CURRENCY

AND

INDIAN COINAGE.

BY

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PREFACE.

THE immediate object of this brief treatise is to draw attention to the question of the introduction of gold into the currency of India, now under consideration of the Supreme Government; for there seem strong reasons to fear that it is falling into an error which has been a frequent cause of failure in great mercantile and financial operations—that, namely, of entirely overlooking the certain result of its own action on the markets affected by the change desired. A certain quantity of bullion only is required for India. If the proportion of gold is increased, that of silver must necessarily be diminished. The tendency of the proposed measure, therefore, will be to raise the price of gold, though as the demand will fall on the common market of the world, the effect may hardly be appreciable. It will tend also to depress the price of silver, and as India is one of the chief markets for this metal, the effect will certainly be more marked. In taking a rate of Rs. 10-4 for the British sovereign—or the proposed equivalent of a coin of about 120 grains weight for Rs. 10—a price of silver of about 5s. $1\frac{5}{8}$d. per oz. British standard is assumed. Few, if any, practical men consider that this rate can be again attained, except by the resumption of an active demand for India. A very partial modicum of success in substituting gold for silver will thus of itself at once prevent the adequate accomplishment of the design.

I have prefaced this branch of the subject with some more general remarks on currency. Though the functions of bullion, as "money," are essentially simple, the subject has been obscured and involved for many successive generations:—by the short-sighted frauds of sovereign powers in debasing the coinage; by the arbitrary exactions of privilege inducing a pernicious hoarding of the precious metals and an exaggerated idea of their value; by the guile and secresy of "goldsmiths" and bankers, who made gain by their "art and mystery" out of the prevailing irregularities; and, lastly, by the crude theories of mercantile systems based on partial observations and imperfect generalizations. The dicta of authority governed only the mode of expression: what was really done was determined by a far stronger law of necessity. Even the great financiers who framed the Bank Act of 1844 were not free from the traditionary delusion which ascribed to the currency a power of regulating and controlling the whole course of commercial and industrial enterprize. A fuller and more careful analysis of the monetary system has been the remedy for such fallacies, and my endeavour in this sketch is to show the special part which bullion, as "money," performs in the ordinary dealings of interchange.

R. H.

Currency and Indian Coinage.

NEARLY five years ago the question of the Currency of India, both as regards the circulation of paper and the introduction of a Gold Coinage, was the subject of a voluminous and interesting report by the Commission to enquire into the operation of Act XIX. of 1861. The subject is again occupying a share of public attention, and some remarks on the currency, with special reference to the introduction of Gold as a standard, may be of timely interest.

§ 2. In the first place, it is well to ask what it is that we really require. All agree that the introduction of gold into the currency would be a great convenience, and is an object to be desired. But this end may be sought in two ways: either by the introduction—and by the introduction would be implied also the maintenance—of both Gold and Silver as *equally* standards; or by the *substitution* of a Gold for a Silver standard, following in this case the precedents set by England early in the century, and in recent times, and since the great increase in the production of gold, by France and the United States. This last is indicated and advocated with much clearness and ability by Sir William Mansfield in his Minute of 4th August, 1864, appended to the report just alluded to; but still reference is often made, more or less vaguely, to "a double standard;" and it is desirable therefore to enquire how far these words imply an object which is practicable, and what light is thrown upon the whole question by recent practice and experience.

§ 3. There could be no more fatal error than to suppose that such changes as those contemplated could be carried out by the mere *dicta* of any authority, however arbitrary, or managed by the skilful arrangement of any artificial contrivancies. The laws which govern the value of the precious metals are singularly effective throughout the whole of the civilized world, and any attempt to contravene them can only lead to local derangements and vexatious complications. The first step must be to introduce the new element, Gold, into our currency in a proportion fairly equivalent to the existing standard in Silver, and if this can be done on such terms and in such a manner as to induce the people of the country to accept the new, equally with the old standard, it may then be competent to Government to adopt gold instead of silver as the basis of the imperial currency. The operation is one of much delicacy, requiring especially that rare simplicity and forethought which can promptly discover the true course of events which are far beyond the power of any one nation to control. Let us first call to mind how very important and delicate are the functions performed by that portion of the circulation which is pre-eminently called *the currency*—that which, under the authority and guarantee of the State, is made compulsorily a legal tender; in the terms of which the great majority of our obligations are directly or indirectly expressed; and in which every member of society is necessarily concerned. There are numerous instruments and documents which represent value, such as cheques, bills of exchange, and promissory notes, which circulate and pass from hand to hand, but voluntarily only, and, speaking generally, only among those whose position is such that they can form a reasonable judgment as to how far such instruments represent the value expressed upon the face of them. So also bonds and shares to a certain extent circulate, and it is most desirable that they should freely circulate, with no other restriction than that dictated by a common sense of right, viz., the *nature* of the value they bear should not be concealed, but apparent by the form of the document put into circulation. These and many other means by which value is expressed and transferred from hand to hand, represent either separate class interests in their interior relations, as, for instance, the bills of exchange current between wholesale and retail dealers; or more distinct interests in their relation to each other, as a manufacturer's bills given to an importer for the cost of raw produce, equally in both cases representing the voluntary dealings of those who, to this extent, are associated and more or less directly co-operating with each other.

