

Sen. Lodge and A. J. Balfour in 1896

On Gold and Its Effect Upon Relations Between the United States and Great Britain

(Mr. Moreton Frewen, of England, furnishes the Manufacturers Record the following private letters, now made public by permission, and some analysis of world financial conditions at present.—Ed.)

Senator Lodge and Arthur James Balfour of England in 1896 wrote two extremely interesting personal letters to Moreton Frewen of England, but which we are now permitted to publish through the kindness of Mr. Frewen who has secured this permission from Senator Lodge and Mr. Balfour.

These letters were called forth by one from Mr. Frewen to Senator Lodge of which unfortunately no copy was kept. His letter, however, related to a panic on the stock exchange in New York following what he calls the "stupefying Venezuelan message of this government to Great Britain." In reply to that letter Senator Lodge wrote as follows:

(PERSONAL.)

My dear Frewen.—Many thanks for your letter of the 6th, and a happy New Year to you. You need not be worried about our financial condition. We are all right, nor did we "go off at half-cock." We acted with the most entire deliberation. Lord Salisbury's letter made us feel a little as you felt over the Emperor's despatch (to Kruger), although, of course, it was not expressed so violently. We do not meddle with Africa, or Europe or anything but in the Americas; but in the Americas we must be let alone, and I cannot for the life of me understand why England should always seek to alienate the United States as she has for a hundred years when it is her obvious policy to be friends with us; and she can be friends with us more easily than with any other nation in the world, because we really like each other better than any other people. If some English Ministry would try the hitherto unheard-of experiment of treating the United States pleasantly and considerately you have no idea how it would improve our mutual relations.

I see Balfour comments on the astonishing outburst of feeling against England here. The bottom of it in recent times is England's attitude on the money question, and the way in which she has snubbed all our efforts to do anything for silver. Do you not see that gold, which you have been fighting for years, is really at the bottom of all this business? I quite agree that we are not going to be made prosperous by borrowing; but we can check the outgo of gold by prudent legislation in many directions, and that legislation is bound to come. Come out here and see us, and we will clear your ideas and improve you generally. Sincerely yours,

H. C. LODGE.

United States Senate, Washington, D. C.,
Jan. 17, 1896.

Mr. Balfour to whom Senator Lodge's letter was sent by Mr. Frewen, wrote the latter as follows:

(PRIVATE.)

My dear Moreton Frewen.—Thanks much for letting me see Lodge's letter. As regards his statement that "gold is at the bottom of all this business" I do not at all doubt this is true. But then why do not the U. S. A., if they think as they do (quite rightly in my opinion) that bimetallism is for their advantage, force bimetallism on the world, whether England likes it or not? By the aid of the Latin Union, and, a fortiori, by the aid of Latin Union and Germany combined, they would be quite strong enough to support the weight of a bimetallic system, with England or without her. As you know, I believe England would do a very great deal to help such a combination, and that large portions of the British Empire would join it. But however this may be, I cannot comprehend why all this importance is to be attached to the action of London, which is powerless either to prevent such an arrangement working or to diminish its stability.

I am much puzzled as to what Lodge means by suggesting that English governments "seek to alienate the United States." This most assuredly has never been their intention, and when he complains of Salisbury's despatch, surely it is not mere national prejudice which makes me think that this compares favorably in point of conciliatoriness with the document to which it

was a reply? I do not argue, of course, on the question of substance. Yours very truly,

ARTHUR JAMES BALFOUR.

10 Downing Street, Feb. 3, 1896.

It is interesting to note that Senator Lodge pointed out in 1896 that one of the reasons of the growing hostility of America at that time to England was the money question and that at the bottom of all of this was the gold question and that Mr. Balfour wrote that he did not at all doubt the correctness of Senator Lodge's diagnosis of the case in his statement that "gold is at the bottom of all this business." But Mr. Balfour added to that a suggestion that in his opinion and that of others bi-metallism would be for the world's advantage, whether England liked it or not. The United States, the Latin Union and Germany combined he said would be strong enough to force a bi-metallic system, whether England favored it or did not.

Two letters which Mr. Frewen has recently written the Daily Telegraph of London bearing on world financial interests are illuminating as showing how the advance in silver in 1920 enormously increased the prosperity of the Orient and thus helped to increase the prosperity of the world, through the heavy purchases by the Orient from England and America.

There is great turmoil in India and threatened attempt of disruption of that country through a revolution against Great Britain. The danger is very great. Primarily, as shown by Mr. Frewen, this is largely due to the financial system which England has forced upon India.

If, as Senator Lodge and Mr. Balfour found in 1896, much of the hostility of this country to Great Britain was due to gold, this country then being a debtor nation, may we not look with some concern upon the possibility that the debtor nations of the world, which owe billions to the United States, will develop the same spirit of hostility to this country and for exactly the same reason which Senator Lodge and Mr. Balfour believed was responsible for our hostility to Great Britain. A hard discussion of these complicated problems which American people generally do not fully study is most important if we would understand some of the economic and political movements of the world.

