

# GOLD AND THE GOSCHEN POUND NOTE

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THE theme of this paper is prompted by the failure of Barings. It will, disappointingly perhaps for some, have nothing to say about Mr Leeson, being inspired instead by an earlier Baring crisis, equally infamous, when the irresponsible villain of the piece was Lord Revelstoke, a partner and senior member of the Baring family.

On the occasion to which I refer, in the late autumn of 1890, the banking house of Baring Brothers had overreached itself by funding speculative loans in South America, and a situation had developed where, although the firm was financially sound in the long term, its short-term liabilities were greater than the resources it had at hand.<sup>1</sup> The crisis came to a head in November 1890 and from it the country escaped, in the words of the then Chancellor of the Exchequer, George Goschen, by the skin of its teeth.<sup>2</sup> As Barings' bills began to come in, the Bank of England had urgently to acquire £3,000,000 in gold from the Bank of France and a further £1,500,000 in gold from Russia; and a rescue fund, ultimately amounting to something like £17,000,000 or £18,000,000, was put together by City institutions and joint-stock banks. The hero of the hour was thought to be William Lidderdale, the Governor of the Bank of England, who had kept his head better than many others and who was subsequently rewarded by a City dinner and appointment as a Privy Councillor. As for poor Revelstoke, in the reconstruction of the firm he lost his country estate and his collection of French furniture and pictures.<sup>3</sup>

In the early days of the crisis secrecy had been maintained as far as possible. Goschen himself had gone to Scotland in the middle of it to honour a speaking engagement, fearing that to cancel the arrangement would suggest that an emergency of some kind had arisen.<sup>4</sup> By its end, however, the situation had become known far beyond the confines of the City. The crisis was openly spoken of as one that would have made the banking collapse of 1866 look like child's play, that could have seen London deposed from its position as the 'banking centre of the universe',<sup>5</sup> for Barings was the most widely-known commercial firm in the world and its name was said to be as good in every port as a banknote.<sup>6</sup> Accordingly, there was much discussion afterwards of the lessons to be learned, and of the voices that were raised the clearest and most effective, as Professor Andréadès wrote a few years later,<sup>7</sup> was that of the Chancellor George Goschen.

Within a few weeks of the crisis, on the seemingly inappropriate occasion of an after-dinner speech on 28 January 1891 to the Leeds Chamber of Commerce, Goschen outlined a scheme that would address the problems that recent events had thrown into such sharp relief. A little sympathy might be felt for the businessmen of Leeds, faced after a good dinner with a speech on a 'dry and confused subject', but *The Times*, from where that description comes, acknowledged that Goschen had made it as attractive as the most pungent political tirade and praised the speech, delivered extempore from notes, as 'weighty and lucid'.<sup>8</sup> Despite its

<sup>1</sup> There are many published accounts of the crisis. Particularly useful in the context of the present paper is L.S. Pressnell, 'Gold reserves, banking reserves, and the Baring crisis of 1890' in *Essays in Money and Banking in Honour of R.S. Sayers* edited by C.R. Whittlesey and J.S.G. Wilson (Oxford, 1968), pp. 167–228.

<sup>2</sup> Goschen's speech at Leeds, reported in *The Times*, 29 January 1891.

<sup>3</sup> David Kynaston, *The City of London*, vol. 1: *A World of Its Own 1815–1890* (London, 1994), p. 435.

<sup>4</sup> Arthur D. Elliot, *The Life of George Joachim Goschen*,

*First Viscount Goschen, 1831–1907* (London, 1911), II, p. 173.

<sup>5</sup> Goschen's speech at Leeds, reported in *The Times*, 29 January 1891.

<sup>6</sup> Arthur Crump, 'The Baring financial crisis' in *The Economic Journal*, I, June 1891, 389.

<sup>7</sup> A. Andréadès, *History of the Bank of England* (London, 1909), p. 371.

