tweatleft of sliver which would be one-tweatleft or sliver which would be one-tweatleft or sliver which would be imparted to sliver which would be imparted to sliver which would be imparted to sliver which would be one-tweatleft or that is a gold. Although his would reise the production rath of buttedn to one. The ratio of the sliver which is a slife well within the production rath of buttedn to one. The ratio of the sliver would be reasoned to lewenty of one is augreeised because it approximates to the exchange value of the runes to the old first of buttedn to one if he should be reasoned to lewenty of one squal to alive at 43d. Fr. in the production of the sliver line would be relied to alive again to the sliver line would be relied to alive again to the sliver line would be relied to alive again to sliver line with the sliver could be relied to alive again to the sliver sliver would be agained which to alive a 43d from the line in the sliver could be again to the sliver sliver in the sliver sliver which aliver wou



### SILVER IN INDIA

### TO THE EDITOR OF THE

Sir,—As one rather painfully interested in the price of silver may I be permitted to say a word on the new two-anna duty to be imposed by India on imported silver? A year ago the four-anna duty brought silver down by over a penny to 15 d. an ounce. At the present price of 12 d. liast Saturday's) the probable adverse effect of the two-anna duty, though perhaps actually smaller, must be proportionately greater.

Sir George Schuster, as you say, could be not unreasonably scornful of the proposal of the American silver-producing interests that India should refrain from selling silver so as to leave them a free field in which to sell their new production. But sarely that is not the whole of the case. It is not so much what India has already done which depresses silver, as what she may yet do in pursuit of her policy to pass to a purely gold standard, which it is estimated necessitates her getting rid of at least another 300,000,000 ounces of silver. Commenting on this policy in 1020 the Hilton Young Commission said —

The people of India have from time introducing places their truck in silver

The people of India have from time immemorial placed their trust in silver as the medium of exchange and as their store of value. They are deeply interested in the value of silver bullion, and it is contrary to their interests to depreciate it. The present proposals would inflict heavy losses on the poorer classes, who have put their savings in silver ornaments and who would find their stores of value depreciated by perhaps 50 per cent, by the action of the Government.

the Government!

There are perhaps \$00,000,000 people east of Suez whose mental attitude to silver is precisely as here described, and the depreciation of their savings is more than 50 per cent. The purchasing power abroad of these people has been cut in half. Your Shanghai Correspondent, in his telegram of February 25, described the effect of low silver, not only on China's imports, but as stimulating her ability to become a formidable competitor in piece-goods markets outside her own borders. borders.

borders.

Are not these facts enough to show that the silver question affects not merely the small group of American silver magnates, but the whole world? If India could be induced to say that she would sell no more silver below a given price an ounce, the beneficial result on trade generally would be immediate. It is assumed, of course, that other Governments would be equally self-denying. International action for the assistance of silver appears urgently needed.

I am, &c.,

O. M. GREEN.

Greenway Cottage. Wentworth. Virguia

Greenway Cottage, Wentwo Wentworth, Virginia



# U.S.A. AND THE PROPOSED CONFERENCE

FROM OUR CORRESPONDENT

WASHINGTON, MAY 11

Referring to the resolution passed by the International Chamber of Commerce urging that the Governments concerned should hold a conference on the silver question, Mr. Stimson, Secretary of State, said to-day that the United States Government, aware of the serious and even critical situation resulting from the fall of the price of silver had conducted and is still conducting a careful study of the whole question. However, in the time that has elapsed since the Senate passed a resolution on the subject somewhat similar to the one adopted on Saturday by the International Chamber, the United States Government has shown disinclination to take such initiative.

Senator Borah, in a long speech on the silver question last night, did his best to make the official flesh creep at the prospect of the disasters that would result from failure to raise, or at least stabilize, the price of silver. He heartly endorsed the resolution adopted by the International Chamber, and appealed to the Governments concerned—referring cheffy to the Governments of the United States and India—to summon an international conference as soon as possible:

Although the resolution passed by the Chamber, which leaves the matter in the hands of the Governments, has served again to concentrate attention on the question, it has otherwise left the matter exactly as it was before the Congress of the International Chamber met. It was passed against the advice of the British delegates, who, knowing the disinclination of several Governments to take the matter 1p, and doubting the ability of the Jovernments to agree on any useful course of action at this time, had made known their preference for an unofficial conference of experts, which would be easier to onvene, and be capable of presenting uthoritative and impartial reports to ome subsequent official conference.



### THE FALL IN SILVER

U.S. SENATOR'S MISSION TO CHINA

FROM OUR OWN CORRESPONDENT

NEW YORK, MAY 18

On the eve of his departure yesterday from Seattle for Shanghai. Senator Pittman, of Nevada, explained that the mission he had undertaken for a subcommittee of the Senate Committee on Foreign Affairs was to increase the commerce and trade of the United States with China, which had fallen off about

The committee he said, believed that the depression in the price of silver was the major cause of the world depression. The committee did not seek to establish any artificial value for silver, but "on the contrary, hopes to have treaties entered into that will remove the causes which have amaturally depressed the price of silver." Senator Putman continued: "A foolish dumping policy in India is disrupting the monetary system of half the people of the world and adding to the stagmation of oracle everywhere." The United States Senate was seeking to have this dumping policy suspended through an international agreement. He said an agreement among the mations interested in suspending the policy of melting down silver coins and sching the metal as builtien, together with an embargo apon the importation of silver from any country not a party to the agreement, would immediately eliminate the cause of the sudden depression in silver and permit it to seek its normal level based on the law of stapply and demand.

# JAPAN AND THE PROPOSED SILVER CONFERENCE

FROM OUR OWN CORRESPONDENT

TOKYO, JUNE 11

The Japanese Government informed the Government of the United States to-day that Japan would not call a silver conference, as inquiries had indicated that such a conference was not likely to serve any useful purpose.



# SETTLING ACCOUNTS

### SILVER AS A MEDIUM OF EXCHANGE

TO THE EDITOR OF THE TIMES

Sir,—There is a great deal of controversy as to the causes of the present economic exists.

Sir.—There is a great deal of controversy as to the causes of the present economic exists. Tam not concerned with carass, but only wish venedies. If even a partial remedy can be found our understanding of the causes loss some of its immediate argency. The present situation may be symmatized as follows:—

There is a large army of unemployed who cannot produce because the world cannot consume what they are able to produce. The reason of this phenomenon is certainly not that all the world's needs are satisfied. Every one knows that there is much hardship and underconsumption. There is, therefore, not miny a large army of unemployed producers, but also a large army of unemployed producers, but also a large army of unemployed producers, and as a rule, it can be said that a member of one can therefore put it that there are two large grouns of millions of people who do not consume hecuses they cannot produce, and there were an inflience of people who do not consume hecuses they cannot produce, and vice versu. The one army is willing to work and anxious to consume, provided that the other will use its production and produce its consumption. If that is so, then what is the reason that keeps those multitudes from producing and consuming? I find the reason is that the means of seitling accounts have failed, in other words, the financial arrangements between world producers and world consumers are out of gas.

There is practically only one way of accounting at present, and that is in gold. Of course, the man who, as a briver, settles his account today in gold may be and very likely will be to-morrow the seller who receives gold. But the accounting of both these transactions has got to be done in terms of gold, and purmasses, to the extent that they are not because to day siles, have gold to be settled in gold. Now gold has let us down, would-be producers and would-be consumers would not have lest touch so completely with one another, and consequently there would not be rearly such a seven who are a militude of reasons why

it not the largest, part of the world. Under similar conditions the same thing would happen to gold.

What we should do now is to reinstate silver as a recognized medium of exchange at a value in relation to gold at which it cam be stabilized. From this two things will result:—5a) The purchasing power, and, therefore, the hower of consumption of those who have silver land that is nearly 50 per cem. of the world population), will increase encomously; and (b) the producers consumers (countries, let us say) who, for reasons which in themselves may be perfectly sound, cannot at present get the necessary credits on acceptable terms from those who have the gold, will find a new set of suppliers of credit in those who own silver and be credit in silver is quite as good as a credit in gold, provided that a large part of the world accepts silver again for settling accounts.

The suggestion to restore and stabilize the value of silver is in no way akin to the proposal to create artificial credit by inflating the present gold currencies through the issue of more paper money. Paper money, of course could never cause result (a) above; and as to result (b) such paper would still represent gold; its use and placement would still be controlled by the same gold owners, and therefore there would be no question of making credit more readily available for those who find it difficult to get the necessary accommodation. To take in terms of accintecture, more paper would really mean building more doors on too narrow a foundation. The suggestion to use silver next to gold means broadening the forndations.

The lead in this matter can, in my opinion, only be taken by the British Empire. If the British Empire would make the first move I do not believe that others could or would refuse to follow.

Yours taithfully.

\$\text{STANLEX M. BODWBILL}\$

STANLEY M. DODWIGH.



FROM OUR OWN CORRESPONDENT

SIMLA, JUNE 16

A Salt Lake City telegram published here on June 4 stated that, according to authoritative circles, while China and Japan favoured an international silver conference Great Britain was opposed to it owing to the situation in India, and France because she lacked direct interest.

In a communique published to-night the Government of India says that it cannot understand how such a rumour can have arisen, as its attitude towards international cooperation in regard to silver, which was armounced on two occasions by the Finance Member in his Budget speeches of 1930 and 1931. remains unabanged. The Government adds that it has ascertained from the United States Secretary of State that the British Government has received no invitation to any conference on silver.

\*\* Mr. Snowden, in the House of Commons, in answer to a question said that no invitation to such a conference had been received.

INTERNATIONAL SILVER
CONFERENCE
Mr. L. SMITH (Hallam, U.) asked the
Chancellor of the Exchequer whether he could
now state what answer the Government
proposed to give to the invitation to Great
Britain to take part in an international silver
conference; and whether the proposed conterior would take place in London.

So SNOWDEN—No invitation to such a
The question accordingly does not arise.

# Silver Conterence Proposal

U. S. SENATOR'S CAMPAIGN

RESOLUTION GIVING LEAD TO PRESIDENT

SAN FRANCISCO, August 12.
On his return from the Far East where he has been making a prolonged study of the silver question, Senator Pitiman announces that he intends to renew the campaign for an International Silver Conference and that he will submit the resolution to the Senate, requesting President Moover to take the initiative.—Router.

The Feme of India

#### PURCHASING POWER IN INDIA AND CHINA

TO THE EDITOR OF THE TIMES

Sir,—Five years ago the late Earl of Balfour predicted that the course of events would before long force a renewal of the discussion on the place of silver in the monetary systems of the world. The letters which have recently appeared in your columns from Lord Hunsdon and Mr. Amery would seem to show that the prediction is coming true. Their proposals for the restoration of silver had a fitting prelude in the exposition which the Macmillan Committee have given of the influence of monetary factors on our business fortunes, and in the disclosure made in their Report of the precarious amount of gold which is available under present conditions for the needs of the commerce of the world. the monetary systems of the world. The commerce of the world.

commerce of the world.

It is unnecessary to emphasize the importance of this question to the trade and industry of Great Britain. We are suffering more than any other nation from the decrease in the purchasing power of India and China due to the disastrous fall in the value of silver. In these countries silver is not only employed as currency; it is the "store of value" of the people. In the case of India the value of silver has recently received added importance for us by the guarantee which the Government has given to meet all obligations of the Indian Government in connexion with Indian securities. One of the substantial assets of the Indian Government is its stock of silver. Anything which increases the value of silver not only creates oustomers for our markets, but relieves us of obligations of a very operatic character. but relieves us of obligations of a very onerous character.

Silver, like all other commodities, has fallen in price in relation to gold for reasons which are clearly expounded in the Macmillan Report. In the result the the Macmilian Report. In the result the purchasing power of India alone has been decreased during the space of a comparatively short period by more than one-half, to the detriment of all our industries, but particularly of the trade of Lancashire.

In the light of recent events it is of interest to read the Report of the Royal Convenience on Indian Courseless in 1927.

Commission on Indian Currency in 1927. A recommendation in favour of a gold currency, as distinct from a gold bullion standard, was rejected by the Commission for the reason that it would reduce so seriously the value of silver. They said:

said:—
The people of India have, from time immemorial, placed their trust in silver as the medium of exchange and as their store of value. They are deeply interested in the value of silver bullion, and it is contrary to their interests to depreciate it. The present proposals would indict heavy losses on the poorer classes who have put their savings into silver ormanents and who would find their stores of value depreciated by perhaps 50 per cent, by the action of Government.

cent. by the action of Government.

The price of silver per ounce was then 30 pence. It is now 13 pence, and the people of India are in consequence suffering from conditions much more direction than the Royal Commission were prepared to contemplate.

The effect upon China of a tall in the price of silver was lucidly set forth in the evidence given before the same Commission by the present Governor of the Bank of England. He said:

The only great pointsy left with the silver.

The only great country left with the silver standard is China. It is true shat relatively to the volume of British international trade the trade with China may seem to be unimportant, but it is the greatest, perhaps the only great, undeveloped country left for the expansion of British industry. The immediate effect of the announcement that the Indian Government contemplated the sale of a large quantity of silver would be to throw out of gear the exchanges with China and for a time to paralyse trade with that country. There would be a tremendous disturbance of internal prices in China and a great shock to public confidence. Those things would react upon Great Britain very seriously.

We have seen these evil consequences take place as a result of the fall in the price of silver. The immediate problem is to consider whether anything can be done to reverse this process and to restore the normal conditions which have been upset. The better management of gold recommended by the Maemillan Committee, if it can be made practicable, will bely, but at the best it will be slow in being put into operation and will not finally suffice to remedy the situation created by the predicted scarcity of gold. It is obvious, as your City article points out, that "the remonetizatin of silver would immediately increase the purchasing power of the world and raise prices," and "would at any rate mitigate the rigours of the present depression." There are many, like Lord Hunsdon and Mr. Amery, who believe that to include silven in our monetary system in an appropriate ratio to gold is not only a potent means by which to mitigate the present depression, but also an appropriate basis upon which to build the future commercial prosperity of this and many other countries.

cial prosperity of this and many other countries.

The problem created by the depressed price of silver is being actively debated in the United States of America at the present time, and from all the information. we receive it is believed that the Government of that great country would be ready to enter into discussions upon the subject to enter into discussions upon the subject with us and other nations if we in Britain indicated a readiness to do so. The time is ripe. Thoughtful minds in every country are seeking solutions for economic distresses which in a time of plenteous production seem unnecessarily to be imposed upon the citizens of every country. Events have shown that we have much to unlearn as well as to learn. No economic Events have shown that we have much to unlearn as well as to learn. No economic prejudice is now so hallowed as to be immune from scrutiny. The question of the gold monometallic system can no longer escape review—the more especially because, as Mr. Amery truly points out, if the world drifts longer upon its present course, in a very short time there will be for countries which will be able to remain on the gold standard. on the gold standard.

Yours truly

R. S. HORNE.

72. Devonshire House, W.1, July 23.



#### STABILITY OF EXCHANGE

TO THE EDITOR OF THE TIMES

Sir,-May I be permitted to publish a few words in support of Lord Hunsdon's suggestion to return to the "historic" system of bimetallism which received its death-blow when, to use the words of the

suggestion to return to the "historic" system of bimetallism which received its death-blow when, to use the words of the late Mr. Moreton Frewen, a gold standard was foisted on India and a policy was inaugurated the proposals for which Mr. Goschen so far back as June, 1879, stated "should hever have been roade"? But they were made and carried into effect. The result of this policy may be studied on the second page of the Report of the Royal Commission on Indian Currency in 1926. It was not a success and resulted in the establishment of a fictitious rate of exchange of 1s. 4d. to the rupee, supported by the sale of so-called Reverse Councils (i.e., drafts on the Secretary of State, London) when ever temporary variations in currents of trade caused a fall below that figure.

In spite of this fictitious standard, for 14 years India undoubtedly progressed. Then came the upheaval of 1914-18, and with an exchange rate of 1s. 3d. the Babington Smith Committee was appointed and directed its attention to the re-establishment of stability overthrown by the unprecedented rise in silver. The Committee recommended a 2s rupee, supported during periods of weakness by sales of Reverse Councils. The Report was published in February, 1920, and came out at a time when exchange had risen much above the 2s. basis, Delhi talked half-a-crown, and the Indian Government tried to support rates by sales of Reverse Councils at exchange based on the American cross rate out of all proportion to the current value. The excitement during March, 1920, in Bombay finance circles was intense; militons were tendered for, the applicants were allotted a small percentage, pocketed their profit, sometimes as much as 3d. in the rupee, and looked forward to repeating the process the following week. This financial Eldorado did not last long. It was found impossible to maintain exchange even at 2s. In spite of the efforts of the Indian Government to contract the currency and to keep up the rate, it had dallen by 1921 to Is. 3d., then it steadied and recove

it steaded and recovered slowly to is. 6d. in 1924.

Since that date, by the systematic sale of Reverse Councils and the sales of silver the Government of India have tried, not unsuccessfully, to maintain a is. 6d rupee, depleting the currency reserves to such an extent that the guarantee of the British Government became necessary to uphold the credit of India, and silver touched is an ounce, spelling ruin for the silverusing countries and fomenting unrest in India and China, both looking for trouble which would be well and pathetically voiced in the appeal to the Herschell Committee in 1892 by the Industrial Association of Western India:

— Your memorialists humbly suggest that the

Your memorialists humbly suggest that the silver obligations of the peasantry are twenty-fold greater and more important than the gold obligations of the Government.

When I gave evidence in 1919 I said to the Babington Smith Committee that

When I gave evidence in 1919 I said to the Babington Smith Committee that my own inclination, barring the question of open mints, would be not to make any restriction until exchange had reached is. 4d. At is. 4d. we had had stability in exchange for a very long period of years. It had passed the experimental stage and, although it was in itself unsound and although in 1907-8 it mearly broke down one way, and now had broken down the other way, still, on the whole, it had kept stability of exchange over a long period and had been a success, and I saw no reason why history should not repeat itself and for another 20 years the is. 4d. rupee is a step towards that bimetallism which Lord Hunsdon advocates, but if the ratio of 20 to I between gold and silver suggested by his Lordship is to become really effective, it is obvious that the mints in India should be reopened to coin silver on that basis. How the operation is to be performed without the two violent infection of allors requires in Sir Henri Deterding's words, "clear thinking," but it can, and should, be the aurency policy of the future.

I ak. 20.

I FRED N. GRAFIAM.

7. St. Helmas place. E.C. 3. July 24.

#### TO THE EDITOR OF THE TIMES

TO PHE EDITOR OF THE TIMES

Str.,—A standard should compote stability. The gold standard has been so stable that in 1925 £1 was valued at three bushels of wheat, and in 1921 at six bushels of wheat, and in 1921 at six bushels of wheat. If the standard yard were studdenly lengthened from 3th to 6ft, there would be dislocation. Creditors would rejoice to be paid in 6ft, yards, but what of the producers? There is no rejoicing by producers in any country to-day, and without production there must be want.

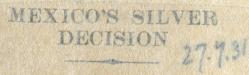
A pathetic faith is manifested in England's ability to bear any burden. Mr. Gandhi is reported (The Times, July 24) to have said:— "The taking over such habilities as India approves or is adjudged to pay will not mean repudiation of the rest, but will mean the British taking over the balance." Our Government has guaranteed Indian credit. Mr. Gandhi to rule and the British taxpayer to pay seems an inversion of the principle that representation and taxation should go together. There is writing appearing on the wall. The Board of Trade have compared the trade returns for the first six months of 1931 with those of 1924. The excess of imports over exports, January to June in 1924, was about \$133,000,000: in 1931 if was \$334,000,000. Imports are rising but exports are rapidly falling. The interest on our foreign investments and other invisible exports certainly will leave a large debit balance at the end of the year.

Two million at hundred thousand memployed consuming imports, but not producing exports, will tell a tale. The Budget outlook at the end of the year.

The eminent Conservatives, Lord Hunsdon, Sir Robert Home, and Mr. Amery, have recently in your columns stressed the necessity of enabling the producers in the Empire again to become potential purchasers of Eritish mannifactured goods. To improve the market for the product of British labour is by far and away the greatest boon that could be conferred on the British wage-carner to-day.

Yours faithfully.

GEORGE LAMBERT.



#### SOLE LEGAL TENDER

NEW YORK, July 25 .- Telegrams from Mexico City mate that both Houses of Congress

Mexico City state that both Houses of Congress have approved a Presidential Decree reforming the monetary law by removing gold pesos from circulation and leaving only silver nesos. The decree becomes effective on Monday, when it will be published in the Official Gazette.

The decree reforms an organic law by which the Bank of Mexico is authorized to issue paper money to double the amount of its gold and foreign money reserve. Such paper will circulate on a par with silver pesos which are legal tender for the payment of gold peso debts previously contracted.

Silver pesos have recently been exchanging at a discount of between 10 and 40 per cent. Compared with gold. The decree provides that the banks shall repay gold peso deposits only to the extent of 30 per cent. In gold and the remainder in silver at a value equal to gold. As gold pesos are cancelled as legal tender owners of gold are apparently compelled to sell at a discount determinable later.—

Exchange.

STATE STATE OF STATE

According to reports which he reached New York from Mexico, a presidential decree has been prepared making a fundamental change in the impactary law of Mexico. Henceforth, silver and not gold is to be the sole legal tender in that country and all gold coins in circulation will be withdrawn. The Mexican Government's decision to make this change was not unexpected. For some time past the possibility of Mexico adopting allver currency in place of gold has been discussed. It is contended that Mexico is in an exceptionally favourable position to make this experiment. She is an important silver-producing country and enjoys a favourable trade balance. In 1929, the last year for which figures are available, the imports were 382.842.288 pesos, while the exports were 599,633.255 pesos, an excess of exports of 207,730.967 pesos. As Mexico does not invest abroad the trade balance will presumably be liquidated by simpping silver. This, of course, will increase the demand for silver and raise its price, a movement which would benefit Mexico as a large producer and exporter of the inetal. The mai-distribution of gold to the two countries—the United States of America and France, who hold three-quarters of the world's supply of monetary gold—was likely to lead sooner or later to some such step as has been taken by Mexico. A better redistribution of gold would take place if the United States and France were landers to foreign countries or lowered their tariff walls so as to permit the importation on a larger scale of foreign goods from debtor countries which have lately been drained of gold in their efforts to pay their external debts.

New Capital Issues in U.S.A.

How greatly the change from industrial prosperity to depression has affected the volume of new financing in the United States is illustrated by returns of that country's capital output for the first half of the year. According to the New York Financial Chronicle the grand total of new securities issued during this period was only \$2.991.523,000 (£5.98,364,000), against \$5.196.189,000 (£1.039,238.000) in the first half of 1930 and \$6.313.824,000 (£1.262,765.000) in the first half of 1920. Moreover, of this year's issues no less than \$771,351,000 represented provision for refunding securities outstanding, whereas the corresponding total in 1930 was only \$328.542.412. Eliminating issues of this character and confining the survey to strictly new capital, the flotations in the first half of 1931 were only \$2.220,472,000, or less than half the total (£4,367.647,000) in the first six months of 1930. One of the distinctive features of the half-year was the large amount of capital raised for States and municipalities. While the investor in America, as in this country was averse for the time being from increasing his commitments in companies, whose profits are dependent on the state of private trading, he was a willing buyer of 'the stocks of municipal authorities whose revenues are derived from rates arbitrarily collected. This absorption of public loans did not, however, extend to the loans of foreign Governments; indeed, apart from issues made on behalf of Canada, there was throughout the helf-year a complete absence of foreign Government issues in the United States, whereas in the first half of 1930 such issues amounted to \$374.706,000. Yet during the six months money rates in New York were the lowest in the world. Bank rate where reaching the record low point of 1½ per cent.

#### SILVER AND GOLD

#### CONDITIONS IN THE FAR BAST

#### TO BIMETALLISM RETURN

TO THE EDITOR OF THE TIMES

Sir, -We desire to support the plea put forward in your columns during the past week for a reconsideration of the gold standard and of the adoption of bimetallism by agreement between certain nations. The ease has been put so clearly and forcibly by Lord Hunsdon, Mr. Amery, Sir Robert Horne, Mr. George Lambert, and others that it is perhaps only necessary for us to record our conviction:

(a) That the further supplies of gold likely to be available in the next decade cannot fill the requirements of the present gold standard countries, with the result that if the present system continues there will be a further fall in prices and consequent decline in industry, coupled with increasing unemployment.

(b) That the return to bimetellism would do more to improve the economic conditions of India and China, and thereby restore prosperity and peace to those countries, than any other immediate and practical proposal.

tical proposal.

(c) That the change would at once assist our hard-hit export trades, and particularly Lancashire.

Yours faithfully, J. WARDLAW MEINE.
C. WATERHOUSE,
ROBERT BOOTHBY.
DOUGLAS A. HACKING.
ISIDORE SALMON
E. VAUGHAN-MORGAN.
JOHN BUCHAN.

House of Commons, July 27

#### TO THE EDITOR OF THE TIMES

Sir, On a capitalistic basis it is essential that business should result in a profit. The economic machine is rapidly running down because the profit element is becoming increasingly rare. That is the main cause of our troubles, and to no small extent of the maldistribution of gold. What likelihood is there of the remedies suggested in the Report of the Committee on Finance and Industry resulting in increased profits large enough to restart the machine within measurable transwithin measurable time?

Fresh discoveries of gold on the scale of the

Rand would do it—again, however, given time. But the remonetization of silver would be still more effective and, moreover, would act instantaneously. The direct profits that would accrue not merely to silver mine-owners, but to all holders of silver and silver values throughout the world would be immense. And then there would be the indirect effect as profits were being would be the indirect effect as profits were being spent.

restoration of silver to its timehonoured position as money, co-equal with gold at a given ratio, we have at hand an instrument sufficiently powerful to raise the world out of the slough of despond into which it is rapidly sinking. Yours faithfully, DARLING.

R.

2.57

Carton Club, S.W.1. July 24

#### MEXICO ON SILVER BASIS

New York, July 28.—Mexico went on to a silver basis to-day on the so-called "Calles monetary plan" becoming law. Senor Calles, a former President of Mexico, has taken charge of the Bank of Mexico, which will become a tederal reserve institution and cease to be a competitive concern.—Reuter.

# SILVER IN THE FAR

#### CAUSES OF LOW VALUE

#### POLITICAL AND COMMERCIAL REACTIONS

TO THE EDITOR OF THE TIMES

Sir,—Few people properly appreciate the effect of the present low price of silver on Eastern trade or recognize that it is a very important contributory factor to the world depression. I approach this question from the standpoint of a merchant, and, as such, I appreciate to the full not only the destructive consequence, both politically and commercially of the fall in silver, but the possibility of great trade development if the evil were remedied.

By immemorial custom, silver is both a measure of value for the peoples of India and China and the principal store of their wealth. They have seen their silver heards, great and small, dwindling in value from 6s. an ounce in 1920 to little more than 1s. an ounce in 1931, and there can be little coubt that much of the

and there can be little doubt that much of the unrest in these countries is due to the discontent of the population at the spectacle of their constantly diminishing wealth.

It is a commonplace that China is one of the few undeveloped markets of the world. The country is on a silver basis, and in order to buy our manufactures it has first to take its silver and buy gold with it. To-day nearly three times as much silver is required to pay for £1 worth of British manufactures as was needed in 1924 and 1925, notwithstanding the general fall in prices measured in gold. What hope is there of keeping, much loss of developing, this market?

