

Problems of the British economy, 1892.

THE BATTLE FOR THE STANDARD: THE BIMETALLIC MOVEMENT IN MANCHESTER

Ted Wilson

In the late nineteenth century Manchester became the home of an economic movement which explicitly aimed to destroy the international gold standard. This may come as a surprise to students of the nineteenth century who associate the gold standard with Free Trade and Free Trade with the cotton city. The fact is though that many 'Manchester men', representing perhaps a majority of informed opinion in the city in the 1880s and 1890s, became convinced that the monolithic gold standard should be replaced with a bimetallic standard which would rely equally on silver. From 1881 Manchester became host to the Bimetallic League, the organisation set up to promote the remonetisation of silver and the removal of the 'monopoly of gold'. In the 1890s Manchester was branded, and with good reason, the 'Silver Citadel'.

Since the mid-nineteenth century, Manchester had become indelibly associated with the cause of Free Trade. The Manchester Chamber of Commerce had been founded for the explicit purpose of removing restraints on foreign trade and it is unnecessary to emphasise that the city had been the home of the Anti-Corn Law League, from 1839.² Early encouragement of economic liberalism had no doubt come from the rapid growth of the city's trade with India which had followed directly from the abolition of the East India Company's monopoly in 1813, but the most proximate cause of the spread of interest in free trade in the late 1830s had undoubtedly been the coming of economic depression in 1837. Free Trade came

to be seen in Manchester not only as a set of inviolable truths but as a practical means of expanding market demand for Lancashire cotton: cheap food would release domestic purchasing power which could be spent on manufactured goods such as Lancashire cotton; buying more food from abroad would enrich foreign consumers who might thus be expected to buy more British exports, such as cotton; and of course cheap foreign food would enable employers to lower wages (on the assumption that these were at least partly determined by the price of bread) and thus the price of their final product. This added up to a seductive economic logic which pointed towards certain prosperity for the exporting industries.

But Free Trade ultimately failed Lancashire. When depression returned in the late nineteenth century Free Trade arguments offered little scope for further expansion of its foreign markets. Predictably, international depression only had the effect of encouraging the spread of protectionism, and by the 1880s British cotton exporters had all but given up hope of penetrating important European markets such as the much cherished French market which had held out so much promise in the 1860s. These were now protected by effective, if not prohibitive, tariffs. Even the Manchester Chamber of Commerce began seriously to question its attachment to the purist doctrine and on one occasion at least voted in favour of protection.³ But by then Manchester had become so dependent on its overseas markets, especially on the Indian market (the further expansion

of which had largely made up for the loss of potentially more dynamic ones), that any retreat from Free Trade was seen as unrealistic by most Manchester men. Even outright support for protection in Manchester, in the 1880s at any rate, generally meant the use of retaliatory tariffs to force foreigners into accepting Free Trade and thus the opening up of their markets.

The 'Great Depression' (generally reckoned to extend from 1873 to 1896) however, proved to be more intense, and certainly longer lasting, in Lancashire cotton than in other major British industries; trade did not really pick up until 1898. By the 1890s opinion in Manchester was desperate to latch onto any remedy which might effect a return to prosperity. It was partly this sense of desperation which brought about the building of the Manchester Ship Canal, completed in 1894. But most employers continued to rely upon the obvious remedy of wage cuts, and this response inevitably resulted in long and costly stoppages such as the Stalybridge Lock-out of 1892. The truth was gradually recognised that cotton operatives' trade unions were by now too well organised to countenance further reductions in wages, and in the middle of depression Lancashire employers reluctantly accepted an industrial pact with their workforce which aimed to replace local friction with industry-wide conciliation.⁴ This was the Brooklands Agreement, the 'Magna Carta' of the industry's labour history, which was signed in March, 1893. What was now needed, or so many people argued, was a general remedy which would revive foreign trade, and thus cotton, just as Free Trade liberalisation had done half a century earlier.

Currency Reform

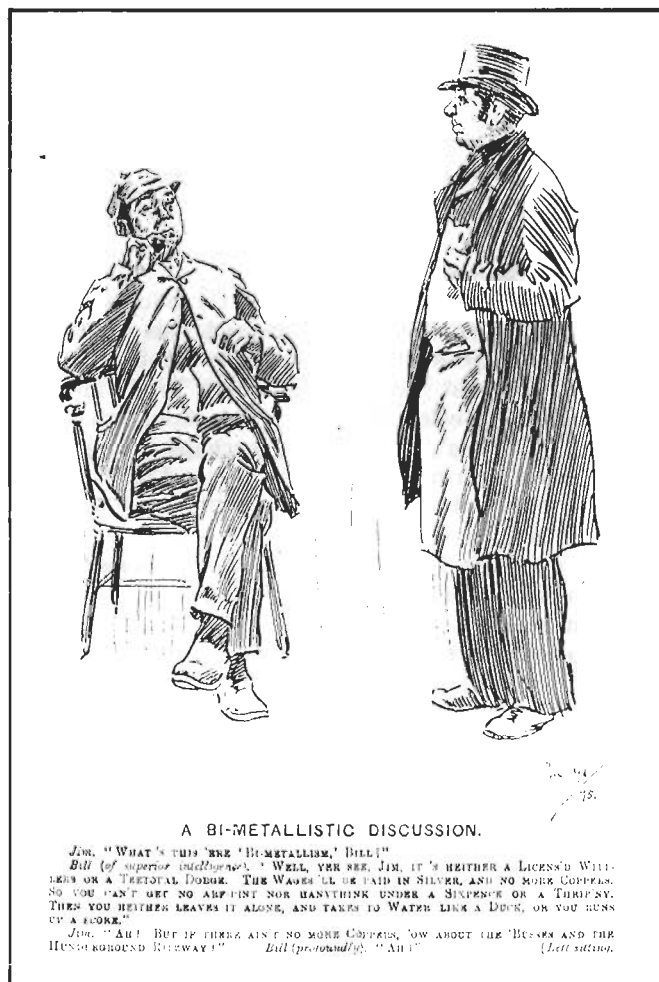
Thus it was that many men in Lancashire came to support the bimetallic movement in the 1880s and 1890s. In essence, bimetalists held that the economic problems of much of British industry in these years arose directly from the operation of the international gold standard.⁵ Lancashire bimetalists became convinced that it was exchange difficulties which were crippling the prospects of the cotton industry in important eastern markets. They believed that sterling had become overvalued relative to other currencies, especially currencies such as the Indian rupee which had remained on a silver standard.