§ 4. But for the perfection of our highly organised system of industry, both the manifold association and the perfect division of labour are essential. The related interests of wholesale and retail traders, of importers and manufacturers, and of many others, are temporary: rigidly so as regards the several transactions, though similar dealings may, in the ordinary course of affairs, be repeated over and over again. Still, even in this class of operations, it is of great importance that means of readily agreeing upon an exact and definite line of severance of such mutual interests should be provided. The manufacturer pays his bill when due to the importer in the lawful money of the country—that is, in currency—and there is an end made, exactly and definitely as regards that transaction at all events, of their mutual interest; the manufacturer may in turn be associated with the wholesale dealer, and in like manner they can bring their mutual relations to a close; so on with the retailer and others. Regarding this mere segment of the great industrial circle, which begins with the first labourer in the mine or in the field, and ends with the "consumer," who uses and enjoys the finished product, it will be seen how numerous are the articulations of our industrial system. The divisions, it is true, are empirically made, but they cannot be supposed to subsist except from their proved utility for economising or managing labour. To a certain extent, no doubt, interests so related must in the nature of things stand or fall together; and, indeed, no one section of any civilized community can be considered as wholly independent of others. But the object is that personal inter-responsibility of the kind referred to should not be needlessly extended beyond the limits within which personal co-operation is desirable. Full freedom is required either to make or dissolve at will such mutual relations, and though B. will naturally know more of his neighbour A. on one side and C. on the other, than of X., Y., and Z. at a distance, not the less is it an incalculable advantage that all should have a common measure on which they can implicitly rely by which to compare the one with the other, the most remote and diverse, as well as the more familiar, products of labour.

§ 5. In securing this certainty in the division of labour, and in the comparison between the products of labour, which so greatly facilitates its reorganisation and constant adaptation to the ever-changing requirements of society, that portion of wealth which is devoted to the functions of currency performs a most important part. Under a sound monetary system, there can be no question about how a man might, or could, or ought to pay or receive payment. Money, which in such cases is really transferred from one man to another, though it may not actually be handled, should express the most absolute and unconditional power of purchasing. The buyer of any special property or commodity parts with this power—the seller receives it. This is the simple function of money when the word is used in the sense of *currency*, though unhappily the question has been confused by many theories, of greater or less ingenuity of impracticability, by which rash trading or unsound speculation were to be prevented by a regulated system of currency. Space will not allow, nor does the present subject require, any discussion of such fallacies, which are rapidly losing weight and authority. It is sufficient to submit that if men will overvalue their property, no perfection of the currency can or ought to correct their irregular imagination. Such "money" can only afford the best practicable means for instituting comparisons. If any one thinks of giving £10,000 for a share in the Lunatics' Reclamation Company, he should know that he cannot in the very nature of things look to the currency to correct his expectations; but it does afford him means of comparing this desired share with commodities and property of all kinds. If he thinks the share worth more than so many pounds of cotton or tons of iron, than so many yards of town land or acres of fields in the country, or square miles of virgin soil in fresh regions; or if, as is more probable, he never thinks of the matter at all, but simply "backs his luck" in a spirit of pure gambling—in either case a sound currency can be no more to blame than the inexorable rules of simple arithmetic for the falsity or exaggeration of his conclusions. The unqualified purchasing power parted with in exchange for the share might, at the mere will of the owner, have procured him any other of the objects indicated. As far as a man is owner of money in this sense, he has the choice of all vendible articles in the world, and, as far as the conditions of the present argument are concerned, is free from all anterior obligations, and at liberty to shape any course he chooses for the future.

§ 6. As long, however, as this power is kept in abeyance it is useless for any profitable purpose. He who hoards money gets nothing for it, either indirectly in the form of interest, or directly in the shape of profits. It is the use and not the mere possession of this or any other power which can be productive of benefit. Reasonable people will not therefore under any ordinary circumstances keep their power long in suspense: in a vast majority of cases one transaction succeeds another; the latter either a mere repetition of the former, or a modification of it in the natural course of development; and though the condition of the currency intimately affects the whole, its actual use in any visible form is often not required at all, and is hardly ever reasonably required for any long period. It performs its function over and over again, circulating from hand to hand with all possible rapidity; the desire of all being not *unprofitably to hoard*, but to utilise their power. Hence it follows that the amount of currency required in any tangible shape bears an extremely small proportion to the work it performs. Even in rude countries coin passes from the labourer to the dealer, and from the dealer to the owner of the crops of the soil, and from him again back to the labourer many times in the course of a year, and as industry becomes more complex and better organised, circulation goes on still more rapidly, and numerous devices are almost unconsciously resorted to for economising the use of currency. Banks and bankers are found far back in the history of social organization, and one of their chief uses may be described generally as supplying the means whereby the numerous wants of dealers on all sides may be brought together, and thus the aggregate purchasing power in a community made to fructify by constant employment, while individuals are left free to close, change, or re-establish their casual relations with each other, as may best suit their several wishes.

If a trader or manufacturer, for any reason of his own, desires to pause awhile in his operations, he in the ordinary course of things would be realising his stock for money, and re-investing little or none of it. As far as he is concerned, his "purchasing power" is held in abeyance, and he would have the power to demand and hoard actual money; but as a rule money never passes from hand to hand at all in the larger operations of trade in a civilized country. One man's temporary surplus goes to meet another's temporary deficiency. A wonderfully efficient economy in the use of mere money tokens is attained in the current daily transactions of large societies. A man has to pay so much on the one side and to receive so much on the other, but cash for only the ultimate balances of a very large aggregate of transactions is required to pass from hand to hand. Thus the Bank of England's issues may be said in round numbers to be thirty million pounds sterling, of which about a third remains in the banking department, leaving a balance which will hardly exceed the aggregate transactions of a single busy day passed in London alone, as indicated by the returns of the "Clearing House" where the bankers of that city adjust their daily mutual balances of accounts. This large amount is made up to a great extent, no doubt, of payments representing such divisions of industrial operations as have been previously referred to, and the multiples of it could not be taken as affording any indication of the annual income or production or expenditure of the nation, yet nevertheless every item of the vast total is adjusted with direct reference to the currency, and would be more or less affected by any change in it. In India the economy in the use of note or metallic currency is not carried to any such perfection, yet it is similar in kind, and will approximate more and more closely in degree as the general organisation of industry is more highly developed.

