From the Franc to the 'Europe':
Great Britain, Germany and the attempted transformation of the Latin Monetary Union into a European Monetary Union (1865-73)[*]

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I

In 1865 France, Italy, Belgium and Switzerland formed a monetary union based on the franc and motivated by geographic proximity and intense commercial relations.[1] The union was called a Latin Monetary Union (LMU) by the British press to stress the impossibility of its extension to northern Europe.[2] But according to the French government and many economists of the time, it had a vocation to develop into a European or Universal union.

This article discusses the relations between France, which proposed to extend the LMU into a European monetary union in the 1860's, and the main recipients of the proposal; Great Britain and the German States. It has usually been assumed that the British and the Germans did not show any interest in participating in such a monetary union discussed at an international monetary Conference in Paris in 1867 and that any attempt was doomed from the beginning. For Vanthoor 'France had failed in its attempt to use the LMU as a lever towards a global monetary system during the international monetary conference... in 1867,' while for Kindleberger 'the recommendations of the conference of 1867 were almost universally pigeonholed.'[3]

With the support of new diplomatic and banking archives, together with a large body of scientific and journalistic literature of the time, I will argue that in fact the French proposals progressed much further and were close to success by the end of 1869, but failed before and independently from the Franco-Prussian war of 1870. An intense debate took place in many European countries in the 1860's, largely neglected by current research. The case in favour of and against monetary union was presented in an articulate way and reflected the clash between sectional and national interests as well as the state of economic theory. A comparable alignment of interest groups emerged in France, Germany and Britain, suggesting a very strong integration in interests and behaviour throughout Europe despite political boundaries. The majority of economists supported the same positions in all these countries, as did the Chambers of Commerce which favoured the adoption of the gold standard and monetary unification, while bankers in general were united across borders against unification and changes in existing monetary standards. The new contribution of this article is to analyse the characters of this debate on European Monetary Unification, to question the frequent interpretation of the LMU as a mere political attempt by Napoleon III to extend his area of influence, and to uncover the reasons for the failure of the French project. It is argued that the main causes of its demise were neither the disturbances connected to the price of silver, nor the Franco-Prussian war in 1870. Both of these events took place after conflicting interest groups had paralysed the policies of France, Britain and the German States. The struggle between free traders and internationalists against protectionists, nationalists, conservatives and bankers split the French and the British governments and parliaments. The paralysis of the French initiative weakened decisively the expectations of success of the project, shifting the balance in favour of nationalists and conservatives.

The article describes the arrangements of the LMU, its popularity in southern Europe and its failure in northern Europe. It then reviews the proposals for improvement and enlargement of the union, the British reaction and the negotiations started by the British Chancellor of the Exchequer in 1869. The indecisive attitude of the French government undermined the position of British supporters of monetary unification, who already found themselves under intense criticism. The German debate is also considered, showing how the conflicting interests of bankers and exporters were ultimately overcome by the nationalist evolution of German internal politics. Finally, some comparisons between the LMU project and the Euro are drawn together with the conclusions.

II

The French invitation to adopt a common coinage for all 'civilised nations' can not be dismissed exclusively as a form of political expansionism, even if it was partially so. The French initiative was also the result of purely economic factors, linked to free trade and to the embryonic development of European federalist ideas. The French economist and politician Félix Esquirou de Parieu directed French policy towards monetary unification and embodied its most liberal character. As vice-president and then Minister of the Council of State under Napoleon III, he presided over three international conferences and several national commissions, publicising systematically his cause. He expressed as early as 1865 the intention of the French government to transcend the Latin Monetary Union and to 'consider a more distant and larger perspective, that of a uniform monetary circulation for all of Europe.'[4] In 1867 Parieu proposed to introduce a common currency based on a 10 francs unit, named the 'Europe'[5], within a 'Western European Union', whose name could be changed in case of a US application for membership.[6] A European Monetary Union based on the gold standard offered 'a rich and comfortable metallic circulation, the possibility of an agreement with the greatest commercial power of Europe, England, and also with Germany... The gradual destruction in the economic order of one of these frequent barriers which used to divide the nations, and whose reduction facilitates their *mutual moral conquest*, serving as a prelude to the pacific federations of the future.'[7] His reference to the pacific federations of the future was more understandable when he published in 1870 his *Principes de Science Politique* in which he anticipated the institutional structure developed by the European Union after the Second World War. Parieu called for a federalist frame, a 'European Union' directed by a 'European Commission' whose members would be appointed by national governments with an elected 'European Parliament' to be added later.[8] The federation would prevent further European wars, it would have a common currency, a common market, common transportation, mail and diplomatic representatives. Parieu was aware of the visionary character of his ambitions and declared to a sceptical French Senate in 1870: ‘in the history of humanity, the generous utopia of yesterday can be transformed in the practical and feasible creation of tomorrow, because the world has progressed.’[9] The federalist positions of Parieu were well ahead of his time and contributed to give intellectual credentials and depth to the French project, well beyond purely hegemonic interpretations.

The third quarter of the nineteenth century was for Europe a period of internationalisation and liberalisation of exchanges, creating the conditions for monetary integration in a similar way to what has happened with the Common European Market and the Euro in the late twentieth century. As trade barriers were giving way, so were monetary divisions, through a progressive reduction in the number of currencies in circulation. Old coinages were victims of national unification in Switzerland and Italy, of regional monetary agreements in Germany and of the increased international influence of the currencies of the major countries, the pound and the franc. While the pound exerted a large influence outside continental Europe thanks to the Empire and the influence of the London money market, French gold coins constituted the largest part of the gold circulation in continental Europe. The attraction of the French currency had led to its adoption by Piedmont (1816), Belgium (1832), Switzerland (1850) and Italy (1862).

The Monetary Convention of 23 December 1865 between France, Italy, Belgium and Switzerland did not really create a monetary union, despite being widely known as the Latin Monetary Union. The union was a Latin European coinage agreement, formed to fight international speculation in silver divisionary coinage (small change silver coins). The union was limited to gold and silver coins, excluding bronze coins and bank notes. It did not introduce a single unit of account and each state was responsible for its national coinage, linked by a fixed 1 to 1 exchange rate based on the intrinsic metallic content of the coins. National sovereignty was restricted only by a limit on the issue of overvalued divisionary silver coins and by the obligation to respect common standards of mintage and to exchange information between partners. No individual citizen was forced to accept coins issued by foreign states members of the union, such an obligation being limited to governmental institutions. As the national banks were private, including the Bank of France and the National Bank of the Kingdom of Italy, governments had to convince them to abide by the rules of the union but could not order them to do so.[10] In times of intense international speculation in currencies the Bank of France could oppose governmental policy and at one point or another it refused Swiss, Italian and Belgian coins. No political-administrative institution was formed to manage the union, neither a central bank to run the currency nor a network of national banks officially co-operating with one another.[11] No penalties had been devised for member states overissuing the common currency or suspending the convertibility of their paper currency in gold and silver, as would happen with Italy (1866), Greece (1868) and France (1870).

But if the LMU had a limited field of application, dangerously incomplete rules and a confused institutional framework, what was then the initial appeal of such a union? How was it supposed to develop into a European Monetary Union, attractive for Great Britain and the German states? In 1866 the French offered membership of the LMU to whoever would stand by the very loose rules of the union. It is indisputable that the LMU scored some early successes and proved popular with many southern and central European states, attracting applications for membership from Greece, Spain, Austria-Hungary, Romania, Serbia, Bulgaria, the Pontifical State, and San Marino, while Sweden issued gold coins denominated in francs. By attempting to join the union, states with poor public finances wanted to facilitate their international trade, import a better internal currency, acquire monetary credibility and gain access to international financial markets.