They were not alone in their beliefs, Britain's monetary history in the nineteenth century was relatively unusual in its having been consistently on a single commodity standard for a very long time. This had been largely accidental in the first instance, for Sir Isaac Newton, when Master of the Mint in 1717, had inadvertently overvalued gold relative to silver.⁶ Gresham's Law ('bad money drives out good') came into operation and silver, the undervalued metal, was forced out of circulation as a monetary medium in the eighteenth century. This was despite the fact that silver was actually preferred as a monetary commodity by most authorities of the day (including Newton himself). Worldwide, silver enjoyed an even greater preference, though the vast majority of people wanted to use both precious metals at the same time where possible. It is true to say that until the late nineteenth century most people in the world at large who might express an opinion on the subject were in fact bimetalist, or even 'polymetalist' (i.e. advocating the use of several monetary metals). Kindleberger's view is that even Britain 'backed onto' a gold standard in this period, for in a formal sense the bimetallic option was retained, even though for most of the eighteenth and nineteenth centuries (the exception being the years of the Napoleonic Wars when a paper currency was employed for a period) a *de facto* gold standard was operating.⁷ Ultimately, the rest of the world had to follow, given the dominance of the British economy. However, opinion in some major countries, notably in the

United States and France, remained firmly in favour of bimetalism.⁸

The French believed that they had made bimetalism effective in most of the period between the Napoleonic Wars and about 1870, when they had operated a fixed ratio between the two precious metals. Under this system of 'statutory bimetalism', the state stipulated the rate at which the two metals should be exchanged. Briefly put, the system seems to have worked very effectively. Indeed, many Frenchmen believed that Britain's gold standard was only viable because French banks absorbed the metal which was more plentiful at any particular time and thus acted as a 'parachute' (the preferred term in the nineteenth century, evidently indicating any device preventing too rapid a fall).⁹ In the economic sense this meant preventing the price collapse of either monetary metal. French views of nineteenth-century British monetary orthodoxy therefore naturally came to correspond to the now traditional reaction of 'English perfidy'.

The Americans were even more enthusiastic in their support of currency reform, but to the British at any rate this usually looked like 'silverism' rather than bimetalism. Interest in monetary metals, it is true to say, entered more fully into politics in the United States than in any other country, especially after the Civil War. During the War, both sides had had to employ 'paper currencies' which were not convertible into either precious metal; convertibility is always difficult to maintain in wartime. Among these were the so-called 'Greenbacks' which proved so difficult to withdraw in the post-bellum years. The 'Populist' movement of the late nineteenth century wanted a return to silver currencies, since



Punch cartoon on Bimetallism, 1895.

it was felt that the monetisation of silver would guarantee a return to higher prices, but most Populists would have been more than happy with bimetallism. The farming community in particular were suffering from low prices during the long depression of the 1880s and 1890s and thus were strongly in favour of Populist policies advocating 'silver inflation'. The presidential election of 1896 centred on the issue and gave Jennings Bryan, the Republican candidate, the opportunity to speak in terms of America being 'crucified on a cross of gold', a metaphor much overworked and misused in later years.¹⁰ It is interesting to note that from the mid-nineteenth century through to the inter-war years, the American response to depression was usually reflation (including the 'New Deal'), in sharp contrast to Britain where the response was invariably deflation and cost-cutting (the 'Treasury View').

Paradoxically though, it was not the avowed economic policies of either of these major countries which had most effect on the direction of the world economy's monetary development in the late nineteenth century. The event which seems to have done most to push the international economy towards the gold standard in this period was the decision by the new German Empire to adopt gold in 1871. They were able to do this by

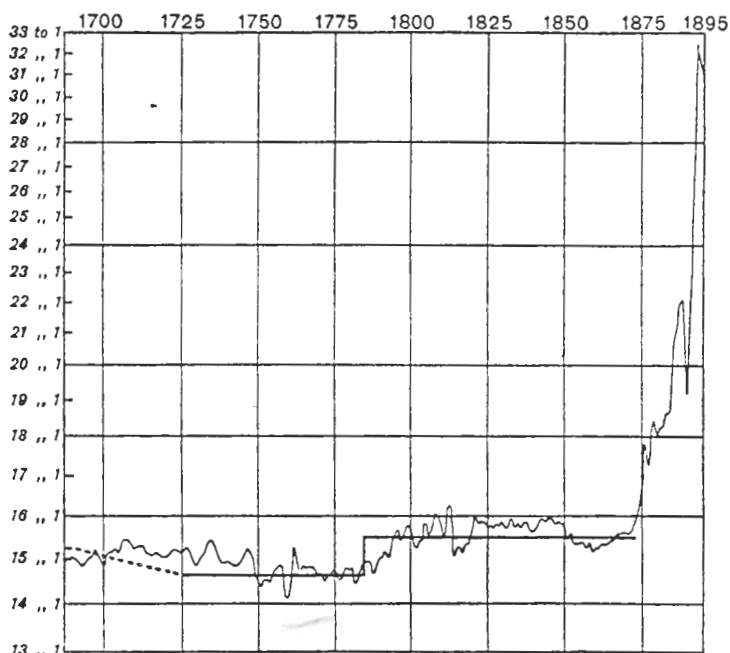
utilising the indemnity forced from the French at the end of the Franco-Prussian War to buy in gold and convert fully to a gold standard.¹¹

Fall of the Rupee

Throughout the rest of the 1870s and 1880s the value of silver declined relative to gold. (See graph.) Previous to this, gold and silver had exchanged at the ratio of about 15½:1. That is to say, gold had been worth about 15½ times the value of silver. From then on silver went into secular decline relative to gold. This was, in contemporary terms, the great 'Fall of Silver'. By 1875 the gap between the metals had widened to 17:1, by 1885, 20:1 and by 1895, 32:1. In the Edwardian years it rose to as much as 40:1, before settling back again to around 30:1. In effect this meant that currencies backed by silver also fell in value, that is to say they depreciated against currencies still on gold. The collapse of silver, therefore, brought about the 'Fall of the Rupee': the rate of exchange between the pound sterling and the rupee before 1893 exactly mirrors the fluctuations in the rate of exchange between gold and silver. By 1895 the rupee was therefore worth less than half its value, in pounds, of 1872.¹²