§ 7. Two points must be borne in mind in the argument. The peculiar and important functions of the currency, and the comparatively small quantity, and consequently small aggregate cost, of tokens of any kind having intrinsic value, required to perform these functions. The currency of a country consists of those visible representatives of an absolute and unconditional purchasing power which are practically required to carry on the business of a community. The mere fact that a document bears a value expressed in pounds or rupees, or any other designation applied to the currency of the country in which it circulates, does not imply any such purchasing power as presently existing. A bill of exchange or a promissory note is only the promise of those who are parties to it that such power *will be* conveyed at some future time: the presumption is that they have not at the time the power to convey. The figures representing money on a share in a Railway, Dock, or Land Company do not even imply any such obligation as this. Such figures serve to indicate, as far as the share is *paid up*, the money that *has been* expended: the share itself represents an aliquot part of the present good-will, property, and whatsoever else constitute the value of the undertaking. Neither the corporate body issuing the share nor any one else is bound to refund the sum so expended, and a man who desires to sell must find some one who, in exchange for his portion of and interest in the undertaking, will restore to him, probably not the exact quantity of "purchasing power" with which he parted in paying up or buying his share, but some greater or less quantity as may be agreed on between them. The original capital represented in the terms of currency, on the share, is probably consumed altogether for the support of labour expended on the work; but the same currency equally represents, and will represent over and over again, the capital presently in existence, which in its turn passes away, and will, over and over again, be replaced by production.

§ 8. But though the quantity of money (in the sense of currency) required is extremely small in proportion to the vast aggregate of transactions carried on by it, the want of a certain and sufficient quantity of such tokens as shall serve for the purposes of a currency is imperative, especially in a healthy state of national industry. Hence if the want cannot be supplied by coin having an intrinsic value, the deficiency will frequently be made up by symbols of the most arbitrary kind, bearing value with a greater or less degree of accuracy, by reference to some actual standard, but which can only be used, at all events at their nominal value, within very restricted limits. In all countries above the savage state there will be a currency of some kind, and in many countries enjoying a high civilization the wants of a currency have been provided for very rudely, ignorantly, and sometimes dishonestly; yet still, whatever the currency may be which is used as a common measure of value, provided its power of purchasing remains unchanged or free from violent fluctuations, it will be adapted to the uses of the community in which it circulates. Thus we may see many instances of rude and wholly illogical currencies working well, apparently in contradiction of all laws alleged to the contrary: they subsist and will subsist until they are exposed to some test for which they are not adapted, which may come either from internal disturbing causes arising from their own action, or by changes coming from without entirely beyond their control, yet changes perhaps absolutely necessary to bring them within a higher and more extended sphere of civilization. The question in the present day is not what forms of currency can under any circumstances be got to work, but what afford the best security as the basis of a highly complex, and upon the whole wonderfully efficient, system of commercial and industrial organisation, requiring a coherence and unity in all its parts, while preserving to all full freedom and liberty of action.

§ 9. The aggregate value of the money tokens required is therefore strictly limited, on both sides, by the requirements of the society in which they circulate. If too much is issued the superfluity will become dormant; if too little, the deficiency will be supplied by some substitute. The amount will tend to increase with the extent and wealth of a country on the one hand, and to diminish with improved means of communication and the facilities afforded by bankers on the other; but still, more than is necessary under existing circumstances to do the work required cannot be kept in circulation, but will naturally and inevitably return to the issuer. The precious metals, whether in the form of coin or bullion, may be, and in countries whose industrial civilization is at a low ebb constantly is, hoarded to a great extent, and when this is the case it is no doubt very difficult to discover what value of currency is actively employed. It is a power held in reserve which, if suddenly brought into use at any one time, may cause a fluctuation in the value of the metallic currency within certain limits, to which reference will be made hereafter, but just so much as, and no more than, the community requires will be retained as currency, and, purely as currency, it will perform only that work required for adjusting transactions, promptly completed, within the limits where constant inter-communication subsists, and where it passes freely and without cost from hand to hand for mutual convenience. To what distance such circles may extend depends on a multiplicity of circumstances, nor can they be conceived as centres with the borders only touching each other; on the contrary, they will constantly overlap, and practically their boundaries can be only very roughly and empirically estimated. When coin is specially carried away from one district to another for use in the more distinct operations of traffic, it is diverted from its more special and peculiar functions as currency, and must be regarded, for a time, as any other merchandize or commodity.

§ 10. Partly on the score of economy, and partly and perhaps most strenuously from a want of appreciation of what the real functions of the currency are, it has at times been urged that the unit of value—whatever it may be called—is a mere ideal measure, a means and device only for transferring value, but having no value apart from this its peculiar function: it is contended, therefore, that the State should issue notes upon what it considered good security. The question very much resolves itself into this simple issue: whether the currency shall have an independent *intrinsic* value of its own or not, and if so, whether that intrinsic value shall depend on that commodity which, as a matter of fact, possesses the most convenient and widely recognised purchasing power of all known to the world. If, as is too often vaguely supposed, the value of commodities was limited by the quantity of money, using the word in the sense of currency, it would no doubt be most absurd, and indeed altogether impracticable, to have a bullion double for all property and commodities; but in point of fact nothing of the kind is required. A representative of value of no intrinsic worth might serve to adjust transactions within the limits of a community; but these, as we have already seen, can be effected to a very great extent without the intervention of any "money" at all. It could only safely be used just so far as its use is not required at all; when put to further trial it would fail, because it would then be found that no test could practically be applied to it. Those who have interests beyond the circle of the nominal note will require some standard common also to the rest of the world. They find gold and silver recognised by all the civilized world; and the purchasing power of a certain quantity of either in any one country can be compared readily and certainly with the power it has in any and all others. And this theoretical comparison can be made efficient at the very minimum of expense; the measure is not practically exact, but the limit of its difference is the small charge for the cost and risk of transit. Discrepancies in the scale of weights in different countries involve no greater difficulties than can be overcome by a sum in fractions; and sufficient skill in metallurgy to ascertain the fineness of either metal, with a close approximation to accuracy, is as widely diffused as the knowledge of the metals themselves. It is their natural and inherent fitness for the function and not the dictum of authority, which makes gold and silver the common measures of value for the interchanges of the world, and they will inevitably be used as such in general commerce, whatever ingenious systems of currency may be nominally maintained, either from ignorance or necessity, in any particular country.