The most frequent argument was that union facilitated international trade and travel by reducing exchange costs. For a French MP, Louvet, monetary unification 'is a consequence of free trade and of the irresistible movement which pushes nations to associate with each other through the strongest solidarity of all, the solidarity of industry and trade, of wealth and well being.'[12] Furthermore, smaller states often did not possess an adequate internal monetary circulation. They were plagued by old and clipped tokens, by a multiplicity of foreign and debased units. A substantial part of the attraction of the franc as an international currency was its 'scientific' nature, based on a decimal system and on the use of the gram, invented during the French Revolution as a late product of the age of enlightenment. This new system showed its capacity for international expansion in the 1860's as the German states and Italy adopted it and Great Britain legalised its use. By adopting the franc and renaming it according to local customs - as lira, peseta, drachma, lei, dinar or leva - the weakest European states could create a modern and orderly national currency and dispel monetary chaos.[13]

These states needed access to the capital markets of London and Paris.[14] They needed both to acquire credibility as borrowers to float successfully a public loan and to acquire the status of an advanced state associated with the richest parts of Europe.[15] Membership of the LMU seemed to provide such credibility. The search for a monetary link with France was not the manifestation of a preference for the Paris bourse, but reflected the opportunity given by France to join the LMU and the absence of any such policy in the UK. Had Britain followed the policy initiated by the French, many more states would have been interested in monetary union, as explicitly stated by the governments of Portugal, Holland, Norway, Denmark and even the USA, when approached by France.

There was also a political urge to consolidate bilateral relations, and monetary union was a part of a larger package of alliances constructed by France. Austria turned to France for a monetary union in 1867, when it considered an anti-Prussian alliance. When Italy entered the LMU it still needed French financial and political support to complete its unification. In 1867 the Papal State applied to join the LMU directly to France from which it received protection from Italian territorial ambitions. Greece applied when it needed French support for the Greek uprising in Crete against the Turkish occupants. Romania applied just after it had received French support against Turkey.

Nations which were more solidly established would not accept such levels of dependence and had to be treated more carefully. Parieu was aware of the symbolic power of national coinage. 'The coinage is like the emblem of a country and of the sovereignty it represents' he wrote in 1866.[16] National susceptibilities had been taken into account and national symbols were entirely preserved in the union promoted by France. In the intention of the founders of the LMU 'from Antwerp to Brindisi travellers should pay their way in the same coin, without any of the risk or inconvenience of national exchanges... whether it bore the effigy of free Helvetia, the head of Victor Emmanuel or of Napoleon III, or of the two successive kings of Belgium.'[17]

The benefits of monetary union, seen from the point of view of a State relatively backward in economic terms, were well expressed by the Spanish finance minister in 1868. His statement commented on the introduction of the franc in Spain under the name of peseta, after the overthrow of the Bourbon monarchy:

> Everything that facilitates trade and relations between nations constitutes an immense benefit, fertilising the seeds of wealth, improving the position of citizens and reaffirming civilisation and freedom. Adopting the monetary system of the international convention, Spain opens her arms to her sister states of Europe and gives a new and evident proof of its unshakeable resolve to unite with them, to enter in the assembly of free Peoples.[18]

Many of these arguments for union did not really concern Britain nor, to a lesser degree, the German States. Neither Britain nor Prussia wanted political protection from France and could accept a subordinate position in the union. If these two countries were to join a European Monetary Union, it was not conceivable that the Quay d'Orsay would continue to run the Union and the Bank of France stabilise its circulation.

Furthermore Britain had no need to improve its monetary system following the French example (except for the decimalisation of the pound), nor to import credibility or to improve access to financial markets. In 1866 it did not wish to improve its political relations with France, being deeply distrustful of the expansionist and 'revolutionary' leanings of Napoleon III. The British government preferred to facilitate international exchanges employing free trade, while preserving the exchange profits reaped by its banking system thanks to the multiplicity of currencies. It was not particularly anxious to abandon the pound, well established and highly symbolic of Victorian prosperity, and to favour the currency of its competitor across the channel. Despite these considerations, as will be seen, there was still a considerable pro-unification movement in Britain, composed of businessmen, Chambers of Commerce and economists.

The German states had more to gain from monetary union than Great Britain, but the case for an international union was not as strong as for weaker states. After the summer of 1866 Germany was on a difficult and uncertain path to national political unification. The Prussian dominated North German Confederation led by Bismarck was faced in the south by four independent states, Bavaria, Württemberg, Baden and Hesse-Darmstadt, reluctant to relinquish their sovereignty. France supported their resistance intermittently, according to Napoleon's diplomatic situation and to his changing assessment of the possibility and merit of a French opposition to German unification. In the German states as many as seven different types of German currencies circulated along with French and other foreign gold coins. Different types of thalers, gulden and crowns competed with francs and pounds. Germany could benefit enormously from importing a unified modern currency and no one denied the urgency of a monetary reform.[19] Nevertheless national monetary unification was a viable alternative to international unification, because a unified Germany would not need to import credibility or negotiate its place on international commodity and capital markets, thanks to its size and economic strength.

There was another difference between the northern Europeans and the southern European allies of France. The LMU was based on the circulation of both gold and silver coins with an identical power to pay debts and conclude transactions, with a fixed legal price of gold coins in term of silver coins at 1/15.5. This system was called bimetallism or the double standard. England instead had officially adopted a gold standard since 1816, so that silver coins were not legal tender for large transactions. The German states employed a silver standard with a smaller parallel gold circulation, mainly of foreign origin.

The closest monetary allies of France were reluctant bimetallists; Belgium, Switzerland, Italy and Austria-Hungary had expressed their desire to adopt the gold standard between 1865 and 1867, but had to submit to French hegemony.[20] They could live with this imposition, especially because the Italian and Austro-Hungarian preference for gold was wishful thinking in that the poor state of their public finances did not permit the adoption of the gold standard. Countries such as Spain, Greece and Romania could only afford a silver circulation. On the whole, all the states most attracted to monetary unification were bimetallist, either by choice or by necessity, while northern Europe was monometallist, either based on gold or on silver.

III

After the ratification of the Monetary Convention by the parliaments of the four member states in the summer of 1866, the French government invited all the European states, Russia, the Ottoman Empire and the USA to discuss the possibility of monetary union. Each contacted nation was offered either to join the LMU, adopting a coinage on the French model, or to participate in an international monetary conference, in order to discuss new arrangements for monetary unification and 'favoriser l'établissement d'un circulation monétaire uniforme entre tous les états civilisés'.[21] The representatives of 20 countries met in Paris in June and July 1867 to discuss on unofficial terms how to achieve international monetary unification. The international conference was attended by all European countries, by the USA, Russia and the Ottoman Empire. Parieu presided over most of the eight sittings of the conference. 'The whole world agrees upon the benefits to be derived from monetary unity,'[22] summarised Parieu on the final day of the conference. The delegates had unanimously voted for the adoption of the gold standard as the common metallic standard (with the exception of Belgium), and for the co-ordination of existing monetary systems, choosing the gold 5 francs as a common unit without introducing new systems. The creation of an international coin of 25 francs -10 Austrian florins - 5 US dollars -1 British pound would act as the pivot and symbol of the union. The United States and the UK would have to reduce the gold content of their currencies, respectively of 3,8% and 0.9%, Austria and the Germans would have to replace the silver standard with the gold standard, while France would have to drop bimetallism. All states would report to France the progress accomplished by early 1868 to permit a new conference sealing the agreement.