Is there no remedy? Statistics show that during the six years ending 1929 the average production of silver according to the United States Mint was 252,000,000 fine punces in round figures. During the same period the average consumption of silver by India and China, as reported by Handy and Harman, was 181,000,000 ounces, and again according to the United States Mint, the inclustrial consumption of silver in the years 1928 and 1920 averaged 59,000,000 ounces. Thus we get a consumption of 240,000,000 ounces against a production of 252,000,000 ounces. The average sumption of 240,000,000 ounces against a production of 252,000,000 ounces. The average annual surplus was no more than 12,000,000 ounces, or 5 per cent.

It is curious to note how comparatively small is the average annual surplus was no more than 12,000,000 ounces, or 5 per cent.

It is curious to note how comparatively small is the variation in the amount of production whether the price be high or low. The cause for the great decline in the price of silver must be sought elsewhere than in over-production.

The main cause is due to the flooding of the silver market by various Governments of the world consequent upon the demonstization and debasement of coinage. For example, in the five years ending 1929 the British Government cold silver set free by its debased silver coinage to a total of 26,400,000 ounces, and sales by France, Belgium, Indo-China, and India, in the same period and from the same cause, bring the total up to 173,000,000 ounces.

Disregarding the Government sales, which—

Disregarding the Government sales, which—with the exception of India—must be now practically completed, we are faced with an average annual surplus of 12,000,000 ounces of average annual surplus of 12,000,000 ounces of silver, worth at the present time a great deal less than £1,000,000. Surely it is possible by concerted action between the few producing countries, mainly the United States and Mexico, and the one selling country. India, to correct the evil of the constant depreciation of the value

of silver.

The Economic Section of the League of Nations would render a valuable service to the world if they held a conference, at which the interested Powers would be represented, to investigate this most important problem.

I am, Sir, yours faithfully, HUGO CUNLIEFE OWEN. Summingdale Park, Summingdale, Berks, July 30.





#### SILVER IN THE FAR EAST 4-9-31

TO THE EDITOR OF THE TIMES

Sir.—It is a fact accepted by all thinking minds, even by those who doubt the possibility of raising its value, that the fall in the price of silver has played an important part in bringing about the present world wide depression and unemployment. Such being the case, every credit and encouragement is therefore due to the men who are endervoring to remedy the existing state of affairs by drawing public attention to the role of silver with a view to the adoption of measures to raise and stabilize its price, or at least to a profound study of the feasibility thereof.

From a recent Press allusion cisewhere the subject does not seem to have been given the serious and sympathetic consideration it deserves. My beforence is to the fear expressed as to what would be the liability involved in doubling the intensic value of the vast hoards of silver in the Far hast. Silver is now 13d. an oz. two years ago it was more than double that puice; between 1920 and 1928 it was considerably higher still. We did not find those Oriental peoples doing anything dangerous or discenerting with their wealth then. On the contrary, generally speaking, we were all better off in those days than we are at present.

It was also remarked that if the price of silver was stabilized at 2s. an oz; it would represent, on the basis of the existing price and output, a gift to producers of over \$12,000,000. On the other hand, the direct and indirect, incalculable, and everlasting benefits which would be conferred upon a burden-stricken world seemed to be entirely ignored.

The other quarters it has been argued that the archiver.

ignored.
In other quarters it has been argued that

burden-stricken world seemed to be entirely ignored.

The other quarters it has been argued that the problem, so far as it concerns China, would not exist if China would "go gold," and that all attempts to bolster up silver are merely putting the clock back of China's afforts in the direction of a lopping the wold standard. The expenents of this theory may be perfectly genuine, but do they know China's afforts in the direction of a lopping the wold standard. The expenents of this theory may be perfectly genuine, but do they know China' Is it bossible for that huge country, as large as Europe, with communications in veath regions hardly better than they were in Europe 300 years ago, and notwithstanding a Central Government struggling valuantly to institute reforms throughout the provinces, to adopt the gold atandard for many many years to come? As well expect India to abolish her castes within the next decade.

In spite, though of many drawbacks, China is undoubtedly the world's greatest undeveloped and potential market. The appetite of the Chinese for Occidental products, comforts, and luxuries has been aroused; their prejudices and conservatism are going by the board. Should we neglect the silver situation we run the risk of a grave danger. If we allow silver to go to the dogs, we will force the Chinese to seek their own salvation and to manufacture themselves the goods, articles, &c., that they require. So far as factories, plante, industries, &c., are concerned. China is still practically a virgin country, but necessity will inevitably drive them to introduce experts and machinery for the treation of industrial and other products in their own country. By listening to the appeal of China in her distress, made by her representative, Mr. Bei Tsu Yi, at the recent meeting in Washington of the International Chambers of Commerce and by stretching out a hand to help her, we risk but little and stand to gain a great deal. By turning a deal ear to her entrealies, our position 10 years hence may be infinitely worse th

Yours truly,
H. E. MORRISS.
The Thatched House Club. (Shanghai.)



#### SILVER IN THE EAST

TO THE EDITOR OF THE TIMES

TO THE EDITOR OF THE TIMES

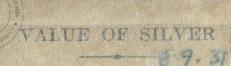
Sir.—It has been of no little gratification to me to read the various letters appearing in your columns on the necessity for the rehabilitation of silver. It is particularly gratifying that this vexed question has been taken up by some of the City's most influential leaders of finance and commerce to-day. I venture to express the hope that these letters will now rouse the interest of those in power and that this important subject will not be dropped.

It is quite fair to state that more than half the world's population lives at present in the continent of Asia, where approximately 1.000,000,000 people are wedded to the use of silver. Once this fundamental truth is grasped, an immediate solution for Lancastire's industrial and other allied problems will emerge. The Asiatic market is one in which this country has more than a traditional interest. The decline in silver has put an effective embargo on the sale of British merchandise in silverusing countries.

Industrial or commercial crises in any one country produce immediate repercussions to the ends of the earth. This is cleanly seen in the recent collapse of silver. Let it be remembered that China is now entering upon a mechanical era. Here is a nation of 400,000,000 effective workers who are content with a remuneration for each of less than one pound sterling a month; indeed, labour in that country can be purchased for the cost of subsistence. The mechanical output of such a country will bring ruin to the industrial workers of Europe, the coming shock to European standards of living will be tremendous. By stabilizing silver at a higher level through international agreement, the catastrophe which is now developing can be arrested.

It should be the duty of every industrial country to demand stabilization of silver, People here should realize that the formerly needy europeans is fast becoming a commercial competitor. The collapse of the value of silver has probably inflicted on the industrial countries of Europe greatur havoc, measure

Yours faithfully, R. M. JOSEPH. Grosvenor House, Park-lane, W.1. Aug. 5.



#### PURCHASING POWER IN ASIA

TO THE EDITOR OF THE TIMES

IN ASIA

TO THE EDITOR OF THE TIMES

Sir.—The thanks of the whole world are due to you and to your distinguished correspondents, beginning with Lord Hunsdon, for drawing attention to the bearing on present discontents of the adoption in Asiatic countries and elsewhere of the gold standard. A fairly close Consular and administrative connexion with some of the silver-using countries of Asia covering more than 25 years is my excuse for offering to you, with all diffidence, some observations based in particular upon the history of this highly controversial question.

The late Lord Grey and Lord Helifax, writing in 1881, made the following remarkable prediction ("Bimetallic Controversy," 1886, p. 179):—

If in consequence of our determination to adhere to our present monetary system France, the United States, Germany, and Italy were to resolve that they also would maintain gold currencies, and should make such changes in their existing laws as to the use of silver as would be necessary to keep the gold coins they might issue in circulation, the demand for gold must be so increased as, for a time at least, materially to raise its value, and thus occasion much commercial embarrassment and very serious pressure on all branches of productive industry in most nations.

Jevons, who was a firm monometallist, wrote ("Investigations in Currency and Finance," p. 326):—

It stands to reason, of course, that if several great nations suddenly decide that they will at all cost have gold currencies to be coined in the next few years, the annual production cannot meet the jemand, which must be manly supplied, it at all out of stock. The result would be a tendency to a fall in prices.

The claim of the binetallists is that by establishing by law a suitable proportion between the two money metals the world can be furnished with a stable currency in sufficient quantity, just as scientific use of alloys has produced from a suitable alloy metal which does not vary with the temperature.

In the days of the Hyksos, in the third millennium

alloy metal which does not vary with the temperature.

In the days of the Hyksos, in the third millennium before Christ, silver was worth twice as much as gold: the ratio steadily changed to the disadvantage of silver, till in Ptolemaic times it was 12 to 1 (Cam. Anc. Hist., ii., 98). It remained at that figure for 12 centuries under the Roman Empire. The ratio of silver to gold in England was 12.109 in 1604, 13.346 in 1619, 14.435 in 1663, 15.934 in 1698, and varied but little till it was demonetized in 1816 by George III. Are there any two commodities in the world whose relative values have remained so steady?

Silver, not gold, is the accepted currency of at least three-fliths of the world's inhabitants, who have neither seen nor desire to possess gold. All experience shows that on a rising market it is hoarded, and if Lord Hunsdon's proposals were adopted the surplus now on the market would rapidly disappear.

The gold standard is not very old: it was established in 1816 in very different conditions from those under which the world now labours. The silver using communities of Asia and Central and South America had scarcely entered the world's markets: they are now the predominant factor in interrational trace. We unwittingly did them an injury: we repeated it when we closed the Indian mints in 1893: we have accentuated the difficulty of the position since then by throwing great quantities of silver on the market.

The gold standard has enormously strengthened in the past the position of the banks in world commerce: trade is more vital than currency; and Demosthenes said that credit is of greater value than wealth, but bankers seem to have forgotten that banking is aneitlary to trade. In the words of the late Lord Aldenham, whose encyclopaedic but readable work "A Colloquy on Currency, 1894," I carnestly commend to all interested in the question to day: temperature,
In the days of the Hyksos, in the third

We are the Creditor State: and a great part of the balance of trade which comes to us is the interest on loans to foreign States. They pay us in cheap goods of dear gold. It is all one to us, but not to them. The prices of their commodities fall owar, as we have seen. The cheaper the goods the more they must send. When they can send to more, they must send us gold, for which they may have to pay. At last they can send no more, whether goods or gold, and they case to pay at all. You have taken your debtor by the threat, but instead of getting his money you have stopped his breath! A poor result of appreciating gold (so far as that has been the cause) for the supposed benefit of those who were to receive dividends. Payment even in depreciated metal is better than no payment at all (p. 177).

I submit that the preponderance of argument in favour of the change is so great as to descrive immediate and authoritative re-examination by a Royal Commission, on which Eastern mercantile interests would be adequately represented. The spirit which should inspire us is that of Exodus xiv. 15:—

And the Lord said unto Moses, "Wherefore criest unto me? Speak to the children of Israel that they go forward."

I am, Sir, your obedient servant,

A. T. WILSON.

The Athenseum, Aug. 7.

New Mexican Currency Lawrence

The text of the new Mexican monetary law has now been received in this country The main features of the law are that gold coins are no longer legal tender and that silver coins of one peso are legal tender to any amount. The free importation and exportation of gold in bars or coins is permitted. Notes issued by the Bank of Mexico will be for voluntary acceptance as legal tander, except when tendered in as legal tender, except when tendered in payment of taxes or other dues, when they must be accepted without limit. Liquidation of obligations of any sum contracted in Mexican money may be effected at par in silver. Obligations to pay debts con-tracted in or outside the Republic, where payment has to be made in Mexico in a foreign country's coinage, will be payable in the equivalent in national coinage at the rate of exchange ruling at the time and in the place where the debt has to be met. monetary reserve will be established which will be exclusively destined to cover expenses or losses caused by exchange operations with foreign countries which may be effected on account of the reserve. This reserve will be created out of various payments, including an allocation out of the Budget. The reserve will consist of gold and silver in bars and in coins. That part of the reserve which is maintained abroad must be deposited at sight in firstclass banks or kept in deposits of bar gold or silver.

#### Gold Obligations

The coinage of national gold coins is indefinitely suspended, and these coins are deprived of all value as legal tender. All obligations will be liquidated in silver coins. Nevertheless, gold coins must be delivered to those who have entrusted to another gold coins in the capacity of confidential deposit or in respect of any other contract which does not transfer the ownership of such coins. Banks must pay in gold coins up to 30 per cent. of deposits made in gold by the public. A central board is to be established in the Bank of Mexico, and this board will determine the amount of cash reserves which banks must maintain against their deposits. Two-thirds of these reserves will be deposited in vaults under the direct care of the central board. The other one-third will remain with the banks. The Bank of Mexico will rediscount bills. The third will remain with the third will remain with the third will remain with the Bank of Mexico will rediscount bills. The metallic contents of silver coins of one metallic contents of silver coins of the smaller silver coins, will have a lower content, will be legal tender up to 20 pesos many one payment.

tender up to 20 pesos m any one payment.

VALUE OF SILVER

As some of us see it, the abandonment of silver as a standard of exchange, begin in 1798 by ourselves and continued by successive nations approximately in the order of their importance, is as natural and progressive a development as the change from cownes to coppers. As the world has grown richer it has changed its currency, in accordance with its growing needs, to forms ever more convenient for storage and transport. The poorer countries require the less valuable currency, and will continue to use if internally, but with the sole exception of thina the world is now uniformly agreed on a single international medium of high exchange value. The worst service the bankers could do to trade, in the long run, would be to set back the clock by attempting the restoration of a dual standard.—Mr. F. Hade, 33-36, King William-street, E.C.4.



SILVER AND GOLD

It may be that bimetallism pure and simple or the modification which consists in some amalgam of gold and silver will not stop the absorption of gold by the United States so long as the cause of this suction remains; and I think that the Macmillan Report indicates that there is only enough free gold to pay the tribute for one more year. Is it not reasonable to hope that America, under the influence of her leading economists, will soon realize the radical mistake in economics which is hoarding and sterilizing half the gold in the world—with more to follow—and will redistribute her holdings in such a manner as to stimulate world business? Such a course would seem calculated to cause a rise in the market value of all commodifies, including silver, and would put industry on its feet again both in the U.S.A. and in the rest of the world. Surely the moratorium presages that some such impending change is in contemplation.—Mr. Wyndam A. Bewes, 2, King's Bench-walk, Temple, E.C.4. 11.8.31



#### SILVER IN THE FAR BAST

#### VIEWS OF TRADERS WITH CHINA

TO THE EDITOR OF THE TIMES

Sir,-The China Association, which comprises practically all the British banking, insurance, shipping, and commercial firms established in China, and indirectly represents a large number of British manufacturers and shippers interested in trade with that country, has joined with other public bodies during the past six months public bodies during the past six months in directing attention to the effects on trade of the fail in the value of silver, and of its instability. These efforts have now been strongly reinforced by the letters which you have published recently upon the subject. Your correspondents have shown that there is a growing body of opinion in favour of adequate consideration of the remonetization of silver. As a first step towards such consideration, the association would like to support the opinion expressed by Sir Arnold Wilson in your issue of the 8th instant in favour of the appointment of a Royal Commission, on which Eastern business interests would be adequately represented. would be adequately represented.

The findings of such a body could not be other than helpful. If they were negative we should be no worse off than we are at present; indeed, we should be botter off, for we should at least have had the pros and cons of the matter theroughly examined in the light of existing world conditions. On the other hand, if the Commission's findings were positive, they could then form a basis for international

consideration.

To say that such a basis is lacking at the present time would be to ignore the vast literature which already exists on the subject of bimetallism. Much of it, howsubject of bimetalhsm. Much of it, however, was written in circumstances very different from those which dominate the financial and commercial situation to-day, while a great deal of it affords ground for the belief that international adoption of a bimetallic system would alleviate the present situation.

It is, at all events, certain that an increase in the value of silver and its stabilization would revive the purchasing power of India and China. There is, admittedly, much else to be considered besides that point. But, at a time like the present, is not that point alone a the present, is not that point aidle as strong argument for bringing all the aspects of the question under review? May we not, indeed, go a step farther and urge that, where any particular action promises such an immediate and beneficial result as the revival of purchasing power in the East, only an overwhelming balance of counter-considerations should delay its prompt investigation? So far this association, after canvassing expert opinion in a variety of quarters, has failed to discover any reason other than inertia for the prevailing reluctance to consider either the question of remonetizing silver, or less difficult measures for raising and stabilizing its value.

There is, of course, no guarantee that if H.M. Government appointed a Commission it could subsequently secure conmission it could subsequently secure consideration of its findings, were they of a positive nature, by other Governments. On the other hand, by no other Government can the initiative be so properly and effectually taken as by our own, since Great Britain's interests and responsibilities in the East are far larger than those of any other country.

Yours faithfully,

S. F. MAYERS, Chairman, China Association.

99, Cannon-street, E.C.4, Aug. 10.

#### TO THE EDITOR OF THE TIMES

Sir,—British exporters have long complained, and with reason, that depreciating exchanges have given to their rivals an advantage impossible to overcome. Have British exporters a full realization of the following laces.

(1) That a falling price of silver gives to exporters in those countries where silver is the standard by law or by usage an advantage identical with that of a depreciating exchange?

(2) That the fall in the price of silver has reduced the standard of living in silver-using countries and placed an impediment on their imports, with the result that industries have been and are being founded these, to supply goods both for the internal market and for export?

(3) That the Governments of Great Britain and India are very targely responsible for the precipitate fall which has taken place in the price of silver and thus for the obstacle which the fall has erected in the path of the British exporter?

the fall has crected in the path of the British exporter?

Shortly after the War the British Government debased its silver currency by reducing the silver contents of its coins from 925/1,000ths fine to 500/1,000ths fine and proceeded to restize the silver thus released. As a result of the recommendations of the Hilton Young Committee on Indian Currency and Finance, the Government of India became possessed of a surplus of silver amounting to hundreds of millions of cunces, which it also proceeded to sell. Sales from both sources are continuing. Fired by a bad example, other Governments in Europe followed suit and so did the Government of Indo-China. There is no concerted action between the Governments concerned and little or no regard is had to capacity for absorption. Thus the market does not know what to expect and is kept in a state of nervous tension.

Is it any wonder that the price of silver should have fallen to 13d, per oz. and that our trade with the Far East is in a state of acute debility? And is there no power to sad so suicidal a policy? If there be not, China will soon be joining in the mad scramble for gold. The prospect is unpleasant.

I am, Sir, yours faithfully,

I am, Sir, yours faithfully, H. ROTHBARTH.

22, Austin Friars, E.O.2, Aug. 10.



#### SILVER IN INDIA

TO THE EDITOR OF THE TIMES

Sir.—Until five years ago the world was emjoying bimetallism inasmuch as one half of the commercial world was on gold and the other half on a silver basis. The disorganization started when India was misdirected to pass to a purely gold standard. Other Asiatic countries joined in the gold rush and in the building up of tariff walls. But America and France having been in the field first in the same game, have connered the gold of the last 15 years. A steamer overloaded with coal cannot carry goods to advantage. America and France are now overloaded with gold, and, as they cannot be expected to give away their treasure for nothing, the only alternative is to lower their tariff walls and to take in goods in exchange for their gold.

The remady for silver lies mainly in the reconsideration of the Indian currency problem wich a view to reinstating a silver standard in Indian currency problem.

goods in exchange for their gold.

The remady for silver lies mainly in the reconsideration of the Indian currency problem with a view to reinstating a silver standard in India and to returning to the 1s. 4d. rupes, very much advocated by the Indians themselves and not unjustifiably. The balance of trade in favour of India in normal years is about £70,000,000. It is obvious that the difference of exchange would mean about £8.105,000,000 additional annual purchasing power for India if the rupec were 1s. 4d. mstead of 1s. 6d. as now. The bulk of the population—the primary producers of products such as outton, jute, tea. &c.—get £8.13½ instead of £8.15 for their exports. It is true that India pays lass for imports too, but the imports are practically luxuries to the great mass of the population, with the exception of cotton taken from India. Without backling the rupee question, the mere raising of the price of silver, by whatever means, will make no appreciable difference to India's purchasing power for oversea trade, the ratio for the rupee being fixed.

With all due respect to the advocates of bunetallism, if the total 10 years' output of gold worth £850,000,000 can be cornered by one nation, what guarantee is there that the silver output of the same period worth only £130,000,000 will not share the same fate? Therefore, until the currencies of the leading nations are backed by their national wealths instead of being dependent upon gold thread and silver string knots, which may snap at any time, we shall not be free of currency speculations.

Yours faithfully,

M. C. OWEN.

Royal Palace Hotel, Kensington.

Royal Palace Hotel, Kensington.

SILVER IN THE PAR EAST

TO THE EDITOR OF THE TIMES

Sir,—I read with great interest the letter written by Mr. H. E. Morriss, of Shanghai, in your issue of August 4, and, having spent some 20 \*vears of my business life in countries in the Far East. I would like to endorse everything he says regarding the benefits which undoubtedly would accrue from the stabilization of silver at a value of 2s, an ounce—e, c, value nearer its true worth as compared with gold—and using as a basis for comparison the relative production of the two metals throughout the world. By the depreciation in the value of silver the Far East as a purchasing market has been starved, and the trade of the British Empire in general, and of the United Kingdom in particular, has suffered by this starvation to a greater entent than has the trade of any other country in the world because in the Far East the British Empire looks for its greatest outlet in the way of manufactured articles. Whoever, therefore within the British Empire advocates the continuance of a depreciated value for silver should also realize that they are advocating the depreciation of the buying nower of Great Britain's best customer, and the customer to whom Great Britain must look for its future export business.

I was struck by one reference to which Mr. export business.

I was struck by one reference to which Mr. Morriss alluded, which was as follows:

"It was also remarked (from a recent

Press allusion) that if the price of silver was stabilized at 2s. an ounce it would represent, on the basis of the existing price and output, a gift to producers of over £12,000,000."

on the basis of the existing price and output, a gift to producers of over £12,000,000."

Mr. Morriss is giftly points out that what seems to be entirely ignored is the direct and indirect benefit which would be conferred upon the world by thus increasing the purchasing power of the world. There is another factor to be considered, however. Because of the swing over to gold, silver has to a large extent been beyouted, and thus its value has been artificially depreciated. On the other hand, what has happened to gold? To quote an authority such as Sir Arthur Eafter, gold has appreciated by 30 per cent to 40 per cent, in three years, and thus increased the weight of the loans owing by the debtor countries throughout the world. We have thus a situation closely aking to that of the reparation debts, which President Hoover has so boldly tried to correct. It is obvious that the world cannot function with these artificially swollen debts, causing dissension among the nations and destroying the freedom of trade. Why continue this when the increased use of suver would provide the world with additional buying facilities, and this stinuate the export trade of the United Kingdom, which, next to the reorganization of internal agriculture, is, in my apinion, the most important problem which the reorganization of internal agriculture, my opinion, the most important problem which confronts Great Britain to day?

Yours truly,

ANDREW AGNEW.



## INTERNATIONAL SILVER CONFERENCE

#### MEETING OF EXPERTS

PARIS, September 28.

The Private Committee of Silver Experts meets in London to-morrow It consists of Mr. Ernest Franklin (London) Van Walree (Holland) and Mr. Marshall Tuthill (New York).—

Renter.

A Paris message of September 18 stated that the experts were meeting under the auspices of the International Chamber of Commerce to examine the silver problem.

silver problem.

The Time of India 28 . 9 . 31.



## COMMITTEE OF SILVER EXPERTS

PURPOSE OF MEETING

(Special Cable.) LONDON, September 24.

The Committee of Silver Experis met privately to-day and will be deliberating throughout the day. It is unlikely that information will be available until the Committee has submitted its report to Paris.

It is understood that the purpose of the meeting is to explore the ground and to ascertain whether it is possible for the International Chamber of Commerce to submit a scheme for the stabilisation of the value of silver. Some experts are of opinion that while it is possible for the Chamber to produce proposals the ramifications of silver currency involve considerations requiring Governmental action. It is also thought that the question is so full of pitfalls as to induce hesitation to advocate a cut and dried scheme.

The Times of India



## THE FUTURE OF SILVER

#### PROPOSED CONFERENCE

(FROM A CORRESPONDENT.)

The recent announcement that a committee of experts of the Inter-national Chamber of Commerce has recommended a sales agree-ment in regard to silver be-tween the Government of India and North American producers raises once more the important questionthe future of silver, Owing to the very phenomenal tall in silver this year, the lowest price reached was twelve pence, many have suggested that an understanding should be arrived at and an International Conference summoned with the least possible delay. The Financial Times vecently issued a silver supplement in which the soundness and efficiency of the monometallist gold standard

which the soundness and efficiency of the monometallist gold standard were severely questioned and the remonetisation of silver earnestly advocated by eminent authorities. The London Times in its last issue of the the international Banking Supplement of June 27 had a critical analysis of various stabilisation schemes in regard to silver from the pen of an Indian economist and statistician.

In view of the position which India holds in regard to silver we must be pardoned if we are critical, destructive, and negative Sir George Schuster has clearly said that Government will be willing to enter an international conference but, as a condition of co-operation for India's interests. "The Government of India', he said, "holding as they do surplus stocks which in the public interest they consider that they ought to realise, cannot fairly be asked to do more than other producers." It has in some quarters been held that the fall in silver in the last two years from 24d, to the present low levels of 1931 have been due not so much to the actual sales of the Government of India as to the uncertainty of their next move. Since Great Britain slipped off the Gold Standard last September there has been a considerable rise in the price. Last week the market closed at 19 0116d, for ready delivery.

CAUSE OF PRICE DECLINE

CAUSE OF PRICE DECLINE

CAUSE OF PRICE DECLINE

The fall in the price of silver has been caused by the world depression and not the world depression by the fall in silver. Gold has greatly appreciated in relation to silver as indeed to all commodities. The cause of the recent fall in silver prices cannot, we think be principally put down to production. There has been overproduction in the sense that there has been underconsumption owing to the fact that India, Japan, the Dutch East Indies, the Philippines, the Straits Settlements. Sum and Indo-China now have currences normally based upon gold and not on silver. Moreover, countries which had used silver for coinage now have taken to notes instead of token toins, and are using nickel or coins of a lower degree of silver finness than hitherto. Three quarters of the silver mined are not from 'straight' silver mines at all but are bye products of lead, copper and other metals, so that a fall in the price of silver does not of necessity mean a fall in the production of silver. Since 1929 the imports by China, the only important country on a silver currency, and other silver-using countries have not gone down to a much greater extent than the imports of gold-using countries and, as Sir Arthur Salter—has

Chim which desend upon the pur-chasing power of the Chinese have not gone down much more than the experts of Chine which depend upon the purchasing power of gold using

#### BIMETALLISM?

Will a silver conference solve the problem of a higher price for silver and also a more stable price? It is assumed generally that a world conference would be representative of producing and consuming countries, and that the delegates would be the official representatives of their governments. It does not appear likely that there will be sufficient community of interest in such a conference. Is it likely that producers would indertake to limit production while certain governments which are holders of silver would withhold their stocks from the market? Would not the result rather be that while stocks were withheld the mines would produce more, consequent on the rise of price? The world would scon he back again to where it was from answers given in official quarters in Europe it appears that there is no likelihood of countries going back to the old standard of meness for token coins and still less to silvar coins in preference to paper and nickel. When the expiry of the period came when stocks were to be withheld there would again be depression in silver and that is precisely when. India would be free to sell her silver. If all the world were to adopt bimetallism this would reinstate silver, but, judging from a recent examination of the attitude of France and other countries, it is most unlikely that they will change their currency systems to help the price of silver. The white metal to day is not like gold and never will be a store of value and the world, China excepted, regards gold and not silver as the basis of currency.