§ 11. A further advantage of providing that the currency shall have an *intrinsic* and independent value of its own, is that the holder for the time being is in no way concerned with any of the uses to which it may have been previously applied A note circulation in any form issued upon securities having no such intrinsic value must be ultimately dependent on such uses—that is, on the prudence and success with which industrial enterprises, specially and generally, are carried on, and we all know how liable these are to violent fluctuations and derangement. Nor is the case improved by making the issue on the security of the State debt of the country. The security is delusive; for in point of fact the State has not come under any such obligation as would meet the exigencies of the case if it were put to the test. The nation is pledged to pay so much per cent. per annum on the capital lent, but generally comes under no promise whatever as to repayment of that principal sum. Such property actually is merely an annuity, either interminable or redeemable at a distant period. As long as the credit of the State remains stable such annuities will always command a certain value, and as long as monetary affairs are in their ordinary course, only about as many holders of stock will require to exchange it for the general purchasing power expressed in currency as there are owners of this power willing to sink it in so well secured an annuity. But when there is a monetary crisis—that is, when many men who have promised to supply "purchasing power" find they cannot obtain it in exchange for their property and commodities in the ordinary course of business interchanges, it is highly improbable that there should be enough buyers of stock to supply the unusual demand which is likely to arise even from ordinary holders; still more, if the usual balance were yet further disturbed by sales to provide for the actual payment of such notes, would these be a difficulty in obtaining the unqualified purchasing power required. Or if the notes, being inconvertible, did not render such sales necessary, the evil would only be transferred from the issuer to the holder, who would find that he only possessed a qualified and partial purchasing power, and that which inherently possesses this property in the highest attainable degree would evidently command a higher value. Bullion, coin, or notes based on coin or bullion, might be said to be at a premium, but the comparison with other countries would demonstrate that this premium was supposititious, and that in fact the inconvertible currency had become at once isolated and depreciated, so that the measures of value for home and foreign commodities would require constant correction to render them common for both.

§ 12. Traffic, no doubt, can be carried on with no small degree of activity and success with a very imperfect currency, because the real interchange is between different kinds of property and commodities, and, especially in short transactions, the direct comparison can be carried on with sufficient ease for all the more direct and necessary purposes of life. Recent experience in the United States shows most clearly the working of a currency, the integrity of which is not maintained by convertibility into coin having intrinsic value. A new factor—namely, the so-called "premium" on gold—was introduced into the usual calculations of exchange with other countries, and this simple recognition of the actual depreciation of the legal currency of the country was no doubt the best course that could be adopted. The element of uncertainty thus clearly faced, lost great part of its evils by the very fact of its recognition, and the costliness attendant on this kind of risk was reduced to a minimum. Yet still the inconveniences suffered fell heavily on the country, especially in all its social and internal relations, and were increased by speculative operations, which exaggerated the uncertainty as to prices paid among themselves by the community. This uncertainty is in itself no light evil. It is inevitably a hindrance to thrifty and economical management among the large majority, who have to provide day by day, or at least week by week, for their sustenance: profusion and excess at one time is no compensation for starvation at another, and in all such struggles as are involved in buying and selling, the weaker will go to the wall, and the simple and ill-informed will suffer. Moreover, home and foreign trade and industry are inextricably mixed together: and as foreign trade will inevitably be carried on by means of bullion as a common measure, it must of necessity be adopted throughout to secure the manifold advantages of preserving in its most plain and simple form the same measure of value for the whole circle of industry.

§ 13. Calculations of the cost of the metallic currency and the loss a country sustains in interest on such cost, are altogether futile and useless. They are much on a par with those which find the national wealth increased or diminished by 7 or 8 millions with every fluctuation in the British funded debt: the difference in price is simply a matter of adjustment of terms between buyers and sellers in no way affecting the value of the security transferred from one hand to another. No doubt if A., B., or C. have gold they can command "capital," and turn it to porductive purposes if they be so minded; but the first step of that operation must be directly or indirectly to find others who will take their gold and give for it the commodities required for the support of labour. But if the whole community were to desire thus to sell all its gold and discard it from the uses to which it is now applied in the currency, where could buyers be found? Although gold can be exchanged for other articles, it cannot be *transmuted* into them. It is very usefully employed in the currency, but withdraw it from that work, and a great part of its utility and value disappear. There is no waste in the world's economy in a metallic currency, unless it can be shown that the substances themselves can be applied to better purposes.

§ 14. All such questions relating to the currency are quite distinct from any which may be raised regarding capital obtained under the guarantee, or by any other means upon the credit, of the State. Such loans, like the transactions of private individuals, will be profitable or otherwise according to the purposes to which the capital is applied, or they may very possibly be highly beneficial to the country without being directly profitable at all; but the currency, with all the important and multifarious functions which it has to perform, should be established on its own independent basis, and the utmost rigour can be enforced for preserving its integrity, without crippling the most ample exercise of liberality in appropriating the capital of the State—which it serves only to measure—to all purposes of approved public utility.