The conclusions of the Conference were not based on solid foundations. While some countries entered the Conference with the intention of acting according to its deliberations as soon as possible, the British and the Prussians had no desire for practical action. On 10 April 1867, before the Conference, the British Foreign Secretary, the Conservative Lord Stanley, declined the offer to join the Monetary Convention which would require Britain to 'alter very materially the existing monetary system of this country.'[23] Stanley added in a further diplomatic dispatch that 'hitherto Parliament and the public of this country have shown themselves unwilling to sanction any change in the monetary system to which all classes are accustomed, and which has grown up under a long course of legislation.'[24] The British delegates at the conference would be entitled neither to express an official opinion on behalf of the government nor 'to commit Her Majesty's government, directly or indirectly, to any conclusion at which the foreign members of the Conference may arrive.'[25]

Important as the lack of enthusiasm in Britain and Prussia may have been, one of the strongest weaknesses of the plan approved by the conference was the position of the French Government itself. France voted in favour of the gold standard and the 25 francs gold coin because its delegation at the conference was dominated by the alliance between the gold party, represented by Parieu and the Council of State, on one side and the French free trade interests represented by the Ministry of Foreign Affairs on the other.[26] The Quai d'Orsay was also interested in the improvement of the political and financial influence of France through the extension of its monetary system to a larger area. These goals did not coincide with those of two other institutions, the Finance Ministry and the Bank of France, which were represented in the international conference only by a civil servant who could not oppose openly Parieu or the Foreign Minister Moustier. The Treasury and the Bank of France carried a much greater weight in French internal politics than the Council of State or the Quai d'Orsay and blocked the introduction of the gold standard and of the 25 francs international coin.

The attitude of the French Treasury on monetary unification and on monetary standards did not change substantially in the 1860's. The French Finance Minister Fould had initiated the process of construction of the LMU in January 1865 (before the Belgian overtures) in order to facilitate frontier trade and 'the commercial transactions of the four neighbouring countries', and to prevent the speculation on small coinage. He did not want to create a large international monetary union, nor to adopt the gold standard.[27] Fould made it clear from the beginning that bimetallism should not be threatened by the negotiations with Italy, Belgium and Switzerland.[28] It was the intervention of the Foreign Affairs Ministry during early international negotiations and later of Parieu which transformed and widened the scope of the union. The expansion of the LMU was then planned 'au grand avantage des relations internationales et de l'influence politique de la France dans le monde.'[29] After the Conference of 1867 successive Finance Ministers did not change the initial objective of the Treasury and continued to obstruct the implementations of the Conference's recommendations, appointing a series of commissions to study the introduction of the gold standard as a delaying tactic. Finance Ministers denounced the evils of monetary union, identified with the excessive and uncontrollable influx of Italian, Pontifical, Belgian and Greek coins in France, which reduced the seignorage profits of the French Treasury, caused price increases, monetary confusion and political tensions.[30] Seignorage profits on silver divisionary coins amounted only to a few hundred thousand francs per year and their loss was not unbearable for the French government. What was unacceptable was the idea that foreign states could break international treaties, export disorder and political difficulties as had been done by Italy and the Pontifical State. If large states with catastrophic public finances, like Austria-Hungary or Spain, were to join the union, all these problems could be multiplied by the monetisation of large parts of government deficits. The Treasury's opposition was due to a divergence of objectives with the Quai d'Orsay and to the fear of losing control of the internal monetary situation. The Treasury was not necessarily expecting a substantial alteration of inflation or interest rates but more prosaically forgery, litigation and confusion, in short, a threat to the orderly course of business practices. Its position was not simply a consequence of an implicit blackmail by the Bank of France as often repeated in the literature.

The Bank of France strongly opposed the adoption of the gold standard and monetary unification. Its governor Rouland and its directors (*régents*) de Waru and Alphonse de Rothschild repeatedly advocated the use of two metals to defend the Bank's reserves and keep low and stable interest rates. They rejected monetary union because of the unsound finances of some other members of the union. The private banker De Waru insisted on the responsibility of foreign states in the accumulation of an excessive amount of divisionary coinage in France, notably of ‘a country which adopted inconvertible paper money’ (meaning Italy), which, in his opinion, had violated the limit of issue of 6 francs per inhabitant. ‘From this point of view the international convention of 1865 could not be blamed too much.’[31] The Bank of France considered monetary unification useless for travellers because other forms of banking facilities than coins were employed for such purpose. De Waru declared: ‘travellers already have paper, letters of credit, cheques, more comfortable than gold, and the 20 francs coin is already accepted everywhere. It seems there is nothing really useful left to be done.’[32] The idea that transaction costs would be reduced by monetary unification was considered as having little weight by Rouland. He remarked that transportation costs, insurance and interest rate differentials would remain after unification, together with the cost of banking facilities (discount to transfer commercial paper or interest to obtain bank drafts). Thus exchange costs would be preserved in a different form, unless transactions were entirely conducted by coins, a very rare occurrence. ‘Let us recognise that most of the exchange costs survive despite monetary unification.’[33] Rouland concluded ‘In such a situation the Bank is entitled to ask for the status quo; it displays in that way a sense of caution and conservatism which serves to counterbalance excessively bold and hurried minds.’[34]

The Bank of France was called on to play a role of a unofficial central bank of the LMU, accepting the largest flows of coins from the whole monetary union. It was not a role assigned deliberately to the Bank by any international agreement. This role the Bank had not asked for, and it did not welcome it. The Bank of France was a private national bank whose shareholders were private bankers. They would be the major losers if unification and the gold standard abolished the possibility of arbitrage between different metals and different currencies. When the interests of money changers and bullion dealers are discussed, it must be remembered that prestigious private bankers included such activities in their field of interest.[35] The interest of these private bankers corresponded to a ‘natural’ resistance to reform and certainly reinforced it, but the *Haute Banque* was not the exclusive cause of the Bank’s opposition to the gold standard and to monetary unification. The destabilising nature of change was feared because it destroyed the existing way of operating on the money market and eroded the margins for an independent national policy. The unresolved nature of national banks, which refused to be considered as central banks but were progressively acquiring such a role, bear considerable responsibility for the failure of monetary unification in the 1860’s.[36] The single gold standard and/or unification were opposed in some form by the Bank of France, but also by the Bank of England, by the Bank of Prussia and by the Bank of Holland.[37]

IV

The incompleteness of the proposals elaborated at the Conference of 1867 encouraged further elaboration with respect to institutions and a common currency. The French economist Michel Chevalier rightly pointed to the major weaknesses of the international scheme for monetary unification, namely that the French character of the proposed international coinage would awake national vanities and create an obstacle to its acceptance.[38] Parieu wished to overcome such objections by identifying a common unit in francs (5 or 10 gold francs) and then introducing it in all the countries of the union with a common name, 'Europe'. The project was shared by others with different names, like the 'ecu of the union' proposed by Joseph Garnier, chief editor of the *Journal des Economistes* of Paris, or the 'Ducat' suggested by the Master of the London Mint, Graham.[39]