<sup>8</sup> *The Times* of 29 January 1891 carried a leading article as well as a full report of the speech. A second leader appeared the following day.

cautious and rather tentative nature, its importance was immediately recognised and it was characterised by *The Bankers' Magazine* as the 'largest proposal' before the banking world since that cornerstone of nineteenth-century banking legislation, Sir Robert Peel's Bank Charter Act of 1844.<sup>9</sup>

It would strain the patience of numismatists to follow every detail, but in essence what lay at the heart of Goschen's proposals was a belief that the banking reserves of the country were too small in relation to the nation's gigantic liabilities. These liabilities were payable in gold, and though Britain was the great gold market of the world its available stock of gold for use, for sale, for immediate purposes, was extremely small in relation to that held by other countries (Table 1). At some £24,000,000 its holdings of gold and silver in the Bank of England were little more than half those of Germany, only a quarter those of France, and a mere sixth those of the United States. It was this that required attention in view of possible future emergencies; it was here, according to Goschen, that one of the real lessons of the Baring crisis was to be found, for at its height the Bank of England had been obliged to obtain urgent supplies of gold from abroad.

TABLE 1. Bullion reserves, January 1891

	£
Bank of England	24,000,000
Bank of Germany	40,000,000
Bank of France	95,000,000
United States Treasury and National Banks	142,000,000

Source: Goschen's speech at Leeds, reported in *The Times*, 29 January 1891. See also *The Bankers' Magazine*, 51, May 1891, 794–96.

How was the available reserve to be increased? Certainly it would be useful for banks to be placed under the discipline of publishing their accounts more frequently in order to encourage them to hold larger cash balances, but Goschen believed that there was something more that could be done. Though Britain might have relatively little gold at the centre, there was undeniably a very large amount of gold circulating amongst the people of the country in the form of sovereigns and half-sovereigns. No one – neither the Mint nor the Treasury, neither economists nor bankers – could be sure how much was out there, and estimates ranged from £65,000,000 to £120,000,000.<sup>10</sup> Whatever the precise figure, Goschen suggested to his audience in Leeds that here was an enormous reservoir of gold that for all practical purposes was not accessible in an emergency, that could not be tapped when gold was needed most. In a crisis it stayed firmly in pockets and purses, and effectively was no reserve at all.

It was Goschen's view that an extra £20,000,000 in the Bank of England was more use than £30,000,000 in circulation; that is to say, if it could be done he would gladly extract £30,000,000 from the gold reserve in the hands of the public, even though foreign drains might reduce the resulting increase in the central reserve to only £20,000,000. And it is this that brings us to the aspect of his scheme which is of special interest to numismatists, because to effect such an improvement in the central gold reserve Goschen proposed to displace a portion of the sovereigns currently in circulation by re-introducing one-pound notes, no such notes having been issued by the Bank of England or by commercial banks in England and

<sup>9</sup> *The Bankers' Magazine*, 51, March 1891, 427–31.

<sup>10</sup> Goschen was later to suggest a figure of £73,000,000 to the House of Commons, while mentioning other estimates that ranged from £80,000,000 to £120,000,000: *Parliamentary Debates*, 3rd ser. 355, cols 681–86 (8 July

1891). The estimate of £65,000,000 given above is taken from Robert Giffen's letter to Goschen, 14 January 1891 (British Library of Political and Economic Science, Welby Collection on Banking and Currency, R (S.R.) 1017, vol. 7, no. 93).

Wales since the 1820s. The impending withdrawal of large quantities of light gold coins offered a convenient opportunity for the revival of one-pound notes and he suggested an issue of £30,000,000, to be backed by £20,000,000 or two-thirds in gold and £10,000,000 or one-third in Government stock, the gold so displaced from circulation forming a second and protected reserve, a kind of war-chest, for use in emergency. He also contemplated, as a concession to bimetallists, the introduction of ten-shilling notes backed by silver.

At the end of his speech Goschen announced that he was working on a plan with the Bank of England, and indeed the broad principles of the plan had been in Goschen's mind for some time. Since at least the spring of 1887 he had been exploring in one context or another the possibility of an issue of one-pound notes,<sup>11</sup> and by 1889 major elements of the scheme outlined in Leeds had undoubtedly become the subject of official discussion between the Bank and the Treasury.<sup>12</sup> Characteristically, however, the Chancellor had blown somewhat hot and cold, and had hesitated until the Baring crisis gave him an ideal opportunity to take the public into his confidence, an opportunity rendered all the more timely by the presence at the Bank of England of a strong Governor and one who, unusually for Bank Governors, was not implacably hostile to pound notes (Fig. 1).