§ 15. It is true that the currency of Great Britain consists partly of notes, which are not represented by bullion; this anomaly in theory rests on no recondite principle, but simply on the fact that under no circumstances conceivable within the limits of reasonable probability could payment in bullion be demanded for the whole amount of the notes in circulation. Much as the use of money is economised, some notes are required so constantly for carrying on the daily transactions of the country—they are so completely established as part of the necessary machinery for carrying on the daily affairs of life—that though any one may, it is impossible that they all, or even that any very large proportion of them, should be presented at once at the Issue Department of the Bank of England. If the convertibility of the notes were a matter of serious doubt and uncertainty—if the public were not convinced that every rational precaution were taken for this object—then indeed notes generally might be presented for payment and disappear from the circulation; but the utility and convenience of paper money of the kind are so great, and its use has become so habitual, that some substitute would have to be found to take the place of the notes withdrawn. It is this fact—the well-deserved credit which the Bank of England notes enjoy—that ensures the safety of the whole. Even at the worst of times the national currency will not only command the confidence of the people, but in all probability will command it more pre-eminently than ever. External dangers indeed serve rather to increase than to diminish the value of this form of the currency, for in periods of panic and alarm, when *all* trust is shaken, men will still ask, What can we get better? and unless something affording a better security can be found, will keep to that to which they have been accustomed, all the more closely from the prevailing uncertainty. Danger to the efficiency of a currency note circulation is to be apprehended from internal, rather than external, sources; and as the credit on which so much depends rests not merely on the actual security, but on the confidence reposed in that security by the people at large, prudence will dictate great caution in the introduction of any arrangements that can be misrepresented or misunderstood, for though the preservation of the integrity of the currency is a question specially affecting the masses of the people, comparatively few of them are able to form any intelligent judgment on the matter, and any economy would be too dearly purchased at the expense of the most perfect simplicity.

§ 16. It is needless to pursue the subject further, as, for the purposes of the present argument, it might fairly be said, that if there be any danger to the integrity and convertibility of the note from the cause alluded to, it is a fault and error which should be promptly remedied. So far, however, from this being the case, men of great practical experience, including the late Mr. Wilson, urged a further increase of notes not directly represented by gold, simply on the score of economy, though no one could be better aware than he was that no idea of economy should be entertained for a moment, if it were purchased by even the slightest appreciable increase of risk. If the form of the English Bank-note were to run somewhat in this way—"Received —— sovereigns, to be returned on demand to the bearer," the whole system would work exactly the same as it does at present. It does not follow that the English precedent could, in form, be safely followed under the widely different circumstances of this country:—in principle it affords no reason for running any risk whatever of making the note convey a less perfect security than such a receipt for the actual deposit of bullion would provide.

§ 17. This deposit, however, in the nature of things cannot be held in more than one place at a time, and it is a fallacy to suppose that any dictum of authority could institute a note currency payable without reserve in different districts. The currency can circulate naturally and without external intervention only within those limits where the interchanges between buyers and sellers are mutually balanced within short periods; thus only can its tokens be passed freely from hand to hand, without expense, for a convenience which is mutual. No man expects to be remunerated for keeping or carrying about the money he requires for his own uses, nor, as far as his daily and ordinary transactions are concerned, can he be said to incur any cost for this purpose. A bank, regarded only as one of issue, also incurs a very trifling risk or expense in receiving coin for notes, and paying back the coin on presentation of the notes. These mutually gratuitous and practically inexpensive services are all that are required within the natural circle of a currency. But when value has to be sent beyond such limits, although it may be sent in the form of the currency common to both circles, its transmission does not imply use as a measure of value merely—which is the function proper of currency—but an actual transfer of value from one district to another, which districts, although closely connected socially and enjoying an identical common measure, are not so related in their ordinary traffic that the aggregates of their current transactions balance each other spontaneously, as it were, and without any conscious effort on the part of any of those concerned. The possession of a common form of currency is in itself a great convenience. The inhabitants of India at large receive all the benefit they can reasonably demand from the establishment of a common currency throughout the empire, but it is a very different thing to expect a currency note to be payable in coin indiscriminately in any part of the country. Dealers no doubt would find it convenient to have coin placed at their disposal in any district without cost, but cost must not the less surely be incurred, as long as the actual transmission of a solid material token of value is required;

and it surely is not the function of Government to carry coin backwards and forwards to any part of the country for the convenience of particular traders, or even of special branches of trade. No doubt this transmission of coin or bullion between contiguous districts may be to a great extent a consequence of a low and imperfect monetary organisation, but the remedy certainly is not for the State to undertake the charge of this comparatively wasteful method of conducting traffic from off the shoulders of individuals. The use of notes is to effect a real economy in this respect, for by means of them all interchanges can be effected as far as the aggregate values on all sides can be set off against each other: the value of every one of these interchanges being measured by a common standard which can be tested at any time and by any one, but which, from the very nature of the circumstances, will never be tested as long as its accuracy is unquestioned. If the commodities district A. sends directly or indirectly to district B. may be represented by 100, and those which B. so sends to A. by 105, it is evident that A. has no right to receive and retain, and B. cannot possibly pay more than the balance of 5. The more a note is common to different districts the easier will it be to institute the comparisons by which the actual *ultimate* balance is attained; and by its means these results—that is, the completion of all those interchanges which can be promptly and directly carried out—are effected without any transfer of coin at all; while the greater cheapness and celerity with which notes can be transmitted—the greater amount of work they can do in a given time—tends to decrease the quantity of notes required, and consequently that of the bullion or coin which they represent. More than this, if the B. supposed has no present use for the purchasing power represented by 5, the notes representing that value may be hoarded—or, in other words, instead of actual coin being sent to the district, it will be hoarded on its account at the monetary centre, and is certainly as well if not better placed there with a view to its being speedily utilized.