Silver will improve with the return of prosperity and international action must be concentrated on the latter. It is the world depression that is at the root of the trouble. Senato Borah, Chairman of the later occupied in the evonomical and financial world prior to 1925?" The answer seems to be decidedly in the pare occupied in the evonomical and financial world prior to 1935." The answer seems to be decidedly in the game occupied in the evonomical and financial world prior to 1935." The ans

The Dime of India



# Silver Prices Fall By Three and a 16/1/2 Half Pence

Considerable commotion prevailed in the Bombay Silver Market on Mon-day right on receipt of the London Silver closing prices showing a fall of more than three and a half pence per ounce. In sympathy the Bom-bay market also recorded a sharp decline of about Rs. 2-8 per 100 totals.

The extent of the steep rise in the price of silver that commenced in Bombay in about the last week in September when the price was at the 13d, level in London had been causing nervousness of late in the market. The highest point touched was 21 9|16d, on the 15th instant. The true state of the market was however re-

9|16d. on the 15th instant. The true state of the market was, however revealed on Monday when the price in London dropped by 3 9|16d, to 18d.

For some time past American speculators have been buying wildly in New York and the same tendency has been in evidence the world over; locally the market often remaining markedly over London parity. The idea has been widely prevalent and has been fostered to a considerable extent by articles in the Press that in view of the general failure of gold standard, silver was likely to find a greater use in currency systems.

greater use in currency systems.

Purchases by speculators based on this idea have from the beginning of the movement been showing a profit mostly owing to the situation in Manchuria. Encouraged by these profits, speculation increased space. The climax was reached a day or two are when was reached a day or two ago when the market having become top heavy owing to deliveries of actual metal against speculative purchases, ner-vousness was beginning to be felt.

#### CAUSE OF REACTION

At this juncture, unfortunately various rumours spread thear the Government of India was attempting to sell and liquidation of the bull position having set in from all sides all at once, the London market reacted on Monday as observed above. At the decline, however, the market shows, some firmness and business is reported to have been done at 140, over Monday's fixing. During the recent drop, local bulls must have lost heavily but as their profits have been considerable during tehe last month or so, probably no serious harm will be done. done.

The total visible stock on sea and land for the Bombay market viz., about 8,000 bars is very large compared to the daily upcountry demand which i insignificant at about 10

bars per day.

The Demis of India

With the Budget balanced on the right hires the strain upon sterling, if not removed, would be greatly reduced. Attention could then be prid to other problems, a solution of which must be found before international trede—in which the fortunes of this country are so deeply involved—can be fully restored. One of the most important of these problems is to being about a final settlement of the reparation and War debt question. As recent events have shown, these payments have a profoundly disturbing influence upon international credit. They weaken the credit resources of the debtors and because of tariffs and other hindrances to payment distort the financial structure of the credition countries by causing abnormal gold move ments. Gold money already scarce, is diverted from the financing of trade to the financing of debt payments. This not only helps to accentuate the relativities of sold but also restricts international With the Budget balanced on the right helps to accentuate the maldistribution of gold but also restricts international commerce. The silver question could also of gold but also restricts international commerce. The silver question could also then receive the attention it deserves. The remonetization of silver, although it would not touch the fundamental causes of the present economic crisis, would help to relieve it, since such a policy would restore the purchasing power of the East and thereby tend to raise the excessively depressed prices of primary commedities. The remonetization of silver would bring about a creation of credit in places where it is most needed. Unlike some other methods of credit-creation there would be no problem of how to circulate it in the life-blood of commerce. Mr. Snowden some time ago pointed out that a very small per capital increase in the Chinese demand for cotton goods would greatly benefit the cotton industry. The China Association is convening a meeting of those known to be interested in the silver question on September 22 at 3, Lombard-street. Sir Robert Horne will be invited to take the chair at the meeting. chair at the meeting.

#### The Destruction of Gredit

A settlement of these matters by recreating purchasing power and also constimulus to international comperce. Our balance of trade would improve although the extent of the improvement would depend upon how successful the industries of this country had been in restoring their competitive power. The steady decime in recent, years in the balance of powerents, largely the outcome of the decreased competitive power of our great industries is chiefly responsible for the weakness of sterling. This deterioration in Great Britain's economic position has been gravely accentuated by Government extravagance and unsound policy, which have burdened industry with heavier and heavier charges at a time when it was least able to bear them. Moreover, this extravagance has destroyed credit on an enormous scale Labour propagandists frequently speak of credit as having a physical existence. If an individual or business loses £100,000, It does not ecour to them that heavy losses of credit can occur without anyone being fidence could not fail to apply a strong or business must have gamed £100,000. It does not occur to them that heavy losses of credit can occur without anyone being the gamer. The enormous depreciation in British security values in the last few years has been due to loss of income on the part of the companies issuing the securities. But no one has gamed by this depreciation. The companies themselves and the individuals owning their securities have lost the power to mise credit and have lost the power to raise credit and therefore to spend, and the working classes have lost the employment that the credit would have given had it not been destroyed.

The London Time 8 9 .31



#### ANOTHER REPORT ON SILVER

#### 19-11-34 INTERNATIONAL CHAMBER OF COMMERCE

The International Chamber of Commerce, Paris, has issued a report made by a committee, consisting of Mossrs. E. L. Franklin, E. D. van Watree, and M. W. Tuthill, appointed to study the silver question. The report suggests that an attempt be made to secure a sales agreement between the Indian Covernment and the American producers, and regards an international Governmental conference on the subject and himetallism as unlikely.

The report says:—

"From many sources proposals are now being made for the establishment of bimetallic systems of currency, or alternatively for the remonetization of silver. We are unanimously agreed that such plans, whatever their ment, stand no chance of early application in practice. Considerable time must elapse before Governments can possibly come to any decision regarding the utility and reasonability of these theories, and during that time it is to be hoped that the silver proplem will have solved itself in a general adjustment of commodity prices. That England, France, and other countries should increase the standard of their subsidiary currency is, we are informed, most unlikely to arrency is, we are informed, most unlikely to

currency is, we are informed, most unlikely to happen.

"It can hardly be disputed that the wide and constant fluctuations in the price of silver are a serious obstacle to international trade as a whole, and that a rise is much to be desired. The country which is most concerned with the course of silver prices is naturally China. China has suffered much of recent years, but we do not believe that the fall in silver has been more than a contributory cause. Indeed, China is the one dountry where prices in daily life have varied least.

There can be no doubt, however, that a relative stability of the silver price would materially contribute towards a gradual opening of the interior of China to trade.

Silver and Goun

#### SHIVER AND GOLD

"The committee further recommends that, if it is true that a scarcity of gold is to be expected, it would not be impossible to alleviate this scarcity to a certain extent by the use of silver. It is not proposed to fix a ratio between the respective prices of gold and silver, but it is suggested that any Government which fluds it impossible to secure a sufficient supply of gold might consider the purchase of an amount of silver against which notes of low denomination, covered by silver to almost the full value of the gold coin which it substitutes, would be issued; these notes would circulate concurrently with the paper currency which is partly covered by gold. This can be attained by making the silver certificates receivable for all payments to the Government. If they are issued to no higher proportion in relation to gold than, say, I in 3, there would not be much risk of seeing these silver certificates drop in value below that of the notes partly covered by gold. The basis of credit would thus be widened by the simple means of using the authority of the Government, and silver would benefit as long as the purchase could be effected at a low price. If at any time the silver against which the certificates were issued should rise in price, as expressed in gold there would be no harm in solling the silver and replacing it by gold." "The committee further recommends that, if

The London Times

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Wheat and silver have been more prominent in the recent recovery in prices than any other commodities. The sterling price of wheat has risen about 40 per cent in little more than a month, while silver, which rose by more than 1d. per oz. yesterday, has been the centre of considerable speculation, which in the past week has been chiefly on American account, and the price now stands at 21 1-16d. per oz., compared with a record low price of 12d. on February 9. In the bullion market yesterday's rise was attributed in part to the recommendations made by the Silver Committee appointed by the International Chamber of Commerce of Paris, extracts from which were published in The Times of yesterday. This committee made to secure a silver agreement between the Indian Government and the American producers of silver. It may be taken for granted that the committee would not have made this recommendation if it had not satisfied itself that the American producers would not be hostile to such an agreement, and it is reasonable to assume that the Indian Government as a holder of surplus silver would not be unfavourably disposed towards such an arrangement. As the price of silver has already risen appreciably, such an agreement would presumably aim chiefly at stability rather than at a further rise.

De London Juices



## ISTABILIZING SILVER PRICES

### EXPERTS' REPORT

AGREEMENT BETWEEN U.S. PRODUCERS AND INDIAN GOVERNMENT URGED

# Silver Coinage

LONDON, November 9, A stabler price level and a higher quotation as also a sales agreement between North American producers and the Indian Government are recommended in the report of the Committee of Experts appointed by the International Chamber of Commerce to consider the practicability of immediate international action with a view to improving the position of silver.

the position of silver.

The report opines that as far as India is concerned, apart from the interest of Government with its vast stock of silver rupces, a sudden and violent rise in the price of silver could only check its absorption by the population. This year's production is estimated at 200,000,000 ounces valued at 56,000,000 dollars and a working agreement between the American Corporation and the Indian Treasury, giving all participants a reasonable quota of the world sales should be capable of keeping silver at a price fair to sellers and buyers, provided that the market is supplied with judgment.

WORKING TOCETHER

#### WORKING TOGETHER

WORKING TOGETHER

Any selling agreement which will not include the Indian Government would not be practicable and to expect that Government to agree not to sell except at a price materially higher than that fixed for the producers would be unjust and futile. The several parties must work together and it will naturally be provided that any participant can withdraw from the agreement at an agreed notice either temporarily or permanently, but they must bind themselves not to sell independently until the expiration of the agreement.

sell independently until the expiration of the agreement.

The report suggests that the probable scarcity of gold might be alleviated by the use of silver as part of the cover for notes. The Committee considers that the International Chamber of Commerce might urge Governments to restore their subsidiary coinage to the pre-war fineness so as to help restore confidence in the value of silver throughout the world. The Committee finally urges research for devising new uses and expanding the present uses of silver.

The Committee consisted of Mr. Ernest L. Franklin of Messrs. Samuel Montagu, Herr Van Walree, the Amsterdam banker and Mr. M. W. Tuthill of New York.

In Sine of India

from the report on Empire Monetary and financial Policy by a joint committee of the Federation of British industries and the Empire Economic Union. The committee makes two recommendations. One, that an Empire Conference should examine the practicability of establishing an Empire currency system; and the other that the British Government should summon or agree to attend an immediate international conference on silver. The proposals regarding Empire currency cooperation are rather nebulous. There are some difficult fences to summount before a real Empire currency could become a practicable proposition. A common Empire currency would require the adoption of a uniform fiscal system and one note issuing authority. Meanwhile it is obviously of advantage to the Empire, the debts of which are mostly in sterling, that their currences should be linked as closely to sterling as possible. The more important recommendation is that a silver conference should be held. A large body of business opinion is in favour of such a conference should be held. A large body of business opinion is in favour of such a conference should be need. A large body of business opinion is in favour of such a conference should be need. A large body of business opinion is in favour of such a conference should be need. A large body of business opinion is in favour of such a conference of the authorized to keep a percentage of their metallic reserve in silver as well as gold, in order to increase, as they put it, the purchasing power of the important markets of India, China, and the Far East. Clearly, the committee, in refraining from recommending a permanent system of bi-metallism, wish to avoid any revolutionary proposal. They are content to recommend that more use should be made of silver as a backing for note issues.

The Case for Silver

Assuming that the world must have a metallic monetary standard, the case for making more use of silver is indeed a strong one. Experience both before the cyanide discovery for the recovery of gold in the nineties and since the War, to mention only two instances, shows that in a world of prohibitive tariffs and excessive debts the free supplies of gold may be so reduced as to bring disaster to all. Of course, the use of silver to supplement supplies of gold would not in itself change the direction of the flow of the metallic means of international payment so long as tariffs prevent the discharge of obligations chiefly in goods and services, and so long as debts are excessive and Budgets unbalanced, thus making debtor countries bad borrowers. Had there been less difficulty in discharging international obligations in goods and services, and if nations had avoided debts, regarding them as a financial disease, the present maldistribution of gold would not have occurred. There can be no permanent improvement in the conditions of international credit and trade unless more effective checks are put upon debt creation and excessive tariffs are reduced. But as the world is not likely to make rapid progress towards the solution of these difficulties, the adoption of silver as an additional means for discharging international obligations has practical advantages which few will deny.



## SILVER AS PART OF BANK CURRENCY RESERVES

SCHEME WOULD HELP INDIA

LONDON, November 16.
A powerful plea that the leading central banks should be authorised to include silver as part of their currency reserves up to some fixed proportion of the total is made by Mr. L. C. S. Amery in the Financial Times.

It would be unnecessary to re-establish any complete scheme of bimetallism, for even were silver only held at market price, the mere fact that the banks were holding considerable

the banks were holding considerable volumes would tend to maintain the reasonably high stable price of metal. This would be helpful in counteracting the effects of maldistribution of gold and also correct the impending deficiency of gold, while the inclusion at a fixed ratio would scorre permanent exchange stability with the Far East and also help India.

Me Jimes of India

TO THE EDITOR OF THE TIMES

Sir,—In rote leading article on the silver question to day, in which you refer to the recommendations of the Committee appointed by the International Chamber of Commerce, of which I was a member, you say that "the American producers and the Indian Government might arrive at an understanding to raise and stabilize the paice of silver." This is hardly accurate We certainly said that "we believe at the moment Uhin, could beer a moderate and gradual rise in the gold value of its currency."—the price of silver was about 25 cents an ounce at the time—but we stated distinctly that the aim should be a price fair both to buyers and to seller. In the second place we are not so sanguine as to imagine that any sales agreement could stabilize silver—the words we used and which appeared in our report were "a relative stability."

Lam yours obediently.

I am yours obediently,

ERNEST L. FRANKLIN

114, Old Broad-street, E.C.2, Nov. 17.

#### REMONETIZATION OF SILVER 逐步就

#### AMERICAN OPINION UNFAVOURABLE

FROM OUR OWN CORRESPONDENT

NEW YORK, Nov. 17
Comment in financial circles here to day on Sir Robert Horne's proposals for an early international conference on cilvos and the resistance of silver and silver and the resistance of silver and the resistance of silver and si silver and the re-introduction of silver into the monetary system of the world was overwhelmingly unfavourable. Bankers generally spoke of the proposed remonetization of silver as a purely condense unstrong and recalling the pankers generally spoke of the proposed remonetization of silver as a purely academic question, and, recalling the costly hattle over silver in this country in the middle 1890's, one of them declared that if it was once seriously believed by the American people that an attempt would be made to put silver alongside gold as a reserve against currency, there would be a panie here. With the United States Government, as well as the banking community, opposed to an international conference on silver, there was not the slightest chance, they said, that Sir Robert Home's proposal would be carried out so far as this country was concerned. The only real support in the United States for such a proposal would be from the silver producers, whose influence on the nation was negligible. was negligible.

Recently Mr. Solomon R. Guggenheim, of Guggenheim Brothers, made proposals similar to those of Sir Robert Horne, but they had only a chilly reception. On the other hand, when Sir Arthur Salter, in an address delivered here last June before the Academy of Political Science, declared, that it would be worse they

before the Academy of Political Science, declared that it would be worse than useless to call an international conference on silver, and that measures taken to lift the price of silver would inevitably be followed by a greater decline than ever, his remarks were warmly applauded and heartily commented all over the country.

Bankers said to-day that Americans were well satisfied with the gold standard and its workings. Recent fears abroad that the dollar would go off gold were never shared here. It was a complete mistake to suppose that domestic hoarding of money meant that Americans were frightened about the dollar. What they hoarded was not gold, but paper. In all 12 Federal Reserve districts the total of gold hoarding in recent months was below \$14,000,000.

The London Times.



#### THE SILVER QUESTION

# TO THE EDITOR OF THE TIMES

Sir,—I have read with much interest your appreciative article in to-day's issue on the memorandum written by Sir Robert Horne on behalf of the Silver Association, but with regard to the two difficulties which you foresee in the reintroduction of bi-metallism may I be permitted to make the following remarks? You write:—

Probably they (the Silver Association) have refrained from making such a proposal (an immediate return to a bi-metallic standard) because they realize that a sudden large addition to the means of payment would lead to a violent and therefore undesirable rise in prices.

The Silver Association has not, as you point out, advocated an immeriate return to bi-metallism, but only a gradual movement in that direction. May I ask, however, what are the objections to a rise in prices, whether violent, or gradual, as recommended by the Association? It is admitted that the searcity of gold is chiefly responsible for the present catastrophic fall in prices and for the consequent worldwide trade and financial depression and unemployment. This being so, is it not most desirable to remove the cause of these evils at the earliest possible moment?

Secondly, you say :-

At present, however, opinion among central bankers and in the treasuries is not ripe for the adoption of the Association's proposals.

This statement is, unfortunately, to a large extent correct, at any rate so far as the views of the central banks are concerned. But may I say that in discussing this question with banking protagonists of the gold standard I have never yet heard any sustainable reason for their faith. Many frankly admit that they have not studied the question. Others seem to base their faith on a vague fear that a departure from the gold standard may seriously damage the national credit (although this has not been demonstrated so far by our recent departure from that standard I); but when asked to explain the grounds for this fear they usually take refuge in the assertion that "in any case bi-metallism is impracticable"! But that this is not the case, excepting for the unreasoned opposition of the devotees of gold, is made abundantly clear, I think, in Sir Robert's able memorandum.

I am, Sir, yours faithfully, GREENWAY

Stanbridge Earls, Romsey, Hants, Nov. 17.

Mov. 17.

#### SILVER PRICES

#### INTERNATIONAL CHAMBERS **PROPOSALS**

The International Chamber of Commerce published in mail week the find, ings of the three experts who sat at the end of september to report to its President on the silver duestion.

Regarding a more stable price level as the essential objective and a somewhat nigher pures level than the present as desirable; regarding an international conference as not likely to decommend itself to the governments concerned and himstellic systems of currency and increased standards of subsidiary coinages as having no chance of early application in practice, the Experts Committee has reviewed the rehabilitation of silver "independently of any ulterior concerted international action and only in so far as remedia measures can be devised which can be carried into effect within a reasonable time." Under this latter head falls the first and most important of its recommendations.

The Committee state:—It can hardly be disputed that the wide and constant fluctuations in the price of silver are a serious obstacle to international trade as a whole and that a rise is much lo be desired. The country which is most concerned with the course of silver prices is naturally China. China has suffered much of recent years, but we do not believe that the fall in silver has been more than a contributory cause. Indeed China is the one country where prices in daily life have varied least. It is true that the Chinese farmer has not always been able to sell his produce for export at such higher prices in silver as would compensate the higher prices in silver as would compensate the higher prices in silver as would continued to wards a gradual opening of the interior of China to trade. Not withstanding the desire of the country upon a gold basis, it can hardly be questioned that, for many years to come, silver will remain the principal basis of more tary circulation in China. We believe that at the moment China to trade. Not withstanding the desire of the concerned in the principal basis of more than at the moment China could not heavy or rapid one. So fa

rise in the price of silver could may check its absorption by the population of that country.

U. S. CONTROL.

Of the total annual production of silver, estimated for this year at less than 200,000,000 ozs., the larger proportion is at present controlled by a few corporations in America who, if they had a working agreement with the Indian Treasury, riving all participants a reasonable quota of world sales, should be capable of keeping silver at a price fair to both buyers and seliers so long as they supply the market with judgment. It is not generally realised that at the present price, the value of a year's production of silver is only about 50,000,000 dollars. The annual demand for silver includes about 50,000,000 ozs, for mainstrial consumption. We shaw take it that this would be bought almost lerespective of price. There remain, therefore, the Indian can the China, think does not repend entirely on the price. The difficulty is with China, but if due attention is paid to the position of that country, this difficulty should not be unsummumable it must be repeated that a rise in the price of silver means a rise in the experts and increase the imports of that country other things being equal. Although this would consist of silver. A resular supply at a reasonable price might contribute to the maintenance of the demand for silver. Therefore a too sudden art too larger a rise in the price should be avoided and it would also be a grave error to declude before, hand what price should be avoided and it would also be a grave error to declude before, hand what price should be avoided and it would also be a grave error to declude before, hand what price should be named at a sign of the demand for silver. Therefore a too sudden art too larger a rise in the price should be avoided and it would also be a grave error to declude before, hand what price should be named at a

Terr Committee "accordingly recommends that if the International Chamber of Commerce wishes to retain the subject of silver on its agenda. It should investigate the possibilities of bringing the North American producers and refiners of silver into a sales agreement with the Government of India. For this purpose of course the producers of the United States. In order to conform to their national laws, could only be organised from the point of view of export sales. Other producers of any substantial quantity should naturally be welcomed into the agreement, whilst the importance of infining the Bank of Spain and kindred institutions into these deliberations should not be lost sight of.

NOT PRACTICABLE

actreament, willst the importance of irlinging the Bank of Spain and kindred meshibitions into these deliberations should not be lost sight of.

NOT PRACTICABLE

A selling agreement which does not include the Indian Government would not be practicable and to expect that Government to agreement would not be practicable and to expect that Government to agreement at a price materially higher than that fixed for the producers would be unjust, and fixed. The several parties must work together and it would naturally be provided that any partieipant can withdraw from the agreement at agreed not tice, either femporarity or permanently, but they must bind themselves not to sell independently until the expuration of the agreement. Possible difficulties may occur. Here instance, if, in order to avoid toobswerp a break in price, the selling consortium should find itself forced to retain even temporarily, an unwieldy proportion of the amounts which it has to seil there might be a risk of some of its component members becoming restive and threatening to act independently. But risks such as this must be run and silver is easier to control than almost any other product, certainly far more so than coffee or rubber.

Of the other these recommendations, two as the Committee states, can be "studied at leisure." One is a plan for the use by governments of silver prices is not recommended. The second states that for governments to restore confidence in the value of silver horousers on their subsidiary colonages to pre-wur finences, within the limits of their national laws, would help to restore confidence in the value of silver horousers on their subsidiary colonages to pre-wur finences, within the limits of their national laws, would help to restore confidence in the value of silver horousers on their own account to institute research for devising rew uses for silver. They make the interesting both that the discovery of a method for avoiding tarnishing of the metal would alone greatly make the interesting the possibilities of pract

The Times of India 1-12.31.

# REHABILITATION OF SILVER.

# AMERICAN SCHEME ANALYSED

(By Our Financial Critic).

The American Chamber of Com- George Schuster pointed out in merce has formulated a scheme his budget speech last March, silof sales restriction as basis of an ver prices declined agreement between American pro- hearly to the same extent as those ducers and the Indian Government of the allied metals. When price so as to raise the prices of silver decline, naturally, and maintain it at a remnuera- must be curtailed but it must be tive price. The chief idea behind noted that the very same people the Government of India, the cent price in 1921 have been selproducers have no staying power ling at less than 24 cents. It apand, as the present production of pears as if there is no lower limit silver is mainly as a bye-product, to the price of silver when we they are forced to sell at what- remember that it was as high as ever price it will realise, and the 90 pence and as low as 12 14 producers are seeking protection pence. against this competition.

#### PRODUCTION DECLINING.

According to the figures of the Any agreement of this ver, of which 200 million ourses last three years. It is therethought that if the deadweight of the unsold stocks of silver of the Indian Government is removed, the bazaar will be more resilient and prices would mprove.

#### "THE POOR INDIAN PEASANT

Much concern is expressed by these interests over the unhappy position of the Indian peasant who has lost not only ordinary. purchasing power through the heavy fall in the value of his anhual produce but has suffered through capital depreciation of his silver holdings. It is point-

this proposal is that, as against who had been orging for a 65

#### INDIAN GOVERNMENT SHOULD NOT AGREE.

silver" output from the mines, would place the Ladian Governthere has been a heavy decline ment in the position that it cannot during the past few years and dispose of its stock of silver and this is attributed solely to the scl- oring our currency on a real gold ling activities of the Government standard for several years to a of India and that of French Indo- come. If it is said that most a China. They have, along with countries are now being forced to a other Governments sold about 408 change their attitude towards sil- 13 million ounces of demonstised sil- ver owing to the shortage of sil- in ver, it can be said with equa' d have been sold in the force that we have suffered s long by being on a silver basis. and if we can go on to the gold standard, we should do our best to attain it. If other Governments want to take up silver as part of their metallic reserve, we shall be perfectly willing nay glad to sell them our holdings at reasonable prices but we shall rot agree to help American producer: to market their output.

#### THE ALTERNATIVE

It is being suggested as a more attractive proposition that Centra Banks should be permitted to keep part of their reserves as silver . The financial notice of the

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# SILVER AND GOLD

TO THE EDITOR OF THE TIMES

Sir.—Sir Robert Horne, in his recent article on silver and gold, referred to a school of economists who contend that index numbers based on commodities would be an effective standard of value and might produce a stable level of prices. He also mentioned the belief that "a metallic anchorage is indispensable."

In recent years gold as a standard of value has failed badly, but gold or gold and silver as a medium of exchange is of great importance. It is a safeguard for currency to be able in the last resort to exchange it for something tangible like gold and silver, which are acceptable

everywhere.

I would like, if I may, to ask with much diffidence whether it would be possible to let the market value of gold, or of gold and silver, take the place of the proposed index numbers? It seems possible that the market value of the metal would correspond fairly closely with the prices of other commodities. If possible, the market price should be definitely determined from time to time by international agreement, or by Imperial agreement, or by this country alone. The price having been settled would determine how much of either or both metals there should be in a pound sterling. Thus, if we had a symmetallic basis for our currency and it were decided that a pound should consist of 16s, worth of gold and 4s, worth of gold and 4s, worth of gold and (4/2=) 20z, of silver in a pound sterling. This amount of metal, having been settled, would remain a standard of the usual kind until a fresh weight of metal was decided upcm.

If the price of either metal were rising,

less of it would be required for a given amount of currency, the demand for it would tend to tell off and the market value might fall. If, on the other hand, the market price were falling, more of the metal might be required for monetary purposes, the demand might increase and the price rise. The mere fact that these things might happen would perhaps tend to keep the price of gold, or of gold and silver, relatively stable, and in normal ames a change of the weight of metal in

a pound might be extremely rare.

This proposal to determine the value or the weight of metal in a pound would apply either to gold alone or to gold and silver. It might possibly form a useful part of some comprehensive plan of solving this difficult problem. As we no longer need a gold coinage, the objection that sovereigns would have to be re-coined from time to time no longer exists.

I am, Sir, your obedient servant, WILLIAM SCHOOLING.

Athenseum.



#### SILVER AND GOLD

## NEW BACKING FOR CURRENCY TO THE EDITOR OF THE TIMES

Sir,-The article which you published recently by Sir Robert Horne on "Silver and Gold" very clearly states the case for broadening the metallic basis of credit by the restoration of silver to a partner-

by the restoration of silver to a partnership with gold as a standard of value.
With this exposition of the present position should be read the article on "The
Remonetization of Silver" by Mr. Herbert Rothbarth, which appeared in the
Reconstruction Section of The Times
Trade and Engineering Supplement.