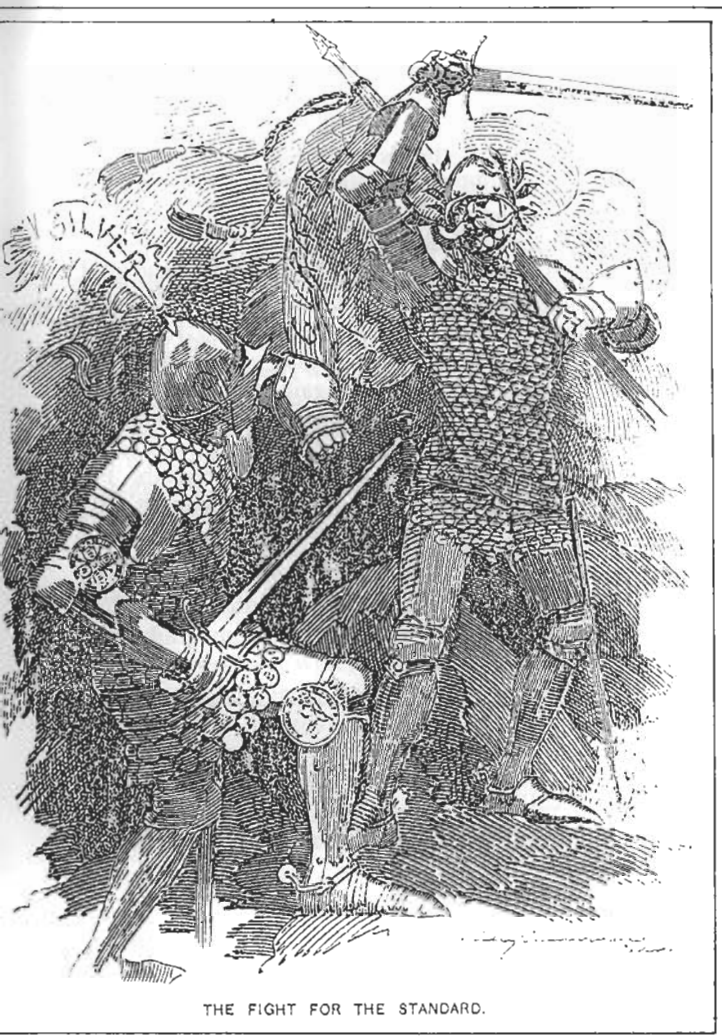
GOLD AND SILVER VALUES, 1687-1895.

DIAGRAM SHOWING THE RELATIVE VALUES OF GOLD AND SILVER BETWEEN 1687 AND 1895.



NOTE.—The curved line shows the ratio in the market. The straight line shows approximately the legal ratio in France, without reference to seigniorage; it has not been found possible to plot this line between 1689 and 1726. The French legal ratio is shown because it was the last to be abolished; the legal ratio adopted by other nations in the eighteenth century frequently differed from the French ratio. The information from which this table was compiled was taken, almost without exception, from the Report of the Director of the Mint of the United States, and from Shaw's "History of Currency." The ordinates are logarithms of the ratios; that is to say, the ratio of 32 to 1 is as much above the ratio of 16 to 1 as the ratio of 16 to 1 would be above the ratio of 8 to 1.

Source: The above graph is taken from: Major Leonard Darwin: *Bimetallism. A Summary and Examination of the Arguments For and Against a Bimetallic System of Currency.* London, 1897.



THE FIGHT FOR THE STANDARD.

The Fight for the Gold Standard, 1892.

This had inevitably led to exchange problems for Lancashire merchants engaged in international trade, especially in the 'eastern exchanges' of India, China and Japan, all of which retained silver currencies. Because of the failure of Free Trade elsewhere, Lancashire had come to rely upon the Indian market to an extraordinary degree by the 1890s and the exchange problems, according to the Lancashire bimetallicists, threatened Britain's position even in this, imperially-secured, market. Furthermore, they argued, the exchange difficulties acted as a protective device for the nascent Bombay cotton industry which by the 1880s had begun to threaten Lancashire's trade both in the Indian domestic market itself and in third markets in the far east, principally China. It will be quickly appreciated by any student of recent British economic history that exchange depreciation can be a real asset to exporting industries. But when Bombay yarn began to appear in Manchester warehouses for the first time in 1891, there was understandable alarm 'on 'Change' that India was beginning to undercut Lancashire producers even on their home ground.¹³ Many commentators, to use the common parlance of the day, saw the name of Ihabod (representing doom and gloom) written over Lancashire.

Currency reform, however, by promising to remove obstacles to overseas trade, offered for many the same panacean solution to the ills of the Lancashire mill industry as Free Trade had fifty years earlier. That is to say, it promised a *general* return to prosperity which would benefit all sides of industry. The bimetallicists proposed the adoption of a currency standard which would use both gold and silver as its basis of value.

Holders of silver would thus be able to take their stock to the mint and demand that it be turned into coin, as of course could holders of gold in countries on the gold standard. Such was the case, at any rate, with pre-1914 *specie* standards. To effect the change, governments would at first have to fix the *ratio*, the official exchange rate between the two precious metals, but ultimately this would settle down, or so the bimetallicists believed, as the accepted rate of exchange just as it had done for many decades in France and central Europe when those countries had been successfully operating bimetallic systems. As some bimetallicists put it, 'pork' and 'beef' would henceforth be regarded simply as 'meat'; the scarcity of one would not drive up its price relative to the other because, with monetisation of both, the two would be regarded as near-perfect substitutes. If 'pork' were to become scarce, people would simply eat more 'beef' and the relative price of the two commodities would not be affected. As the gold standard came to dominate in the late nineteenth century, this analogy could not hold because increasingly only one metal was regarded as a *monetary* metal; silver became purely a commodity in many countries. It had been, to use the economic term, *demonetised*.¹⁴

The result of remonetising silver, so the bimetallicists averred, would be a stabilisation of exchange rates between the world's currencies, especially between erstwhile gold and silver currencies such as the pound sterling and the rupee, and of course a great encouragement to international trade. Some adherents believed that this could be achieved by unilateral action on the part of British monetary authorities but the majority (especially in Lancashire) maintained that there had to be a near-universal shift towards a dual standard, and that this could only be attained by an international agreement.¹⁵ Hence the constant calls from Lancashire for further international monetary conferences in the 1890s: there had been two since the 'Silver Question' had first arisen (1879 and 1889, the latter evincing more interest in Eiffel's iron tower than any revival of silver) but both had failed largely because of the lack of support from the world's most important trading nation. But some bimetallicists, we might call them 'unilateralists', aimed to change British opinion only and believed that this would inevitably lead to international bimetallicism. Britain could, after all, rightly be regarded as the 'World's Banker': Britain's economic policy would inevitably become world economic policy.