Chevalier also proposed to create an international committee responsible for the control of the correct issue of international coins, guaranteeing the respect of the agreed weights, fineness and limits to issue by each member of the union.[40] The transformation of this international commission into an international central bank would have been a further step which required the introduction of international bank notes. Most economists did not take this further step because they did not believe that bank notes were money. Chevalier thought that only coins with an intrinsic precious content qualified as money. Politicians discovered the problem late, after Italy and Greece issued massive quantities of inconvertible paper money, unregulated by the union. Only Joseph Garnier proposed to create a 'Universal bank' formed by the National banks, in charge of the issue and control of the bank notes of the Union. The scheme was based on a

> universal bank or international syndicate formed by the national or official banks of the main trading nations. National banks would preserve their complete independence and separate organisation as before, but would create together an international bank note. This syndicate, composed by directors appointed by the national banks concerned, will be responsible for the issue and control of the bank notes. It would not need a numerous work force and would transfer every four years from one capital to another, to guarantee the independence of the syndicate from local influences on one hand and to provide its member with practical knowledge of the various great financial centres on the other.[41]

Given that monetary union was conceived within a specie system, where bank notes had a semi-automatic equivalent in gold or silver reserves, the discretionality of the monetary policy conducted by national banks and by a hypothetical common central bank was not an issue in the debate. Central bank independence from political interference was therefore not at the centre of attention as is instead the case with the European Central Bank (ECB) today. National banks of issue depended at the same time on governments and on private shareholders.

Garnier's proposal was favourably reviewed by Parieu and by the Swiss official Feer-Herzog, but was too much ahead of the debate at the time to be accepted by the governments. The French Ministry of Foreign Affairs remained in fact the co-ordinating institution of the Union.

Despite its incompleteness, its limits and its difficulties, the process was advancing convincingly enough to permit Feer-Herzog to say in October 1869 that 'whatever the outcome of unification in England and the United States, the most likely result in a not too distant future, is that the unification planned in 1867 will embrace all of continental Europe.' In contrast to what most scholars have written since, the process continued after 1867 and the British and Germans were not inevitably hostile to membership of such a monetary union.

V

In 1866 the British press welcomed the formation of the Latin Monetary Union. It was 'a most important step in the process of European civilisation' for *The Times*[42] and *The Economist* described the Monetary Convention as 'one of the most characteristic treaties of the nineteenth century...we see no reason why each State should have a separate money.'[43] Nevertheless, despite the *Edinburgh Review*'s support for British participation on the grounds that 'we are separated from the rest of Europe and America by the duo-decimal system of numeration, and by the high value of the pound, almost as much as by the sea which surrounds these islands,'[44] the large majority of the press opposed British participation, either because of the bimetallic nature of the LMU (*The Economist)* or because the change 'would not bring us advantages sufficient to compensate for the immense inconvenience of the change' (*The Times)*.[45]

Following the line suggested by the majority of the British press in 1866 and the policy followed in 1867 by the Derby-Disraeli governments, a Royal Commission appointed in 1868 to supply an official reply to the French offers concluded in favour of monetary unification but against British involvement.[46] Because of the extensive recoinage costs for a temporary reform and the damage it would cause to creditors, the Commission recommended not to adopt the 25 francs coin but 'felt it [their] duty to state the grounds on which, with a view to the general interest of the commerce of the world, the English sovereign and pound might form a convenient basis for an international currency.'[47] These conclusions reflected the views of politicians and of bankers, while the majority of the witnesses who testified in front of the Commission, businessmen, chambers of commerce and economists, favoured British participation. The Commission decided to follow Goschen's argument that a cost of exchange would remain even after unification. George Goschen was a liberal MP for the City, a former director of the Bank of England and a financier of high reputation. In a speech delivered in Liverpool in February 1868, he summed up his arguments:

> Admitting all the advantages of a uniform system of coinage, I cannot but feel that it is a doubtful matter, seeing how the question affects the National creditor, and, indeed all contracts, whether the immense disadvantage of depreciating the value of the sovereign, as is proposed, be it by ever so little, does not outweigh the benefit of a community of Coins. If we could get rid of all fluctuations of Exchange, that would, indeed, be a very agreeable result. But even if the piece of 25 francs were made equal to the Sovereign, and the two coins were absolutely identical, - were two Sovereigns in fact, - the Sovereign in France would not necessarily be equal to the Sovereign in England. It would still depend upon the balance of trade, upon the

> demand for Gold for remittance to England, or for remittance to France; you would never get rid of the fractions.[48]

Goschen was in fact pointing at the persistence of most of the transaction costs associated to an exchange operation. The diversity in coins and bank notes accounted only for a small part of the banking costs. Those costs would survive monetary unification, preserving some price for the purchase of foreign instruments of payment. Confirming the relevance of Goschen's argument, in January 1999 the European Commission discovered with some embarrassment that the end of exchange rate fluctuations in the Euro area did not encourage the banking system to sell foreign currencies without taking any commission.

In response to the Commission's arguments businessmen and most Chambers of Commerce asserted their fear of being placed at an unfair disadvantage from continental competition by being excluded from monetary union. Many witnesses testified that a common currency would intensify international competition to the British advantage, expressing all prices in the same units, revealing true prices even to those not conversant with foreign units, simplifying accounts and comparisons between different goods. Smaller firms would be able to compete with larger enterprises without bearing the high fixed cost of clerks specialised in foreign exchange. The reduction of various types of transaction cost brought about by monetary union was also indicated, together with the reduction of exchange fluctuation risk. The Chambers of Commerce were almost unanimously in support of monetary unification.[49] Several economists came to support them, but the main contribution from the British economic profession followed after the report of the Commission. First Walter Bagehot, editor of *The Economist,* proposed to combat the expansion of the LMU by creating an Anglo-American monetary union to which Germany would later be attracted. 'Looking to the commercial activity of the Teutonic races and the comparative torpor of the Latin races, no doubt the Teutonic money would be most frequently preferred' Bagehot wrote.[50] The second contribution, by W.S. Jevons, had a much larger impact as it convinced Robert Lowe, Chancellor of the Exchequer of the newly elected Gladstone government, to accept the prospect of unification, begin negotiations with the French government and deliver a very controversial speech in the Commons. Jevons termed the report of the Royal Commission 'ambiguous' and the difficulties it advanced 'imaginary', due to 'misapprehension of theory' and to 'prejudice'.[51] Jevons demonstrated with the help of statistical investigation that the gold coinage of Great Britain was largely worn and consumed so as to be legally unfit for circulation. A major recoinage was therefore an unavoidable necessity which could easily be combined, without any greater cost or disturbance with the adoption of a new pound of 25 francs, replacing the old pound of 25.22 francs as requested by the International Monetary Conference of Paris. Jevons argued that 'instead of occasioning cost and difficulty the trifling alteration of the Sovereign is the only mode by which we can impart practical as well as theoretical perfection to our metallic currency'. He added that

> The most formidable of the prejudices [of the Royal Commission] arises from our national pride in the fact that the sovereign is known and respected in nearly all parts of the world... If we are not misled by foolish pride, we shall take, while we can do it with good grace, the step of adopting our sovereign to become the new gold currency of the world. I may add that if we place any opposition or obstruction in the way of the International Monetary Convention, they have a most justifiable and powerful weapon ready to ensure our defeat. It is only necessary for the continental nations and the United States to issue, as is already proposed, a piece of 25 frs. in order to supplant the sovereign.[52]