Modern studies of economic history
have revealed the profound influence of
a restricted currency on human progress
and the marvellous revival of activity
which has followed the discovery and exploitation of new sources of supply of the
precious metals. I may cite the influx of
gold and silver from America in the sixteenth century which terminated the gold and silver from America in the sixteenth century which terminated the lethargy of the Middle Ages; the industrial prosperity and active development of the world which followed the discovertes of gold in California in 1849 and in Australia in 1851, and, finally, the depression in commerce and industry consequent upon the demonetization of silver in the seventies which was terminated by the timely development of the Rand goldfields in the early ninetics of last century.

Once again we are faced with a world shortage of metallic backing to our currency system and, since there is no prespect of immediate discovery of new

spect of immediate discovery of new sources of gold adequate to our needs, it is but common sense to look around for reinforcement of our currency basis. We are now adrift, and the value of the pound rests upon an intangible basis modified by

are now adrift, and the value of the pound rests upon an intangible basis modified by foreign estimates of the fluidity of our material resources. Sir Rebert Horne has given reasons why it is undesirable that we should for any length of time remain in this precarous situation. Our stock of gold concentrated in the vaults of the Bank of England will inevitably vanish, and with its disappearance there will be some diminution of our national credit.

The remonetization of sliver is the obvious remedy for our present difficulties. Purely by reason of currency operations its value in relation to gold has senously depreciated, and it is certain that if once more it is made a standard of value it will greatly appreciate. The visible stocks are sufficient for our needs and the annual output is sufficient to meet prospective demands. If, then, we are wise enough to re-establish sliver in its former position we shall enjoy the same advantages which accrued to us at those periods already mentioned when we received important additions to our currency media. Of necessity we must be able to establish a fixed ratio between the values of gold and sliver, and what this should be is without doubt the crux of the whole matter. So far no definite proposals have been made, and it is, I this should be is without doubt the crux of the whole matter. So far no definite proposals have been made, and it is, I think, desirable that attention should be focused on this point. Consideration of your space prevents discussion of the problem, and I can only state that I think the ratio should be fixed so that the silver currency of India becomes money of account instead of a token currency. The value of the rupee in sterling is 18d, and if the price of silver were fixed at 4s, an ounce the 165 grains of pure silver in the rupee would be worth Is. 4½d, as the weight of the rupee is 180 grains. This would provide a seignorage of 8½ per cent, sufficient to cover the cost of maintaining sufficient to cover the cost of maintaining the comage and to serve as a deterrent to remeiting. The bimetallic ratio would then be 21½ to 1, as compared with 15½ to

I, the ratio of the Latin Union.

The remonstration of silver will help The removed ration of silver will help to restore prespectly and contentment in India and the For East, where the fail in the value of that metal has been the primary cause or disproportionately small commine progress. In India it is difficult to exagger the the dispress due to the fall in prices, which has reduced the debtleden ryotwar to despair and rendered them a prey to mischievous agitators. In them a prey to mischievous agreetors. In the past they have borne with exemplary patience the vici-situdes of fortune due to temporary causes, but the steady de-preciation of the value of their produce has induced a state of hopelessness, which engenders active discontent with the ex-isting regime. I am &c. isting régime. I am, &c

ALFRED CHATTERTON. The Coppies, Beckenham, Kent.



### SILVER AND GOLD

#### STABLE AN AUTOMATICALLY CURRENCY

TO THE EDITOR OF THE TIMES

Sir,-Sir W. Schooling's interesting suggestion for securing a stable sterling currency by basing the pound on a varying quantity of gold, or gold and silver, was anticipated, in a much simpler form, by Professor Irving Fisher some years ago ("A Compensated Dollar," Quarterly Journal of Economics, U.S.A., February,

1913). Applied to our conditions his scheme would work out as follows:—

The pound sterling would be completely convertible into gold, and to that extent remain on the gold standard. But it would be convertible, not at a fixed rate, but at a rate varying inversely with the index of wholesale prices as measured in gold. If gold prices fell more sterling would be paid for gold, and vice versa. would be paid for gold, and vice versa, the price fluctuations in terms of gold thus being automatically compensated, and sterling remaining at a constant level

and stering remaining at a constant level in relation to commodity prices. It may be said that this is really a form of make-believe, and that it would be better to have a purely managed currency kept stable in relation to prices by other means. But a convenient make-believe is not without its value, as is shown by our Daylight Saving legislation. And so long as world prices outside are generally long as world prices outside are generally reckoned in terms of gold the suggested sliding scale would secure the desired stability in a form understood by the world generally, and commanding general confidence because automatic in its operation. Once the system was working the tendency would be for all long-term international contracts to be made in sterling as the unit of calculation fairest to both sides, and at the same time one which could always be ultimately discharged in gold if desired. The effect of this upon the position of the London money market might be very great. The advantages of such a scheme would naturally be increased by the extension of the sterling area to cover, not only the British Empire, but such foreign countries as, e.g., the Argentine, or the Scandinavian countries, as chose to link up with national contracts to be made in sterling countries, as chose to link up with sterling.

Such a scheme need not in any way preclude the increased use of silver to help out the world monetary situation, whether on the synmetallic or bimetallic lines suggested by Sir W. Schooling, or as a supplement to currency reserves. It certainly seems worth considering before we commit ourselves to any premature return to any fixed gold parity.

Yours faithfully, L. S. AMERY.

112, Eaton-square, S.W.I, Nov. 30.

BURMA CORPORATION CHAIRMAN'S VIEWS

(FROM A CORRESPONDENT,)

Burner Corporation, Ltd., held in Rangoon, Mg., P. R. Marmion, (Vica-Chairman and Joint Managing Director), presiding, in course of his speech that are reference to the world production of silver for 1236 which was 245,750,000 ounces or about 15,000,000 ounces, less than for 1229 which was the highest on record. He case at The decline is due entirely to the failing off the production in North and South America, principally in the Bhiled States where the economic crisis which as in during 1929 has had a greater effect on the industrial life of the nation than is generally realized. It is very difficult, in the present circumstances to form a schable estimate of world production of new alver for the current year, but I venture the uphalon that it will not exceed 200,000,000 ounces, and may arop as low as 190,000,000 ounces. As regards the conomic position of the metal, he speaker) orded that it was fundamentally sound. There is no overproduction, in the true sense in fact annual production of new metal has never yet equalled annual consumption, but there is for the timp, being an over subplicy of certain Governments has been followed by the marketing of their lemonetized silver. Over 100,000,000 ounces of demonetized metal have been thrown on the world's markets during the last decade of which 200,000,000 ounces have been sold during the last direc years, and there can be no doubt that this forced liquidation on the part of Governments has accentuated the fall in the price of silver and explains why it fell more than the average of other commodities. Prospective supplies from these Governments has accentuated the fall in the price of silver and explains why it fell more than the average of other commodities. Prospective supplies from these Governments of the market may know what it has to expect, the position of silver must remain unstable." At the annual general meeting of Burana corporation, Ltd., held in Ran-

#### MORE HOPEFUL OUTLOOK

MORE HOPEFUL OUTLOOK

Mr. Marmion said, he was convinced of the urgent necessity of a more aimplesmetallic backing to the currency systems of the world. Quite apart from the vexed questions of war debts, and reparations, which had caused so large a percentage of the world's monetary gold to become immobilized and useless as a basis of tredit for the benefit of international tride he believed that future supplies of gold would be inadequate to surpoint the currency and credit structure of a progressive civilisation. Ultimately he felt sure, silver would be restored to its previous status as the coadjutor of gold for the purpose of metallic reserves and as basis of credit and exchange. He pointed to clear signs that this view was receiving more general acceptance and that the situation of silver was more inobeful than tast year, the price having risen from the low point of 12d. to the present price of 20d in sterling or 14d in gold.

As to the causes of economic depression Mr. Marmion made a reference to the opinion expressed by him at the amual meeting last year and said it was largely due to the failure of gold to function freely and chiefly to its mal-distribution, and asseverated that the Macmillan Commission report fortified him in that opinion. Continuing he said it is quite possible that the present divorce of sterling from gold will mark the turning point in the world depression. It may indeed prove to be not only the beginning of the real rise in prices which is the first object of financial statesmaniship at the present time but also the force which will conspect and effective, basis for conducting international exchange in the future.

The Time of India

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# STATE OF STA

#### The Silver Problem

Mr. P. E. Marmion's speech at the annual general meeting of the Burms Corporation, noticed in our columns on Tuesday, has naturally been awaited with much interest, the position and prospects of silver being widely canvassed at the present time. Reporting that the world production of silver had fallen by 16,000,000 ounces in 1930 compared with 1929 Mr. Marmion said that this year production would not exceed 200,000,000 ounces, or 45,780,000 ounces less than in 1930. This substantial drop of round 20 per cent. Mr. Marmion ascribed to the economic crisis in the United States. It is directly due, largely to the smaller production of copper, lead and zine. It should always be borne in mind that at least 65 per cent. of the annual production of silver is a byproduct of ores rich in the metals just mentioned. By-product silver will of course be put on the market irrespective of the price it fetches and the quantity available will depend directly upon the trade demand for copper, lead and zinc.

There is in the real sense of the term no over-production of silver according to Mr. Marmion who said that the annual production of new metal had never yet equalled annual consumption. The apparent, over supply he argued is created by the marketing of demonstised silver on the part of several Governments. It would not be reasonable, however, to lay all the blame on Governments for the fall in the price of silver. China and India are the largest factors in the silver market and in the six years up to 1929 were taking not far short of 200,000,000 ounces a year, or nearly four-fifths of the world's pro-The economic conditions in duction. China and India have obviously checked the demand for silver. To some extent, therefore, low silver prices are a result rather than a cause of world-economic derangement. The absorp-tive capacity for silver of India and China is enormous given reasonably good trading and industrial conditions To any improvement in these the price of silver will quickly respond. In China and India principally lies key to the future of the metal.

The National City Bank of New York has made an interesting calculation to show that the remonetisation of silver would not speedily result in large additions to the monetary stocks of the world. It is pointed out first, as already mentioned, that India and China in recent years have absorbed nearly four-fifths of the world production. The largest stock of silver available for purchase is the redundant coin in the Indian Treasury. The total amount of silver coin and bullion in the Treasury would coin less than 600 million American dollars, and if distributed among the Central banks of the world would be a small addition to the reserves now held in gold worth 11,300 million American lars. There is another stock of silver

of about 10 million ounces in Shanghai but it is considered that much of this cannot be regarded as for sale outside China. In addition there are the scattered stores of silver in India and China, for which large estimates are usually made but the prospects of their export are thought to be negligible.

Mr. Shivpratap Joshi, speaking on Sunday at the annual general meeting of the Marwari Chamber of Commerce, pointed to the decline in the price of silver as disastrous to the position of the poor agriculturist. He took the lowest price this year, namely, 12d. in referring to the decline but it is worth noting that the price has now improved to 20d in sterling or 14d in gold. As the National City Bank points out, India is not on a silver basis and the decline in the value of silver bullion has no more effect upon the purchasing power of the silver rupee than it has had on the purchasing power of the American silver dollar or the silver certificates based thereon. Admittedly the decline has affected the value of silver trinkets and other ornaments belonging to the Indian people, but unless it is argued that these are usually sold their depreciation can scarcely have seriously affected purchasing power.

Mr. Joshi forefold a steady fall of prices unless silver as well as gold became either fully or partially a measure of value. In this he joins issue with those who believe that what is wrong is not a shortage of gold but its maldistribution among the countries of the world.

The dine of India

## SIR ROBERT HORNE ON BI-METALLISM.

In an article included in a special number on silver published by the Financial News to-day Sir Robert Horne expresses the opinion that "it would seem only to be a project of natural prevision to provide arrangements by which silver may become the supplement of gold in our monetary systems. I entirely agree that to do it now, without making any international convention as to the way in which your standard was to be operated and without clearing up the difficulties created by international debts, would ultimately have the effect of draining silver as well as gold to the creditor countries.

"Even so, however, the adjunct of silver to gold would help for an appreciable time to gold would help for an apprec

commodities. "I believe that a full bimetallic programme will yet be found to be the course of ultimate wisdom, but, as a beginning, I shall be content with much less."

Jumes 14/12/39



## DEPRESSION IN INDIA

#### SIR G. SCHUSTER ON THE FALL IN SILVER

FROM OUR OWN CORRESPONDENT

SIMLA, SEPT. 10

The Legislative Assembly had a prolonged debate to-day on the agricultural depression which has followed the fall in world prices and on the Government's measures to meet it. The discussion began on a non-official resolution recommending a more torium for the benefit of agriculturists. Speaker after speaker showed the mischievous impracticability of the proposal, and the mover withdrew it. There followed a non-official resolution recommending the institution of a committee to inquire into the causes of the prevalent agricultural distress and devise means of assisting the agricultural population.

inquire into the causes of the prevalent agricultural distress and devise means of assisting the agricultural population.

The sufferings of cultivators in the Punjab wheat districts and parts of Bengai and elsewhere were movingly described by Sir Zulfiquer. All Khan and Mr. Shah Nawaz. They spoke of tamilies committing suicide because they had no money to buy food, and of fathers selling meir daughters. Sir Pazl-i-Husain showed that the Covernment were as aware of these facts as the non-official members, but denied that conditions in India were as bad as in other countries. He declared that the chief sufferers were large absented landlords, whose direct concern the problem was. They were addressing themselves to it, and the declined to assent to a new committee of inquiry when the Retrenchment Committee was considering the abolition of the Central Council of Agricultural Essearch, which was established in the advice of a Royal Commission and cost 13 lakhs of rupees. Mr. Arthur Moore suggested the remonetization of silver. A reduction in the cupee ratio was also proposed.

Sir George Schuster, the Finance Member, showed that India was not as badly hit as most other agricultural countries, and was not experiencing anything like the misery which afflicted the industrial countries. He reminded Mr. Moore that a countries. He reminded Mr. Moore that a country's purchasing power did not depend on the intensity value of its currency. A great deal of nonsense was being written about silver. Sir Arthur Salter had shown that the percentage fell in China's foreign purchases was less han that of countries on the gold standard. Sir George Schuster reminded the House that the Government of India made a sympalactic offer to cooperate in any reasonable international plan, but no proposals which India could presibly accept had been put forward, and he could see no present chance of any sort of agreement with American interests which would hold out any hope of a permanent in provement of the currency. He reminded the House that

SILVER CONFERENCE URGED PAN AMERICAN COMMERCIAL CONFERENCE WASHINGTON, October 13.

The recommendation to Governments who are members of the Pan-American Union to consider the submitting of the question of the rehabilitation of silver to a World Conference was passed by the Fourth Pan-American Commercial Conference which concluded here to-day.—Reuter.

The Lines of India
18th out 1931.

## STABILITY OF THE RUPEE

#### SIR S. HOARE'S APPEAL

Sir Samuel Hoare, Secretary of State for India, at a meeting of the Federal Structure Committee of the Round-Table Conference yesterday, made a statement on the decision to suspend the gold standard and on the bearing of events in this country on India.

on the decision to suspend the gold standard and on the hearing of events and this country on India.

There is no enestion. Sin Samuel Holer said, that our system of rational finance is as sound and honest as any in the world, and that the inherent wealth and productive power of the nation are almost limitles. His Majesty's Government are convinced that at this moment the British people will remain as steady as a rock, and that they will show their faith in their own currency, standing by it in the knowledge that the whole effort of the Government will be directed to the restoration of stability.

I feel a special responsibility in this cross for India. Since the fixing of the rupee by statute at is. 6d., storting has until to-day been synonymous with gold, and for all practical purposes the stability of the indian exchange has been bessed on sterling. Indian trade is financed through sterling. Indian trade of increase the sterling value of the rupee at this incourse, is, I am sure you will agree, out of the question. It has herefore been decided to maintain the present currency standard on a sterling best. I am satisfied that this is the might course for India and is the most conductive to Indian interests. The Government of India will accordingly continue the policy under which stability in terms of sterling has in the part been secured.

To those among you expert in Indian finance and able to indinence connoin I would venture to address these words. There has been evidence for some time of a desire to convert rupees into striling; the uncertain prospects of such action is illustrated by

\*\* The decision of the Government of India to suspend temporarily the obligation to sell sterling or gold against super is reported on the preceding page.

#### SUGGESTED U.S.-INDIAN AGREEMENT

FROM OUR OWN CORRESPONDENT

NEW YORK, DEC. 6

Mr. Silas H. Strawn, president of the United States Chamber of Commerce, made public at Spokane, Washington, yesterday, an outline of a plan for an export sales agreement between American silver producers and the Government of India. The plan has been drawn up by an expert committee of the United States Chamber of Commerce, and will be presented to the Council of the International Chamber of Commerce in Paris on March 1.

Mr. Strawn expressed considerce that the plain of which the main objective is the raising of this price of silver, would be acceptable to the producers and the Government of Bidla. The committee in its recommendation pointed out that, owing to the Andi-Trust The committee in its recommendation pointed out that, owing to the Andi-Trust Laws of the United States, an agreement of this kind was only possible so far as exports sales were concerted. It does a strain to the desirebility of large silver producers other than Americans being included, and to the impostance of gammy the corperation of the Bank of Spain and either similar institutions. The committee believes "that if it be toze that a scarcty of gold is expected, it would not be impossible to alleriate the scarcity is a certain extent by the use of silver. If any Government found it impossible to secure a sufficient supply of xold, it might cousiefe the possibility of the purchase of an amount of silver, against which notes of low donominations, covered by silver to aimst the full value of the gold on which it substitutes, would be issued. These notes would circulate concurrently with paper currency, which is partly covered by gold." It is also suggested that the International Chamber of Commerce might urge Governments to restore, in so far law of the considerable with the silver interests, has denounced far Strawn's part in the silver interests, has denounced far. Strawn's part in the silver interests, has denounced far. Strawn's plan as an impredicable substriuge. He desired that the entity of silver coins and the customer of other commodities of which the silver interests, has denounced far. Strawn's plan as an impredicable substriuge. He desired the silver problem was an international speciment of the silver interests, has denounced far. Strawn's plan as an impredicable substriuge. He desired the silver into the more substriuge of the world on the market. Every Government, except perhaps those of the while he was a substriuction of the purchasing ower



# REMONETIZATION OF SILVER 17-12-31

#### MR. J. F. DARLING'S VIEWS

In the course of an address delivered yesterday at Belfast, before the Northern Ireland section of the British Textile Institute, Mr. J. F. DARLING said that they should keep steadily in view the creation of an Imperial monetary unit on which the pound and the other currencies of the Empire would be based, and endeavour to make that unit so strong

monetary unit on which the pound and the other currencies of the Empire would be based, and endeavour to make that unit so strong that the dollar and the franc and other currencies would be attracted towards it because they could not afford to remain apart. That would constitute a world menetary relationship yastly different from the one entered into, with the paund subordinate to the dollar, in 1925, and an essential factor in bringing it about was the retention of the freedom they bud now regained.

The present crisis went far beyond anything that the mere provision of added credit facilities could care. The effective working of the credit system pre-supposed adequate security against, which accommodation could be granted. The credit machine, however, was now compelled to run dead slow not through lack of potentialities—witness the tremendous credit power inherent in the gold noldings of United States and France—but through lack of security. Their immediate pressing concern was with the restoration of values, which must precede the effective use of credit and world recovery. To bring this about some dynamic price-raising power was needed—a force, moreover, which would raise values without increasing debts. Whence was that dynamic power to come? It was ready to band. A beneficent nature had provided them with a superabundance of products of all kinds. In order that they might enjoy that superabundance it was essential that they should have the faculty of exchanging them. In gold and silver Nature had provided the world with two metals eminently suitable for use as money, and from the dawn of history both had been so used.

Nature had also indicated their relative values, for on an average she had yielded no more than 14 ounces of silver for gold, and nation after nation followed, the value of an ounce of gold was equal to no more than 14 to 16 ounces of silver. An ounce of gold had now however, been given a viline winch was about 76 times that of silver. Because the wind had become steeped in a gold mentality,

Mr. Darling then proceeded to outline the plan for an Empire monetary unit which he published in pamphlet form on the eve of the Imperial Conference of 1931, dealing with it particularly in the light of the suspension of gold payments.



# SILVER PROBLEM

## \*\*BURMA CORPORATION CHAIRMAN'S VIEWS

(FROM A CORRESPONDENT.)

At the annual seneral meeting of Eurras Corposation, Ltd., held in Rangoon, Mr. P. E. Mermion, (Vice-Châirman's and Joint Manasins Director), firesiding in course of his speech toole reference to the world production of silver for 1929 which was the flights of ounces for about 16,000,000 ounces less than for 1929 which was the flights on record. He observed "The decline is due entirely to the fifting off the production in North and South America, firm-cipally in the United States where the economic crisis which set in difficult in the present circumstances to form a reliable estimate of the indion that is generally realized. It is very difficult in the present circumstances to form a reliable estimate of world production of hew silver for the current year but I venture the opinion that it will not exceed 200,000,000 ounces and may doon as low as 190,000,000 ounces and may doon as low as 190,000,000 ounces and may doon as low as 190,000,000 ounces." As regards the economic position of this inetal he (speaker) opined that it was fundamentally sound. "There is no overproduction in the true sense, in fact annual production of new metal has never yet equalled affault consumption but there is for the time being all over supply created only because the currency golicy of certain Governments has been thrown on the world's marketing of their demonstized silver. Over 400,000,000 ounces have been sold during the last three years, and there can be no doubt that this forced liquidation on the part of Governments has accominated the fall in the price of silver and explains why it fell more than the average of other commodities. Prospective supplies from these Governmental sources are uncertain, but he are large and unful plans can be made either to be obviate the necessity for further sales or to regularize them so that the market may know what it has to expect, the position of silver must remain unstable." at the annual seneral meeting of Burma Corposation, Ltd., held in Ran-

#### MORE HOPEFUL OUTLOOK

MORE HOPEFUL OUTLOOK

Mr. Marmion 'said, he was convinced of the urgent necessity of a more employed the urgent necessity of a more employed of the urgent necessity of a more employed and urgent from the vexed questions of war debts and reparations, which had caused so large a percentage of the world's monetary spid to become immobilized and useless as a basis of credit for the benefit of international trade he behaved that future supplies of gold would be impleaduate to support the currency and credit structure of a progressive civilsation. Ultimately he felt sure supplies of would be restored to its previous status as the coadjutor of gold for the pultpose of metallic reserves and as basis of credit and exchange. He pointed to clear signs that this view was receiving more general acceptance and that the situation of silven was more bepetul than last year, the price having risan from the low points of 12d, to the present where of 2nd; in sterling or 14d in gold.

As to the causes of communic depression Mr. Marmion mode a reference to the opinion expressed by him at the annual meeting last year and said it was largely due to the failure of gold to function freely and chiefly to its mal-distribution, and asseverated 'that the Macmillan Commission report for freed him in that opinion. Continuing he said, 'this quite possible that the present divorce of sterking from gold-wide mark the turning point in the world depression. It may indeed prove to be not only the beginning of the real-rise in prices which is the first object of financial statesmanship at the present time but also the force which will complete and effective fasts for conducture when and effective fasts for conducture with enternational exchange in the fast object of financial statesmanship at the present time but also the force which will complete and effective fasts for conductures with and effective fasts for conductures with an analysis of the real-rise in prices which is the first object of financial statesmanship at the present time.



## SILVER IN 1931

#### A STATISTICAL REVIEW

Two recent issues of the weekly survey of foreign trade published by the United States Department of Commerce contain a valuable statistical review of the position of silver in 1931. Whether or not an increase in the price of any staple commodity directly causes an increase in the price of silver is described as a question. Since silver is a commodity and since its price acts like commodity prices (subject however to the separate influences peculiar to silver) it is logical to say that there is a very definite connection between the price of silver and the prices of other world commodities. This point is illustrated by a chart which shows the price of silver and of wholesome commodities since 1914. From the chart it is evident that in so far as the price of a given commodity influences the general price level it influences silver. Some interesting indices of seasonal private import of silver by India are published for the first time in this review. These indices cover two periods 1903-16 and 1921-30. The pre-war indices show the chief imports to have occurred in February. April, January and May.

CHINA'S PURCHASES OF SH WEE and May

#### CHINA'S PURCHASES OF SHAVER

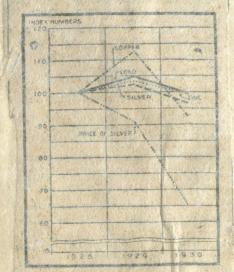
occurred in February, April, January and May.

CHINA'S PURCHASES OF SHAVER

It is sometimes argued that the purchasing power of china abroad varies with the price of silver. It is noted however that the purchasing power of a country is not inherent in the value of its medium of exchange. None the less, fluctuations in the value of that medium admittedly cause disturbing readjustments in the inflow and outlow of goods. In 1928 a net improvement in the price of silver was accompanied by improvement in United States exports to China; and, in the other years, declines in silver by declines in exports. This correspondence existed in so far as the direction but not the degree of the movement was concerned. For example, in 1927 and expectally 1928, the change in exports to China was greater than the change in the price of silver. In the three following years however—during each of which the price of silver and the value of United States exports to China both declined—the price of silver declined more than China's purchases from the United States. During 1927, 1928, and 1929 the changes in China's exports to the United States and in the price of silver were in opposite directions, contrary to what might be expected—leading to the deduction that China's exports to the United States, being only one factor in the demand for and price of silver, were not sufficiently strong to outweigh other important factors in the price. During 1930 and 1981 both the price of silver and China's exports to America declined, the exports to America declined, the exports more than the price—more in accordance with what may be expected from the assumed connection between silver and China's exports from the United States deviced from the United States developed to estimate the United States developed only 10 per cent.

#### PRODUCTION AND PRICE

That the output of silver has declined is due only in part to the effect of a lower price of that metal. More important has been the decline and consequently lower production of lead, copper, and zinc, of which the greater part of the world's silver production is a sort of by-product because it is found mixed with them in ore. In the accompanying chart reproduced from "Commerce Reports" the percentage changes in the production and price of silver curing 1929 and 1930 are shown as well as the output of lead, copper, and zinc.



percentage decline in the price of silver (9.1 per cent.) occurred in 1929, yet production increased 2.7 for cent. Since silver is from 65 to 70 per cent. a "by-product" of lead, copper, and zinc, the increase in the production of those metals in 1929 is sufficient to account for the failure of silver production to dedline. The decrease in their production in 1931 naturally was accompanied by a decrease in the output of silver. It will be noted that a considerable

Mr Zinnes of India



#### THE RUPEE-STERLING EXCHANGE

Sir.—My attention has been drawn to what purports to be a brief report in your news columns of the view I expressed in the course of a discussion on 'The future of the Gold Standard with special reference to India' at the proceedings of the Indian Economic Conference yesterday. Allow me to point out that the report is like to create a wrong impression about what I actually said. The detailed discussion was necessarily technical but the general propositions which I attempted to establish to the best of my ability were:—

1. That in the absence of any attempt to regulate the international value of gold, even a rich country like England found the strain of sustaining the gold standard unbearable while the economic position created in India by linking the rupee with a price level that was falling continuously was well-nigh intolerable.

2. That neither the relative price (TO THE EDITOR OF "THE TIMES OF INDIA.")

continuously was well-nigh intolerable.

2. That neither the relative price levels in India and United States in September 1931 nor the gold reserves of the Government of India as compared to the decreasing liabilities arising out of the note-issue and rupee-circulation justified the alarmist attitude that Government took in September 1931.

3. That given stability of prices, the free rupee was as likely to fall to 5d, as the pound sterling to the value of the paper on which it was printed.

