which have a gold one. Finally, it can be seen how monometallist countries on gold and monometallist countries on silver could restrict the fluctuation of their exchanges within narrow limits by effecting settlements with each other *through bimetallist countries.*

In conclusion, it will be observed that exchange problems are of much greater importance for countries which have different currencies. The mechanism of setting off indebtedness remains the same, but in the absence of drafts on foreign countries there is no certain method of settlement by which the purchase price of a draft payable in the home currency, or, in other words, the rate of conversion of the home currency into a foreign currency, can be restricted. In these circumstances the exchange rate can fluctuate far outside the export and import gold points. In practice—and doubtless also in theory[1]—its fluctuations may be considered as unlimited and it is this circumstance which most commonly gives rise to difficulties in the working of monetary systems.

§ 3. *Principal stages in modern monetary history.*

With the help of the above elementary knowledge of a technical kind, the attentive reader will be able to understand the following historical account, which will give us a more detailed acquaintance with monetary phenomena, and thus enable us to proceed to reconstruct our theory on somewhat new foundations.

It is not possible to review the monetary evolution of each country in turn, but it will be seen that modern monetary history is in general dominated by a few important events.

In the first period, covering the first three-quarters of the 19th century, the field is held by Bimetallism, which gives stability to the monetary relations of monometallist countries on gold or silver and only a few countries which have lapsed into a paper *régime* are left outside the scope of its regulating influence.

[1] On this subject, see *infra*, Part II, Ch. III.