

GRESHAM'S LAW OF THE CURRENCY.

One of the pamphlets of the Gold Standard Defence Association (No. 9) is a reprint in whole or in part of Henry Dunning MacLeod's account of the circumstances under which what is known as Gresham's law of the currency was first enunciated. A number of extracts from this admirable treatise are given in the last issue of the *Canadian Bankers' Journal*, which characterizes it as a concise statement of the principles upon which mono-metallists rest their case. These extracts contain information which ought to be, but probably is not, widely known. It gives one a sort of thrill of satisfaction to find that a great Frenchman five centuries ago, and a great Dane three-and-a-half centuries ago, had the shrewdness to see and the pluck to say, as they both do, in the teeth of monarchs, that to debase the coin, as the kings had done, was robbery. And it is striking, too, to find Gresham, who had, as MacLeod says, no knowledge of these treatises, reaching, at a later period than either, the same conclusion in England, by his unaided reason, that the circulating of debased coin and the disappearance of all the good coin, are two facts necessarily related as cause and effect. The pamphlet says, quoting MacLeod:

"Charlemagne established the system of coinage which was adopted throughout Western Europe. He made the pound weight of silver the standard, and coined it into 240 pennies. For some centuries these were the only coins issued by the sovereigns of France, and for a considerable time they coined these pennies at their full weight and fineness. But about the beginning of the twelfth century they began not only to diminish their weight, but to debase their purity. They considered it part of their inalienable divine right to declare that their subjects should accept the diminished and debased coin at the same value as the good coins of full weight. They further complicated matters by issuing gold coins, and they considered it as part of their divine right to change the rating of the coins with respect to each other as often as they pleased. These constant tamperings with the coin produced commotions and disturbances for centuries and drove away foreign trade from the country. At length that great sovereign, Charles V, surnamed the Wise, perceived that the only way to restore prosperity to the country was to reform the coinage. He referred the matter to one of his wisest and most trusted counsellors, Nicholas Oresme, afterwards Count Bishop of Lisieux, who, in answer to the appeal of his sovereign, drew up, in 1366, his now famous *Traictie de la premiere invention des Monnoies* in twenty-six chapters, which has only recently been brought to the notice of economists. After explaining the true nature and uses of money, he laid down the following principles:

- a. That the sovereign has no right to diminish the weight, debase the purity, or change the denomination of the coin. To do so is robbery.
- b. That the sovereign or the law can in no case fix the value, *i.e.*, the purchasing power of the coins. If he could do so, he could fix the value of all commodities.
- c. That the legal ratio of the coins must strictly conform to the relative market value of the metals.
- d. That if the fixed legal ratio of the coins differs from the natural, or market value of the metals, the coin which is underrated disappears entirely from circulation, and the coin which is overrated alone remains current.
- e. That if degraded and debased coin is allowed to circulate along with good and full-weighted coin, all the good coin disappears from circulation, and the base coin alone remains current, to the ruin of commerce.

"This great treatise, which may justly be said to stand at the head of modern economic literature, laid the foundations of monetary science. As it was written long before the days of printing, it never got into public circulation. It is merely a report addressed to Charles V. The same evils existed all through Europe, and were called *morbus numericus*.

"Poland, which then comprehended the modern Prussia, was, among other countries, afflicted with these evils. Sigismund I, King of Poland, who was fully sensible of the injury they inflicted upon the country, sought the advice of Copernicus, who was a member of the Prussian Diet. At the instance of Sigismund, Copernicus in 1526 drew up a masterly treatise on money, which he entitled *Ratio monetæ cudentæ*, which has only been discovered within the present century, and is included within the magnificent edition of his works printed at Warsaw in 1854. Copernicus had no knowledge of the treatise of Oresme,

written 160 years before his time, but he came to exactly the same conclusions. He said:

- (a) That the four principal causes of the decadence of States are civil discord, pestilence, the barrenness of the land, and the debasement of the coin.
- (b) That it is impossible for the prince, or the law, to regulate the value of the coins, or of any other commodities.
- (c) That all the prince, or the law, can do, is to maintain the coin at a fixed denomination, weight and purity.
- (d) That it is robbery for the prince to change the denomination, diminish the weight, or debase the purity of the coin.
- (e) That it is impossible for good full-weighted coin and for degraded and debased coin to circulate together; but that all the good coin is hoarded, or melted down, or exported, and the degraded and debased coin alone remains in circulation.
- (f) That the coins of gold and silver must bear the same ratio to each other as the metals in bullion do in the market, and that this ratio must never be changed, except in consequence of a change in the market ratio of the metals.
- (g) That when good coins are issued from the mint, all the base and degraded coins must be withdrawn from circulation, or else all the good coins will disappear, to the ruin of commerce.
- (h) That it is impossible to have two measures of value in the same country, just as it is impossible to have two measures of length, or weight or capacity.

"The shameful state of the coinage in England caused so much public distress and gave rise to so many disturbances, that the council of Edward VI saw the necessity of reforming it, and had taken measures for that purpose when the boy-king died. No sooner had Elizabeth acceded to the throne than she turned her attention to complete the reform of the coinage which had been begun by her brother, being moved thereto by the illustrious Gresham, who was the first in this country to point out to her that good and bad coin cannot circulate together, but that the bad coin always drives the good coin out of circulation. The facts were only too familiar by the experience of centuries, but no one in this country had previously discerned the necessary relation between these facts before Gresham. He addressed a letter to the Queen explaining that the debasement of the coinage by Henry VIII was the cause of the disappearance of all the good coin. Thus for the first time in this country he showed that the two facts were necessarily related as cause and effect. In 1858 I suggested that this great fundamental law of the coinage should be known by the name of 'Gresham's Law,' and this has now been universally accepted. But at that time I was not aware that this great law had been demonstrated by Oresme 192 years, and by Copernicus 32 years previously, as their treatises were not published by my friend M. Wolowski for general circulation till 1864. Nor is there any reason to suppose that Gresham had any knowledge of these treatises, as they were merely memorials drawn up for the information of their respective sovereigns, and were never published for general circulation. These three illustrious men were, therefore, independent discoverers, and the law ought, therefore, rightly to be called the Law of Oresme, Copernicus and Gresham."

THE MONETARY TIMES.

A gentleman said to the writer of this article, at the conclusion of a recent discussion upon life insurance *versus* assessmentism, "I have read THE MONETARY TIMES with great satisfaction and acknowledge its usefulness; but as an insurance man I often wish your paper dealt more with the deep and technical matters connected with the science. And I should like to see points of actuarial practice and experience more often discussed in your pages." In like manner we have been recommended at different times to devote more space to railways and navigation; to give at least a page or two every week to the timber and lumber trade; to have a regular column for mining assays and returns, "giving the assayers' names and reports in full" (with all their technical terms, presumably.) Another good friend would like us to print in full a series of lectures on the public health, as a spur to municipal authorities to do their duty. Occasionally merchants desire more attention given to the minutiae of their different businesses, hinting that we give too much space to banking, to joint stock matters and to insurance.

Nothing would give us more pleasure than to furnish,