Lancashire Voices

Because bimetallicism was seen as a general solution, support for the movement came from many quarters. By the late 1880s a majority of the members of the Manchester Chamber of Commerce (in which, naturally, merchants predominated over millowners) were subscribers to the Bimetallic League, the body set up to lead the campaign, which had moved its headquarters from London to the cotton capital.¹⁶ It seems to be the case that cotton merchants, as opposed to cotton manufacturers, were almost unanimous in their support for currency reform. They were the ones who actually had to deal in foreign currencies and who had most to lose through exchange rate fluctuations. But cotton employers also participated.

Prominent among these was the Stockport manufacturer, Sir William Houldsworth, M.P., Bart. Indeed, Houldsworth was to become a figure of considerable national and even international importance through his propagandising efforts on behalf of the Bimetallic League, and he almost certainly provided the movement with much of its funds.¹⁷ But it has to be said that many Lancashire employers opposed bimetallicism because they associated it, unfairly perhaps, with protectionism. And many mill owners and cotton concerns, particularly in

Blackburn (which ironically depended most upon the eastern 'silver markets') and the 'Oldham Limiteds', were clearly opposed to currency reform, preferring instead, it would seem, the classical *entrepreneurial* and Free Trade response of cost cutting and wage control.¹⁸

Indeed bimetallism seems to have received more uniform support from the cotton unions. In November, 1891, the United Textile Factory Workers' Association (UTFWA), which had recently come into being as the political mouthpiece of the Lancashire unions, declared itself unambiguously in favour of bimetallism with its *Textile Workers' Currency Manifesto*, to advocate, 'the recognition of silver as standard money throughout the British Empire'.¹⁹ But the main buttress of this support was the Cotton Operative Spinners' Union, through its redoubtable Conservative leader, James Mawdsley, one of the architects of the Brooklands Agreement.²⁰ To labour historians of Lancashire in the late nineteenth century it will come as no surprise that the cotton unions supported reformist measures such as currency reorganisation, much to the chagrin of socialists such as H. H. Hyndman, but it is nevertheless remarkable that the representatives of Lancashire's working classes should have hoped that they could both educate and activate their members about a question so difficult to understand as the currency.²¹ After all, Gladstone himself had said, albeit tongue in cheek, that he could not comprehend the issues involved, and preferred to leave the matter to experts.²² His great political opponent, Joseph Chamberlain, also abjured any interest in, or even knowledge of, the currency issue.²³

Unabashed, Mawdsley and his associates enthusiastically set about the task of converting their membership, getting them 'up to standard', to use the contemporary terminology, and devoted many hundreds of column inches to the 'Silver Question' in their newspaper, the *Cotton Factory Times*, identified recently and quite wrongly, as a trade magazine by one commentator.²⁴ Indeed the *Cotton Factory Times* gives us by far the best available account of the course of the Lancashire bimetallic movement in the 1890s, providing as it does both the theoretical arguments for currency reform and a sustained narrative of the movement's progress. It is not easy to determine the degree of success which Mawdsley and his associates attained in their propaganda. Clearly they attempted to make bimetallism a 'bread and butter' issue and wanted the working classes of Lancashire to devote the same attention and enthusiasm to the monetary cause which their antecedents had accorded to Free Trade. To this end the *Cotton Factory Times* ran a series of didactic articles in the early 1890s outlining the role of bimetallism in world history and making the necessary connections with the current 'Silver Question'.²⁵

To the extent that the Bimetallic Leaguers consciously modelled their organisation on the Anti-Corn Law League, they, of course, would have welcomed the support of the factory floor workers. Reports of their annual meetings in the 1890s confirm that this was so. In 1895, for example, the Lord Mayor of Manchester, chairing the annual meeting, rejoiced in the fact that it was attended by the representatives of labour.²⁶ The cotton unions also helped fund the League's activities, the UTFWA voting them £1,000 in 1891 (later reduced to a still very considerable £500).²⁷

A recent contributor to the history of the bimetallic movement, E.H.H. Green, has written that: 'As the price fall moved towards its lowest trough in the mid 1890s, the cotton industry, masters and men, stood four square behind the bimetallic campaign.'²⁸ However, one has only to consult the Manchester journals which best reflect the opinion of 'cottonocracy' in this period such as the *Textile Mercury* and *Textile Manufacturer*, to see that there was no unanimity on currency

reform amongst the mill owners. If these journals are to be taken as representative, it would seem that the response of many was a derisory one, accusing the bimetallists of pursuing a pie-in-the-sky campaign.²⁹ More research needs to be carried out into which groups of employers supported the movement and to ascertain what regional differences, if any, there were within Lancashire. The initial hypothesis that support would vary with the destination of exports; that Blackburn employers, who were more reliant on the eastern markets, would be more actively supportive than, say, Bolton mill owners, whose fine yarns were directed mainly at European industrialised markets, seems fatally threatened by the reported opposition of the former and the apparent indifference of the latter. Furthermore, Houldsworth, the most prominent of the employer-bimetallists, was a spinner of very fine yarns in his Reddish mills and was thus presumably much less dependent on the eastern markets than many of his competitors.

An alternative approach is to suggest that large-scale, paternalistic, employers such as Houldsworth were more likely to take the long-term view than the 'managerial men' of Oldham and, of course, currency reform such as bimetallism was long-term in the sense that the ultimate aim for the likes of Houldsworth was the stabilisation of markets and a secure future for cotton exporters. Indeed, one might view both Houldsworth's model workers' community in Stockport and his sponsorship of the Bimetallic League as simply two aspects of a good Victorian Christian's belief in social and economic equipoise. According to his biographer, Houldsworth's achievements in connection with his factory community at Reddish rank alongside those of Titus Salt and Lord Leverhulme, and his many other achievements as churchman, engineer, statistician, temperance reformer, and educationalist, make him truly a 'man for all seasons'.³⁰

The outlook of Houldsworth's has to be set against the purely entrepreneurial, short-term, *laissez faire* response of many other millowners and managers who did not believe in interfering in

Chamberlain and the Silver Question, 1893.