The two arguments used by Jevons were the right ones to convince the new Chancellor of the Exchequer. In June 1869 Lowe pointed out to the cabinet, in a confidential memo which escaped the attention of historians, the need for England to participate in the projected universal coinage. It was necessary to impose a Mint fee, that is a 1% tax on the coinage of new coins to cover the cost of remintage. This fee would reduce the weight of the gold pound to 25 francs, achieving recoinage and unification at no cost to the Treasury. Lowe concluded in his report to the Cabinet that ‘the question of international coinage cannot be disregarded by this country, and it is highly probable from the rapid progress that it is making all over the world, that one system of coinage will within no distant period be almost universally adopted, from which it will be impossible for Great Britain to stand aloof.’[53] After receiving a pro-unification report from the master of the London Mint, Graham, and the Former Master of the Calcutta Mint, Smith, Lowe decided to act, apparently without obtaining any response from the rest of the Cabinet. Lowe replied on 27 July 1869 to a new French invitation to proceed towards monetary union, praising the conclusion of the last French monetary commission in favour of the adoption of the gold standard, and explaining that an agreement was possible once France had legally adopted it.[54] He added that negotiations would be required to reach an agreement on common weight, fineness, mint fee and mintage conditions. He then delivered a long speech to the Commons on 6 August stating that ‘the blessing of one coinage throughout Europe, [is] a great step in civilisation,’[55] posing the question in Jevons’s terms, and asking Parliament to consider the issue during the recess.

The reaction was tumultuous. Lowe does not seem to have received any support in the Cabinet. The war secretary Cardwell wrote to Gladstone ‘I was very sorry to see that Lowe had given way to what seems to me a mischievous fallacy about the Sovereign.’ If his plan were to be carried out ‘I should consider the English currency to have been depreciated, - and the standard of value altered.’[56] Gladstone replied ‘I am astonished’[57] and later ordered Lowe to calm down. ‘Be quite understood about the Mint that I do nothing until the question of the [unreadable: Sovereign’s weight?] has been disposed of.’[58] The financial world, led by a former governor of the Bank of England, the conservative MP J.G. Hubbard, renewed its criticism, facilitated by some technical mistakes in Lowe’s plan which eclipsed the substance of the debate in favour of a confused polemic on minor details. The press was in general outraged by the attack on the integrity of the pound.

According to an anonymous 'bullionist' 'the maintenance of our standard of money is a sacred obligation.'[59] To the *Morning Advertiser* Lowe was a 'chartered libertine' issuing 'great absurdity' and his plan was a 'financial crotchet'.[60] In the words of Hubbard: 'the prevailing impression in this country [is] that the wisest course to pursue with our own coinage is *-to leave it alone*.'[61] Jevons, Smith and other economists and businessmen intervened in support of Lowe but their contribution was drowned in the flow of pamphlets and articles.

From a political point of view Lowe was weakened by the fact that whereas all Conservatives opposed the change (Hubbard, Hunt, Stanley and Disraeli), not all Liberals supported it. The most influential specialists of monetary and financial questions in the Liberal Party had strong ties with the City and the Bank of England and shared its approach. Three cabinet ministers were against Lowe's project (Goschen, Cardwell and Halifax), none in favour of it. Gladstone himself, despite his difficult relations with the Bank of England, would not support unorthodox schemes. The current governor of the Bank, Crawford, was a liberal, like Lord Overstone, but both opposed Lowe, and their opinion weighed heavily both in governmental circles and with the public at large. Once the future of the pound was at stake, the opinion of the financiers counted more than that of the Liberal free traders and merchants, especially if the technicality of the question prevented a wider participation in the debate. Furthermore, many shared Disraeli's opinion that Britain was fundamentally not just a European power but an international one. The pound circulated in all the continents thanks to the Empire. It would be unthinkable to offer a great political advantage to France by adopting the franc as a reference value for the pound. What Jevons termed 'foolish pride' was considered by many to be a legitimate pride in a symbol of British economic success, international influence and status, threatened by the initiatives of the historical French rival.

The French government was too divided to be of any help to the Chancellor of the Exchequer. The Quai d'Orsay was enthusiastic about Lowe's initiative but met the usual stubborn resistance of the French Treasury, which delayed its decision until it could obtain from Napoleon a new and more complete commission of enquiry on the gold standard in relation to monetary unification.[62] What the French nationalists, conservatives and protectionists feared was not that the question would be discussed by Parliament, because elected parliaments in the nineteenth century were rather conservative and prudent in all matters concerning the currency. Legislative changes were extremely difficult to achieve. The French parliament repeatedly voted to maintain as much of bimetallism as possible. The elected lower house of Parliament, the Corps Législatif, rejected the gold standard in 1864 and 1866.[63] What the opponents of gold and internationalisation of money feared was a direct intervention of Napoleon who could use his powers to conclude international treaties, despite the opposition of Parliament. In January 1870, the French Senate decided after four sittings of discussions to endorse the international 25 francs coin on a trial basis but rejected the introduction of the gold standard. The vote was not binding on the government, but it had an important political impact, especially abroad, because it exposed Parieu's bluff. It was suddenly apparent to German and British observers that monetary union and the gold standard did not have a solid majority either in the French government or in the French Parliament and therefore the union was not necessarily bound to succeed as Parieu and his friends had claimed for several years.[64] In the following months, well before the beginning of the Franco-Prussian war, supporters of monetary union suffered a perceptible loss of influence. In Britain Lowe was forced to stop his project and communicate to the Commons in February 1870 that, 'as the single gold standard was indispensable for the advancement of a scheme of international coinage, the matter had to stand over until the French government had arrived to a conclusion on that all important subject.'[65] Lowe was not a supporter of international money for its own sake, he endorsed it only because he feared the effects of a British exclusion from a unified Continental monetary system dominated by France. Lowe was no francophile, and in September 1870 he expressed satisfaction at the Prussian victory against the French and defined the fall of Napoleon III as a 'clearing of the moral atmosphere.'[66] As soon as the French initiative collapsed, Lowe dropped the 25 francs pound from his set of monetary reform proposals. The influence of the Foreign Office in this matter seems to have been very limited; during the Liberal government British diplomatic despatches concerning the issue were simple transcriptions of texts written by the Treasury.

VI

In the German states the pattern of support and opposition to monetary unification and the gold standard followed similar lines as in Britain, although pro unification economists and Chambers of Commerce were initially much more visible than bankers and nationalist politicians. The fragmentation of the various German systems of currency, despite the Münzverein of 1837 and 1857, acted in favour of the French proposal for an international gold currency based on the franc, especially because the German silver standards had been infiltrated by large quantities of French gold coins, particularly in the south. In August 1867 the German congress of economists in Hamburg declared its support for German monetary unification based on the French gold currency, with a subsidiary silver divisionary coinage in marks, derived from the Prussian thaler. Through the impulse of Prof. Soetbeer, a highly reputed economist and statistician, specialised in currency matters and a leading supporter of the gold standard, the congress of the association of German Chambers of Commerce (*Handelstag)* came to advocate in October 1868 a German system organically integrated into an international system based on the franc and the gold standard.[67] These deliberations, aimed at convincing the politicians, were not without effect and were followed by similar resolutions adopted in 1868 by the Reichstag (parliament of the North German Confederation) and in 1869 by the Zollparliament (the customs parliament of the Zollverein, which included the south German states as well).[68] The official motion stated that 'The trade parliament invites the governments of the States represented in this assembly to agree as soon as possible on the adoption of a purely decimal monetary system, presenting as much as possible all the conditions which would make it apt to be accepted as a universal system by all civilised nations.'[69] It is important to stress that international monetary unification was seen as a faster, more complete and efficient way of achieving internal monetary unification. As soon as a purely national solution had a chance to win over the resistance of the southern German states, many economists and chambers of commerce rallied around it. Similar to what happened in Britain the support for monetary union declined when the weakness of the French leadership in the matter became evident. If the gold standard could not be expected from Paris because of the defence of the status quo by the French Finance Ministry and Parliament and the active resistance of the Bank of France, it might come from Bismarck. The first initiatives taken in favour of a purely national monetary system by the political leader of the gold party in Germany, Ludwig Bamberger, came only in May 1870, after the French alternative had been weakened by the French Senate.