Consultation, both private and official, now continued,<sup>13</sup> and Goschen delayed first the presentation and then the implementation of legislation to restore the gold coinage so as not to

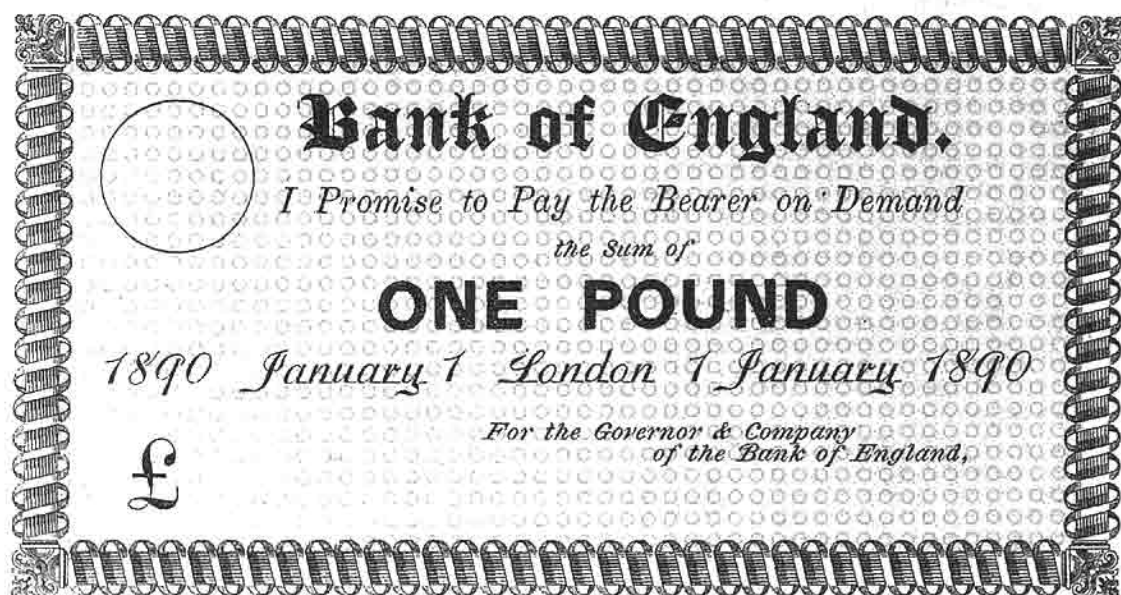


Fig. 1. An experimental Bank of England one-pound note dated 1 January 1890 (reproduced by courtesy of the Governor & Company of the Bank of England)

<sup>11</sup> See, for instance, Goschen's statement in the House of Commons on 16 May 1887 (*Parliamentary Debates*, 3rd ser. 315, cols 150–51) and also the entry for 4 January 1888 in the Diary of Edward Hamilton, one of Goschen's senior advisers at the Treasury (BL, Add. Ms. 48,647, fols 111–12). Hamilton enjoyed direct access to Goschen and his Diary is a key source of information on the development of the scheme and reaction to it.

<sup>12</sup> Hamilton's Diary: BL, Add. Ms. 48,650, fols 55–56 (15

February 1889) and Add. Ms. 48,652, fols 6–7 (4 December 1889).

<sup>13</sup> The speech was soon being distributed as a sixpenny pamphlet, with a preface by Goschen dated 18 February 1891 indicating that it had prompted public discussion but denying that final or formal plans had already been drawn up: *Speech by the Right Honourable G.J. Goschen at Leeds. On the Insufficiency of our Cash Reserves and of our Central Stock of Gold.* (London, 1891).

cast doubt on his willingness to proceed with a larger scheme of currency reform.<sup>14</sup> The Chancellor touched briefly on the subject in a speech at the Mansion House in May 1891,<sup>15</sup> but it was not until December that year, after giving his 'best attention to the subject for months and months', that he unveiled revised and more detailed proposals. This he did on the afternoon of 2 December at the Merchant Taylors' Hall, where for an hour and a half he addressed an audience of some 750 people, representing London and provincial Chambers of Commerce but including Lidderdale and high-ranking officials from the Bank and the Treasury.<sup>16</sup> It was another impressive performance and Edward Hamilton of the Treasury, who from the start had admired Goschen's 'wonderful power of mastering financial puzzles', was pleased to see that he presented his scheme with some passion.<sup>17</sup>

On the whole the flow of argument followed the course of his speech at Leeds ten months before, but there had been refinements to promote elasticity in the fiduciary issue at times of emergency in place of the previous uncertain reliance on a temporary suspension of the Bank Charter Act.<sup>18</sup> Again, there is no need for numismatists to concern themselves with every detail, but it is worth emphasising that the one-pound notes were now to be part of the Bank's normal note issue and could continue after the existing limits had been reached on the basis of four-fifths gold to one-fifth securities. There was no longer to be a separate reserve for use in emergency, but a single, larger reserve; and Goschen explicitly abandoned the introduction of ten-shilling notes backed by silver, arguably the least popular of the suggestions he had made in Leeds.