Sir William Houldsworth.

areas such as the currency which they saw as the clear responsibility of Her Majesty's Government. In this they were in concert with the likes of the well known political economist Sir Lyon Playfair who saw the Great Depression and the associated price fall as purely the result of cost-reducing innovation and heightened competition. Not surprisingly, Playfair was a powerful opponent of the bimetallic school, despite his connections with Manchester. In 1889 debate had been conducted in the pages of *The Times* newspaper between the bimetallics and the gold standard men which neatly sums up the arguments of the two schools, and which drew in eminent thinkers from both sides, including Robert Giffen and Alfred Marshall, the leading academic bimetallic economist H.S. Foxwell, and Playfair himself. As in all such currency debates in the period, the outcome was inconclusive. Much of the debate centred on whether or not the Duke of Wellington had been a bimetallicist - such was the awe in which the man's name was still held - but the bimetallics failed to alchemise the 'Iron Duke' into the 'Silver Duke', at least to the satisfaction of their adversaries.³¹

London Voices

Ultimately the Lancashire bimetallics and their allies failed to convince the British establishment of the desirability of currency reform during the period of exchange hiatus before 1895, and in retrospect it seems clear that politically their campaign was always doomed. To begin with, they were up against powerful, perhaps indomitable, vested interests in the City of London, whose financiers had much to gain from an appreciating gold standard. Clearly the social and economic

links of 'gentlemanly capitalism' with the government of the day were to be much more compelling to the legislature than the whining and whimpering of the 'Manchester cheap money men', as they were once referred to.³²

The City formed the Gold Standard Defence Association (GSDA) in 1887 in direct response to the existence of the Bimetallic League. Though such an organisation may not have been crucial to the success of its aims, the GSDA received letters from leading politicians, including the 'Grand Old Man' himself, assuring them that they could be secure in their intransigence.³³ The Lancashire bimetallics, to be sure, had correctly identified some of their enemies, frequently railing against the 'gold bugs' and the corrupt southern interests (presaging the north-south divide of much later decades) but seem not to have understood the power structure which placed them in a feeble, even impotent, position. True, there were 90 Lancashire MPs in these years but by the late nineteenth century they were mostly the creatures of the new party politics. In modelling themselves on the Anti-Corn Law League the bimetallics had perhaps made a fatal error, for they evidently did not realise that it was no longer feasible to appeal directly to government on such important matters. Even on the issue of the Indian Import Duties, over which there was a completely uniform opposition within the cotton interests, Lancashire could not rely on its own MPs to support it and many of them voted for the imposition of the duties in 1895, to the utter incredulity of their constituents. Yet, it is difficult to see how the bimetallics could have made their campaign a party-political one, for although many of their leading supporters were Conservative, success depended (or so they believed) upon a strong regional commitment and this meant garnering support from wherever it could be found locally. The Bimetallic League always claimed to be free of party loyalties and almost certainly was free, in a formal sense at least, but in remaining so it necessarily failed to shift either party over to its aims.

Nevertheless, in both the 1892 and 1895 General Elections the bimetallics aimed to get local candidates to promise their support for currency reform should they be elected. In 1892 the UTFWA sent their addresses on bimetallicism to all candidates, irrespective of party loyalties. Clearly their aim was to convert all the parliamentary candidates to support for currency reform and regarded this, axiomatically, as good for Lancashire. In 1892 the *Cotton Factory Times* was able to rejoice at the defeat

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of J.M. Mclean, an incumbent MP for Oldham who had been a keen bimetallist in the past but who had recently gone over to the orthodox fold, no doubt at the behest of the Oldham Spinners. And though the newspaper was run by Conservative operative spinners, in the event it was optimistic that the return of Gladstone would be accompanied by a rethink of the currency issue. It was not long after the election, however, that the newspaper was beginning to doubt the support of the elderly premier who, it was reported, 'might have scented an element of protection in bimetallism'.³⁴

When Gladstone's government lost the 'will to power and survival' in 1895, another General Election was called and this time the bimetallists were more optimistic about success since they expected the return of a Conservative administration packed with eager bimetallists. The Ramsbottom Weavers, Winders and Warper Association sent a questionnaire to the local parliamentary candidates asking them if they would vote against the Indian import duties and for international bimetallism, making it clear that their advocacy depended on the correct answers. Col. George Kemp, later Sir George Kemp, answered an unambiguous 'Yes' to each question and was returned for the Heywood constituency in preference to his prevaricating opponent.

The Conservative administration proved in the end to be no more helpful to the bimetallists, equally reliant as they were upon the financial interest. But ever hopeful, the *Cotton Factory Times* reported the visit of a bimetallist deputation of the Manchester Manufacturers' Association to the new Colonial Secretary, Joseph Chamberlain, in October, 1895.³⁵ Chamberlain was identified as a key member of the new administration despite his opting for a relatively minor ministerial post but, like Gladstone before him, he concealed his opposition to currency reform behind pleas that he did not understand the issues. And this from a man who claimed to know the formula for British industrial revival in the age of New Imperialism. Evidently his grand imperial strategy was to be based much more upon African gold than upon Indian silver.

A Failed Pressure Group?

Throughout this period the bimetallists displayed considerable political naivety and a surprising lack of intelligence about their chances of success. There seems to have been little communication, for example, between the Manchester bimetallists and Arthur Balfour, yet Balfour was known to be highly sympathetic to the cause and sat for a Manchester constituency.³⁶ As nephew of Salisbury and a member of the Conservative cabinet, it is inconceivable that he did not know how the political - economic landscape lay and he was clearly in a position to give good advice. He seems not to have done so.

There are many other possible reasons why bimetallism ultimately failed. The Leaguers placed a pitiable faith in Gladstone to 'come good' on currency reform (hoping perhaps that a man known for his resort to conscience would 'fly another kite') and for several years their political intelligence remained so poor that they did not appreciate that he was thoroughly committed to the status quo. And when Gladstone did return as Prime Minister he was so preoccupied by his 'Hibernian monomania' that he had little time for such small, technical, issues as the state of the exchanges or the condition of the country's major exporting industry. He allowed the Chancellorship to go to Sir William Harcourt, who was perhaps the most devout upholder of the gold standard the nineteenth century produced. Harcourt intervened directly in 1892 to prevent the international monetary conference (sponsored by American bimetallists) coming to London on the grounds that,



India versus Lancashire 1895.

'it might give the impression that the country favoured bimetallism'. In any case, he told a colleague:

*In these days of contagion I can't have London infected by an incursion of bimetallists. It would be too embarrassing to have to treat them as compos mentis.*³⁷

Harcourt was succeeded by Sir Michael Hicks Beach in Salisbury's 1895 Conservative ministry, and although Salisbury himself was reportedly sympathetic to bimetallism and although the new Secretary of State for the Treasury was none other than nephew Balfour, Hicks Beach proved to be the sound guardian of the gold standard that Harcourt himself had expected, and the ground was safely held. It is difficult to believe that the City in these years was not hand-picking the residents of No. 11, Downing Street, but it is amazing that one of the other great financial offices of state should have gone, in 1895, to a 'raving bimetallist'.