4. That it is possible to stabilise

value of the paper on which it was printed.

4. That it is possible to stabilise the general level of prices in India and leave exchange to find its own level without any serious damage to the economic position of India.

5. That the trade returns for October and November showed no stimulating effect on exports as the result of linking the rupee to the depreciating sterling.

6. That the expansion of Indian currency as the result of sterling which had been depreciating in terms of sterling which had been depreciating in terms of dollars "much more heavily" than its internal purchasing power justified was likely to prove very embarrassing to Government when the gold rate of the sterling is again stabilised in the neighbourhood of the normal rate as determined by the purchasing power of the sterling and the dollar as it would then necessitate drastic defaition.

7. That the proper policy to follow.

ion.
7. That the proper policy to follow is to determine first roughly the approximate price level which was proper to the circumstances of India and then aim at the stabilization of prices, leaving exchange free to find its own

leaving exchange level.

8. That it is not necessary to the success of such a policy to aim at exactness as it is outle sufficient to allow seasonal fluctuations of exchange to be regulated by movements change to be regulated by movements.

(Continued in next Column).

of gold and allow exchange to absorb the shock of violent changes in the external price levels.

9. That the experience of 1917-1925, particularly that of stability of prices during 1921 and 1922 showed that such a policy was feesible in India.

H. L. CHABLANI.

January 7, 1982.

7 1932

# PROSPERITY THROUGH SILVER

## INDIA'S OPPORTUNITY

TO THE EDITOR OF "THE TIMES OF INDIA."

India can de it. India must de it! The root crises of the present economic crisis are an unparalleled fall of gold prices rising, out jo? an artificially induced scarcity of gold, itself the consequence of French and American import tariff legislation, which forces debtor nations to pay war reparations and other international debts to the U.S. A and France in gold rather than goods; and lastly, the action of French and American Governments and peoples heading that gold instead of utilising it and passing it into world circulation again as money, has brought about a prolonged and intense fall of gold prices, and a widespread fall of gold prices, and a widespread loss of confidence and aredit that have temporarily ruined agriculture, brought industry to a standstill, and threatened to bankrupt many Governments.

I nowice that Mr. Chundal Menta,

threstened to bankrupt many Governments and netwithstanding, would like the "Government and peoples of India to go on "hoarding gold, thus making the world gold position worse than before! He status, (but without any proof) that present exports of gold from India are "not in the interests of India." I submit on the contrary, that present gold exports are not only profitable to India, they are the rowest and best possible contribution that India can make towards the solution of her own and the world's present economic impasse. Such exports mean for the most part the trimiting of sterile metal heards into live, fluid capital that can bring an immediate return and profit to its owners.

Why them all things considered should India—the present substand wait for monetary sanity to reassert itself in Wall Street and Lombard Street, the homes of the gold monemaniaes" Great Entain, has already been forced of the Gold Standard; and India, Japan, and half a dozen nations in Europe have been forced to follow suct. So that the world is now threatened by a deluge of paper inflation anless India makes a firm stand, and taking the lead insists that silver is far better than paper—that justice to India's myriads of holders of silver reserves demand that the value of those reserves be restored to a reasonable level,—in short that silver be restored and re-monetized,—and that India's mints be recoinage of the white metal as of old. "But," you ask, "what guilaintee it there that silver be restored and re-monetized,—and that India's mints be recoinage of the white metal as of old. "But," you ask, "what guilaintee it there that silver be in the return even its present value." There is every reason to believe that if the world, lee by India, decided to reture silver its former honoured position as a first-class money-tool its value wis a vue gold would greatly increas. Mr.

via gold would greatly increase

Sir,—His Excellency the Viceroy in Calcutta on the 30th ultimo reminded us of a fact that some of us sometimes overlook. Lord Willington said:—"I believe that there is no country in the world that is in a sounder position to start a trader-vival than India, when world conditions improve. ......"

This is undoubtedly true. But, with very great respect, I desire to ask-Why should India wait for world conditions to improve? Why should not India take the lead and start a trade revival herself, this very year, without waiting for anyone?

India can do it. India must do it! The root causes of gold, itself the consequence of French and American import tariff legislation, which forces debtor nations to pay war reparations and other international debts to the U. S. A, and France in gold rather than goods; and latily the action of Tax and a the world's currency problem that could be put into operation forthwith, without the lengthy and unsatisfactory complications of an international conference. History tells us that the last three difference.

without the lengthy and unsatisfactory complications of an international conference!

History tells us that the last three great periods of human revival and progress followed the bringing of large quantities of the precious metals to the service of mankind,—in the sixteenth century, in the middle of last century and at the opening of the present century. We have a further opportunity now.

Of course the restoration of silver to its proper position in the currencies of the world would produce a slow but long sustained rise of prices. But this would mean satisfactory profits to producers, rises of wages and salaries to hand and brain workers, and balanced budgets for all local and central. Governments It seems almost incredible that any informed Government can hesitate at such a prospect, especially when the alternatives,—falling prices, continually reduced wages, and chronic bankruptcy, or, inflated paper prices followed by certain disaster such as overtook the paper inflations of most European countries after the close of the Great War. countries after the close of the Great

paper inflations of most European countries after the close of the Great War.

Why should India wait? Let not Sir George Schuster act like the 2rd Officer of the P. and O. China, who, a few years back, ran his steamer on Penim Island in spite of the fact that Perim Light was staring him straight in the face! Unfortunately, the young officer was afraid to disobey the instructions—mistaken instructions—chalted up on the board heside him, and the Capitain was down below at dinner. Well in continuing to sell India's silver at a time like the present. Sir George Schuster is shutting his eyes to facts. The Hilton-Young instructions were wrong, as eyerybody now can see and frankly admits. If Sir George Schuster continues to hanker after gold and to sell India's silver (for which he will shortly have to substitute paper), he will assuredly run India on to financial rocks.

The present shead is clear and, cial rocks.

cial rocks.

The prospect ahead is clear and promising, as Lord Willingdon has just reminded us, provided we steer the right course. The lighthouse is showing clearly ahead. Let us be guided by its silver heams, and make a lirect course for prosperity. It is for India to lead the way Now is the moment. Let us sieze it.

M. DE P. WEBB.

M. DE P. WEBB. Karachi, 4th January, 1932.

2he Times of Judah

The Chancellor of the Exchequent told Parliament just before the Christmas recess that he was astonished by the volume of correspondence andressed to him containing some infallible plan for solving all the problems of international trade and for superseding "old-fashioned" devices like that of the gold standard. Most of these correspondents, he said, seemed to be under the impression that their ideas were new, but the experts at the Treasury always recognised them as the same old hoary theories which had been coming into the Treasury for years.

Quite apart from any fallacies in

the currency theories which are being bandied about, there seems to be car too little realisation of the many practical difficulties which would be involved in, for instance, the remonetization of silver. It stands to reason in the first place that India and Great Britain cannot take this step alone: it is essentially one for international action as the sources of silver supply are not a monopoly of the Empire. The suggestion has been made to the United States silver producers that instead of waiting on the Indian Government to help raising the price of silver, they should petition their Government to exchange some of India's silver for even little of the huge stock of gold now in America. As there is no enthusiasm for any such arrangement, there sould scarcely be any more if the question of the re-monetization of silver actually came up for international discussion.

A topic of supreme importance in such a discussion would be the fixing of the ratio between the value of gold and that of silver. It is perhaps not widely realised that to make the rupec now valued at 1s. 6d, in sterling, the money of account, the price of silver would need to be fixed at about 4s. an ounce against the present price of round 1s. 8d. No wonder silver producers are enthusiastic supporters of the silver standard. It is likely, however, that countries which have ceased to use silver for subsidiary currency would go back to buying metal at 4s. an ounce when under adequate control they can find a piece of paper just as satisfactory?

There would seem to be fallacies in the argument that the re-monetization of silver must largely increase the purchasing power of the East which, it is said, has been much reduced by the fall in the price of silver. This cannot be true of India because she is not on a silver basis. The decline in the value of the silver content of the rupee which is a mere token, cannot have had any effect or purchasing power in India. It is also claimed that the re-monetization of silver for India would cause prices to rise here. India's prices in the long run correspond with world prices in the and those for most of its shief agricultural products have fallen and, in terms of gold, are still falling far more through world over-production than because of the monfrary factor The one area of the work where in theory demand might be increased theory demand might be with wholesome effect on prices would be China. In actual fact, however, the increased demand would not save much effect on the price of impried to the world economic lepresson took but two and a half per cent of world exports.

Mu Zimes of Indi



## Silver Position

#### HANDY AND HARMAN REPORT FOR 1931

#### An Optimist's View

To those who are interested in silver the report of Messrs. Handy and Harman for 1931 should be valuable reading. The mined production has gone down to is year to 196 million ounces which is 20 1/2 per cent less than last year. The output from the Governments has also decreased to that sales were only 255.6 million ounces against 318.3 million ounces for last year. The low price of silver has not increased demand but has rather curtailed it.

Perhaps the most important tactor is the lack of demand from India where the duty has acted like a valve and prevented free trading in the markets. Imports of silver have had to be restrained and as demand was also less owing to lower earnings of poassible. India was very much out of the buying market. If better conditions should prevail we must get rid of our 10,000 bars stock in Bombay. And that will take a pretty long time.

#### DIFFICULTIES OF BIMETALLISM

The report also deals with proposa for bimetallism and says that this cannot work unless there is international co-operation and this is not possible new. It does not consider that the low price of silver has anything to do with the depression for the purchasing power of silver-using countries has not diminished much. Artificial enhancement of the price of silver will not therefore help and this is probably the reason why the United States Government have not taken any tep to popularise silver as currency medium. But the outlook for silver is considered bright as the reduced output and the slight demand for monetary silver should raise prices soon It is an outsinist's view.

The Bombay Chromels

4.2.32

The United States House of Representatives, influenced by the propaganda of American silver producers, has appointed a committee with terms of references so wide that no aspect of the silver question will be missed. The chief service the committee will perform is to sift and bring together the scattered studies on silver which have recently been the preoccupation of many economists and official bodies. It will be a distinct advantage to have all aspects of the silver question discussed within the covers of one book. The committee is to start off with an examination of the causes responsible for the great fall in the price of silver. This will not be a very difficult feat and if the committee follow the trend of orthodox comment, it will find that the fall in the value of silver is due mainly, like the fall in other commodity prices, to a rise in the value of gold dansed largely through American monetary and fiscal policy. Many of the silver champions often overlook the point that the fall in the gold price of silver is not a unique phenomenon but his accompanied the general fall in gold prices. The committee will next examine the monetary policies of all the countries in the world so that it may find out the reactions on the value of silver. Realising that the prospects for the use of silver as a standard of value compared with gold are not bright, silver propagandists are suggesting that Governments might buy and coin more silver for subsidiary tokens and mint coins with a purer silver content. All countries are striving hard to curtail heir expenditure and it is scarcely tractical to expect them needlessly to spend more on token

Another task of the committee is to suggest methods whereby the value of silver may be stabilised and to report on the advisability of holding an international conference to consider the silver problem. This part of the committee's task has recently been the subject of investigation in America and the outline of a plan for an export sales agreement between the American silver producers and the Government of India is in being. The plan was drawn up by an expert committee of the United States Chamber of Commerce and is to be presented to the Council of the International Chamber of Commerce in Paris on March 1. Senator Pittman,

coinage.

the outstanding political representative of the American silver interests has described the plan as "an imprac-ticable subterfuge." He argues that the only way to deal with the silver problem is by an international agreement to end all melting of silver coins and the dumping of builion on the market. The details of such an agreement, which must needs be just as fair to the Indian Government as to the American silver producers, still remain to be hammered out. In all plans for improving silver prices, the one essential test is that the silver producers will get no more benefit than the general community. Equally important is an unprejudiced examination of the effects of raising the gold price of silver. If this were done at a time when other gold prices were not rising, it would reduce silver consumption in the East, With China on a silver basis it would increase the cost of Chinese exports which in turn would reduce China's imports. These and numerous other points would have to be carefully borne in mind at any international conference called as a result of the report of the American Committee appointed this week.

#### AMERICA AND THE SILVER PROBLEM

COINAGE COMMITTEE (Special Cable.)

WASHINGTON, February 8.
The House of Representatives has appointed what is described as a Coinage Committee to inquire into the causes which have brought about the depression in silver. This Committee has also been commissioned to examine the monetary policies of all countries in the world to consider the relations of these policies to the value of silver, and their dependence thereon.

The Committee will further suggest methods whereby the value of silver might be stabilised and report on the advisability of holding an international conference to donsider the problem of silver and the method of stabilising the arice of silver, and finally to consider the price of gold as measured in terms of commodities.

The Time of India Job. 11. 1932

#### MEASURING FUNCTION DISTORTED

16.2.33 (TO THE EDITOR OF "THE TIMES OF INDIA.")

Sir,—In their irrational desire to stop exports of gold from India, some people are saying and writing things that ought certainty not to be allowed to pass uncorrected. Thus in "Cotton and Finance" for February, published by Messrs. Chunilal Mehta of Bombay, appear the following assertions by the Editor:—

(1) That the gold standard has certainly not failed in its functions;

(2) That the gold standard ro-day works very well in the U.S.A., France, South Africa, and other countries;

France, South Africa, and other countries;

(3) That there is in many countries a rush towards, gold hoarding, not away from gold hoarding;

(4) That glat is concentrated in a few countries because capital wants to go' to those countries.

Each of the above assertions appears to me to be diametrically opposed to facts. Thus

(1) One of the chief functions of gold money and the gold standard is to measure commodities gurly and constantly. How has gold money (and the cold standard) performed this tapction. Here are the ladex Numbers of wholesale prices for the last three Octobers.

1329 1930 1931

U. K. 160 U. S. A 177 France 602 Germany 187 106 97 88 423 140 India 107

In other words the measuring function of gold standard money has been very gravely distorted. Such money now measures over 30 per cent, (on an average) more than it did three years ago (and over fifty per cent more than it did a few years back). What should we think of a yard measure which expanded in this way?

The truth is that gold has completely broken down as a standard measure of value, ruining producers and debtors, and threetening to rhin the whole world. That is why so many people are endeavouring to standy its purchasing and measuring value by linking silver to it.

(2) So far from the gold standard working "well," prices are still falling in France and the U.S. A., producing widespread rain and unemployment in those countries. South Africa is about to give up the gold standard.

(3) There is a "rush towards gold handling" in page of the standard working in page of the standard.

standard.

(3) There is a Trush towards gold hoarding" in many countries. Not in civihsed countries. Not in England where people are selling their gold as people are doing in India. During the last few weeks the United Kingdom has exported gold as under:—

 Week ended.
 Amount,

 17th Dec. 1931
 \$3,248,087

 31st Dec. 1981
 1,951,574

 7th Jan. 1932
 5,008,738

 14th Jan. 1932
 3,445,046

 Week ended." Amount,

There is no sign of gold hearding in England in the above figures. As I write the U. S. A. have indicated that they are about to release \$\frac{1}{2}\text{OU}\_000.000 \text{ gold}\$ is consectivated in France and the U. S. A. and because "capital wants to go there," but because both France and the U. S. A. have erected such high import tariffs against other countries that those countries are forced to remit their liabilities (including War Reparations) to France and the U. S. A. in noid. There is no other way practicable.

able.
I sak you to publish, and comment on this letter. It is of vital importance to India that her people should mow the true facts of the case rearding rold and the gold standard. I submit that the muth is as stated by me above.

M. DE P. WEER.
Karachi, 12th February, 1982.

The Time of Land



#### REHABILITATION OF SILVER

U.S. PLEA FOR WORLD CONFERENCE

FROM OUR OWN CORRESPONDENT

WASHINGTON, FEB. 26

WASHINGTON, FEB. 26
A document of much value and ultinate possible significance was read into
he American Hansard, the Congressional
tecord, to-day by Mr. Andrew Somers,
hairman of the Coinage, Weights, and
Measures Committee of the House of
Representatives. It gained in interest
from an accompanying letter to Mr.
Somers from Mr. Churchill, written during
the recent visit to Washington of the man
who was Chancellor of the Exchequer at
the time of Great Britain's return to the
gold standard.

Mr. Churchill believes that "purport

gold standard.

Mr. Churchill believes that "prompt internationalicooperation upon monetary conditions is not only desirable but imperative, and that it can be effected only through an international conference." He adds:—

I concur with the statement that there is over-production with respect to purchasing power rather than with respect to requirements. I consider that the question of the rehabilitation of silver through the joint action of the principal Western nations should be one of the principal matters to be considered by an international conference.

Upon the text of these two paragraphs the committee's document as an extremely able and persuasive sermon.

extremely able and persuasive sermon. It is a plea for international action to re-establish a "proper relation" between silver and gold.

It starts from

re-establish a "preper relation" between silver and gold.

It starts from the fact that during the Great War India and China "celled up against the Allies belances of such magnitude as to make the question of their settlement a pre-tanious one," because "neither India nor China possessed the economic machinery which makes possible the postpotament of settlement of balances by means of bank credits or bend issues." Then followed the exhaustion of Europe's visible stocks of silver, an increase in the bullion value of iractional currency, hourding, debasing, and demonstring, until, with the change in the Indian currency system from gold exchange to gold bullion in 1925, there was laid, according to the report, the "basis for the great monstary dislocation which we are witnessing to day, because it super-induced the flight of capital."

So the argument takes its way through huge protective "cover" operations of the peoples of tudia and China—purchase of gold and/or gold exchange—the effect of exchanges, thus dislocated, upon commodity prices, and resort to tariff walls as protection against the dumping of low exchange nations, until it touches upon the inter-relations:—"The Nationalist movement of Innia is a typical illustration, as is the effect upon the economic life of Japan of the depressed China exchanges."

#### "VORTEX OF DEFLATION"

There is much more, but the conclusion the whole matter is thus stated:—

There is much more, but the conclusion of the whole matter is thus stated:

When the question is examined from every angle accurate diagnosis of the money problem invariably points to the two metals which form the bases of the money systems. Once this is conceded, it is simple enough to accept the principle that if the "quality of money" is destroyed in one metal, mankind will desert the one so debased and reach out for the other, to which value is still attached. Hence the universal rush for gold or gold exchanges, which plainly explains maldistribution, hearding, and all those attendant evils which make for destruction of values through disruption of trade via the exchanges. It is monetary dislocation which has set in motion the victous vortex of defation which is gaining in velocity as its evil consequences multiply, because they feed upon each other. We have abundant evidence of the failure of palliatives everywhere; yet we dismiss the evidence and persist in treating the effects and ignoring the cause. It is time to call a halt and to recognize the urgency of teestablishing a proper relation between the two world vardsticks of value, because this is indispensable to a proper equilibrium in international trade.

The target of those who have prepared this paper is American action. If says

The target of those who have prepared this paper is American action. If says the document, the United States were "to take the initiative in the field of international cooperation of matters pertannational cooperation of matters pertaining to silver as money, their action should not properly be translated as an expression of the interest of a merchant in his product. The British Empire produces an overwhelming proportion of the total world output of gold; yet in matters monetary Great Britain is never approached from the angle of a metal producer seeking a market for his producer." More will be heard of the matter before Congress adjourns—more, pethaps. Lefore Congress adjourns—more pethaps, from the Wrate House.

GL

PROBLEM OF SILVER

The Hon. Mr. A. F. L. Brayne, Financial Secretary replied that the Secretary of State for India is in communication with Mr. N. L. Franklin one of the members of the Committee of Experts appointed by the International Chamber of Commerce regarding silver on the subject of the recommendations made by this Committee Discussions at present are directed only to clearing up a number of important points which were left vague in the Report of the Committee When these discussions have been concluded, the Government of India will be in a position to decide what action should be taken, and in the meantime the whole question is receiving the attention of Government.

The Bombay Chronist. 7.3.32.

#### VIEW OF THE HONG-KONG & SHANGHAI BANK

The full report of the annual meeting of the Hongkong and Shanghai Banking Corporation which was held at Hongkong on February 27, is now available here. The Chairman, the Hon. Mr. C. G. H. Mackie gave an interesting and informative review of the economic situation in China. On the cuestion of silver price levels and of means and methods of stabilisation Mr. Mackie said that he did not wish to discuss the profilem on the wider plane, but to touch on the cuestion from the standpoint of Far Eastern trade.

plane but to touch on the question from the standpoint of Far Eastern trade.

'From this special angle there are however, one or two points which perhaps deserve rather more attention than they have generally received. In its effect on the China trade the decline of silver has naturally tended to encourage exports and handleap insports, but it is important to hear in mind that the extent of this influence on the import and export trade is measurable by the fall of silver not in relation to gold but in relation to measurable by the fall of silver not in relation to gold but in relation to make up China's trade Now this relative fall has been comparatively small and its effect on the trade correspondingly slight a fact which helps to explain the superficially puzzling fact that China's adverse trade balance has actually risen during the last two years in the face of a silver depression which should have operated in exactly the contrary direction. At the same time the benefit to China, from a national point of view, of having a currency not linked to gold and consequently free to adjust itself to local commodity prices has shown fiself in the afeadiness which China has enjoyed in contrast to other countries in her domestic price levels."

#### MIXED BLESSING TO CHINA

MIXED BLESSING TO CHINA

"The advantage of a constant price level needs no stressing in these days when we have had so many examples of the effects of thattusting prices as reflected in costs of living, labour conditions and so forth, it is not surprising, therefore, that many Chinese as well as foreigners hold the view that the stabilisation of the rate of exchange between silver and gold would be a mixed blessing to China and that a sudden artificial rise would have extremely harmful results. It is frequently argued that a rise in the purchasing value of silver would render China a better customer of the world's cools. This is true to the limited extent to which silver might be brought out of hoard for the purchase of foreign products but as my precedessor had occasion to stress last year. China, like all countries, buys her imports by means of her exports, and it is upon the quantity of the latter and not on the price of silver that her capacity to buy from abroad really depends. Silver is morely the medium of exchange, the intrinsic value of which is of purely tamporance,"

#### DANGEROUS TRADE BALANCE

Chine's expert trade should logically have benchined from the continued drop in the tacl examine in 1981, but have benchined from the courinued drop in the tacl examine in 1981, but have gain from this cause was more than other by the weakness of foreign demand for Chinese products. The agures for 1981 well, I feat, show a further considerable growth of the market products as serious feature for Chinese becoming a serious feature for Chine mand for diver. Trade in the centre of Chine was much nampered by fleods and widespread banditry, and in the Manchurian provinces by the political manum. Throughout the country as whole there was little, if any, relief from the burden of military taxation, and, in spile of the absence of party warfare, interference with the rail ways was atthe very general. The increase in export duties introduced on June 1st coming as it do in the misst of a depression—provad a serious addition to the difficulties of the exporter dropping by about one-third; most of the file.

Sill, as a luxury preduct suffered in a serious draft, the file approach togge, the export dropping by about one-third; most of the file.

Sill, as a luxury preduct suffered in a serious against a present closed down and many are mading themselves in serious increase are at present closed down and many are mading themselves in serious increase are at present closed down and many are mading themselves in serious increase of this produce with the supply at cross-tone togge, the export dropping by about one-third; most of the market for this produce with the supply at cross-tone was hand hit roth by the forest was a first to be and by the exceptional weakness of the number of this produce with the supply at cross-tone togge, the two bessele technically reduced by the wholesale technically reduced by the wholesale technical to the difference in the Yangtine Valley.

Ca the import side reduced conjumption was general encount in the
last of cereals. Of these unusually
large quantities came in during the
large quantities of meant in the first
shipments of hearly initial miller cause
out to China, for faced temme relief.
Australia, helped by exchange, previded most of the ordinary wheat
shipments and large quantities of meawere imported from Rangeon. The
orinipel cause of this large introduction of loodatuffs lies in the abnormal
movement of puncs, the drop in the
world market resulting often in foreignimported fram coming cheaper into
the market thom crops grown and
transported in China.

Merosane imports a very large tem
noweday fril by nearly a half, partly
because of a heavy increase in dury
it is a retrograde sign of the times
that the poorer households are stated
in many cases to have gone back to
the habit of burning the local beam of.
Gasolene too has then, indicating a
temporary check in the hitherto rapid
development of motor transport in
China

The engineering trade survived relettively well, but the long credit terms

development of motor transport to China.

The engineering trade survived relatively well but the long credit terms attached to most large contracts proved as usual a stumbling-block to importers were few. From now on, however, british manufacturers are beginning to reap the benefit of the Sino-British acreement for the use of the remitted "Boxer" funds. The major part of these funds is ear-marked for the outcomes of British majorial to be supplied in the form of investment, to the Chinese railways and other constructive enterprises, the funds to revert ultimately to concernal purposes.

BUDGET DEFICITS

BUDGET DEFICITS

China is started on the road of producing to her own use textile machinery and other objects of more or less slithed manufacture. The tendency to set up modern textories inside the textiff wall (atthough at present mainly confined to the treaty port areas) has also been stimulated by the considerable increases in China's cretoms tariff. From a world point of view it cannot be said, however, that the industrialisation of China has yet advanced to a really significant extent with the single exception of cotton raills, the cutput of which already making its mark on international trade.

Sir Arthur Salter's visit to China last spring to advise the Chinese Government on financial matters roused hopes of a possible reorganization of a general nature, but the subsequent decerioration of the political situation put this out of the question. With no prospect reduction of the regional armed forces the Government's 'military expenses' continue to drain the exchequer and to add to the current deficit which at present exceeds 12 million dollars a month. Outstanding the year by over 200 million dollars face value bringing the total to nearly 1,000 millions. The Central Government's credit as reflected in the market price of these loans has fallen disastrously and the situation calls for speedy and draste measures of reform which to be effective, must however start on the political plane. Some encouragement may be gleaned from the fact that the sane and salutory influence of the Chinase bankers is apparently steadily increasing in the conduct of the National finance.

The Chairman said that the net profits for the year amounted to \$16,409,461 or about \$4,250,000 less than in 1930 while expressed in stering they showed a decrease of about \$260,000. The Corporation paid a final dividend of £3 ber share, and carried forward \$3,421,511 approximately the same amough as it did the previous

SILVER AND OTTAWA.

Though the question of an Empire currency may be discussed a Ottawa, it is too much to expe that any definite conclusions will .. reached there. The subject is so intricate, involves so many interests, and is still so controversial that a decision yet awhile is quite impossible. Specific proposals about the place of silver in an Empire currency scheme, which it is reported are to be put to the Ottawa Conference, should be received with reserve. The British Chancellor of the Exchequer has again and again stated that he cannot say when or at what parity Britain will return to the gold standard, or to a new standard embracing gold and another metal. His hesitation is completely justified by the uncertainty as to the future course of the world's monetary machinery. No country at present off the gold standard is likely to go back to it until gold is once again used merely as the medium for settling the balance of payments between nations and not as a medium for paying international debts and reparations. Until there is a definite understanding about the way in which any metallic monetary standard will be operated, it would be useless to remonetize silver since it would be subject to the same drain as has occurred in the case of gold. about the remonetization of silver must be purely academic until the reparations and war debts problem is solved. The time is now drawing near for an international conference about reparations, and judging from the official statement issued by the British Government, there is still uncertainty when the conference will meet. It has already been postponed once, and apparently one of the parties is playing for a further postponement.