Even if there was nothing particularly novel about the individual elements of his scheme, Goschen could be deservedly complimented by *The Times* for combining them with remarkable ingenuity into a logical and interdependent whole.<sup>19</sup> Yet the proposals, whether in their original or their revised form, were greeted by a marked lack of enthusiasm. The Baring crisis had not been forgotten, but in the calm after the storm the banking community had been able to persuade itself that, when disaster threatened, the system had worked, Barings had been saved and catastrophe had been averted. It was a view expressed by the respected banker Bertram Currie, who had himself played a creditable role during the crisis and who now argued that the Chancellor should leave well alone.<sup>20</sup> Gladstone, standing on a railway platform at Northampton, cruelly dismissed Goschen's scheme as a 'quack measure', words that he later professed to regret but a sentiment that he nevertheless echoed in private, describing the proposals as detestable and an encouragement to speculators.<sup>21</sup> Hamilton at the Treasury, like Lidderdale at the Bank, remained faithful, complaining about the stupidity of people who made no effort to understand the scheme and trivialising the objections to one-pound notes by identifying the most serious as an inability to toss with them as one could with a sovereign.<sup>22</sup>

<sup>14</sup> BL, Add. Ms. 48,616, fols 95–96 (Goschen to Hamilton, 20 February 1891).

<sup>15</sup> Reported in *The Times*, 7 May 1891.

<sup>16</sup> Reported at length in *The Times*, 3 December 1891. This speech, too, was published as a sixpenny pamphlet: *Address to the London Chamber of Commerce by the Right Honourable G.J. Goschen on the Metallic Reserve, December 2nd, 1891*. (London, 1891). Though the date of publication is shown as 1891 the pamphlet includes Goschen's letter of 20 January 1892 to Samuel Montagu.

<sup>17</sup> Hamilton's Diary: BL, Add. Ms. 48,646, fol. 26 (22 April 1887) and Add. Ms. 48,656, fol. 152 (2 December 1891).

<sup>18</sup> Hamilton's Diary, *passim*. For the development of Goschen's scheme, and the individual views of the Governor and Directors of the Bank of England in October 1891, see also BLPES, Welby Collection, vol. 7.

<sup>19</sup> *The Times*, 3 December 1891.

<sup>20</sup> The lack of enthusiasm is apparent in the report in *The Times* of 22 January 1892 of the inconclusive meeting of the London Chamber of Commerce to consider Goschen's proposals. Currie's desire that things should be left alone is recorded in Hamilton's Diary: BL, Add. Ms. 48,655, fol. 27 (11 February 1891). This view was shared by his colleague A.S. Harvey, who said 'if we want anything, it is rest' (*Journal of the Institute of Bankers*, XII, Part IX (December 1891), 620). For Currie's own account of his part in resolving the Baring crisis see Roger Fulford, *Glyn's 1753–1953: Six Generations in Lombard Street* (London, 1953), pp. 209–12.

<sup>21</sup> *The Times*, 10 December 1891; Hamilton's Diary: BL, Add. Ms. 48,656, fols 164–66 (10 December 1891).

<sup>22</sup> Hamilton's Diary: BL, Add. Ms. 48,657, fols 41–42 (24 January 1892).

But it needs to be recognised that Goschen appeared, rightly or wrongly, to be challenging certain fundamental features of the British currency as it had developed in the nineteenth century and in particular since the Bank Charter Act of 1844. In framing that Act it had been one of Sir Robert Peel's guiding principles that to have gold coins in general use for small payments was a most effectual means of promoting permanent confidence in paper. Whilst acknowledging that some expense would necessarily be incurred in the maintenance of a gold coinage, Peel had believed that no such cost could outweigh 'the advantage of having gold coin generally distributed throughout the country, accessible to all, and the foundation of paper credit and currency'.<sup>23</sup> Scotland and Ireland aside, this had become the received wisdom of practical financiers in England. The gold sovereign was now the icon of a great trading empire, the rock on which British prosperity was seemingly based; and the free use of gold was seen as a sign of wealth and strength, a feature of Britain's life that according to Goschen's immediate predecessor, Lord Randolph Churchill, looked to have become 'a deep-rooted and almost ineradicable habit'.<sup>24</sup> John Bull evidently liked the satisfying jingle of gold in his pocket and it was widely supposed that the excellence of the English currency system, the maintenance of absolute stability, was due to the fact that the actual circulating medium of the country was gold. A gold standard without a gold currency seemed 'an utter impossibility'.<sup>25</sup>