There are many technical reasons why the bimetallists failed to present a realistic set of prescriptions to governments in the 1880's and 1890's but there were also grounds for optimism. The movement received much encouragement from the United States and many leading American proponents, such as Charles Dana Horton and Francis Walker visited Manchester to give formal lectures to the League and to the Chamber of Commerce, The French, as we have seen, had always favoured a bimetallic system, and, in Chevalier, had possessed a powerful advocate of the dual standard. And although the Germans had used the indemnity secured from the French in 1871 to buy themselves into the international gold standard, by the mid-1890s the Reichstag were beginning to regret the decision and were pushing for a return to a bimetallic system. Undoubtedly though, the most prominent continental bimetallist of the late nineteenth century was Henri Cernuschi, the Belgian economist-statesman who also corresponded with the Manchester School.

In 1889 Cernuschi offered a prize of 10,000 french francs to the writer of the best 'essay on currency reform', that is to say, tract advocating the return of silver, through the good offices of *The Times* newspaper and, somewhat inadvisedly, invited the then Chancellor, George Goschen, to adjudicate. Not surprisingly, Goschen declined the offer. Such matters were faithfully recorded by the *Cotton Factory Times* and were presumed to be of vital interest to their readership.³⁸

The 'Lancashire school' was also greatly encouraged by the news of the setting up an international conference, at Brussels in 1892 (they of course were unaware that Harcourt had prevented its coming to London). Indeed the currency reformers, if Mawdsley's newspaper was at all representative, took this to mean that success was now just around the corner, especially as it had been announced that Britain would be represented at the conference by none other than Sir William Houldsworth. What they did not know was that his appointment was merely a token one and that the British delegation would be packed with 'gold bugs', such as Bertram Currie and Sir Rivers Wilson. In fact the British government seemed to use the occasion merely to demonstrate unequivocally to the rest of the world that Britain would never accept bimetallic reform and to close off any speculation about the breakdown of the gold standard. Impressed as many of the foreign delegates were by Houldsworth's speeches, the political reality was against change. The conference was adjourned in December, 1892, ostensibly to allow the delegates to go home for Christmas, but in fact it never reassembled. It is clear from reports of the conference that the delegates of other countries despaired of ever changing the minds of the British.³⁹ Plus ça change ...

The closing of the Indian silver mints in 1893 also gave the Lancashire currency reformers some cause for optimism, hoping as they did that it might result in a dual standard for India. As well as being beneficial to Lancashire's trade with the sub-continent (the rupee was effectively detached from silver) this, they believed, might well pave the way for international bimetallicism. In fact, the exchange protection that silver had afforded India was replaced by the reimposition of formal protection with the Indian import duties of 1894. These were effectively repealed by the imposition of a 'countervailing' excise duty within India but India ultimately went on to the formal gold standard in 1898. This was probably not envisaged by either the British or Indian governments during the currency restriction. Certainly the Americans were equally concerned about the Indian currency at this stage and for the same reasons as the Lancashire interest and later they were to send a mission (the Wolcott Mission) to Europe to sound out the possibilities of India's being put on a bimetallic standard. Needless to say, this was given short shrift by both the British government and the India Office. In the meantime India itself became the test bed for monetary experimentation and was forced to accept a 'limping silver standard' between 1893 and 1898. By the latter date, though, the bimetallic campaign had run its course and the gold standard had triumphed, if not for the reasons its adherents had supposed. Nevertheless, it is true that the course of Indian currency history in this period, important as it is for all kinds of reasons, may well have been directly influenced by the Lancashire currency reformers.

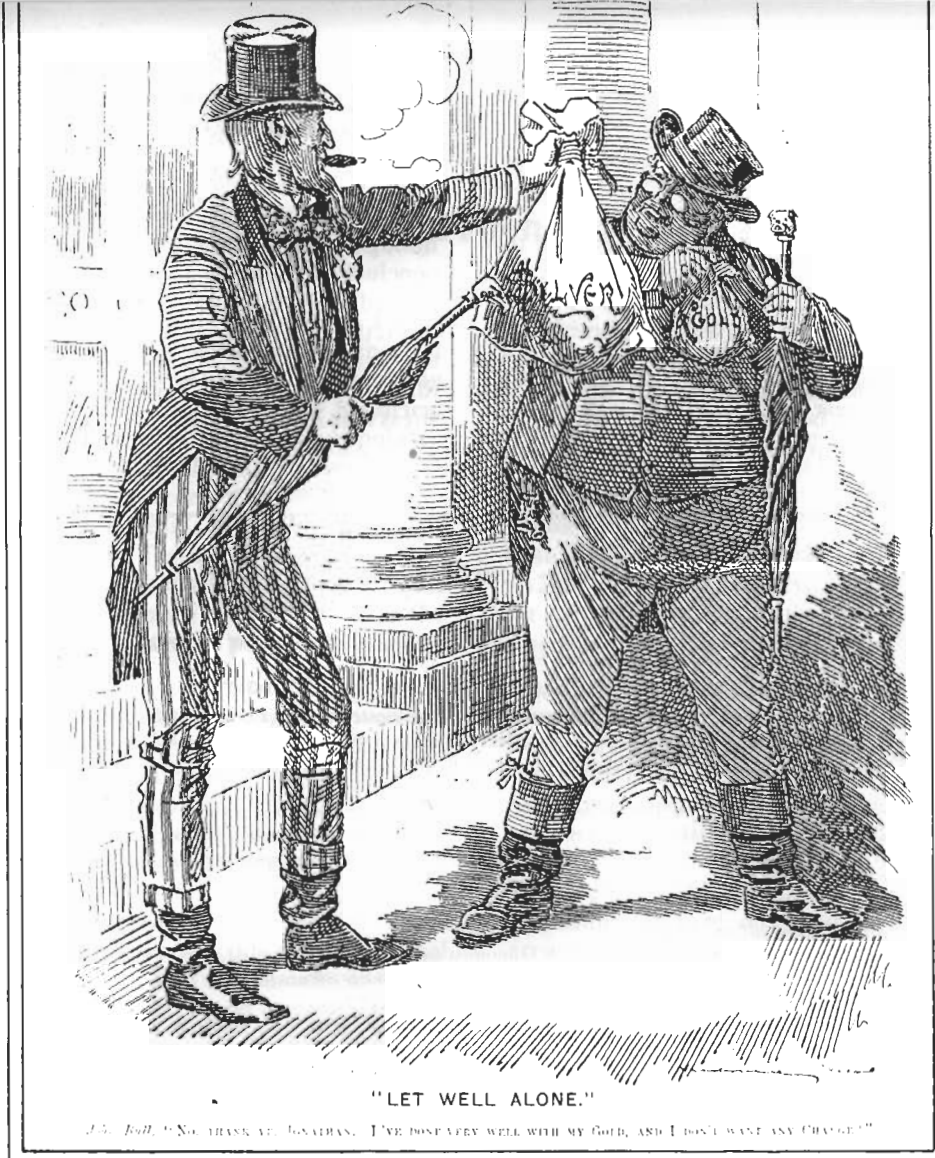
Although it failed, there are many lessons to be learned from the bimetallic campaign generally. To begin with, it is clear that there was no unanimity over Britain's adherence to the gold standard in the late nineteenth century, and that a formidable theoretical onslaught was managed by the currency reformers. As one recent writer has pointed out, the bimetallic debate created a massive literature, with approximately one