The Bank of Prussia contrasted gold and unification, fearing the end of its local privileged position and the 'globalisation' of banking operations brought about by new international capital flows. The Bank of Prussia anticipated the destabilisation of the domestic market caused by fluctuating interest rates introduced in order to compete with London for capital denominated in gold. The French consul in Cologne summarised its positions thus:

> The discount rate [of the Bank of Prussia] never descends below four per cent; and what it seems to fear over everything is that, once Germany will have the same standard as the other states, financial capital from Paris and London, less well remunerated, would flow to Berlin to profit from the higher Prussian discount rate... The Bank of Berlin also fears that, under the influence of a universal monetary standard, Germany would be involved more often than in the past in the great commercial crises which periodically wreak havoc in the old and the new continent. Attracted by the high discount rate reached in these cases in France and England, German capital... would leave to find there a more profitable use than in the home country, causing an equivalent increase in the discount rate in Prussia.[70]

The diversity in monetary units but especially in metallic standards had permitted until then a higher degree of separation of the domestic monetary conditions of Prussia, isolated from what was perceived to be foreign financial instability.[71] It is likely however that the banks were attributing to the monetary system an excessive share of the responsibility for an instability largely due to industrialisation and stronger economic growth. The Bank was mounting a defence of old and rigid practices, which led to dear credit in ordinary periods and only partially lower discount rates in periods of crisis.[72] The crisis of 1866 had shown that the Bank of Prussia was already forced to follow the increase of the British discount rate in times of crisis and that the internationalisation of exchanges, the progressive spread of gold in Germany and the reduction of transportation costs for bullion, were increasing financial interdependence, whatever the Bank of Prussia thought about it.

Despite the opposition of the banking world, and of nationalist politicians and the explosive popularity of national solutions to German problems after the Franco-Prussian war and the creation of the second German Reich by Bismarck, some support for Parieu's scheme still existed in 1871. When the project of law introducing the mark in a united Germany was discussed, the Chambers of Commerce of Frankfurt, Württemberg, Baden and Bavaria petitioned the Reichstag to ask for the adoption of the international 25 francs coin.[73] A progressive member of the Reichstag representing Württemberg, the economist Moritz Mohl, introduced an amendment in favour of it, supported by other progressives. Mohl insisted on the interests of trade and travellers from southern Germany, surrounded by France, Switzerland and Austria, all using gold francs. He defined the mark as 'a great step backwards'. 'Two or three years ago, when you were discussing the metrical system, had the government proposed to introduce the French system... I believe you would have accepted it, but now, gentlemen, we now have had a bloody war... Had we lost I would understand such a hate.'[74] The banker and National Liberal politician Ludwig Bamberger, chief architect of the new currency, denied the need for unification explaining that the common use of a gold standard was the only step necessary to facilitate international trade. He then spelt out the new nationalist credo: accepting the French system for the German currency 'was perhaps to be recommended in a time when we accepted the policy of all foreign countries and had none of our own and that is of course why we were so praised in all countries, as we would also be praised now if we accepted a foreign monetary system.'[75] The mark became the German currency, and a mocking economist, Adolf Wagner, proposed to call the double mark piece 'a Bismarck'.

Seeing that neither the franc nor the mark could become the international currency, the Scandinavians created the Scandinavian Monetary Union, resulting in Sweden's abandoning its gold coinage denominated in francs. After some years Austria-Hungary left the gold franc it had adopted after 1867 as well, to come closer to Germany. The French loss of political and economic influence meant the definitive end of the project of European Monetary Unification until more 'bloody wars' revived full political co-operation between the European countries.

VII

It is not possible to answer the question of whether monetary union can take place without a previous political union. This study suggests that it certainly can not take place when national governments are not sufficiently committed to it to tame or compensate special interests opposed to it, when there are no neutral supranational institutions to mediate conflicts, when some governments can monetise their financial difficulties at the expense of their partners, when protectionism is mounting or when hostility between nations is perceptible. It is a long list but not a prohibitive one.

The hegemonic power within the LMU, France, failed to stand up to its position because of a divided and insecure leadership, and a divided leadership could not impose its will on conflicting interests. An informal coalition of supporters of free trade, economic integration and gold promoted monetary unification, while another coalition of protectionists, bimetallist bankers and nationalist politicians opposed it.

The reasons for the victory of the anti unification coalition are numerous:

1) Nationalism was rising in Europe at the time and conflicting geopolitical interests were not compensated adequately by the perception of a common foe or menace: the three hegemonic powers, France, Britain and Prussia, could not come to terms, forging a solid political alliance.

France and Prussia were preparing for war against each other. Monetary co-operation was incompatible with rampant warfare.
2) In financial matters, the voice of the national banks was very influential in all countries, also because of their specialised knowledge and information advantage. However these banks did not belong to the State sector and were therefore free to oppose openly government policy on the matter. They expected to be losers from the process and acted as Pareto would expect them to, a tiny lobby, which is effective because each member has a lot to lose, while its opponents only have a very diluted gain to achieve.
3) Parliamentary and ministerial conservatism on monetary issues played against change. In France bimetallism had worked well for 65 years and in Britain the old pound was the symbol of the British success. Excessive confidence in existing arrangements and important transition costs, linked to the liquidation of massive stocks of coined silver, favoured the status quo. France and Britain were not sufficiently dissatisfied with their own economic performance in the 1860's to accept substantial monetary reforms. In the 1990's, by contrast, the need to tackle an unsatisfactory economic performance has been a source of political determination to achieve a highly symbolic change.
4) The problems linked to the Italian paper currency, to the Pontifical speculation and to the Greek inexperience undermined the will of the French institutions to expand the LMU before the Franco-Prussian war and before the fall of the price of silver. The incompleteness of common rules and institutions was only partially adjustable because of unanimity voting in the LMU. The diverse benefits of monetary unification sought by various participants also explained the evolution of national attitudes. The plurality of centres of decision in France prevented a consistent French position on the adoption of a formal gold standard in the 1860's. The position of the contenders however was asymmetrical: the opponents of international money could win just by blocking further decisions.

The French inability to follow a single policy condemned to failure its own attempt to extend the union to northern Europe, regardless of British reluctance to follow. Even countries like Sweden, Austria-Hungary and the Southern German states who were more or less following the French lead would have abandoned it once the persistence of bimetallism became clear. Surprisingly enough the championing of gold by French economists and diplomats made a decisive contribution to the establishment of the international gold standard, offering a platform to the gold parties in Germany and Scandinavia which led to the adoption of the gold standard by these two countries in the early 1870's.

Monetary union became a victim of conflicting national ambitions, of the bankers' interest in preserving exchange profits, but also of the lack of trust between states. No state would alienate its monetary sovereignty knowing that it might become partially liable for the costs of financial mismanagement by its neighbour. Monetary unification created excessive and sometimes contradictory expectations in its supporters: it could not deliver political advantage for some governments, sustain peaceful aspirations, economic development and free trade all together.