Gold was not, however, an unmixed blessing. Gold coins wore away and needed to be replaced; the half-sovereign was well known to be an expensive coin; newly-minted sovereigns were an instant prey for bullion dealers or foreign melting pots; jewellers and dentists also raided the coinage. More than this, Britain's centuries-old attachment to the free coinage of gold bullion, described by Gladstone as 'indefensible',<sup>26</sup> encouraged greater demands on the Mint than might otherwise have been made, and Samuel Montagu, echoing Gladstone, must have wearied his listeners with his frequent complaints that it was 'absurdly generous' to coin gold for the whole world without charge.<sup>27</sup> Such burdens had long been generally accepted in the belief that a sound circulating medium was good for British trade and prestige, yet Gladstone and Montagu were not on their own. Robert Lowe, as Chancellor in 1869, described the use of gold for coinage as a luxury,<sup>28</sup> just as twentieth-century voices were to claim a circulating gold coinage as a sign of 'almost mediaeval decadence',<sup>29</sup> and now Goschen, a City man to his fingertips, seemed to want to reduce the active circulation of gold coins. His predecessor Randolph Churchill, in a paper circulated to the Cabinet in December 1886, had likewise cast covetous eyes on the public reservoir of gold, making precisely the point that Goschen made publicly, namely that gold in people's pockets formed a reserve that even on the blackest of Fridays was not immediately available to support commerce.<sup>30</sup> The economist John Maynard Keynes was more emphatic still in 1913, dismissing such gold as 'absolutely useless' for the purposes for which a currency reserve was held.<sup>31</sup>

Goschen, though perhaps placing at risk the internal consistency of his proposals, tried hard to demonstrate his desire to preserve the role of gold, insisting that there would be no attempt to stint the use of the sovereign, that it would be left entirely up to the British public whether they chose to use the new notes or to retain the sovereign. In both his major speeches Goschen

<sup>23</sup> *Parliamentary Debates*, 3rd ser. 74, col. 732 (6 May 1844).

<sup>24</sup> *Parliamentary Debates*, 3rd ser. 309, cols 104–06 (10 September 1886).

<sup>25</sup> Alfred de Rothschild in *Indian Currency Committee, 1898: Minutes of Evidence*, Part II (London, 1899), p. 185.

<sup>26</sup> Hamilton's Diary: BL, Add. Ms. 48,649, fol. 84 (18 October 1888).

<sup>27</sup> *The Times*, 22 January 1892. For other clear statements of Montagu's opposition to the free coinage of gold see *Parliamentary Debates*, 3rd ser. 313, col. 1482 (21 April

1887), 3rd ser. 351, cols 1174–76 (16 March 1891) and 3rd ser. 356, cols 1196–99 (3 August 1891).

<sup>28</sup> *Parliamentary Debates*, 3rd ser. 198, cols 1412–13 (6 August 1869).

<sup>29</sup> Sir Otto Niemeyer, 'How to economize gold' in *The International Gold Problem* (London, 1932), p. 86.

<sup>30</sup> PRO, Cab 37/18, memorandum by Chancellor of the Exchequer, 1 December 1886.

<sup>31</sup> John Maynard Keynes, *Indian Currency and Finance* (London, 1913), p. 72.

sought to allay conservative fears by emphasising that he was not trying to economise the use of gold, and he told Samuel Montagu that he hailed 'with satisfaction the expression of orthodox opinion which objects to my displacing any gold at all'.<sup>32</sup> To cheers and laughter in Leeds he said that he himself preferred sovereigns to one-pound notes, at the Mansion House he gallantly supposed that ladies would prefer the glitter of the Sovereign's image to the signature of a Bank of England cashier, while to his large audience in December he confided that he was not an enthusiast for one-pound notes and never had been. For Goschen they were but a means to an end. His concern, first and last, was to strengthen the gold reserve so that in an emergency the Bank would not be dependent on immediate supplies of gold from overseas, where countries might not always be as obliging as France and Russia had been during the Baring crisis. If such a great national object could only be achieved by the use of one-pound notes then he would promote the one-pound note.