publication every two days between 1881 and 1891.⁴⁰ Although by no means all the currency reformers were to be found in Lancashire (there had, for example, been a strong campaign for the dual standard by the farming interests led by Henry Chaplin), Manchester came to be seen as the rightful home of the movement. Partly this was because the city was the headquarters of the largest exporting industry and the one that had most to gain by currency stabilisation, but also perhaps because it was still associated with the radical economic reform of earlier decades. There are clear implications here for the 'fractions of capital' debate for there is no more graphic illustration of the divide between northern industrial capitalism, which was capable at times of entering into a producers' alliance with its own workforce and the gentlemanly capitalism of the southern service sector, which was determined throughout to maintain the gold standard as the *sine qua non* of its own financial existence. Certainly one has to be very careful, for there were bimetallic bankers in the heart of the City. Either this was a case of 'protestants in the Vatican' or the City was less orthodox than many historians have assumed.⁴¹

The bimetallic movement failed in the sense that its adherents never saw the restoration of silver as a unit of value and from the late 1890s little is heard of it again, though the Bimetallic League was not wound up in Manchester until 1910.⁴² The world-wide drift towards the uniform gold standard continued as though ineluctably, and even in the difficult years of the interwar period, those people who supported a return to convertibility assumed that any such return would be on the basis of a gold standard of some kind. It is possible that the bimetallic movement failed because of the massive increase in the supply of gold resulting from the great discoveries of the 1890s. These, arguably, led to a rapid expansion in international liquidity and the boom in the world trade of the Edwardian era.

And of course these years were exceptionally wealthy ones for Lancashire cotton, which saw enormous expansion of both production and productive capacity. In an era of boom no-one, apart from cranks and visionaries, is interested in wholesale modifications to the system. But far from proving that the bimetallicists were wrong, there was a sense in which the Leaguers had always predicted this outcome, for it was the monometallicists who had argued that silver was becoming so abundant compared with gold that it should no longer be considered as monetary metal. The bimetallicists had always believed that in the long term supplies of gold would, proportionately, catch up with silver, and that a dual standard would in the meantime stabilise the supply of money. But the expansion of gold supplies was accompanied by economic expansion and this seemed to have destroyed the bimetallicists' case. It should be emphasised, however, that in the theoretical debate, according to Joseph Schumpeter no less, the bimetallicists won the day.⁴³

Clearly, what can no longer be accepted is that bimetallicism was merely the nostrum of a small and insignificant group of eccentrics. Support came from hard-nosed men of business, from eminent Oxbridge academics, and from the sober leaders of Britain's most well-organised industrial workforce. Study of the campaign suggests that it was most definitely the British government, at the behest of the City of London, which maintained the gold standard in the late Victorian years: almost all other major establishments throughout the world sympathised with the Lancashire cause but could not introduce international bimetallicism without the support of the British government. Throughout the campaign years, letters poured into Manchester from numerous overseas groups and individuals who were convinced that it was Britain that was preventing reform and expressing hope that the Lancashire



United States' silver versus British gold.

bimetallists would be able to influence their own government as they had done in times past.

A recent contributor to the history of the gold standard and the international monetary system of this period has argued, "Before 1914 each nation's gold standard had been a matter for that nation alone, and there had been no international concertation of the system".⁴⁴ This may be true but an appreciation of the bimetallic campaign convinces one that other countries, notably the United States and France, would have changed their systems if they could and such a conclusion completely ignores the fact that there were three international monetary conferences between 1879 and 1892 aimed at achieving monetary harmony. International accord, of course, was not possible while countries did not agree on the ground rules but the truth is that it was the British government which actively prevented international co-operation from bearing fruit. In the early 1890s, however, this did not daunt the men of Lancashire, whose history convinced them that even this was not an insuperable barrier to progress.

Few, if any, historical phenomena are likely to involve, as the bimetallic debate did, the machinations of statesmen, politicians, businessmen, economists, mill-owners, trade union leaders and shop floor workers. For that reason alone it is worth studying and this is to say nothing of the debate's international dimension, which drew in comment and participation from throughout the world. In the Edwardian period the question of currency reform disappeared as quickly from public debate in Manchester as it did elsewhere. Perhaps they were taking the advice of Miss Prism to Cecily, in the

contemporary play of Oscar Wilde, that she should not read about the Fall of the Rupee: "It is too sensational for a young girl, even these metallic problems have their melodramatic side." But the fact is that for a long time many people in the cotton city were convinced that bimetallism was the only way out of the longest trade recession in modern history.

It is also interesting to note that the currency debates, via the Indian connection, threw up many new ideas on monetary matters. One of these, the 'Lindsay Scheme' of 1893, resulted ultimately in the creation of the world's first gold *exchange* standard, as opposed to the then normal *specie* standard, in India. This in turn was the forerunner of the system which Britain and other countries introduced in the 1920s. The gold *specie* standard of the nineteenth century was never re-introduced in Britain in the interwar years, so in some ways it is quite wrong to talk about its 'restoration' in 1925. John Maynard Keynes was an enthusiastic supporter of the gold exchange standard of India and advocated it as a solution to international exchange problems in later years. His opposition to Churchill's momentous decision in April, 1925, stemmed from his conviction that the timing and the parity, rather than the system itself, were at fault. Through to the 1920s at least Keynes remained a supporter of the 'mild inflation' school which argued that gradually rising prices were a good thing for business and for the economy generally; hence in part his objection to the deflationary parity of 1925.⁴⁵ As such he had much in common with the Lancashire bimetallists who in the 1890s yearned for a little mild inflation, and he would surely have been numbered amongst them had he been born thirty

years earlier. It is intriguing to think that working-class interests and Keynesian perception might have been in agreement long before the triumph of Keynesianism in the 'great consensus' of the post-Second World War period.