According to the statement just issued britain is opposed to the "view that no harm could follow "the postponement at Lausanne of "the reparations problem, and her "representatives will insist upon "working for a solution." The likelihood of a further postponement has apparently feen noted at recent conversations petween European statesmen who have been to Geneva primarily to atlend the Disarmament Conference. These conversations, states the British Government, have led to the belief that with goodwill and good sense the problems facing the Conference can be settled. But that is rather cold comfort, since a solution might long ago have been reached if only goodwill and good sense had pravailed. Goodwill and good sense would also have to be displayed by the United States since reparations receipts cannot be given up without America foregoing its dues from the war debt settlements. America as yet shows no willingness to forego war debt receipts; indeed it has been officially stated that there is no intention of prolonging the Movet moratorium when it expires in two months' time. With a Presidential election in the offing no party in the United States would accept the unpopularity of sponsoring any enlightened measure to clear up the war debts and reparations tangle. One or two important leaders in the Democratic Party, which hopes to wrest the Presidentship from the Republicans have, it is true, tried to test public feeling by vague proposals for remedying the situation. But there is no likelihood that these will find any place in the official programme of the Democratic Party at the Presidential election. Until the election is over, and until it is seen more clearly how economic conditions in the United States are likely to develop, it is futile to pin any hopes on machinery to raise the price of silver.

According to one report, a specific proposal about silver to be submitted to the Conference is that Empire banks should earry a minimum of 10 per cent and a maximum of 40 per cent. of the gold value of their metallic reserves in the white metal. This, of course, does not necessarily imply bi-metallism, nor that the value of silver should be fixed in a specific ratio to gold. A definite ratio, apparently, may come later since the contention is that the proposal will permit the banks to take advantage of any fluctuations in the price of silver and thus help to stabilise it. One cannot envy the task of those who will be called on to determine when banks should buy and sell silver. Before devalorization in 1872 silver was worth about 5s. a standard ounce. From 1872 onward the price declined steadily, and it was no higher than 2s. in 1915. Under war influences the price rose and touched 7s. ed. in 1920 from which point there was a steady decline to is. early in 1981. This was followed by a recovery—due primarily to the fall in the pound-and the price now is round 1s. 5d.

The main factor affecting the price of silver, at least since the end of the war, has been the everincreasing production of silver as a by-product of baser metals. recently, and equally as disturbing, has been the fall in gold prices which has affected silver in common with all other commodities. The price of silver is now so delicately related to the world's demand for base metals that anticipating vagaries in that price will demand almost superhuman skill. An international agreement among silver producers would, of course, minimise price fluctuations, but the Ottawa Conference is not an international conference. Until American silver producers are brought into some agreement to regulate the output of the metal, Empire banks which started using silver in their statutory reserves would be playing with fire.

The world crisis in currency has forced the silver question to the forefront of economic discussion. Three reports have lately been issued on this subject—one by the Federation of British Industries acting in conjunction with the Empire Economic Union; another by a Committee of three appointed by the International Chamber of Commerce; and the third by the Silver Association which was recently promoted by the China Association. Sir Robert Horne, who is chairman of the Silver Association, has prepared a reasoned statement, which we are able to publish this morning, advocating an extended use of silver in order to relieve the scarcity of gold. This statement is not an academic study by economists, but a review of the subject as seen by practical business men. Briefly the view of the Silver Association is that America and France, for exceptional reasons, having become possessed of about three-quarters of the world's gold supplies the remaining quarter is not sufficient for the rest of the gold standard countries. This, they hold, is proved by the fact that most nations have been forced to abandon the gold standard after having made valiant efforts, unfortunately foredoomed to failure, to

remain on it.

The Silver Association have directed their attention less to the causes of the gold concentration than to a cure for it, though they do suggest that excessive debts and prohibitive tariffs, which have prevented debtors from discharging their debts in goods and services, are the two principal causes that have led to the maldistribution of gold. It should be clearly understood, however, that neither France nor America deliberately sought to corner the precious metal; its accumulation was the inevitable consequence of certain conditions. France and America, being creditor countries, might have avoided the accumulation by a policy of free lending; but owing to the absence of necessary machinery and the requisite experience they delayed lending so long that in the end, with every other country impoverished, there appeared to be no safe borrower to whom to lend. Fortunately economic troubles, if left to themselves, tend to produce their own cures; for instance, the trade balances of France and America have now become adverse, and sooner or later this will lead to a redistribution of gold. This process, however, will probably take some time, and business men, to whom the violent fall in gold prices has been disastrous, have turned their thoughts to the question of increasing the monetary means for making international payments so that existing debts and other fixed money contracts may be discharged more easily. They therefore suggest that silver should be used to supplement gold, the idea being that the gold-absorbing countries, in the interests of a recovery in world trade, should absorb silver just as they absorbed gold. They are strongly of opinion that the world cannot afford to risk a repetition of the circumstances which have brought about the catastrophic fall in gold prices and the consequent distortion of contracts. They feel that before any return to a metallic standard is made steps should be taken to widen its basis by using

Both the Federation of British Industries and the Silver Association urge that silver should be used to relieve the pressure on gold. Neither put forward any revolutionary proposal. The Silver Association merely suggest that the British Government should either convene or agree to participate in an international conference on silver with a view to its reintroduction to the monetary systems of the world. They do not propose an immediate return to a bimetallic standard, which would enable silver, like gold, to be used without limit to discharge international debts and as a basis for bank credit. Probably they have refrained from making such a proposal because they realize that a sudden large addition to the means of payment would lead to a violent and therefore undesirable rise in prices. They are continu

to recommend that Central Banks be authorized keep a porcentage of their reserves in silver which, like gold, would be available for settling international differences. Few will deny the general accuracy of the Association's diagnosis, namely, that the scarcity of gold, though itself a symptom of financial and economic disorder, has, by reducing the means of payment, been chiefly responsible for the catastrophic tall in prices. The logic of the Association's conclusions is also self-evident. At present, however, opinion among central bankers and in the treasuries is not ripe for the adoption of the Association's proposals. Indeed there is reason to believe that the report of the Committee appointed by the International Chamber of Commerce rejected resort to silver, not indeed on its merits, but as a result of inquiries among central bankers and others as to the likelihood of its adoption. The chief recommendation made by this Committee is that the American producers of silver and the Indian Government, which is a large holder of surplus silver, might arrive at an understanding to raise and stabilize the price of silver; but this is a relatively unimportant point. Many central bankers have a prejudice against silver which may be reasonable or unreasonable, but it undoubtedly exists and is a definite factor in the argument. It is said that they would prefer a managed currency to a gold-cum-silver standard. So long, however, as the causes which have led to the maldistribution of gold are not removed, the silver question will remain; and a dispassionate examination of the silver question by recognized experts might serve a very useful purpose.

# SILVER AND GOLD

# BROADER CREDIT BASIS

## THE CASE FOR A CONFERENCE

By Sir Robert Horne 17.1131

The increasing strain placed upon our gold reserves from various causes drove this country to abandon the gold standard on September 21. This action has modified the situation by setting free the pound sterling to find that natural level which corresponds to a balance of trade. But it is inevitable that the question of the re-establishment of a metallic basis for credit should be discussed, and the Silver Association suggests that the advantages of employing silver should be carefully considered.

The importance that attaches to monetary systems, and in particular to price changes consequent on medifications of national and international monetary systems, has long been recognized. The voluminous records of half a dozen Royal Commissions on the subject in the last 40 years testify to the difficulties with which successive generations of statesmen and dozen Royal Cammissions on the subject in the last 40 years testify to the difficulties with which successive generations of statesmen and administrators have been confronted in the task of adjusting the problems to which monetary changes have given rise, and the social and political disturbances which have followed in the wake of attendant economic complications. The world is now suffering from a catastrophic fall in prices ascribable, among other factors, to a shortage of gold arising largely from maldistribution. Owing to the War and its consequences the U.S.A. and France have become world creditors. By means of high tariffs they refuse payments in goods, and they are not relending to the debtor countries. They have thus accumulated 60 per cent. of the world's stock of monetary gold, and, if War Debts and Reparations stand unmodified, this drain of money will continue. That which is left is not enough to carry the credit needed by the rest of the world, and prices have fallen catastrophically. The new creditor nations, holding contracts to be paid in gold, have thus lowered the value of their debtors' exports and left them no gold in which to pay. Even Great Britain has been forced to suspend payment in gold. The consequent fall in the value of the pound sterling, while producing some financial losses, has temperarily improved certain aspects of our trade position to the extent that it is stimulating exports and checking imports.

A DIMINISHING QUA

duction of goods demands increasing currency and credit, the new gold available to meet monetary needs is likely, as the Macmillan Report points out (para. 144-5), to be a diminishing quantity

There is indeed a school of economists who dispute the necessity for a metallic basis. They point to the fact that already gold and silver coins are largely dispensed with as a circulating medium, that the sole use of our gold reserve to-day is to enable the country to meet obligations in its international balance of payments; they contend that a stable level of prices is more important than stable exchanges, and could be secured by the adjustment of credit in the light of index numbers based on

SHALL ALVE A

# SILVER AND GOLD

# TO THE EDITOR OF THE TIMES

TO THE EDITOR OF THE TIME

Sir—As a consistent advocate of the open with the fadea in the control change. I was magnedly for the control of t

7. St. Helen's place, R.C. t.

AND THE SAME OF THE PARTY OF TH

CHEAPER SILVER

TO THE BUTTOR OF THE TOURS

TO THE SIDITOR OF THE MACS

Six.—Mr. John J. Hodges masses my point. I accept his statement as correct that british silversniths are having a viry hard stringle at the present time, but I am straid that neither my American colleague nor I had them in mind when we were saggesting means by which silver could be brought into more general use.

Mr. Hodges does not appear to have read carefully the final paragraph of my quotation. I will therefore, with your permission, repeat it:—

Mr. Hodges does not appear to have read carefully the final pare graph of my quotation. I will therefore, with you'r permission, repeat it:—

The moproved marketing methods referred to mour report have already developed here by means of a greatly widened distribution through department stores. These outlies have the advantage of a lower distribution cost than most is welly shape, and they have widely advertised the marked veduction in silver costs to day compared with pre-depression days as part of their intensive same reampaigns.

Personally, I can see no reason why spoons, forks, and tea-sets, because they are marke of silver, should be treated as if they were necessarily works of art and marketed in an expensive manner, and I feel sure that if our departmental and chain stores were to push the sale of real silver articles, working for a profit equal to the which they make on their other articles, they would meet with great success. The ambition of a very large minimizer of the less well-to-do classes is to possess silver teapors or at least some silver spoons and forks, but they are shy of the luxurious atmosphere of our silversmiths, and their wants are not catered for to the extent that they might be by the shops they are in the habit of frequenting.

That we been studying the catalogues of important silvermaiths, and find that their price for their best plated tablespoons is \$2 los, a dozen, while for the same tattern made of silver they quote \$9 r5s. The approximate weight of these silver snoons is 320z. The value of the silver has not been over 174d, per ounce for some time. Even if one reakons 18d, as the price of the silver is value would be \$2 ss., whereas the difference in price between the plated and the silver soons is no less than \$7 5s. As there should not be any great difference in the cost of making silver or planed articles wholesale of the same pattern I see no reason to alter my opinion that the margin is unreasonably wide.

Yours faithfully.

Yours faithfully.

TO THE EDITOR OF THE TIMES

TO THE EDITOR OF THE TIMES

Sir,—May I point out to Mr. E. L. Franklin that he will have no difficulty in purchasing a dozen silver table spoons of the weight he mentions, 320z., at at least 33\(\frac{1}{2}\) per cent, less than the figure he mentions. \(\frac{2}{2}\) 15s., from several firms of the highest repute? It is perfectly true that the actual value of 320z. of bar silver at 1s. 6d. an ounce is \(\frac{2}{2}\) Se, but this by no means represents the total cost of the raw material in the form in which it is used; rolling, hall-marking, &c., add approximately \(\frac{3}{2}\) d. an ounce, or 8s. a dozen, to the cost of the material alone. It would take too long to explain in a letter the reasons for the difference in production costs of silver as compared with electroplated spoons and forks, some of the processes being entirely different, but Mr. Franklin happens to have chosen as an instance an article where both manufacturers and retailers alike work on a very small margin of profit. He evidently is suffering from "shop shyness," and we do ask him not to be afraid of the "luxurious atmosphere" (\(\frac{7}{2}\)) of the silversmiths' shops.

I can confirm Mr. Hodge's statement as to the state of the silver trade in America. Our reports certainly do not bear out what your correspondent states. Intensive sales campaigns are usually conducted in America by the manufacturers themselves with the object of 'irritating' (to use their own expressive phrase) the shopkeeper and the public to purchase. So far as my observation goes, I do not think the better class department stores are in a position to retail silver were at lower prices than the silversmith's shops; the latter, at any rate, have to be competitive.

I feel that Mr. Franklin's letters are calculated to lo our trade consulerable harm and that they are written without the expert knowledse claimed for his committee.

Yours faithfuly.

P. C. GUNNINGHAM, President, Birningham Jewellers' and Silversmith's Association.

# TALL TALK ABOUT INDIA'S HOARDS AGAIN

# Will Rise In Price Of Silver Improve British Trade With India And China?

MR. N. CHAMBERLAIN DISBELIEVES SIR R. HORNE'S THEORY

The Difficulties Of Adopting Bimetalism

The House of Commens adopted without division the Labour motion expressing Parliament's concern in the present volume of unemployment, and welcoming all measures of dealing with it. The debate was noteworthy in a long statement. Mr. Neville Chamberiain rebutted the arguments in favour of bimetalism stressing the fact that the supplies of silver were inadequate, and the central banks would certainly not agree to accept certain proportion of silver at a fixed ratio to gold.

#### CHAMBERLAIN'S REPLY TO SIR R. HORNE

LONDON Nov. 8.
In his final speech on the unemployment debate in the House of Commons, Mr. Neville Chambor commons, Mr. Neville Chamberlain replied to the speech by Sir Robert Horne, in which the latter had suggested that wholesaic commodity prices might be effected either by restricting the supplies of commodities or by alteration in the amount of monetary gold available as being the standard by allable as being the standard which their value was measured.

Sir R. Horne had suggested that as there was deficiency in gold. due to much of its being sterilised in reserves, in particular countries, we should supplement the supply of gold by bringing silver into account. He had added that the rise in the price of silver would very much improve our trade with India and China.

die and China.THE HOARDS THEORY

Mr. Chamberlain saw difficulties in accepting the theory that the rise in price of silver would increase trade with India and China. He said that China had silver currency, and India had Therefore, as far as India concerned the theory must be based on the assumption that the ver in India would enable India to do larger trade with other countries. A large portion of hoards in India was not in monetary form but in the form of ornaments, bracelets, etcetera in the past India had steadily increased those hoards and had not need them. india had steadily increased those hoards, and had not used them as a means of purchasing goods but for establishing social status. Examination of variations in the price of silver in recent years did not yield evidence in the figures of Todian imports that she utilised the hoards of silver when the price of silver rose, to buy more goods from other countries.

CHINA'S POSITION

As regards China the position was slightly different because China had silver currency and if silver rose the value of China's currency rose, as also China's purchasing power; but then China's selling power decreased Again in

the case of China he did not find in the figures that they bore out the view that the change in the

in the figures that they bore out the view that the change in the value of silver made a corresponding difference in the value of Chinese imports. Imports into China fell only by 10 per cent. during the period when silver fell by 27 per cent. Without being dogmatic, he was unable to convince himself that the rise in the price of silver would have this valuable effect on the trade in Lancashire with China and India.

CHAMBERLAIN'S PROPOSAL.

Mr. Chamberlain said that the proposal was that central banks should agree (which was very doubtful) to accept certain proportion of silver at a fixed ratio to gold and the price of silver should be its market price. The market price would not induce the hoards of silver from misia and China, which required silver for currency. Supposing we reised the price of silver to two shillings an ounce, and thus got one thousand million ounces, which was the highest possible figure, that would mean an addition only of an equivalent of 100 million sterling gold to the available supplies of 2,500 millions. of 100 million sterling gold to the available supplies of 2,500 millions. available supplies of 2,500 millions. That would be two per cent, too small to have an appreciable effect and even the annual supplies of silver were not going to add to the visible supplies of gold by more than 2 per cent. He did not see, therefore, how bringing silver to the help of gold in the present circumstances of the world was going effectively to help—Reuter.

# SILVER PROBLEM

MR. HOOVER SUCCESTS INTERNATIONAL ACTION

Closing his election campaign at Mormon Temple, Mr. Hoover, referring to silver, said that it was desirable for nations to increase its use shough there could be only one standard, the goid standard. The silver roblem could not be solved without mernational action. He insisted hat the use of silver should be considered at the World Economic Conference.—Reuter. SALT LAKE CITY, November 8.

The Blog Howards

Enliact. from The Silver Problem Sir arthur saller Political Science Quartely UVE XLVI . NO 3 (Sept. 1931) Pulid. by Academy of Political Science

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My problem is the fall of silver. What is this fall?

I am going, as far as may be, to give facts without figures,
but here and there I shall have to digress from that good
resolve.

As to the extent of the fall, I think I need only say this. Roughly speaking, in the year 1920 silver, in terms of gold, had about twice the value that it had in the pre-war year of 1913; just before the present depression, in 1928, it had fallen back to about the price of 1913; and now at this moment, instead of being as it was in 1920, twice the 1913 price, it is rather less than half of that price.

Let me at once add that this fall, particularly the recent fall of the last two years, does not represent an equivalent decline in the real value of silver or in its purchasing power,

Silver has fallen in terms of gold as all other commodities have fallen in terms of gold. It would be much more true to say that gold has appreciated in relation to all commodities, including silver. That is the big and fundamental fact with which one has to start. It is, however, true that silver has in these last two years fallen rather more than the average prices of industrial products. It is also true that there are certain special causes, and certain special consequences. I propose to discuss these special causes and consequences, and also certain proposed remedies.

In the first place, as to the causes, apart from
the major fact to which I have referred, that gold has gone
up, there is of course the general effect of the world
depression which has certainly operated to a very large
extent to depress the value of silver. Here I entirely
(1)
agree with Mr. Lamont, that the relation(and this point
I shall develop more a little later) between the world
depression and silver is much more that the fall of silver
(1) Mr. Thomas W. Lamont presided at the luncheon, cf., supra
p 321, note.





has been caused by the world depression than that the world by depression has been caused/the fall of silver.

term factor underlying more temporary and more recent causes is the fact that quite a number of countries such as india, Japan, the Dutch East indies, the Philippines, the Straits. Settlements, Siam and Indo-China, which until a comparatively recent date had currencies based upon silver, now have currencies based upon gold. In addition, a number of countries in Europe which previously had an extensive silver coinage are now either using notes instead of token coins or are using nickel instead of silver. The consequence has been not only that the demand, and, if this policy continues, the permanent demand, for silver will be in these respects reduced but also that a great deal of silver thus came into the hands of currency authorities, who have been disposing of it upon the market.

As to production, it is natural that after the very high and abnormal price of silver in 1920, production should have substantially increased. At the same time, I do not think it can fairly be said that the principal cause of the recent fall in silver is increased production. This does not mean that there has not been overproduction. If the permanent demand for silver has in any respect permanently fallen, there is over production unless production is correspondingly curtailed. As regards any other commodity, no one would seriously say that it is the duty of those who consume that commodity to maintain their consumption in order to maintain production. If they do not want the article, the normal process is that the article should be produced in lesser quantity. There is one other point that I ought to add, too, about the production of silver because it underlies the whole problem. The normal, automatic adjustment of production to demand is somewhat slower and less complete in the case of silver than in the case of other commodities because something



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like three-quarters of the silver that is produced is produced not from "straight" silver mines which produce silver solely for its own sake, but as a by-product of other metals. This means that a fall in silver as such does not tend correspondingly to reduce the production of silver, and it also means, incidentally, that any schemes based upon a deliberate curtailement of production are, of course, immensely more difficult than they would otherwise be and perhaps impossible. So much for the causes.

Now a word as to the consequences. China, the only important country that is now on a silver currency, has certainly suffered loss, with Hongkong, through the fall.

In the first place, those who earn their money in silver and who desire to buy foreign products ( I say foreign because this observation does not apply to the same extent to those who are buying products inside the country, since inside prices have not risen at all correspondingly) have of course found that their purchasing power for those commodities is reduced, as it takes more silver to buy a given amount of gold, though again not correspondingly reduced because gold prices have fallen. China has also suffered just the same kind of internal dislocation in her economic system that European countries did when they had paper and depreciating currencies.

In the second place, a number of countries which are on a gold-standard basis, such as India and the Straits, the Dutch East Indies, and so on, use silver to a great extent, not as the basis of their currency but as a medium of saving. In these countries people who have saved in silver have also lost through its fall. In one respect their loss is indeed greater than in silver standard countries. An Indian peasant, for example, has saved a given amount of silver. He has been accustomed, in the past, in hard times, to bring out that block of silver and to get a perfectly definite number of rupees for it, but the rupee, although locking like



therefore finds, for reasons which he cannot understand but which, in the absence of a very elaborate economic explanation, he not unnaturally ascribes to the malice of the Government of India, that he gets only half as many rupees. And it is in rupees that he has to purchase not only the relatively small proportion of goods which he wants from abroad but things produced in India itself.

In the third place, of course, and most obvious of all, those who produce silver have lost heavily as a result of the recent big fall in silver- just as they gained heavily (it is well to remember) from the equally abnormal increase in the value of silver in 1920.

What of the rest of the world? The answer depends upon the relation between the fall of silver and the world depression. It has sometimes been stated that the fall of silver is a principal factor, sometimes even the principal factor in the world depression. Those who make this statement point to the fact that China has a population of some four hundred millions, something like a fifth of the total population of the world, and that all the silver using countries together, including India etc., constitute very nearly half the population of the world. It is argued that if the purchasing power of half the world has been thus reduced, obviously that is a great factor in international trade.

In an argument of this kind, however, it is misleading, in the first place, to speak of China as having a fifth of the population of the world or the silver-using countries as having half the population of the world. It is true, and if we are thinking of the future place that China may occupy in the financial and economic world, it is well to point to her huge country, her big population. But if we are searching for the explanation of a world depression





which only began less than two years ago or searching for a cure that can have an effect in the next year or two, what we want to bear in mind is that if China had twenty percent of the world's population before this depression she took not twenty percent but two and a half per cent of the world's exports. And so with all the silver-using countries together. If they have fifty per cent of the world's population, they used to make in normal times not fifty per cent but ten per cent of the world's international trade. But that is not all.

In the second place, they have not stopped buying from abroad: they have only reduced what they purchase from abroad. China, for example, in 1930, the depression year, bought from abroad only about twenty seven per cent less, in terms of gold value, than she bought in 1929. The reduction in volume was even less, because the prices were lower. And so with the other silver-using countries, thereduction was somewhere about twenty-five per cent on what they bought in the previous year. If therefore the whole of this reduction of the purchasing power of these countries was due to silverit would mean for China, for example, a reduction of onethird of two and a half per cent, or less than one per cent of the world's trade. Even son since a given factor tends to multiply its effects by its indirect repercussions, it could at least be reasonably argued that if the whole of that reduction in the imports in silver-using countries was due to the fall in silver, it would be atleast a real factor in the world depression.

But what reason have we to think that? Well, there is one very simple test. If it were true that the cause of the diminution in the imports of China and other silver-using countries was the fall in silver, what should we find? Quite obviously this: When we look at the statistics of the whole of world trade for 1929 and 1930, we should find



that the imports by China and by the silver-using countries had gone down very much more than the imports of the gold-using countries. We should find, secondly, that the imports of China, which depend upon the purchasing power of the Chinese, would have gone down much more than the exports of China, which depend upon the purchasing power of gold-using countries.

The statistics of the world trade suggest no such conclusion at all. I have before me a list of some twenty principal countries in the world, with their international trade for 1929 and 1930, in the order of their reduction of imports during the depression. The silver-using countries are spread fairly evenly over that list. China for example reduced her purchases from abroad by a smaller proportion than the United States did. The reduction in America's purchases of foreign goods in 1930 as compared with 1929 was actually greater than the reduction in China's purchases of foreign goods in the same period.

My second criterion gives the just the same results. Though China's imports in 1930 were twenty-seven and a half per cent less than in 1929, her exports had gone down by an even bigger proportion, by thirty-four per cent.

I do not intend to overstress this argument, nor do I suggest that silver has been no factor in the world depression at all. Indeed it is probable that the purchases by China, for example, of certain foreign products, have somewhat diminished as a result of the fall in silver, and that that fact has been to some extent masked by increases or smaller reductions in certain other products. But if silver is spoken of as being the principal or even a major factor in the world depression, surely the figures which I have quoted and which I would ask you to supplement by a study over a wider range, do prove an order of magnitude that is completely inconsistent with any such stattement.



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As this point is so important, I wish to add one further statistic. I have referred to world statistics. Let me take the statistics of the country. In 1930 America exported to the whole of the world about seventy-three and a half per cent of what she exported in 1929. In 1930, she exported to China also almost exactly seventy-three and a half per cent of her 1929 exports. When I used this argument last I was told that in 1930 the full effect of the fall of silver had not been shown, and if I would turn to 1931 I should find that silver having then fallen lower, there would be a different result. I did turn to the figures for 1931, and I found that the exports from the United States to China in the first three months of 1931 actually represented a larger proportion as compared with 1930 than United States exports to the world as a whole,

I do suggest that these figures- which would be confirmed and not corrected by a wider and more intensive study- do at least exclude the hypothesis that the fall in silver is a major cause of the world depression.

I come now to certain proposals for amelioration, and I will comment briefly upon each of the proposals that have attracted chief attention recently. In the first place, it is suggested that there should be a Silver Conference. It has usually been assumed that this should be a world governmental conference, in the sense that countries should be invited from all parts of the world, though not necessarily every country, and in the sense that the delegates should be official representatives of their governments. It is on that assumption that I make my comment.

I am the last person upon earth to be skeptical as to the value of world governmental conferences. For certain purposes and under certain conditions they are most valuable. They are indispensable for securing the coordinated governmental action which is vital to the world's prosperity. But I do think it is most important to realise what such conferences can do and what they cannot do. They can, and they elone can.



secure governmental agreement and coordinated governmental action for a scheme which is technically good and which has been ascertained beforehand to be within the limits of practicable agreement. But they are not very good for discovering, particularly in a very technical and complicated matter, a new technical solution that has not been discovered before they met. And they are not very successful in getting a scheme adopted and applied in such a sphere unless there has been a very careful prior expert collective examination to see whether there is sufficient community of interest, to see whether the countries of whom a given scheme requires action have a sufficient interest to make it likely that they will agree to take that action.

Well now, what is the essential character of any such scheme? Since it aims at an increase in the price of silver and since the present price of silver has not completely stopped the production of silver even from the straight silver mines, the obvious effect of such a scheme, if it were out into operation, would be that the production would be greater than it would otherwise be and that there would therefore be more silver in the world than there would otherwise be.

Let us then imagine the advocate of such a scheme going to the different countries of whom action is required.

He goes to countries which have substituted notes or nickel for silver. He says," Will you use silver again?"

" Well", they say, " Why? Nickel serves our purpose. Silver will cost us more."

then say," That is true, but you will be helping to remove this world depression", he might at least have an argument. But what I have already said shows how difficult in this case that argument would be.

stock of silver, silver which has been paid for at a heavy price, and which is needed for a definite purpose, that of securing the currency. If the advocate of the silver scheme is unwise, he will start on a note of morel indignation and say," It is monstrous

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the way you have depressed the price of silver." If he does that, I suggest this kind of dialogue would take place:

The representative of the Treasury in question would say, "You tell me there is too much silver in the world. You tell me there is too much silver on the markets of the world."