Some evident elements of comparison between the monetary unions promoted by Parieu in the 1860's and by Delors in the 1990's are unavoidable. They might, however, be partially misleading since technical aspects of money, as well as the political background, have changed radically. Fiduciary money has replaced commodity money based on silver and gold, enlarging substantially the discretionary powers of monetary authorities. The confrontational political situation of the nineteenth century has given way in Europe to a tight system of economic, political and military alliances. A solid institutional framework manages and resolves peacefully conflicts between European states, ensuring that co-operation ultimately is the most convenient choice. The set of rules and institutions of the EMU and the more developed financial structure of the union members should prevent problems of overissue seen in the early years of the LMU. Projections of nineteenth-century fiscal behaviours of the Italian or Greek State into a twentieth century context would not make much sense.

The defensive aspects of the constitutional framework of EMU might be interpreted as an adequate response to the misfortunes of the LMU. Convergence criteria, the stability pact and the creation of an independent European Central Bank (ECB) with the exclusive goal of fighting inflation and the prohibition of financinggovernment deficits are all devices to prevent free-riding behaviour and inflationary pressures.

Many national central banks have maintained a hostile attitude towards monetary union but having become in the meantime State Banks, could not oppose it as openly and consistently as they did in the nineteenth century. Furthermore part of their opposition was neutralised by the parallel increase in central bank independence, largely a by-product of the creation of the ECB and by the acceptance by European governments of the principles of monetary and fiscal orthodoxy.

The geopolitical aspects of today's European Monetary Union are more similar to those of the nineteenth century. Parieu's ideas of the 'peaceful federations of the future' and of monetary unification as the most efficient weapon of peace, 'the Chassepot of peace'[76], re-emerged after three Franco-German 'bloody wars'. They were the ideas which guided Mitterrand and Kohl in 1990-91 when they negotiated the Maastricht treaty. France continues to see in monetary union an essential component of the project of permanent reconciliation with its larger neighbour through close economic and political co-operation. It also counterbalances its relative decline providing a large share of the political direction of common institutions.

More than a century after Disraeli, Britain is still divided between its extra-European interests, the Commonwealth and the special relation with the USA on one side, and its links with the continent on the other. The British government seems again to be motivated more by the fear of exclusion from a successful union than by a genuine desire to join a convincing project. A popular press agitating the image of international conspiracies to weaken Britain remains one of the main obstacles for contemporary chancellors as it was for Lowe.

Despite many structural changes, many national attitudes to monetary union show a strong continuity. Political realities continue to pose similar dilemmas in changing forms, but the radically different policy of Germany in the last decades shows that new and better solutions can also be found.

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Endnotes:

* I wish to thank Emma Rothschild and Marcello de Cecco for their comments. I am grateful to Barbara Ravelhofer for translations from German texts and corrections of drafts. I wish to thank also Jean-Marie Darnis, archivist of the Monnaie de Paris, Mme Cavillon Troadec and the staff of the archives of the Bank of France, the Archives Nationales de France, the British Library and the diplomatic archives of the French and Italian Foreign Affairs Ministries. My gratitude also goes to the editors of the EHR and two anonymous referees for their observations and suggestions.

1. Willis, *History of the Latin Monetary Union*, De Cecco, *L'Italia ed il sistema finanziario internazionale,* Redish, 'The Latin Monetary Union and the emergence of the International Gold Standard', Flandreau, 'Was the Latin Monetary Union a Franc Zone?'.
2. *The Times* expected only Spain to join the union: 'we may reasonably expect in time to see a complete uniformity in weights, measures, and currency throughout the whole of what, after the Emperor Napoleon, we may call 'the Latin races' of the Continent. '*The Times*, 8 September 1866, p.8, *The Globe*, 12 September 1866.

3. Vanthoor, *European Monetary Union since 1848*, p.34 and Kindleberger, *A Financial History of Western Europe*, p.70.

4. Ministère des Affaires Étrangères, 'Conférence monétaire', in the collection of documents and letters of the Archives de la Banque de France (ABdF), 'La question Monétaire', vol. I, p. 269.

5. Parieu, 'De l'uniformité monétaire', p. 350.

6. Parieu, 'L'union monétaire de la France, de l'Italie, de la Belgique et de la Suisse', p. 7. The French continued to call the union 'the Monetary Convention between France Italy, Belgium and Switzerland of 23 December 1865,' but Parieu used in his article the term of 'Münzverein Latin', a Latin Monetary Union.

7. Parieu, 'La question monétaire en France et à l'étranger', p.15. The italics are Parieu's.

8. Parieu, *Principes de la science politique*, pp. 336-357. The first edition was published in 1870.
9. *Annales du Sénat et du Corps Législatif*, (Senate), vol.I 1870, 25 January 1870, pp. 301-302.

10. Pléssis, *La politique de la Banque de France.*

11. Ministère des Affaires Etrangères, *Conférence monétaire*.

12. *Annales du Sénat et du Corps Législatif*, (Corps Législatif), vol.VIII 1866, 13 june 1866, p. 11 (annèxe).

13. Leconte, *Le bréviaire des monnaies de l'Union Latine*.

14. Flandreau, 'Was the LMU a franc zone?'

15. Bordo and Rockoff suggested the adoption of a gold standard with full convertibility facilitated access by peripheral countries to capital from the core countries of western Europe. Bordo, Rockoff, 'The gold standard as a good Housekeeping Seal of Approval.'

16. Parieu, 'L'union monétaire de la France, de l'Italie, de la Belgique et de la Suisse', p.17.

17. 'International Coinage', *The Edinburgh Review*, p. 389.

18. Archives du Ministère des Affaires Etrangères (AMAE), Affaires diverses commerciales, (ADC) 604-1 bis, fol 116, the French Embassy in Spain to the French Minister of Foreign Affairs, 5-11-1868, fol 119-21.

19. Holtfrerich, 'The Monetary Unification Process in nineteenth century Germany.'

20. The French Finance Minister Fould prevented any discussion about the adoption of the gold standard by the conference forming the LMU in 1865, despite Belgium favoured strongly gold,

Switzerland preferred gold but depended from French and Italian decisions while Italy expressed at the last moment a preference for gold. Austria formed in 1867 a monetary commission which concluded in favour of the adoption of gold and monetary union with France. Royal Commission on International Coinage, *Appendix to the report*, p. 220.

21. Ministère des Affaires Etrangères, *Documents diplomatiques*, p. 425.

22. Parieu's report read during the last sitting. *International Monetary Conference held in Paris in 1878,* p. 874.

23. Royal Commission, *Report,* p. 159.

24. Ibid., p. 161.

25. Ibid., p. 160-61.

26. The French delegation was composed of Parieu and Lavenaye, from the Council of State, both open supporters of gold, by the Foreign Affairs Minister Moustier and by a director of the ministry Herbet who supported free trade and monetary unification to enhance the French international role. Herbet was a dedicated free trader, he had negotiated for France the trade treaty with England in 1860 and with most other countries in the following years. Wolowski, 'Chronique économique', p.488. Hefeker also noticed the importance of free trade interests in driving monetary integration in the nineteenth century: Hefeker, 'Interest Groups, Coalitions and Monetary Integration in the nineteenth century.'

27. AMAE, ADC 602-2, The French Finance Minister Fould to the French Minister for Foreign Affairs Drouyn de Lhuys, 19-1-1865, fol 2-3.