§ 18. It is beyond the limits of the question to enter on the general subject of international exchanges and the various methods by which such ultimate balances may be adjusted, as between one country or district and another. As far as regards the currency, it is clear that no national advantage could result from multiplying the number of places where notes could be payable in coin. On the contrary, the true object to be aimed at is to have as large and varied a range of transactions as possible, generalized on one common centre. In so vast an empire as India it may be needful to afford more centres than one, but this is a matter on which public interests cannot clash with those of individuals. If men show a desire to deposit coin at any particular place and receive notes in exchange for it, payable of course only at the place of deposit, a safe accommodation is granted to all the district, and no further proof that it is a facility common to all is required than the fact that the notes are taken into general circulation. A step, moreover, is gained in habituating the people to the use of notes, and helping them to a more extended range of industrial intercourse, the ultimate result of which will be that local centres will be absorbed into those of larger divisions: the local note would gradually and imperceptibly be superseded as the general note became as familiar, and was found to be more generally available.

§ 19. The argument that the Government, as controllers of the State currency, should not undertake to return coin for notes except at the place of deposit, by no means implies the assertion that Government in its general executive capacity should not facilitate the transmission of coin from one district to another. On the contrary, considering how largely it is directly interested in the soil, how strongly the traditions and habits of the country induce its natives to look to it for aid in all matters beyond the accustomed range of their occupations, there are very strong reasons why its active assistance should be given to a matter of so much collateral importance to the currency itself. But the two objects should be kept distinct. The first great object is to establish and secure beyond all shadow of suspicion the credit of the currency note—not merely to guard it from all probable and reasonable suspicion, but from all possible suspicion, however irrational, which might take possession, in times of panic, of ignorant masses. The obligations of the State cannot be too simple and absolute, or too simply and absolutely stated. As quickly as intelligence spreads among the people these notes will go into circulation, without any special effort, to serve all the uses of a currency proper, and it would only be incurring a needless and useless risk to suffer this use to be associated, even in ignorant popular estimation, with its application to any local or exceptional purposes. Such further assistance is not a matter of issue or currency proper, but of that branch of banking which most immediately connects the local currency with the more distant operations of commerce. The two, though closely related, are essentially distinct, and should be kept so in appearance as well as in fact. A note is meant to be transmitted from place to place instead of bullion; it can more cheaply and easily be passed from hand to hand; and thus used for the adjustment of transactions by a change, in fact, of the ownership of coin. It is not designed to facilitate the transport of bullion, but to supersede as far as possible the necessity of its transmission at all.

§ 20. A good banking system established throughout the country, by facilitating the exchange of currency notes for the coin which they represent, would both tend to increase their circulation and diminish the cost and risks of transmitting coin. It might appear that to lessen the cost of a service was not the way to diminish the demand for it, but the fact is that this actual transmission is required in many cases not to satisfy a real want, but only the demands of an ignorant suspicion. It is often—as is the case in the cotton districts—that the sellers require coin merely because they do not understand what notes are. The growth of intelligence and confidence is the only cure. A note, being a legal tender, may be forced on an unwilling receiver in payment of a debt, but a seller is under no obligation whatever to part with his goods until he is satisfied as to the mode in which he is to be paid. Until the country dealers feel well assured that they can get coin for notes, when or where they require it, at somewhat less cost and risk than they would themselves incur, it cannot be expected that they will be actively instrumental in introducing notes into general circulation, and the present difficulty is to get them once acknowledged in popular estimation. Once so established, there is no reason to apprehend that they would be depreciated because the local governments refused to admit any obligation to do such an impossible thing as to supply hard coin in any or every place where it might be demanded. The fact that a note is a legal tender would serve to support its value as far as it was used in all the current transactions between man and man. Beyond this no one has a right to demand "change" of another irrespective of any mutual dealings.

§ 21. The functions of a bank in the districts, as far as they were subsidiary to aiding the development of the currency system, would be strictly limited. The maximum charge it could make for cashing notes would of course be the equivalent of the costs of getting coin from the centre of deposit, and sometimes possibly an additional premium might be given for the immediate possession of money urgently required for some special operation; and a very considerable economy might be effected by setting one current of demand against another. But the object of such operations is not to extend the business for which such a profit is gained, but, on the contrary, to extend as far as possible the free circulation of the note and develope its utility to the utmost extent. The more cheaply and certainly this special work of supplying coin for notes was performed, the more surely would the quantity actually transmitted be reduced to a minimum. For it is the seller who has to be satisfied by the buyer, and the less he feels any doubt about the utility of his note—the more fully he is satisfied that he can under any circumstances get his coin at small cost and with the utmost certainty should he require it—the less likely will he be to impose the cost upon the buyer. He will not care to insist upon it as a matter of precaution, but only demand coin when he really requires it, while experience will be constantly showing that coin deposited at the monetary centre is often more useful than the manual possession of coin itself in the districts. The local government treasurers may do much of the work required. For all rent and revenues due to Government the note must of course be taken as legal tender, though the exercise of some discretion will no doubt be necessary in insisting on making payments in notes until the people are perfectly willing to receive them. And if any one has any dealings with Government in the districts for which any money is due to him, let him by all means be paid in notes or coins at his own option, without word or comment. But a man, merely as holder of a note, is on quite a different footing, and it would not be safe to admit, even tacitly or by custom, any *right* on his part to draw coin from the local treasuries. His doing so must be distinctly understood to be a matter of separate and distinct arrangement. Better thus than as a matter of favour, for customary favours are apt very quickly to come to be regarded as matters of right.