Mr. Frewen sends to us copies of two letters which he recently wrote for the London Telegraph in which he discusses world-wide conditions of unemployment and finance. Referring to the situation in India he calls attention to the amazing prosperity in 1920 of the cotton mill interests of Lancashire, under the enormous demand from the Orient, due largely to the high price of silver then prevailing, and the disastrous conditions which have since overtaken the textile and other trades by reason of the collapse in silver during the last twelve months are pointed out. Had the price of silver continued at the figures of fifteen months ago, he said, the prosperity which would have come to America and to Great Britain by reason of the enormous demand from the Orient would have more than atoned for the losses due to the depression in Central Europe, and on this point he added:

"It falls to the Earl of Reading's lot to operate in a country of 3,000,000 people, the very poorest people on earth, that gold standard which has hopelessly and forever collapsed, even at its home in the richest country on earth." Here is the prediction of Mr. Frewen that the gold standard has forever collapsed in Great Britain. Time alone can tell whether he is correct as a prophet or not.

In discussing the relation between Great Britain and this country, about which Senator Lodge and Mr. Arthur Balfour wrote in 1896, he says of the present situation:

"By what amazing perversity is it then that the very nations most concerned—the British Empire and the French and American Republics, with the countries which make up the Latin Monetary Union—should have all seemed to conspire together to debase and depreciate silver, 'the normal money of mankind' as Walter Bagehot described it but a few years ago? The United States herself being, as Lord Reading explained not long ago in his appeal to its congress, the chief culprit in the melting down of her silver currency, and India's currency crisis having been so acute, according to her then Finance Minister, Sir James Meston, that 'it seemed from week to week an utter impossibility that the government

of India possibly escape from the supervision of specie payments."

"Mr. Sisson now gives us the bald statistics of the prodigious trade boom which was a year ago revolutionizing the trades of the Far East, nor is there anything in this article which suggests that he attributes this world-wide boom or any part of it to the unprecedented advance in the price of silver. In fact the word "exchange" hardly occurs in his paper. And yet, if he thinks for a moment, he must recognize that it required then only three taels, instead of as now eight taels for the Chinese merchant to buy the sovereign or five gold dollars. It is that exchange revolution which best explains why so many unemployed workmen throng our streets today. It is entirely safe to prophesy that next year the overwhelming exchange catastrophe which is at this moment destroying our exports to Asia will have become the text for every financial writer; and yet the exchanges with Asia could have been with the utmost ease fixed, and fixed for ever, had we here been ready with that Empire bank which Mr. Darling, Colonel Amery, and Sir L. Worthington-Evans—and I might quite safely include Lord Milner—are today urging both within the government and without.

"The day has now come when, the relations of debtor and creditor being clean reversed, the vast debt of this country to America presents the most formidable economic issue our nation has ever had to face. Unless handled with extreme tact and delicacy, our relations may become worse strained than in 1896. I would ask Lord Reading whether, to one of his knowledge, this is the moment when our financial emissary to the United States should be a noble lord, the most active amongst the few survivors of the ill-starred Fowler Commission, of which commission, all these years after, it is better to say no more than thus: it superseded and utterly wrecked from Simla, the attempt of President McKinley to settle the silver problem by international agreement, and so deeply discredited Senator Wolcott, the chairman of the McKinley commission and one of the President's dearest friends, that he retired from public life, and, as his friends know, died heart-broken a little later. The one man living today whose qualities of head and heart and whose accumulated knowledge of this profound subject would recommend him to the new administration on the Potomac is Mr. Balfour. The entire civilized world would be his beneficiary if he would devote himself even for a very few weeks to the completion of Wolcott's life's work. And Mr. Balfour might think that he even owed this tribute of affection to Wolcott, whom he deservedly held in the highest regard, as Great Britain's staunchest friend in America.

"The result of the Fowler experiment has been what every intelligent economist foretold—that in place of the great eastern drain of silver—which silver we could well spare to the myriad hoards of the east—the Indian executive has substituted and abetted a "gold drain" which menaces the financial equilibrium of all Europe, and especially America, which will shortly destroy their Federal Bank Act of 1913, and which, if persisted in, will effectually settle the "gold standard" problem by depriving both England and the United States of all their gold—a solution, this, warmly advocated by Professor Maynard Keynes before the latest Indian Commission, its chairman being Sir Babington Smith."

Further discussing the general situation Mr. Frewen writes:

"What, then, is going to be Lord Reading's counsel about this sinister Fowler policy, the continuation of which must make any metallic reserve whatever for paper money impossible? Our relations with Washington are going to turn largely upon England's answer to this question. On the nature of our reply their new tariff depends. On that tariff the tone and temper of our Parliament, and also of their congress, turns, as also the measure of America's financial cooperation. Failing that active and sympathetic co-operation, our taxation must inevitably destroy us. We shall come to some such a hatred of the United States as hers for us when the Venezuela message was launched. If, on the other hand, we ally ourselves with the United States, all else follows. Thus Lord Reading's responsibility is indeed very great. The growing tension of our relations with Washington, which two years later culminated with the Venezuela message from the President, can be read in the Debates in Congress on every schedule of the new Tariff Bill of 1894. "Anything to spite the old usurer," was the slogan of 1894. The response at the election in October on the part of their bankrupt farming community prepared the Free Silver platform of 1896. A single instance will suffice to show the trend. One