" Yes".

"You tell me that for this reason the silver that I have, which has already been mined and paid for and is wanted for a definite purpose, should for a specified period not be used for that purpose."

" Yes"

" And in the meantime silver mines will go on producing silver that has not yet been mined or paid for, that does not now exist for practical purposes."

" Yes"

" If there is a limited market for silver, which has naturally the prior claim, the silver that has already beenmined and puid for or silver that still remains in the bowels of the earth?"

At that point I think perhaps the advocate of the silver scheme would drop moral blame and indignation and proceed to argue on the basis of interests. He would say, " If you do this, silver will go up and yourwill gain from an increased level in silver value."

I imagine the response would be, "Let me think- do I gain? I am asked for a period which may be specified in terms of dates or with reference to a given price of silver, to refrain from selling my silver?"

"les".

" And I am told that after that I shall gain from the fact that silver has been put up?"

" Yes".

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"But at the moment when I regain my liberty, will there be more silver in the world or less, as a result of my having agreed to this? Obviously more, because the price will have been raised in the meantime, and there will have been more production.

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will there be more demand for silver at that moment than there would otherwise be as a result of my agreeing? Not unless those other prople have been induced to take silver instead of nickel, and the difficulty of expecting that result has already been described.

"Mhat, therefore, is the natural result? That for some years silver will have a higher price, which will be no advantage to me because I cannot then sell my silver. And afterwards it will have a lower price as the result of my agreement, and that is when I shall have to sell my silver."

In my concluding words let me just be a little less negative. It is true, of course, that if some countries in the world should decide to use silver again instead of paper notes, something would be done for silver, though I do not know what those interested in silver can do to induce them so to act. But there is another sphere in which possibly the silver interests might take an active part and a real part. If the industrial uses of silver could be extended, either by a wider recognition of the present merits of silver for certain industrial purposes or by technical discoveries which would remove some of the present defects, such as a tendency to tarnishingm there would be a real, natural and permanent basis for an increased demand for silver. But above all the biggest thing that would affect silver is some recovery in world trade and world prosperity. Let us not put the cart before the horse. Let us think first and foremost of how to increase world prosperity,

Any effort to solve it must be comprehensive and must include the most fundamental and the most radical of the causes.

These range from gold at one end to the peace of the world at the other. They include some subjects which I am told it is an impropriety of speech even to name. But let me at least turm for one moment to one that I may name. One



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certainly among the causes of our trouble is the fact that not only have we not yet secured complete stability in the political relations of the world but that there is a tendency particularly during this last year, grossly to exaggerate the extent of the difficulties that exist in the relationships of the world, and particularly between European countries.

I have tried to indicate that so far as there is a relation between the silver problem and the world depression, overwhelmingly the first cause is the world depression, and it is upon that in all its aspects and in due perspective that we should concentrate our attention.



# DEFINER OF THE REAL TO THE PRICE OF MILITAR SPON CONCINCION

The emphasis value of the Tool, having depreciated, chima's ability to buy imported goods has been advicedly scattleted. Exitle expects to only fall form \$14,000,000 in 1929, to \$3,500,000 in 1920. Two exchange value of the last has now follow to be 31, thenday still further .

Chimashing her sublity to take imports. At the fatt time, the depreciation of her currency is nating as an explicit all submides to interest menufactures. She is allowed according solutions.

So far or India is conserved, the hoursed weather of concretions have, by the dethironment of collect, been depicted of three quarters of their value one in this way, the purchasing power of the people has been required, and much discontent and whest engagered.

# THE MONEYARY REPUBLIES, ENTERING AND ROUTSHITTAL.

In make connection, the Royal Commission of Indian Currency and Pimance, reporting in 1925, rejected the proposals for a gold authority, on the grounds that "the present proposals would inflict bear, losses at the power obtains, into move published inflict bear, losses at the power obtains, into move published estimation of the Covernment" (par. 48). And healt "Dia obtained of the Covernment" (par. 48). And healt "Dia obtained fall in the pare of the prince of the parent in terms of total which would ask place on the bare announcement that harping mixture round to the world production for three retrains for sale, would undoubteally tend greatly to asselerable the novement in Chans, and might induce her immediately to

SULUME GOVERNMENT OF SOLUTION OF SOLUTION

some form of gold washinge standard .......... .... "hurrower, the encytion of a gold etandard of China would produce a further new decand on the world's gold surplies, and this demand would tond to appreciate gold and thus still further to depress the price of silver". (par.49) "Tile reaction on Chinese tradeswould be by no meens neeligible. Chiralits the greatest, and possess the only great, indexsloped market left for the expansion of interpolational trade. The effect of the announcement that the Indian Severment proposed selling a large quantity of exchange with Chine even for a time to paralyse the growing trade of the world with thet bountry. Indie, apart from tor direct trade with China, which is a growing servet for cotton, and detton goods, could not escape injury from a Mide-eores de dislocation of the kings. (prr. 50) wwe are usuals therefore to recommend this sections to adoptions and the reasons, atated above, objet have led us to this Distinct, by the limitation of the right of legal tender attached to the rupes, or by the sale of eny large quantity of silver, are severy speck to the silver market, or wat he routiped the moreon attraction to Incla by artificial expedients of any large additional amount of gold for

India, is resommended by the News Commission, in fact brought about "A catastrophic fall in the price of silver in terms of gold".

circulation as currency". (per and )

And has not the sale-of large quantities of silver by India given to severe shoes to the silver merester

in Just



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# THE CAUGE OF THE FALL IN THE GOLD PRICE OF SILVER.

The production in 1930, estimated at 244,000,000 fine cances, was less by 18,000,000 sunces than that in the record year, 1929. The production in 1912 amounted to 231,000,000 fine cances, so that there would not appear, in fact, to have been any sonormal increase in production in the post-war period which would account for the phenomenal fall in price.

derived from demonstrated coin, counied with the knowledge that the Jovernments have still large specks for disposal?

India sold 30,000,000 Time ounces; France 23,000,000 and redundant Saigon dollars, representing about 18,300,000 fine ounces, appeared in Shanghai. Estuden 1927 and 1929 inclusive, the Government of India had sold 67.8 million

Is not "the patastrophic fall in the price of silver in terms of gold", which the Bryel Commission stated that they were determined to Morbo, inevitable, if gilver is to be demonstrated? What, for instance, would be the "natural" value of gold if it were to be demonstrated all over the world.

If the policy of discredible silver in the Far heat is continued, will not the East inevitably turn to gale?

Can we afford to rectif such a problem with equalization findia has for conturies bearded the previous metals 
metals to the value of about 40,000,000 disappearing permanent to this way such year.

Is not the matestrophic fell in the prace of pilmer.

Is 45 not calculated, as feered by the Reyal Cormission,
to procephence a change over to a gold atament in Chine, are
in not the recent decision of the Chinese Severment to called
course which events will colled, unless sterm are been to remark the course which events will colled, unless sterm are been to



Similarly, is it not obser from the minute of dissent to the report of the Royal Commenter, by Sir Furchethindes Inchargan, that the Indian Sationalist Williams be satisfied to hold a gold receive in Landon, largely in the form of securities?

or alternatively, as indicated in the "Statescan" newspaper, (vide attached extract from "The Times"), that they will allow the Rupes to fall to its intrinsic silver value.

# THE DECL RED OFFICES OF THE ROYAL COMMISSION WERE :-

(a) "To eliminate the threat to the currency inherent in the possibility of a rise in the price of silver by dethiconing the rupes from its position as a standard coin of unlimited legal tender, and thus to enable the eonstitution of the reserves to be simplified by eliminating the silver therefrom" (par.34)

Is this, in fact, a more imminent and preasing danger than those which may, and periodically so; confront gold standard countries, seeing that during the last for years the average price of silver per.oance in any one year has not exceeded 36.285d (1921) and further, that the general conplaint against silver has been the probability of its excessive production?

Are not the dangers involved in foreing India onto Gold, for greater than the threat to the currency envisaged above?

holding the precious metale as a store of value,

by assuring them, through the instrumentality of a

gold currency, that the same measure which they note

out in gold value, by way of investment or deposit with
a bank, will be noted to been again, in gold value" (par.).

in Government Institutions and Typer will be tail further

Substitute Covering Co. South Co. Substitute Co. South Co. Substitute Co. South Co. Substitute C

Covernment their silver Acardings have been depreciated 75%.

Is there may remedy for the present deplorable state of bilver, or are there may means by which Silver could be rehabilitated?

"The following recommendations for improving trade with a China and restoring the prine of silver have been made to the Senate Foreign Relations Committee by a sub-Committee appointed to deal with the subject of the price of silvent-Tirat, regotiations with Great Britain to suspend the pelicy of dumping silver from India on the world's markets; secondly, an international conference to reach an understanding with respect to the use of silver as money; thirdly, an international silver han to China.

The Chairman, Mr. Pithan, simultaneously introduced into the Senate resolutions requesting Mr. Hatver to carry our these resolutions. He will ask the Foreign Relations Committee to consider these resolutions immediately.

Someter Kins, of Utah, urges Fresident Honor to ask rehabilitating the value of silver. If Great Britain retuses, he urges had a conference be called by the United States".

introducing the Busget in 1930, stated a"If there is any danger of the world's production of silver exceeding the consuming especity of all parkets, then, of course, there must be a tendency to failing prices. Only the combined action of producers and holders one prevent this. The Grycemment of India, aciding as they do surflue steers, which, in the public interest.

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neged to do more than other producers; but I am prepared, on behalf of the Government of India as important helicins or producers, to say that, if the Wher interests concerned snow any desire to consider the possibility of joint estion for the regulating of sales in order to meet the world's demand, the Government of India would willingly no-operate".

Tould it not help matters if the United States

Sovernment were to agree to buy up its own production (about 20% of the world's total output) for aperiod of years, and she and the principal countries holding stocks, including India, were to agree not to cell silver below say and for a definite term of years?

At the same time, an agreement might be reached by the nountries inthrested, to restore their debased silver token coinage to a given degree of purity.

Would 1 the be (a) desirede, and (b) correle, to

THE RESERVE OF THE PROPERTY OF



Extract from "This like" 25th Journary, 1931.

MR. GAMDHE'S " ILLEY RETENUL"

Politics and the Rupee.

GARGUTTA, PER. 24.

draws attention to the retinue of wealthy men who are clustering about Ir. Gandhi and says that Mr. Gandhi and the Mationalist movement are alike being made the tools of men whose sole object in the present situation is to make wealth. The article continues:-

"The rupee is to be out loose from gold and left to sink to a few annas. In the last two years Indian capital has been pouring into Juropean banks, and the stream is flowing fast now. Then the rupee sinks to a fraction of its present value this capital can be brought back to India and used to acquire the real property of the country for the price of an old song, while at the same time these shrewd business men will plead the impossibility of purchasing sterling enchange with depreciated rupes as a reason for defaulting in service. The newspaper points out that the whole scheme of reducing the country to economic seridom depends on the presence of Exition troops, without which the martial classes would rise in revolt against this despoliation under the form of law. "Exeat Dritain cap hardly fail to note that a change of heart towards the Indian meets even from saintly lips with a resionse about the ratio of a clance, and that an applicating chosus of millionaires surrounds the ascetic Tr. Gandhi."



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With reference to sertain American eriticisms of Indian Government selling.

It is frequently stated or implied that the cause of the Government of India having so much silver for disposal is that in 1927 India was taken off the silver standard and placed on the gold exchange standard. This is very far from the truth. India had a silver standard up to 1893. In that year, in view of the inconvenience and loss caused to the trading community by the great fluctuations of exchange between India and gold standard countries, owing to changes in the price of silver, it was decided to link the currency of India to gold and introduce a system which has since become known as the gold exchange standard. The new system was fully in operation by 1898, the rupee being valued at 15 to the £ sterling; and it remained fully in operation from 1898 to 1915. In 1916 and the years following, owing to the war-time and post-war disturbance of world economic conditions, it proved impracticable to maintain the ratio between the rupee and gold. The rupee became an unstable currency, and first rose by stages to about twice its former gold value; then sank to a point below it; and finally rose again, until in 1924 it stood at about  $13\frac{1}{3}$  rupees to the £ sterling. At this point the possibility of stabilisation was recognised, and the currency suthority held the rupes approximately stable at this level until/





until, in 1926, an authoritative Royal Commission, of which Sir Hilton Young was Chairman and which included among its members four eminent Indians (business men and economists), was appointed to consider the whole question. As a result of its recommendations the Indian Currency Act of 1927 was passed by the Indian Legislature. This provided, in effect, for the stabilisation of the rupee by law at 133 rupees to the & Apart from the change in the ratio between the rupee and the pound sterling, the only important difference, between the system as so established by law and that which had been in operation from 1898 to 1915, was that the obligation (by the sale of external drafts) to prevent the rupee from falling below the gold export point was made statutory, whereas under the previous system the obligation, though accepted in practice, was not imposed by law. It is thus clear that except for the period of war-time and post-war disturbance the Indian currency has been on the gold exchange standard for more than 30 years, and that during the whole of that period the silver rupee has been merely a token coin.

In an American journal dated the 17th December,
1930, it is stated that "the Government of India in 1926
imposed upon the people legislation, dictated from London,
providing that India should adopt a gold bullion standard
in place of the previous gold exchange standard, and
gradually sell on the open market the excess stocks of
silver consisting of several hundred million ounces then
held in the Indian Treasury". This is not true. The
legislation in question, as stated above, was passed by the
Indian Legislature. There was at the time considerable
pressure from unofficial Indian quarters to go much further

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and to introduce a gold currency. A scheme for this purpose, which would have involved the attraction to India of a large additional amount of gold, and also the sale of an amount of redundant silver estimated as equal to about thrice the world's annual production, was laid before the Royal Commission of 1926. It was decisively rejected by them and has never been accepted by the Government of India. It should also be added that neither the law of 1927 nor any other legislation imposes on the Government of India the obligation to dispose of silver as stated by the above-quoted journal. The gradual disposal of the large accumulations of surplus silver is dictated to the Government of India not by any legal provision but by their moral responsibility to the Indian taxpayer. The accumulations are so large that a great part of them is unlikely, within any measurable time, to be required for circulation in the form of coin in India. It is quite unreasonable to expect that this great holding of unproductive assets should be retained indefinitely by the Government when it might be turned gradually into revenue-producing assets to assist the financial position and to strengthen the resources available for the maintenance of currency stability. At the present time the Paper Currency Reserve, which forms the backing for the Indian note issue, consists to the extent of nearly 80 per cent. of silver, which is an undesirable asset for this purpose as it is highly

The question naturally arises: What is the explanation of the present vast accumulation of silver?

Economic/

unliquid.





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Economic and social conditions in India are such that a large proportion of internal transactions are carried out with actual coin. Thus, during and immediately after the War, when the general price level in India, as elsewhere, rose greatly, a much larger volume of coin was required in circulation to meet the ordinary needs of the people. Of the extra silver required for the purpose a substantial amount was purchased from the American Government. With the falling price level of recent years the amount of coin required in circulation has substantially decreased, and silver rupees have thus returned to the currency authority, i.e. the Government of India.

Moreover, even in India the habits of the people may change to some extent. Partly no doubt as a result of the decline in silver prices, there appears to have been a tendency to switch over from silver to gold as a means of hoarding. The habit of investing rather than hoarding is also spreading in India and, so far as the small investor is concerned, it may be noted that holdings of Post Office Cash Certificates and balances in the Post Office Savings Banks have increased rapidly in recent years, and now amount to about Rs. 750 millions (\$280 millions). Such a movement, though desirable on other grounds, obviously adds to the amount of hoarded silver coin which is likely to find its way back to the vaults of the Government. It must be emphasised that the Indian Government's surplus silver consists entirely of rupee coin which has become redundant and has returned from circulation.





It is generally recognised by unprejudiced critics that the Indian Government's sales of silver have been conducted with discretion and with due regard to the sensitiveness of the silver market. Information has at times been published which suggests that the authorities of other countries have not in all cases shown a like discretion, but have, on the contrary, unloaded their holdings indiscriminately and with little regard to the market. Whether or not this is the case, such a charge cannot truthfully be levelled against the Indian authorities. It is noteworthy that at the times of the steepest falls in silver prices the Indian Government has not been in the market at all as a seller, while it is obvious that other sellers (including the sellers of newly-mined silver) have not so abstained. The care with which the Indian Government sales of silver have been conducted is illustrated by the fact that in April 1926, when the Royal Commission was considering its report, the silver holding in the Currency Reserve was 850 million rupees, whereas by May 1931 the amount of silver held in the Reserve had risen to 1254 million rupees, i.e., an increase of nearly 50 per cent. in spite of the disposals which have taken place. It can in fact be claimed that, of all parties operating in the silver market, the Gove mment of India have acted with the greatest circumspection and care for the interests of the metal.

A writer in a San Francisco paper

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paper in January 1931, stated:

"During the war period the United States Government advanced 200 million ounces of silver with which to maintain India's rupee paper. It is quite possible that portions of this American silver loan are now being unloaded upon China at the present depreciated prices." This statement is untrue. There was no loan of silver by America to India. The silver in question was bought and paid for at \$1 an ounce. The American producers immediately benefited and obtained a high price for their silver. The Government of India would no doubt be only too glad if this had been a loan which could be repaid in silver at its present price.

Suggestions for dealing with the depreciation of silver which emanate from various sources in the United States are all entirely one-sided, and no suggestion is made that the producers, who stand to gain more than anyone by the rehabilitation of silver, should participate in the sacrifices to be undergone by the parties involved. Apart from the proposal of an international conference, which would presumably be designed for ventilating the more specific suggestions, the remedies put forward have been:

(1) a huge loan of silver to China. It is difficult to see in what way this could advantage China, which has already plenty of silver but needs external purchasing power which the proposed silver loan could not give it unless the silver were thrown on the market at a loss. Informed Chinese opinion, as reported by





a San Francisco newspaper on 26th January 1931 is, not unnaturally, that "a 200,000,000 ounces silver loan would be like throwing a drowning man a stone".

- (2) the return by England and certain other countries to a higher silver content of the subsidiary coinage. This would involve substantial expenditure by the Treasuries of the countries concerned, which would only be recouped to those countries in an indirect way and to a fractional extent according to their share in any. improvement produced in the trade of silver-using The main benefit would accrue to silver countries. producers, who are apparently to do nothing in return. The producing interests may well be thankful that India has not reduced the silver content of her coinage, which is as high as \*916.
- (3) the cessation of or restriction on sales by the Government of India. If this were unaccompanied by any restriction on sales by producers and other holders, the main result would be to advantage other potential sellers at the expense of the Indian Government, so that the Indian taxpayer would bear the whole cost of any improvement in the world price of silver.

The producers point out rightly that, owing to the fact that the major part of the silver mined is a bye-product, the ordinary laws of supply and demand do not operate and a very low price does not necessarily mean a material decrease in production. They also no doubt feel that what they produce they must sell, whatever the price, as presumably it would not pay them to allow their stocks to mount up. (A writer in one of the San Francisco papers on 16th January 1931, stated: "There is no mine surplus here. Every month all of the silver mined is sold"). Their arguments overlook the fact



that the latter consideration applies also to holders who are not producers. Every ounce of the silver held by the Government of India, and others who have silver for disposal, has been mined at some time, and it is utterly unreasonable for the spokesmen of the producing interests to claim that, while production continued unchecked, the newly mined silver should have a monopoly of the market to the exclusion of the silver already in existence and held as surplus to the requirements of the holders.

21st May 1931.



### THE BILVER POSITION

(Note: - Time offices are given throughout and prices quoted are gold prices yer fine eunce)

around 1920 the position of silver as annumed. From 1914 to 1922 the mine output was at a lot level, largely owing to stoppage of operations caused by the Mexican Retolicion. The price rose from 25.0% per cance, the average for 1915, to 58.3% per cance for 1919. From 1917 to 1920 India prohibited sliver imports on private account. In 1918 and 1919, because of the combined effect of the increased currency required twing to make a profibable creation, the Indian Covernment bought 197,000,000 cances at 51 per cance from the United States Covernment, which also sold 13,000,000 cances to China. In 1920 to 1923 the United States covernment begins about 58 cents. The these same four years there were large asies by the United Eington (36,000,000 cances) and Continental Covernments as a result of debasement and demonstrication, small notes pains athatituted for silver coins. The

Doncitions than became more normal until 1925 and the price remained sweady. In July 1926 the Indian Currency Commission reported.

The 197,000,000 punces bought by india from the United States in 1918 and 1919 was only partly needed for coinage, and the silver in reserve, which for the 20 years to 1918 had varied only between 5 and 3% crows (equivalent to 1%,000,000 and 166,000,000 fine caneds), amounted to 61 ercres (210,000,000 ounces) at the and of 1920, rose to 87 ercres (900,000,000 ounces to 90 the end of 1922,and from these years later savanced rapidly to 120 crows (413,000,000 dunces) at the end of 1930, while the



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the end of 1920 to 204 drores at the end of 1930 as a result of declining commodity prices. While the Indian Government in 1937 to 1930 soid 100,000,000 ounces, this merely means that hardly more than a fourth of the silver returned from directation between 1920 and 1930 has been sold as being redundant. The position from which the Indian Government is still suffering is obviously the result of the extraordinary world events which outminated in the early months of 1920. If the 197,000,000 ounces bought from the United States had been borrowed instead of bought the position today would have been vastly different. They are worth today barely more than a fourth of the price paid for them. Of the 120 crores at present in the reserve, all but 50 crores could be spared in view of the quantity which it is proposed should be eventually (ten years after its formation) held by the contemplated Reserve Bank, and the difference of 70 crores is equal to 241,000,000 conces.

The silver currency circulation of the United Kinglem as a result of rising commodity prices rose from \$32,000,000 at the end of 1914 to £60,000,000 at the end of 1919, and has fallen to £45,000,000. In 1920 it was decided to reduce the finances from .925 to .500, and to the end of 1929 - as a result of this debasement and of the reduction of the circulation - the Royal Mint sold 90,600,000 fine cances, of which 55,500,000 cances were realised in 1920-1923, the annual average since being reduced to 5,600,000 cances. The debasement was entirely due to the high price of silver in 1919, and less than £ cances of silver now form the basis of every £1 of currency, so that at the present price the selgniorage is extraordinarily high. The reason for debasement has passed away. The Deputy Master of the Mint in his 1927 Report stands that the cost of going back would be £10,000,000, but this has since been reduced by more than one half by the subsequent decline in the price of silver

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The mine production of new silver rose only from ... 240,000,000 cunces per annum in 1993-1924 to 262,000,000 cunces in 1929, and the fall in price merely reduced the 1930 output to 241,000,000 cunces. This relative inelasticity is due to the fact that 55% to 60% of the production is a bye-product from the treatment of base metal ones, and hardly more than a third from "straight" silver ores. Thus the silver price alone has relatively little effect upon the output. Nevertheless the new silver coming forward in 1921 may be expected to be appreciably below the 1930 level because base metals will doubtless show a material reduction.

The name of the recent prize drop is not over-production by the mines. It is not due to India and China taking less for they absorb about three-fourths of the new silver, and their purchases have increased from 180,000,000 ounces (71% of the output) in 1927 to 225,000,000 ounces (93%) in 1930. Indeed India, China and the industrial arts in 1926 to 1929 absorbed nearly all the new silver produced, and in 1930 prehably took 40,000,000 ounces in addition. The lower price is, therefore, not due to their taking less dilver. It is largely due, apart from sympathy with the decline in general commodity prices, to the entra supplies which have come upon the market as a result of demonstisation — to use a broad term to dover debasement and redundancy. These extra supplies have been accentuated in the last three or four years, rising from 25,000,000 ounces in 1927 to 55,000,000 in 1938, 69,000,000 in 1929 and possibly 76,000,000 in 1930. The additional amount so thrown on the market has been only partly met by purchases for coinage.

In the three years 1928-1930 India has sold an average of about 30,000,000 ounces per amain. France 20,000,000 ounces, the United Kingdom 7,000,000 ounces, and French Indo-China (in 1929 and 1930) 15,000,000 ounces. Thus the Governments of this country and India have been reappresable for 37,000,000 ounces per amain and the Governments of France and its Galony for 38,000,000



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ounces per annum. If any arrangement is made for withholding or regularising sales it appears to be essential to include France and its Colony.

bas doubtless had the effect of checking India's private purchases of silver, and so contributed to the fall in the price. But undoubtedly one of the greatest factors in weakening confidence in the general future of silver is the knowledge that the Indian Government has possibly 240,000,000 cunces to sell and that the selling of this quantity may be spread over the next 12 to 15 years though in reducing quantity. Nothing is more demoralising to a market than such a prospect running far into the future.

Further it must be remembered that the quantities of silver taken in recent years by China and India are exceptionally high and extraordinarily so as compared with their pre-war demand, so that the future of the silver market must always be uncertain.

It does not seem feasible to make any arrangement with the producing mines for curtailing production - they have not increased their production unduly - for the seven leading producers (three in Mexico and one each in the United States, Canada, Peru and India) only accounted in 1929 for 23% of the output, the balance being spread over innumerable properties. But it is worth noting that the North American Continent produces as much as 73% of the total, and that in 1929 69% passed through the hands of four United States smelting companies:-

American Smelting & Refining Co., American Metal Co., United States Smelting, Refining & Mining Co., Raritan Copper Works,

	00,000	02.	or 34% " 174%
	00,000	es es	" 94% " 74%
180,7	00,000	N.	* 69%

out of the world production of 262,000,000 ounces.

( Sga) 18.5



#### STATISTICS.

B:- Except for new production, these figures are only approximate as indicated by the resulting unaccounted-for differences.

(In millions of fine ounces).

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pictor.	63	60	58	61	49	291	55	22.9%
	22	23	_82		26	116	22	9 1 4
merica,	183		1.89	193	180	93.8	187	
4 South America,	34		31	31	26	152	30	12.0%
mare,	37	3.6	_38_		35	184	37	4 14.55
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Apart from ocinas	2):							
and by China,	79	73	127	135	135	549	110	42.9%
ed by India,	106	107	80	64	90	447	89	35.0%
ne by many	165	160	2.07	199	225	996	199 -	77.9%
riol Arts,	57	58	_53	: 60	55	283	57	22,1%
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terence,	-12	-18	+ 3	+ 3	439	- 10	- 2	
TRATION SALES:								
	400		23	37	30	-99	20	43.4%
Kingdom,	2	6	6	11	- 5	30	6	13.8%
		10	27	6	23	69	14	30.3%
on Indo-China,				12	18	30	restante de	12.1%
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LIES FOR COINAGE (7)	+27	<u>35</u> +10	<del>17</del> -39	-37 -32				
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per fine oz.,	31.08	. 28.14	28 94		. 10.14.			



# LORDS ON BIMETALLISM - WILLIAM

#### HOUSE OF LORDS

WEDNESDAY, DEC. 7

The Lord Chancellor took his seat on the collack at a quarter to 4 o'clock.