§ 22. The advantages to be anticipated from such a policy, though of a very general nature, are by no means few nor unimportant. It would bring all the facilities which a well-organised system of currency is capable of affording within the reach of that very useful class of men, who have much practical energy but only local standing and credit, and tend to break down or prevent the hurtful monopoly of trade by the larger capitalists. Further, a line of connection would be supplied between all the various districts of the empire, slight indeed, but sufficient to ensure to all the means of a due continuity of intercourse, without overriding or superseding the efforts of private enterprise; for it must constantly be kept in mind that it is not the function of the currency in any way to *make* wealth. It must not be confounded with the "Capital," which, associated with "Labour" and the resources of nature, are the essential elements of production and increase. A bad or insufficient currency may cause great evils to the general industry of the country, much in the same way as the scarcity or untrustworthiness of measures of capacity would give rise to great waste and inconvenience in the trade—say, for instance, in grain; but good and exact weights and measures are only of service when operations of actual and independent utility have to be carried out. So with the currency: it is useless, and may be very mischievous, to attempt to force notes into circulation, but they are a great help to weak and tentative enterprise, and all efforts in new channels must be tentative and uncertain, especially to those engaged, consciously or unconsciously, in the useful work of extending and civilizing the internal intercourse of the country.

§ 23. The effect of a rise or fall in the one standard to which all refer can only be inferred from an apparent fall or rise in the opposite direction, in the value of all other commodities, but as many other causes are also constantly at work affecting the current course of prices, it is extremely difficult to discriminate between what is due to this and what to other causes. A rise in the price of any particular commodity, and especially any temporary rise, is clearly not to be attributed to the currency, but to estimate the amount of cumulative evidence required to warrant a belief in the generality of a rise or fall in prices, and enable us to measure its extent, involves calculations of a most elaborate and intricate character. But though the investigation of the question is extremely difficult, and the results not such as can well be stated in exact terms, the phenomena that present themselves to the observation of practical observers are not of so inscrutable a character. Prices show "a tendency to rise" when the standard is falling, which is taken into account by those shrewd lenders whose dealings lead the market, and in a rough manner there will be little doubt that they will practically get compensation. Such rising prices are generally favourable to the wealthier classes engaged in enterprises of any kind, and so far may stimulate production and the demand for labour, though it is doubtful how far this will create a rise in wages to compensate for their "not going so far as they used to go." Fluctuations arising from broad natural causes need not cause any anxiety for the future. The natural powers of adaptation, unconsciously exercised more or less by all, may be trusted to prevent any serious inconveniences on this score; the dangers we need fear are rather from local derangements arising from hasty ill-considered legislation.

§ 24. It is altogether a fallacy to suppose that cheap money, using the word in the sense of coin or bullion, affords any advantage whatever, beyond that enjoyed by those for whose benefit or gratification it is used in the arts or manufactures. On the contrary, the bulk of the currency must be increased just in the inverse ratio of the decrease in its value; the less the value of the pieces used, the greater the number that will be required, and the coinage loses *pro tanto* in portability, and the cost also of coining will probably be slightly increased. Prices are apparently raised, just as the sum of lengths might apparently be increased by reducing a foot measure to 11 inches. If any new and cheaper sources of supply were accessible, it would no doubt be desirable at once to resort to them, not because the cheapness is, in this case, an advantage in itself, but because a country will naturally draw its supplies of all commodities from the least costly sources; the higher value dependent on the cost incurred by resorting to other sources is therefore needless and insecurely based. But neither bullion nor any other article can have two values in the open market, and the advantages of exceptionally cheap production will go to the owner as profit, or, more strictly speaking, rent, but certainly no one will sell under the price determined by the general demand of the world. The only room for difference is that which may arise from the cost of transmission from one place to another, and it is uncertain how far such expenses enter into the cost of bullion. It may indeed be safely assumed that the charge for first bringing it from mines in remote districts into what may be termed the general market of the civilized world, does really enter into and increase the cost of production, but it does not follow that any further charges for the transmission of bullion used as "money" add to its value. They must rather be regarded as incurred for the special use to which it may be applied and as part of the current charges of trade. Speaking, generally, "money" tends to be comparatively cheap in those countries which are receivers of it, and prices therefore in the internal trade of such a country appear higher; but the difference, as far as regards its external trade, will be equalized by the state of the international exchanges. Thus the sovereign in London and the sovereign in Melbourne or Sydney are of precisely the same weight and fineness, and it is evident that the cost of transmission from Australia to England cannot possibly enter practically into the question of the supply of this or any other country.

Were a direct trade to spring up between India and Australia, no doubt gold would come to us, but unless they sent the whole quantity we required, its supplies would not rule, though they might influence, the market price, and the small fractional difference enjoyed by their bullion would tend rather to enhance the price of the commodities they took in exchange. Direct supplies from Australia cannot under any circumstances exercise any paramount influence, and any question regarding them is of far more apparent than real importance.

§ 25. It has been questioned whether it is consistent with justice to make any alteration in the standard at all. Contracts are made, it is urged, for the delivery of so much gold or silver, as the case may be: and that this form of payment is "of the essence of the contract." On the other hand it has been contended, that it is the clear duty of Government to guard especially against any enhancement of the measure of value, which would operate to the detriment of all debtors, notably to that of the State itself in respect of its loans—in other words, against tax-payers and in favour of recipients of the interest of the public debt. But if debtors suffer by an enhancement of the standard, the receivers of wages, which are much affected by custom and very slow to change except under exceptional circumstances of unwonted activity, are similarly affected by its depreciation. It is useless, however, to cite cases of hardship on one side and the other, as all agree that the object is to keep as closely to the strict line of justice as possible, and this specially in the interest of the poorer debtors, who ostensibly would be gainers, for nothing can establish an equality between the needy of this class and their creditors. Capital will not be forthcoming except on the ordinary terms of profit, and the cost of any extra risks will fall rather on those who must borrow than those who are under no urgent obligation to lend. Common sense and justice would revolt from the idea of fixing a standard at the value of the day in a metal which, from any exceptional causes, appeared likely to be depreciated with unusual rapidity or to an unusual degree, and while the effect of the gold discoveries was uncertain, no change could have been made without doing much violence to these sentiments. Now, however, this is changed, and the weight of authority is clearly in favour of gold as likely to be more than ever a trustworthy common measure of value, not indeed exempt from change, but changing gradually and evenly only from causes of such magnitude as to effect the whole demand and supply held throughout the world. The issues raised in the discussion are somewhat like those popularly supposed to exist between law and equity. It clearly is not competent to any individual to urge a private claim for satisfaction for any alleged loss arising from a change in the natural value of the standard. The Government might justly reply to such complainants that they had accepted the obligation expressed in the terms of the existing currency, and took their risk of any fluctuations for or against their interests. " Hard cases make bad law," and the claimant would be bound to show that the relief sought by one could be granted without detriment to others, or without the risk of introducing an element of confusion infinitely prejudicial to public interests of far greater consequence than his own.