28. AMAE, ADC 602-2, Fould to Drouyn de Lhuys, 19-1-1865, fol 2.

29. AMAE, ADC 603-2, Fould to Drouyn de Lhuys, 27-1-1866, fol 10.

30. See Einaudi, 'Monetary Unions and Free Riders'.

31. Archives de la Banque de France (ABdF), 'Question monétaire', vol. I, Conseil Général, 11-2-1869, p.600.

32. *Procès-verbaux et rapport de la commission monétaire de 1868,* p. 41.

33. Conseil Supérieur du Commerce *Enquête sur la question monétaire*, p. 52-54.

34. *Procès-verbaux et rapport de la commission monétaire de 1868,* p. 62.

35. In 1855-57 alone, Rothschild frères supplied the Bank of France with 750 million francs in gold bullion, with a profit of 8.5 million. Flandreau, *L'or du monde*, pp.177-p.303. A more restrictive definition of the profits from bimetallic arbitrage, involved in the operation of coining, produces an estimate of 4,5 to 6,75 million francs, according to Flandreau, p.209.

36. Gallarotti, *Anatomy of an international monetary regime.*

37. For Parieu 'some influences of the banking world, opposed as much as the Dutch State to the principles of the conference of 1867, have been difficult to avoid in the in the essay [written for the Dutch government and sent to France] of the... director of the Bank of Amsterdam [Mees].' AMAE, ADC 604-2, Parieu to the French Foreign Affairs Minister La Tour d'Auvergne, 2-11-1869, fol.258.

38. Chevalier, 'De l'établissement d'une monnaie universelle', p.180.

39. Feer-Herzog, *La France et ses alliés monétaires,* p.12.

40. Chevalier, 'De l'établissement d'une monnaie universelle', p.184.

41. These proposed names are discussed in Feer-Herzog, *La France et ses alliés monétaires*, pp.12-14.

42. 'Monetary convention', in *The Times*, 8 September 1866, p.8.

43. 'Monetary convention between France, Belgium, Italy and Switzerland', in *Economist*, 15-9-1866, pp.1077-79.

44. 'International coinage', in *Edinburgh Review*, October 1866, vol. CXXIV, p.389.

45. 'Monetary convention', in *The Times*, 8 September 1866, p.8.

46. In 1873 Disraeli described the conference of Paris of 1867 as the 'fons et origo malorum' of all 'great disturbance and immense fluctuation' of the price of silver caused by the rush to gold of European nations. Hendricks F., 'France, her monetary allies and the single gold standard', *Economist*, 31 January 1874, pp. 129-131.

47. Royal Commission, *Report*, p. XVIII.

48. Seyd, *Bullion and Foreign Exchange*, pp.684-85.

49. Royal Commission, *Report*, p. VII.

50. 'A universal money', in St John-Stevas, *The collected works of Bagehot*, vol.11, pp.93.

51. Jevons, 'On the condition of the metallic currency', p.427.

52. Ibid., pp.427-29.

53. Gladstone Papers, British Library (GPBL), Official papers, April-July 1869, coll.44610. Confidential report for the Cabinet, 2-6-1869, 'Necessity for imposing a Charge upon the Coinage of Gold Bullion at the Royal Mint', fol.83.

54. AMAE, ADC 604-2, Convention de 1865 et de 1867 (1869), Lowe to the French Foreign Affairs Minister La Tour d'Auvergne, 29-7-1869, fol.208-09

55 Hansard (Commons), 3rd ser., vol CXCVIII, 6-8-1869, col.1421.

56. GPBL, Correspondence Gladstone-Cardwell, vol. 44119, Cardwell to Gladstone, 19-9-1869, fol.66.

57. GPBL, Letter Book, coll. 44537, Gladstone to Cardwell, 20-9-1869, fol.66.

58. GPBL, Letter Book, coll. 44537, Gladstone to Lowe, 12-10-1869, fol.92.

59. The Bullionist, 14-8-1869, in Bank of England, *Speeches,* p.42.

60. Aytoun J., 'The Chancellor of the Exchequer must be taught political economy', *The Morning Adviser,* 14-8-1869, in Bank of England, *Speeches,* p.36.

61. *The Times*, 7-10-1869, in Bank of England, *Speeches,* p.261.

62. AMAE, ADC 616-1 (1869-71), the French Minister of Finance Magne to the French Minister of Foreign Affairs De La Tour d'Auvergne, 19-8-1869, fol.6.

63**.** In 1864 the Corps Législatif rejected the governmental proposal to reduce to the status of token the silver 1 and 2 francs coins, because that would threaten the integrity of the silver standard. Corps Législatif, *Projet de loi relatif à la fabrication de nouvelles pièces d'argent de 2 francs et au dessous, précédé du decret de présentation et de l'exposé des motifs, projet de loi n.233, annèxe au procès verbal de la séance du 6 avril* (1864). Corps Législatif, *Rapport fait* *au nom de la commission avec l'aprobation du Conseil d'Etat, pièce n. 310, annèxe au procès-verbal de la séance du 28 avril* (1864). In 1866 the ratification of the provisions associated to the LMU forced the Corps Legislatif to accept the demonetisation of the 1 and 2 francs, but the importance of the surviving coin representing the silver standard in France, the silver 5 francs, was confirmed. Throughout the 1860's the French parliament was represented in various monetary commission by supporters of bimetallism.

64. During the debate Magne, Baroche and Rouland, important former minister of the authoritarian phase of the Empire, intervened against Parieu, who represented officially the Ollivier government (liberal Empire) as Minister presiding the Council of State. *Annales du Sénat et du Corps Législatif*, (Senate), vol.I 1870, 18 January, 21 January, 25 January and 28 January, pp. 253-66, pp.282-87, pp.289-308 and pp.310-38.

65. Hansard (Commons), 3rd ser., CXCIX, 10 Feb. 1870, p.153.

66. Burghclere, *Letters to Mary Marchioness of Salisbury, Countess of Derby*, p.275.

67. AMAE, ADC 604-1 bis, The French consulate in Cologne to the French Foreign Minister, 22-10-1868, fol.89.

68. Hellferich, *Money*, p. 152. James, 'Monetary and fiscal unification in nineteenth century Germany'.

69. AMAE, ADC 604-2, the French consulate in Frankfurt to the French Minister of Foreign Affairs La Valette, 25-6-1869, fol.64.

70. AMAE, ADC 604-1 bis, the French consul in Cologne Tolhausen to Moustier, 30-10-1868, fol.98-99.

71. In the 1860's, when the private national banks used their discount rate to influence the economy, they did not do so to influence the price level or the level of economic growth. They acted

to protect their gold or silver reserves, increasing the discount rate to call back loans and discourage new applications for credit, in order to preserve the convertibility of their bank notes in coins and prevent suspension of cash payments. See Pléssis, *La politique de la Banque de France,* Flandreau, *L'or du monde* and Andreades *History of the Bank of England.*

72. The reluctance of the Bank of Prussia and of the Bank of France to be integrated in an international monetary system seems to confirm Flandreau's view about the unsystematic and reluctant co-operation between the central banks of the period. Flandreau, 'Central bank cooperation'.

73. *Stenographische Berichte über die Verhandlungen des Deutschen Reichtages*, I Legislatur, II Session, vol.22, 17 Nov. 1871, pp.317-18.

74. Ibid., 11 Nov. 1871, pp.245-46.

75. Ibid, 17 Nov 1871 p.325.

76. Durif, *Parieu*, p.63.