#### BIMETALLISM

LORD HUNSDON called attention to the desirability of considering at the forthcoming Economic Conference the advantage of a gradual

Economic Conference the advantage of a gradual return to the bimetallic system of currency which existed in the world before 1873. He said that the most unexpected feature of the present sination was that it appeared to be sterling and cot gold which rolled prizes, and, moreove, ruled the exchanges of all the minors whose currency was not based on gold. That seemed to mean must any data which this country should give in minor and the adoption of bimetallism at a ratio which would raise the value of silver and reduce the value of gold. The first advantage referred to india, and the second to the present difficulty of discharging debts owing to a fall in the prices of primary products. From time momenorial are inhabitants of india had hoarded silver, and the amount in that country must be enormous. A return to bimetallism at a ratio of 20 to 1 would go far towards contenting the people of India and would be of advantage to the exporters to that country.

It was in the interests of the creditors to raise uncess by any means in their power and get their debts paid. The success of the Conversion lagans had done nothing to raise prices and their success was due to the fact that the fall in prices deterred investors from patting their money into anything which was dependent upon the price of commodities. They must give invesiors confidence that prices would rise, but so far the Government had done nothing to bring it about and apparently relied on an era of cheap and plentiful money to do it for them. But cheap and plentiful money to a plan to raise prices and without a renedy for measles. It would be nothing less than a calamity if this country went into the conference without a plan to raise prices and without a renedy.

Unless something were done we were heading straight for disaster. Our imports exceeded our exports last year by £10,000,000, and, apart from any advantage there would be nother less and without a renedy.

What a country is the currency of the country concerned. Had not show our subjection that it wa

# STANDARD

STANDARD

LORD DESBOROUGH said that if this country had remained on the gold standard it would have been in a more lamentable plight than it was at present. The gold-standard countries had suffered more during the past year than Britain and other countries which had taken strying as their standard. He hoped data taken strying as their standard, which had played such a lamentable failure.

LORD SANDERSON said that one of the difficulties in the way of a return to the bimetallic system was to get a wide and permanent international agreement. He remembered a correspondence in the Times which went on for some time and which was headed: "Wanted, a Ratio." No one could agree, and what the ratio of silver to gold should be was not discovered. The same difficulty existed to day. He did not say that these same matempureable difficulties but they

made him doubtint about supporting Lord Hunsdon.

He thought that most countries had learned the lesson of the dangers of inflation, and that most Governments could be trusted not to inflate unduly. Far too much time had been spent in recent years in trying to stabilize the foreign exchanges and not enough in trying to establish a general level of prices at home. If this country gave a lead in that matter he believed other countries would follow and then the problem of the foreign exchanges would solve itself. He triged the Government to work out-some new plan and to stop thinking in terms of the precious metals.

LORD CLINTON said that agriculturists desired a stable and continuous standard of value. If by establishing bimetallism they got a more stable price level, then a real case had been made out for an inquiry into the subject.

LORD GREENWAY said that the adoption of bimetallism would bring about an enormous reduction in the amount of unemployment and, by removing restrictions, would greatly improve trade and make for the general return of presperity all over the world.

#### GOVERNMENT REPLY

GOVERNMENT REPLY

\*BARL STANHOPE, Under-Secretary for War, replying for the Government, said it was not a shortage of gold in the world which had been a cause of the drop in prices, but the mardistribution of gold. France and the United States held something like 60 per cent, of the world supply of gold and Belgium, Holland, and Switzerland held a further 10 per cent. Even if they could get 1,000,000,000 ounces of silver out of China and India they would only add £100,000,000 sterling to the £2,500,000,000 sterling which now misted at the rate of 2s, per onnee. The annual output of silver was only 200,000,000 ounces, which at 2s, per ounce would only mean £20,000,000 sterling. Therefore, the House would see that, even if agreement could be reached between the more important nations of the world to establish a ratio which would be adhered to between gold and silver, the only increase in the monetary stock would be £20,000,000 a year.

While bimetallism might make some difference the difference would, in the opinion of the Government, be very small. The Government were prepared to consider anything which might be put forward, but they did not think that bimetallism was of sufficient importance to be placed in the forefront of the matters to be considered at the World Economic Conference.

### GOVERNMENT AND BIMETALLISM - 8713992

#### DIFFICULTY OF FIXING THE RATIO

The Lords to-day first discussed a suggestion of Lord Hunsdon that the British Delegation to the forthcoming Economic Conference should advocate a return to bimetallism by negotiating an agreement to fix the ratio of silver to gold at 20 to 1. His object was to secure a rise in commodity prices, which had fallen out of all proportion to any increase in production, and the restoration of which was essential to the revival of trade.

He found some support for the sug-He found some support for the suggestion, but the spokesman of the Government, Lord Stanhope, was more inclined to point out its difficulties. The first was to obtain agreement on the ratio. The second was that the use of silver would only increase the monetary stocks of the world by about £20,000,000 a year. The Government, therefore, did not think that bimetallism was a subject of sufficient importance to be placed in the forefront of the agenda of the World Economic Conference.



# AMERICAN OPINION ON SILVER REMONETISATION

# INDIAN GOLD SHIPMENTS TO BRITAIN

(From Our City Correspondent)
LONDON, December 6.
The importance of silver remonetisation, not only to the Orient, but to the world generally, remains 2 favourite theme of leading politicians in the United States, including many whose influence will count for much under the Roosevelt regime. In the course of a recent comprehensive survey of the world crisis in the Senate, Mr. Borah, after alluding to the appalling shrinkage of world trade, the millions of tons of idle shipping, the 60 per cent. decline in European purchases of American produce, the fact that 32 world trade, the millions of tons of idle shipping, the 60 per cent. deciine in European purchases of American produce, the fact that 32 nations have been forced off the gold standard and that the United States is paying a high premium for remaining on it owing to the competition of countries with depreciated currencies, proceeded to divide the world into the Occident, prestrate under tariffs, debts and the maldistribution of gold, and the Orient "moving towards complete ruin owing to the demonetisation of silver." Once again quoting the Governor of the Bank of England in support of his condemnation of "the action of Great Britain in forcing India to adopt a gold bullion standard in 1925," Senator Borah a serted that "silver was demonetised in the Orient to satisfy the insatiable greed of a few people who thought they could in this way increase the purchasing power of the metal they possess." Evidently the Senator is unoware—or finds it convenient to ignore—the extent to which the British Government, to agreeing to the adoption by India of the gold buillion standard, acted in response to the pressure of Indian public opinion. It should be the work of an international conference, Senator Borah urged, to restore silver to its proper place, and if this failed he believed that the United States as an individual nation should either devaluate the gold dellar or increase its monetary supply by resort to silver—not neessalily in the ratio of 16 to one with gold, but in some trapper later to be decided.

WORLD PRODUCTION
Reviewing the silver market the

### WORLD PRODUCTION

WORLD PRODUCTION

Reviewing the silver market in their annual report, Messrs. Mocatta & Geldsmid state that, compared with the past few years, 1982 provided very few fratures of interest. The range of prices (4s. 116d.) was the narrowest since 1928, but even this extent was largely due to movements in the stening-tollar cross-rate. Alluding to the difference between spot and forward, the review says that two facts are noticeable; first, that on no occasion this year has spot been at a premium over forward; and secondly, that extent on January 19 and 20, when the discount on forward stood at 7.d., it was never more than

alied, an exceptionally narrow range. Taking into consideration the enormous stocks and the extremely poor offtake, this discount on spot appears small, but it is largely accounted for at any rate during the second half of the year, by the cheapness of money and a demand by various institutions for spot against forward as an employment for money.

Eales of demonetised coin again decreased, whilst the amount of silver sold by the Indian Government is estimated at about 25 million ounces. Excluding the imports of unrefined silver on Government account, imports from India on private account were nearly as large as the exports.

The outlook is particularly obscire. The price of silver and other commodities is clostly alied to the course of the exchanges which in turn are acutely influenced by the changing international political conditions of which the question of war debts is the key note. On its own merits there appears to be little to raise the price of silver; stocks are plentiful in all markets, the offtake is extremely small and production, although estimated at about 160 million ounces, compared with about 192 million ounces compared with about 192 million ounces hast year is still more than can be absorbed.

INDIAN COLD SHIPMENTS

#### INDIAN GOLD SHIPMENTS

INDIAN COLD SHIPMENTS

In relation to gold, Messrs, Mocatta and Goldsmid naturally allude to the Indian shipments as the most remarkable frature of the bullion market! Approximately \$50,000,000,000,000 about a year's South African gold production. has been exported mostly to Great Britain. These shipments have been invaluable in maintaining the rupee exchange, and have immensely strengthered the financial position of the Indian Government. A continuance of Indian shipments seems likely during the coming year, unless there is a change ("Fiers The next most importar to the most surprising is the aelling of sovere, and cold from melted jewellery from the home market during the so-called "gold rush," when according to an official estimate, at least \$1,000,000 was disposed of. These additions to the normal supplies from South Africa have undoubtedly been of the greatest benefit to the sterling exchange, which otherwise would have fallen to even lower levels than it did.

Throughout the year the price of gold has of course, been based on either the sterling-dollar or the sterling-franc cross rate, the highest on record being on 20th November at 130s. 8d. when the dollar rate touched \$3,15% and the lowest on list April at 103s, 4d., when the New York cross rate was \$3.31 and Prais france 96%.

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STORY OF THE PERSON

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Bat silver has risen sharply during the last few days. From 19 11-16d, per ounce on Saturda, with equotation has moved up daily, and yesterday was fixed at 20-1d. This is the highest level reached since May last year. The movement appears to have been due to large purchases by American operators combined with a reluctance of holders to sell some at higher prices. These American purchases, it is believed, are inspired by the belief in silver circles in the United States that the Washington Administration has not said its last word in regard to silver. For the same reason, backed, it would appear, by assurances given by Mr. Morgenham, Secretary of the United States Treasury, of Government assistance in the rehabilitation of silver, shares of silver mining companies have shown strength during the last few days. It may be recalled that President Roosevelt's recent Budget message to Congress contained a reference to silver in which he stated that he was withholding any recommendation regarding a further extension of the monetary use of silver because he believed that more knowledge. The Rise in Silver 1970 14extension of the monetary use of silver because he believed that more knowledge should first be gained of the results of the London agreement and of the other monetary measures taken by the Govern-

#### CHINA AND AMERICAN SILVER POLICY

FROM OUR OWN CORRESPONDENT

SHANGHAI, FEB. 27

The Foreign Residents' Association, on which 12 nationalities are represented, has telegraphed to President Roosevelt urging him to consider the interests of China with regard to any silver legislation.

Chinese imports (runs the message) must be paid for by exports or by credits to China or by draining the country's silver. A rise in silver would cause a disastrous collapse of commodity prices, and we believe it would necessitate an embargo or export duty on silver, thus putting China on a managed currency.

China on a managed currency.

The Chinese business community, for similar reasons, has asked the Nanking Government not to ratify the London Silver Agreement, and the policy of the Government in this respect and in the matter of an embargo on the export of silver is now under consideration. silver is now under consideration.

China's exports of silver and gold in 1933 exceeded her imports by \$14,000,000 and \$70,000,000 respectively, which means that part of her adverse trade balance was paid for in cash.

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#### ts v SILVER PLAN AND TRADE WITH CHINA

SHANGHAI COMMENTS

FROM OUR CORRESPONDENT

SHANGHAL FER 22

Agreeing with the anxiety of prominent Chinese and foreign bankers and merchants lest American silver cohancement should be lavoured in the belief that it will benefit trade with China, the North China Dally Mews says that in view of the heavy adverse balance the need is to increase China's experts, on which her ability to purchase imports depends, and that it is grossly unfair to hold out to Lancashire the prospect of increased trade by artificial enhancement of silver. Noting that China has not yet ratified the silver agreement, the North China bailt News ados:—

"If the American Covernment embarks on a policy emphasically creating instability, the ladien Government may the its own ratiocation and accept as a gift from the gods the failure of China to ratify by the prescribed date." It is argued that the American proposals would create a new condition, justifying India and China in reconsidering their respective nositions, which both could do despite India's ratification if China failed to ratify.

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# CHINA AND FUTURE OF SILVER 15/7/39

#### "HARMFUL UNCERTAINTY"

FROM OUR OWN CORRESPONDENT

SHANGHAI, FEB.

A prominent Chinese banker in the throes of vesterday's end-of-year mancial settlement expressed himself very frankly on the subject of silver.

on resterious senton-year linancial settlement expressed himseli very frankly on the subject of silver.

The constant flow of telegrams suggesting that the United States Government was on the verge of some new legislation affecting the monetary use of silver was having, he said, a very harmful effect on China by creating wide fluctuations in the exchange rates from day to day. This uncertainty prevented import and export anerchants from entering into forward contracts in the normal way and was tending to convert everyday business into a gamble in exchange.

China had taken part in the London silver agreement because she was anxious to achieve a greater measure of stability in silver, which was her currency medium. The agreement was signed by all the countries principally concerned with silver, but now there was constant agitation in the United States Senate for objects quite inconsistent with the underlying purpose of the agreement. If it was the purpose of the United States Government to put into effect legislation intended materially to change the monetary status of silver, the sooner the change was carried out the better, so as to end the present position of uncertainty. On the other hand, if no stuch action was contemplated it was time that President Roosevelt put a stop to the agitation of interested parties and the circulation of faise news by declaring his intentions in unmistakeble terms.

# BIMETALLISM 27-239

# LORD BALFOUR IN 1892

TO THE EDITOR OF THE TIMES

Sir,—Allow me, as an American who for more than half a century has urged the rehabilitation of silver, heartily to congratulate *The Times* on its enterprise and impartiality in presenting to the world so full and diverse a record of the history and monetary aspect of this precious total.

its enterprise and imparitancy in precious the world so full and diverse a record of the history and monetary aspect of this precious metal.

It cannot but rejoice every bimetallist to find that, Dr. T. E. Gregory apart (and even he on this occasion argues not very wholeheartedly), every single one of the distinguished contributors, economists, financiers, and industrialists, who deal with its monetary function is in favour of the remonetization of silver, and nearly all look forward hopefully to President Roose velt to provide the impetus of the movement which will liventually conduct the world back to a fairer and healthier system of international exchange than is possible under a monometallic standard.

In my recent article. Honest Inflation, published in Scribner's Magazine for January, which was discussed in the United States Congress and reprinted and widely circulated by the Senate as Document No. 115, I quoted the impressive words of the late Lord Balfour in a speech at Manchester in 1832. As this passage is not recalled in any of the articles in the Silver Number, your readers may find it remarkably pertinent at the present conjuncture. Lord Balfour said:

"I also believe that the bimetallic solution is possible and adequate. I don't give it to you as a cure for every industrial evil. I don't come for ward as a quack with a universal remedy. I don't tell you that it will drive bad trade for every from these shores and give every man who desires to work a chance of working for a good day's wages, and every man who desires to work a chance of working for a good day's wages and every man who desires to work a chance of working for a good day's wages, and every man who desires to invest the certainty of a profitable investment. I paint no such visions for you. I put no such promise before your gaze. But I do say that for a great commercial country a sound instrument which, if not perfect, is at all events practicable, and is meaningly better than any which you are likely to obtain by any other means of whi

EDWARD TUCK

82, Champs Elysées, Paris, Feb. 2



Day. Meens. Rothschild are notified by the Commercian as la Dette Publique Egyptienne that it the event of the payment of these coupons in acide being decided upon, holders who received their coupons in paper will be entitled to the algebraic between the sum actually paid and that which they should have received, calculated at gold parity.

#### WORLD TRADE 27-2-84

#### TENDENCIES IN 1933

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FROM OUR LEAGUE CORRESPONDENT

TENDENCIES IN 1933

FROM OUR LEAGUE CORRESPONDENT

GENEVA, FEB. 25

The following conclusions emerge from a study of the figures for world trade in 1933 which has been made by the Economic Intelligence Service of the League of Nations.

The total volume of goods exchanged between countries has diminished by about 30 per cent. by comparison with 1929. Previous crises nover stowed such a shrinkage. It was customary for the a fall in princes to give rise specifly to an increase of the volume of trade which made it possible tor the situation to improve.

The quantitative fall unfortunately, has been accompanied in the present case by a consideracion of the goods exchanged. This drop is about 50 per cent. on the basis of gold prices. If, says the Economic intelligence Service, another standard is adopted—such, for instance, as the pound sterling—the drop is only about 30 per cent. If the two sets of percentages—namely, volume of trade and price index of the goods exchanged—are combined so as to give an idea of the total volume of trade in 1933 compared with 1929, it becomes apparent that the basis of gold the total volume of trade in 1933 compared with 1929, it becomes apparent that the basis of paper money, and that most international debts have been contracted in dollars or pounds sterling, the conclusion results that the value of world trade has been cut in half. In these curcumstances the payment of international debts which were aiready a builden in 1929 encounters increased difficulties of transfer from one country to another.

Another point that emerges from the Economic intelligence Service's survey is a tentative answer to the question whether there are any signs of recovery in world trade. To this the answer is that the total value of world trade has not diminished as much in 1933 as it did in previous years. Nevertheless it has communed to diminish by comparison with the corresponding figures in 1932, with the exception of the single month in which an improvement was shown in 1933 as compared with the pre

while remaining on a very low, very restricted, level.

It is difficult, say the authors of this study, to give any clear indication as to the present tendency of gold prices and the volume of trade. In general gold prices show a tendency te drop, and there is no clear sign of a rise in paper prices at least in the United States. It is, however, true that some of the most important raw materials have shown a rise in gold prices at the end of 1931. To-day prices are low and show no tendency to move, and it is impossible to foresee what will happen in the next few months.

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Disposal of Indian Silver Surplus GOVERNMENT PLAN

FIFTY CRORES FOR THE RESERVE BANK

NEW DELHI, March 20

The outgoing Standing Finance Committee of the Assembly held its last meeting to-day.

The committee approved of the memorandum regarding the disposal of the surplus silver, which Government had submitted to it at the last meeting. Consideration of the memorandum had been adjoined till to-day to enable the members to have more time.

The memorandum explains the position at length. Government will hand over after crores of supees to the Reserve Bank. The proceeds of the sales of silver after the transfer will be credited to the silver redemption reserve, to be invested by the Government in its entirety in gold or sterling securities. The interest on this reserve will accrue as receipt to Government revenues.

It would be a reasonable arrangement to allow the silver redemption reserve to accumulate until it reaches a total of Rs. 10 crores.

The Government of India do not consider it to be practicable at present and will decide whether, and, if so, to what extent the Bank should be provided with external cover in addition to the 50 per cent, indicated in clause 35 of the Bill.

At to-day's meeting the members of the Committee paid tributes to the ability and services of their chairman, Sir George Schuster.

CHINESE RESERVATION TO SILVER AGREEMENT

FROM OUR OWN CORRESPONDENT

SHANGHAI, MARCH 1

Although China has decided to ratify the Silver Agreement drawn up at the London Economic Conference, official spokesmen state that she does so with the reservation that she will withdraw in the event of the purpose of the Agreement, which is for the stabilization of silver, being departed from.



# Silver Legislation 28.3.34 A.

AN EXCELLENT LEAD

To the editor of "the times of india."

Sir.—Pray, permit me to state a few salient facts on the much-discussed silver question. The people of India are undoubtedly much interested in the present agitation in the U.S. A to enhance the value of silver, and to torce its entry once again into the realm of international currency. After the Wall Street collapse, when silver prices declined at a terrifi: unce, protests from innumerable quarters in India and China were made and urgent price-raising actions were demanded.

That is exactly how things stood just a few years ago. But how short is human memory. To-day when constructive state action is applied, protests from China are launched against an increase in the value of silver.

As silver miners in the U.S. A. since December, 1938, are receiving 64 ½ cents, per ounce of silver (i.e. well above world prices), it is erroneous to state that silver legislation in the U.S. A. has merely as its object the nelping of the producers or increasing business with the East. Its rehabilitation move is purely and essentially inflationary in character—in the same way in fact as the price-level raising experiment with the help of gold (by raising its statutory price to \$55.)

That silver is gaining recognition goes without saying. The U.S. A. has taken an excellent lead. British indifference alor is holding back its international re-entry in the currencies of the world. Political and economic reasons prevent its recognition.

Experience has proved without a single exception that precious metals TO THE EDITOR OF "THE TIMES OF INDIA."

and economic reasons prevent its recognition.

Experience has proved without a single exception that precious metals must always form the currency basis of any nation. Precious metals are the greatest defence in times of economic and political stress. Gold, functioning by itself, has already created havoc. Paper money can serve well perhaps for a few years at the most. Man is ethically still unprepared to regulate a paper currency. He is still unfit for the tremendous responsibility it entails. Silver's helping hand will alone solve the problem.

K. S.

Bombay.

K. S.

SOME VIEWS ON SILVER

Publication of a twenty-four page supplement on silver by The Times is an event of some signifi-cance. It shows at least that public interest in silver is not on the wane. This is perhaps due to the more sober view now prevalent, even among enthusiasts, about the part the metal can play in our monetary mechanism. Interest is further stimulated just now by the efforts being made to rehabilitate silver in the United States. Various measures have been proposed in recent weeks and a compromise is embodied in a Bill introduced by Senator Wheeler authorising the United States Government to purchase a very large amount of silver month'y until a sixteen to one ratio with gold is reached. Even assuming that this is practicable other countries, before embarking upon any silver rehabilitation programme, will want to know how the ratio reached can be maintained. Stability is essential if the aim of Senator Wheeler is to bring silver back to a prominent place in currency arrangements.

Ine late. American proposal goes far beyond the two minor aids so far given. One of these was the acceptance of twenty million ounces of silver in payment of some instalments of war debt last. June. The option of making payments in this way has now expired unless, of course, Congress cares to revive the privilege. The other aid was the purine late. American proposal goes privilege. The other aid was the purchase plan announced in December by which the United States Treasury

by which the United States Treasury will purchase annually for the rest four years at 64½ cents, an ounce an amount of locally mined silver which is about equal to current United States production.

In an article contributed to the supplement by Mr. Francis Hirst one time editor of the Economist, the employment of silver as an adjunct to gold in the reserves of the Central Banks is said to be a subject deserving careful and sympathetic consideration. The argument runs that an enlargement of the metallic basis by enlargement of the metallic basis by including ten or twenty per cent, of silver in the gold holdings of the reserves, would tend to raise prices in gold standard countries; would tend to steady the Eastern exchanges; and would tend to improve trade with China. Mr. Hirst expresses an almost universally accepted opinion in stating that bimetal-lism, in the sense of establishing an artificial fixed ratio between gold and silver, is hardly within the range of practical politics. But the objections, in his view, do not apply to setting up a fixed ratio between gold and silver money not in terms of price but of weight. If it could be estimated with some precision that the annual production of gold was likely to be, say, about one-tenth that of silver, it would be possible to agree that the metallic basis of a currency to settle interna-tional transactions should consist of bars containing one ounce of gold and ten ounces of silver, But this might still mean changing the pro-portions at close yearly intervals thus altering the value of the currency. It is also difficult to see how a very close estimate of silver production can be guaranteed, as much of it is a by-product of other metals the demands for which fluctuate

Those who think that the international co-operation required by Mr. Hirst is still a long way off will be more interested in the exposition in another article of the advantages to be derived from some angineered increase in the price of silver. Though it is widely held that pur chasing power should be increased by an expansion of credit, it is said to be evident that the efficacy of such efforts as have been made in this direction have been diminished through the difficulty of getting the credit into the useful possession of the people; reflation through silver is an easier task. In this case, states the writer, "the basis of the required spending power is already in the people in "the world. An increase in its value "would have an immediate effect upon "the spending power of vast masses "of people who have suffered by an "crtificial diminution of its viue." "Here is a method by which an effi-"cucious change can be wrought, "riving even if it does nothing

censiderably.



"more-a valuable stimulus to the

"revival of international trade." One of the most interesting articles in the supplement, from the pen of an anonymous contributor, deals with Indian silver stocks and with Indian reactions to the silver policy of the United States. There are many misconceptions in the States about about the silver selling policy of this country, and it is, therefore, of benefit that the article should begin by explaining that it was American interests which were largely responsible for India's inability to maintain its attachment to silver. Towards the end of the war and during 1919 to 1920 the high price of silver war not due solely to the state of demand but to the rigging of the market. This rigging was purtly responsible for the subsequent heavy fall in price which helped to bring about a huge return of silver to the Indian Treasury that left a surplus far above prospective needs. Consequently, it is this writer's opinion that "if any International agree-"ment is attempted in future silver "interests will have to give a gua-"rantee that they will not put up "prices and 'ramp it' as they did." in 1919—a policy momentarily to their advantage, but one leading to the permanent downfall of the "most important precious metal since "the days of antiquity." Silver imports into India have been falling since 1926-27, and not entirely because of reduced purchasing power. Uncertainty about the future of silver prices has departed purchasers, while a wider use of banks and purchases of Post Office Cash Certificates have encouraged investment in something other than silver. Estimating the amount of silver still in the hands of the people of India is very difficult. Since 1900 imports are estimated at about 3,000 million ounces; or fifteen times the annual production. Stocks now in the hands of the people cannot, says the writer, be any less than this amount even ignoring the enormous previous imports. If there is a marked rise in the price of the metal, independent of a great increase in agricultural prices, there is likely to be a heavy export of silver from India. But the writer argues that the huful and arbitrary measures for the rehabilitation of the metal so far pursued by the United States can do no good in the end and should be abandened in favour of an effort to get international co-operation in the task; the silver agreement at the World Eco-nomic Conference is not enough. This valuable supplement of The Times is not confined to the monetary and commercial aspects of silver. Many topics of general historical and cultural interest in which the metal has played, or is, playing, a part are discussed. In no country will it be read with greater interest than in India.

SILVER CURRENCY

Sir, Day because Fires we would have an also landered in the Times of Invite of the last centers and the Times of Invite of the last centers regarding silver which I propose to show are not interest, but misagepresentions on the part of Mr. Bettivale do I venture again to address you.

"The reasons why silver has ecased to function as an efficient currency during the last balls a centerty are obvious. Owing to steadily increasing output, the old price of fly to 50 pomes per ounce began to give way, etc. atc.

With regard to Mr. Basinale's assertion that "steadily increasing output" explains why silver has "ceased to Invite his attention to the following fewers. They show the percentages of the relative production (in cances) of silver and sold during the last century and also the ratio which the silver produced hore to the gold unearth are.

Years. Office grows 2 to 2 to 1 is 11-20 and 10 in 10 sells 1.87. 2 to 1 is 11-20 and 10 in 10 sells 1.87. 2 to 1 is 11-20 and 10 in 10 sells 1.87. 2 to 1 is 11-20 and 10 in 10 sells 1.87. 2 to 1 is 11-20 and 10 in 10 sells 1.87. 2 to 1 is 11-20 and 10 in 10 sells 1.87. 2 to 1 is 11-20 and 10 in 10 sells 1.87. 2 to 1 is 11-20 and 10 in 10 sells 1.87. 2 to 1 is 11-20 and 10 in 10 sells 1.87. 2 to 1 is 11-20 and 10 in 10 sells 1.87. 2 to 1 is 11-20 and 10 in 10 in

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4	1900 68	35 5 4CA

Gold, it will be seen, was far more ratuable in 190° than it was in 1870, not only with regard to all commodities. Silver, it is true lost a little in value relatively to sommodities, but that was clearly caused NOT by excessive production, (the gold and silver production ratios conclusively prove that), but my the legislation which artificially restricted its use for monetary purposes.

artificially restricted its use for mometary purposes.

That legislation, so far as India
was concerned, seriously devalued
the immense silver cavings of India's
relitions, and did the peoples of this
country a grave injustice.

Let us back up President Roomevalt so far as his silver policy is
concerned.

concerned.

(Sir) M. DE P. WEBE.

Karechi.