It would be wrong, though, to equate the bimetallism of the Lancashire variety with the vulgar inflationism of the United States and elsewhere. What the Manchester men sought was merely a 'level playing field' with overseas competitors, just as their forefathers had pursued international equity with Free Trade, and it is not surprising that after two decades of depression the 1890s would be years in which Manchester manufacturing interests again questioned the validity of the

current arrangements. They were quite right to do so, for bimetallism can be shown to be a more than worthy alternative to the 'great international gold standard' of the nineteenth century, both empirically (through the study of European monetary arrangements of earlier periods), and theoretically, through modern economic analysis.⁴⁶ As Milton Friedman concluded as recently as 1990: 'Far from being a thoroughly discredited fallacy, bimetallism has much to recommend it on theoretical, practical, and historical grounds, at least as superior to monometallism.'⁴⁷ The 'Silver Citadel' was not entirely an illusion; it might well have proved a stronger bastion under stress than its less worthy successor in the difficult years of the 1920s and 1930s.

NOTES

1. The following article is based upon E.R. Wilson: 'Lancashire Cotton and the Bimetallist Controversy of the 1890's', unpublished Master of Social Sciences thesis, University of Birmingham, 1990.
2. A.R. Redford: *Manchester Merchants and Foreign Trade*. (1956).
3. *Ibid.* In 1888 a resolution proposed by Chamber members belonging to the Manchester Union, a branch of the Fair Trade League, a protectionist organisation, was carried at a meeting of the Chamber. This did not reflect the views of the full membership; later in the year a poll of all members produced a result showing 397 to be in favour of free trade, and 187 against. However, Redford noted that, 'a sizeable majority, even in a good year (1888), supported a protection stance'.
4. See A. Bullen: 'The Making of Brooklands', in A. Fowler and T. Wyke (eds): *The Barefoot Aristocrats*. (1987)
5. See Sir David Barbour: *The Theory of Bimetallism and the Effects of the Partial Demonetisation of Silver on England and India*. (London, 1895.) Many thousands of articles, books and pamphlets were written in Britain both for and against the bimetallist cause between 1870 and 1900.
6. C.P. Kindleberger: *A Financial History of Western Europe*. (1984)
7. *Ibid.*
8. Francis A. Walker: *International Bimetallism*. (1896).
9. The term 'parachute' seems to have been invented by the French economist and statesman Chevalier. See, for example: M. Chevalier: *On the Probable Fall in the Value of Gold: The Commercial and Social Consequences which may ensue*. (Manchester, 1859).
10. See, for example, Francis G. Walett, *Economic History of the United States*. (1954).
11. Kindleberger, *op cit.* There was much concern in England and France as to what the Germans would do with their surplus of silver, (See *The Economist*, April-June, 1879).
12. Major Leonard Darwin: *Bimetallism: A Summary and Examination of the Arguments for and against a Bimetallic System of Currency*. (London, 1897).
13. *Cotton Factory Times*, 25 Sept. 1891.
14. See J.H. Howell: *Bimetallism. A Pamphlet based upon a speech before the Bristol Liberal Club*. (1893).
15. Barbour, *op cit.* Barbour was a 'unilateralist', unlike the Lancashire bimetallists who were largely 'universalists'.
16. A.R. Redford, *op cit.*
17. A.C. Howe, 'Sir William Henry Houldsworth', in D Jeremy (ed), *Dictionary of Business Biography*, vol 3, 1985.
18. A.R. Redford, *op cit.*
19. Published in the *Cotton Factory Times*, 11 Dec 1891.
20. A. Bullen *op cit.* The other 'architect' of Brooklands was Charles Macara, representing the employers Macara seems to have taken no interest in currency reform.
21. Hyndman bitterly attacked the Lancashire bimetallists, the 'hard-headed men of the north', in the SDF journal, *Justice*, 25 Jan 1895 to Dec 1896. See also H. Quelch: *The Bimetallic Bubble*. (1985) in similar vein.
22. Gladstone frequently professed no knowledge of economics, despite being the progenitor of a fiscal system.
23. E.H.H. Green, 'Rentiers versus Producers? The Political Economy of the Bimetallic Controversy c. 1880-1898', *English Historical Review*, 1988.
24. A. Bullen, *op cit.*
25. *Cotton Factory Times*, 25 Jan 1892 and following weeks, for series of articles: 'The Bimetallic Question: A Plain Explanation'.
26. *The Bimetallist. A Monthly Journal for the Advancement of Monetary Reform*, July, 1895.
27. *Cotton Factory Times*, 18 Dec 1891.
28. E.H.H. Green, *op cit.*
29. See *Textiles Mercury*, and *Textile Manufacturer*, both published in Manchester. The *Textile Mercury* was set up specifically to counter the *Cotton Factory Times*.
30. A.C. Howe, *op cit.*
31. *The Times*, September, 1889 to February, 1900.
32. By Sir William Harcourt, the Liberal Chancellor. See A.G. Gardiner, *The Life of Sir William Harcourt*, 2 vols, London 1923.
33. *Gold Standard Defence Association*, Paper No. 11, 1890.
34. *Cotton Factory Times*, 22 July 1892.
35. *Cotton Factory Times*, 18 Oct 1895.
36. Balfour's first speech in Parliament was on currency reform and as he had American family connections he was perhaps more influenced by the American accounts than others.
37. A.G. Gardiner, *op cit.*
38. *Cotton Factory Times*, 1889-1890.
39. *Report on The International Monetary Conference, 1892, presented to both Houses of Parliament*, 1893. India Office Library.
40. E.H.H. Green, *op cit.*
41. See A.C. Howe, 'Bimetallism, c1880-1898: a controversy re-opened?' Debate article in *English Historical Review*, April 1990. Howe argues that support for bimetallism was always too fragmented for it to have succeeded.
42. The last entry for the Bimetallic League in the Manchester Trade Directory and Guide, was in 1910.
43. J.A. Schumpeter, *A History of Economic Analysis* (1952).
44. I.A. Drummond, *The Gold Standard and the International Monetary System, 1900-1939*. (1987).
45. See particularly J.M. Keynes: *A Tract on Monetary Reform*. (London 1923).
46. For example, Kevin Dowd, *The Mechanics of the Bimetallic Standard*, University of Nottingham, revised 1991.
47. Milton Friedman: 'Bimetallism Revised', *Journal of Economic Perspectives*, Fall, 1990. Also, 'The Resource Costs of Irredeemable Paper Money', *Journal of Political Economy*, 94, (1986.)