But by thus interfering with the circulation of gold coins Goschen was perceived as challenging, however tentatively, one of the abiding principles of 1844, and by proposing the issue of one-pound notes he was at the same time running counter to another. The Act had been intended to restrict and control the issue of notes and it had largely succeeded in preventing any increase in the circulation of notes in England and Wales. In relation to coins, the quantity of notes had in fact diminished (Table 2) and *The Times*, in its immediate response to Goschen's speech of 2 December, drew attention to a situation where 'almost everywhere else bank-notes, large and small, are a more important element in business and in daily life than they are with us'.<sup>33</sup> The gap that this had left had been filled not so much by gold as by a prolific use of cheques, so that Britain, strongly wedded to the gold standard as she might be, already practised economy of gold in her internal transactions.<sup>34</sup> 'The English system for many years', wrote the President of the Institute of Bankers in 1892, 'has been to carry on large commercial and financial transactions with the most remarkable economy in the use of gold'.<sup>35</sup> A similar observation was made in the House of Commons by Sir William Harcourt, who asserted that coins formed an 'infinitesimally small' part of people's transactions.<sup>36</sup>

TABLE 2. Estimated amount of notes and coins in circulation in the United Kingdom, 1845-1913

YEAR	TOTAL		NOTES		COINS	
	£		£	%	£	%
1845	74,600,000		38,600,000	51.7	36,000,000	48.3
1865	107,300,000		37,300,000	34.8	70,000,000	65.2
1885	127,100,000		39,400,000	31.0	87,700,000	69.0
1913	191,500,000		44,700,000	23.3	146,800,000	76.7

Sources: B.R. Mitchell, *British Historical Statistics* (Cambridge, 1988), pp. 668-70; P. Mathias, *The First Industrial Nation: An Economic History of Britain 1700-1914*, 2nd edition (London and New York, 1983), pp. 460-61.

This might seem, therefore, an unhelpful background against which to propose the resumption of one-pound notes, yet Goschen could claim with justice that their issue was 'in the air' and that high financial authorities were in favour.<sup>37</sup> From Churchill he had inherited a full-blown scheme, apparently blessed by the Cabinet in December 1886, for a gradual issue

<sup>32</sup> Goschen to Montagu, 20 January 1892. Reproduced in *The Times*, 21 January 1892.

<sup>33</sup> *The Times*, 3 December 1891.

<sup>34</sup> Keynes, *Indian Currency and Finance*, p. 16, suggested that the remarkable development of cheques following the Act of 1844 had led to a monetary organisation more perfectly adapted for the economy of gold than any which existed elsewhere in the world.

<sup>35</sup> Thomas Salt, reported in the *Journal of the Institute of Bankers*, XIII, Part IX (December 1892), 590.

<sup>36</sup> *Parliamentary Debates*, 3rd ser. 355, cols 686-91 (8 July 1891).

<sup>37</sup> Viscount Goschen, *Essays and Addresses on Economic Questions (1865-1893) with Introductory Notes (1905)* (London, 1905), p. 103.

of £5,000,000 or £6,000,000 in one-pound notes in partial replacement of the half-sovereign,<sup>38</sup> and since 1887 he had been stonewalling suggestions for their issue from Members of Parliament such as Samuel Montagu, a long-time advocate of such notes.<sup>39</sup> It was evident that a degree of support existed, support that was perhaps greater in the provinces than in the City of London and became stronger the further north one moved. Lidderdale at the Bank was ready to back their issue,<sup>40</sup> while at the Treasury two senior officials, Sir Reginald Welby and Edward Hamilton, were keen on an idea whose time, they thought, had come.<sup>41</sup> Gladstone and the Opposition were not hostile in principle,<sup>42</sup> and in October 1888 the issue of small notes, though backed by silver rather than gold, had been recommended by nearly all the members of the Royal Commission on Gold and Silver.

What had not changed, as Goschen now discovered, was the traditional dislike of English bankers for one-pound notes. Whatever might be their convenience for making remittances, whatever might be the experience north of the Border or in Ireland, a deeply held belief survived that the unwise circulation of one-pound notes had contributed to the financial panic of 1825, that such notes would again be extensively counterfeited as they had been at the beginning of the century, that they would be expensive to produce and maintain, and that it would be inconvenient to have a mixed circulation of gold and paper.<sup>43</sup> These arguments were duly revisited in the discussion that followed Goschen's speeches<sup>44</sup> and were supplemented by *The Lancet* which, laudably concerned about the transmission of disease by dirty notes, raised doubts about the 'sanitary credit' of paper currency, to be countered by Goschen's statement that he knew of no statistics to show that the one-pound note had rendered the Scots less healthy than the English.<sup>45</sup> But debating points apart, it was plain that there was no enthusiasm and even Lidderdale acknowledged that 'no one cares much about £1. notes'.<sup>46</sup>

There was, of course, more to it than this. By seeking to extend the range of paper currency, by introducing greater flexibility in the amount of the fiduciary issue, and by appearing to challenge the circulation of gold coins, Goschen's scheme seemed to threaten the principles of the settlement of 1844.<sup>47</sup> In vain Goschen argued that he was leaving the Act practically intact and that he had been, and still was, 'a Bank Charter Act man'.<sup>48</sup> but by allowing his scheme to lapse Goschen became, in the words of Professor Pressnell, the most conspicuous victim of

<sup>38</sup> Churchill's proposal is discussed in G.P. Dyer, 'Gold, silver and the double-florin', *BNJ* 64 (1994), 114–25.

<sup>39</sup> See, for instance, *Parliamentary Debates*, 3rd ser. 313, cols 1483–84 (21 April 1887) and 3rd ser. 356, cols 1196–99 (3 August 1891).

<sup>40</sup> Hamilton's Diary for 8 January 1891 reports that the Governor 'was prepared to try the experiment of £1 notes on a really sound basis' (BL, Add. Ms. 48,654, fols 124–26).

<sup>41</sup> Hamilton's advocacy of one-pound notes is clear from several entries in his Diary but see in particular BL, Add. Ms. 48,649, fol. 87 (23 October 1888) and fol. 103 (8 November 1888), and also Add. Ms. 48,651, fols 133–34 (23 November 1889). Welby's support is evident from his letter of 16 December 1891 to Gladstone (BLPES, Welby Collection, vol. 7, no. 163).

<sup>42</sup> Though they had no time for Goschen's scheme, neither Gladstone nor Harcourt was opposed in principle to the issue of one-pound notes. For Gladstone's view see Horace G. Hutchinson, *Life of Sir John Lubbock, Lord Avebury* (London, 1914), I, pp. 309–10 and Hamilton's Diary: BL, Add. Ms. 48,649, fol. 84 (18 October 1888). Harcourt had suggested their issue in the House of Commons on 21 April 1887 (*Parliamentary Debates*, 3rd ser. 313, cols 1469–70) and was still a supporter in September 1892 (BLPES, Welby Collection, vol. 9, no. 53).

<sup>43</sup> For a good account of English hostility to one-pound notes see William Graham, *The One Pound Note in the History of Banking in Great Britain* (Edinburgh, 1911), pp. 376–88. The analogy between one-pound notes to be issued by the Bank of England and those circulated in 1825 by 'any chance grocer or cheese-monger' seemed, as well it might, somewhat unreasonable to Professor Andréadès (*History of the Bank of England*, pp. 378–79).

<sup>44</sup> The views of Fellows of the Institute of Bankers are conveniently summarised in the *Journal of the Institute of Bankers*, XIII, Part III (March 1892), 150–52.

<sup>45</sup> The reference to *The Lancet* is taken from *The Bankers' Magazine*, 51, March 1891, 486 while Goschen's riposte, made in his Mansion House speech, can be found in *The Times*, 7 May 1891.

<sup>46</sup> Bank of England Letter Book 21 (Lidderdale to Goschen, 4 February 1891).

<sup>47</sup> This, for instance, was the view of Henry Grenfell, a Director of the Bank of England (BLPES, Welby Collection, vol. 7, no. 136).

<sup>48</sup> *The Times*, 3 December 1891. H.S. Foxwell, in 'Mr. Goschen's currency proposals', suggested that Goschen had been led to complicate his proposals by an 'unnecessary tenderness' for Peel's Act (*The Economic Journal*, II, March 1892, 153).

the ultimate awe which continued to protect Peel's Act.<sup>49</sup> The bankers, after all, were not the most adventurous of people – by Lidderdale's familiar description<sup>50</sup> a 'stiff-necked & rebellious race each caring only for his own corporation' – and they certainly had no wish to tie up their money in larger reserves. Aware of their increasing financial muscle and suspicious of centralised monetary management, they saw no need to be deferential to the Bank, and Lidderdale, whose stock had fallen as quickly as it had risen, was suspected of 'jobbing' for the Bank at the expense of the bankers. They feared, too, that the increased stock of gold might be subject to speculative raids and might find its way overseas, if, that is, an extra stock of gold could be built up in the first place. And of this they were not sure, for with England attached to gold and more wedded to cheques than to notes it was quite possible that the new one-pound notes might merely replace existing five-pound notes or the recently introduced postal orders. And this, as *The Times* pointed out, was the crux of Goschen's scheme: for it to work, for it to produce additional gold for the central reserve, one-pound notes had to drive out sovereigns, and there was no confidence that this would happen.<sup>51</sup>

Other difficulties also intruded themselves. Despite the apparent detail, the plan left crucial elements vague or unspecified, and Goschen himself had been characteristically ambivalent. Ever cautious, sensitive to criticism, he had been slow to take up the proposal and Hamilton, who knew his man well, feared that he would succumb at the first sign of opposition.<sup>52</sup> It was for this reason that Hamilton would have preferred Goschen simply to announce and implement the scheme in short order, as he had with the conversion of the national debt. Instead, to launch a public debate, however worthy that might be, was to give every 'crotchet-monger' the chance to criticise elements of the scheme and thereby destroy the whole edifice.<sup>53</sup> Goschen's financial orthodoxy might allay fears of revolutionary and dangerous change, but more was needed because unless he 'fights with a high hand he certainly won't carry it'.<sup>54</sup> And this, as events soon proved, was to expect too much of a man of 'fatal irresoluteness'.<sup>55</sup>

In the Commons in February 1892 a 'fumbling' Goschen was rebuked by Harcourt for raising fear and alarm about the stability of the currency, and the Chancellor was reminded that Peel had not found it necessary to hawk his 1844 proposals about at City meetings or in after-dinner speeches.<sup>56</sup> With the Government approaching the end of its term of office, it was no surprise that Goschen yielded and, as he admitted, without any very great regret.<sup>57</sup> In fairness to him, however, it needs to be added that the gold coinage was indeed safe in his hands, for the continuous recoinage which he instituted in March 1892, under the provisions of the Coinage Act of 1891, quickly matched replacement to the rate of wear and restored the gold coinage to a condition of which the nation could be proud. But his grander scheme of 1891, though it failed, deserves to be more than a footnote in economic and banking histories. By the issues it raised, and the criticism it provoked, it illuminates contemporary attitudes to gold and paper currency at the end of the nineteenth century and provides, I hope, a helpful supplement to what I said last year about the silver currency.<sup>58</sup>

<sup>49</sup> Pressnell, p. 216. Peel's Act had been accepted by the public, and by the City of London in particular, as 'a final measure which closed all debate' according to Donald Read, *Peel and the Victorians* (Oxford, 1987), p. 131. Professor Andréadès (*History of the Bank of England*, p. 373) likewise refers to the Act as an institution that was venerated.

<sup>50</sup> Bank of England Letter Book 21 (Lidderdale to Goschen, 22 January 1891).

<sup>51</sup> Pressnell, *passim*; *The Times*, 3 and 17 December 1891.

<sup>52</sup> Hamilton's Diary; BL, Add. Ms. 48,655, fols 13–15 (30 January 1891).

<sup>53</sup> Hamilton's Diary; BL, Add. Ms. 48,656, fols 142–43 (19

November 1891).

<sup>54</sup> Hamilton's Diary; BL, Add. Ms. 48,655, fols 18–19 (1 February 1891) and Add. Ms. 48,656, fol. 142 (19 November 1891) and fol. 151 (1 December 1891). The *Financial Times* of 3 December 1891 took much the same view as Hamilton, fearing that what it perceived as a half-hearted appeal for support was more likely to encourage hostility than to disarm it.

<sup>55</sup> Pressnell, p. 173.

<sup>56</sup> *Parliamentary Debates*, 4th ser. 1, cols 59–62 (9 February 1892).

<sup>57</sup> Goschen, *Essays and Addresses*, p. 130.

<sup>58</sup> Dyer, *BNJ* 64 (1994), 114–25.

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