§ 26. But such a line of argument, however valid it may be as far as it goes, is surely of no weight as against any effort of the State to preserve by timely measures the integrity of the standard ; perfection is not attainable, but the obligation is not the less stringent to keep as near to it as possible. Very few men indeed could be found who take into consideration the prospects of the value of bullion in the more remote future; and for such the remedy is in their own hands: there is no necessity for men to express their obligations in currency at all. If they prefer it, they may covenant for future payments in cattle or corn, or in definite weights of either of the precious metals, or in anything else they chose. The vast majority of people recognise currency only as something with which they can buy, and have a right to buy anything vendible; on its stability they rely, taught only by custom, and though the less intelligent masses are very jealous of any change in the form of their money, such suspicion only extends to the doubt whether they really can buy with it in just the same way as with that to which they have been accustomed. Once satisfied on that point the new token passes just as freely as the old one. Its "purchasing power" is recognised without any recondite enquiry as to the basis on which that power rests. It is taken on the credit of the State, which will suffer deservedly if this purchasing power be not maintained, but it seems a strange and over-strained doctrine—and a mischievous curtailment of the prerogative of the State—to impose any restrictions on the means it may use for the attainment of this object.

§ 27. It is therefore fairly open to discussion which of the precious metals should be used as the standard, or rather the *basis* of the standard or common measure of value, or whether, to what extent, or in what manner both may be used for that purpose. The nearest precedents are those of the United States and of France, both of which countries, since the discovery of gold in California and Australia, have perfectly succeeded in substituting a gold for a previously existing silver standard, reducing the silver coin to a mere token, owing its value not to its intrinsic worth, but to the fact that it represents a certain aliquot part of the gold standard coin which now forms the basis of all calculations of monetary value; such silver tokens being necessarily only a legal tender to a limited amount. The law in the United States is practically in abeyance, owing to the causes which impelled them to resort to a paper currency, but their return to specie payment is always discussed as a resumption of payment in *gold*. The nominal silver "dollar" and silver "franc" are as completely ideal denominations, as the old "pound" of standard silver kept in the Tower of London. Theoretically these tokens might as well be made of brass or any cheap metal, but a fully adequate reason against adopting this form of economy is the temptation that it would afford to illicit coining. The difference between the actual and nominal value of the shilling, for instance, is so small, that the fabrication of twenty of them, for which a sovereign could be obtained, would give a *gross* profit of 10 to 20 pence only. It will not pay, therefore, to forge a token of the same intrinsic value as a shilling, and coiners are compelled to resort to some baser metal, and the detection of the fraud is comparatively easy. But not the less is the silver coinage merely a token serving to represent only the aliquot parts of the gold standard unit.

§ 28. No reasonable doubt was entertained at the time the charges were made that this substitution of gold for silver was beneficial, and the subsequent course of events affords additional reasons for preferring the former as both a safer and a more exact common measure of value than the latter, though it is now, as it ever has been, doubtful how far the intrinsic value of either of them will be permanently maintained for any long period. One consideration greatly in favour of gold is that its production has been tested in the most open and efficient way. In Calefornia, in Australia, and in British Columbia the most energetic and enterprizing of Anglo-Saxon races, the most painstaking and persevering of Asiatics, have competed together with the utmost freedom, and the result has been that while the production from the older sources of supply shows a decided and steady increase, that from these new sources has, since 1853, shown a large decrease.* An inference fairly to be drawn is, that if the value of gold had diminished to any great extent, it must have told upon some of those old sources of supply where the cost of production was most nearly equal to the value raised. Even a slight decline in such cases would have left nothing for profit, without which the working would not be continued. No doubt, on the other hand, the march of improvement has been rapid in all parts of the world, and the costs of transmission to the place of sale, which equally with the costs of production, enter into the value, may be assumed to have been diminished. Nor is it so much the cost of transmission of so portable an article as gold which has to be taken into consideration. The corollary of the proposition is applicable with far greater weight, and the diminished cost of transmission of the supplies necessary for the support of labourers employed in the mines, tends in a greater degree to diminish the necessary costs of production. All such improvements, however, including those of machinery, have been enjoyed in Australia and America, yet the results there have been as just stated, and these features in the question of the general production of gold certainly afford a strong indication of the comparative stability of its value.

Silver, on the contrary, has not yet been exposed to any such freedom of competition. Its production is at present well known to be limited by the supply and cost of quicksilver, and both metals are the subjects of vast monopolies. Its production also has been steadily on the increase,* while large new sources of supply are said to have been recently discovered in South

* Appendix E.

America, and it is known to be present in California. The newly-established relations of the United States with China and Japan have opened out the communications between the coasts of the opposite Continents, and this not merely as it were permissively, for an active trade is steadily springing up, which will put the powers of silver-producing countries to a test to which they have not hitherto been subjected. It is impossible not to feel that we know far less of the production of silver than we now do of that of gold, that its price depends more on artificial causes, and that it is therefore more exposed to fluctuations from unsuspected causes, than the metal the supply of which has been so freely open to the competition of all the world.

§ 30. Whether either gold or silver will maintain their present purchasing power for any lengthened period of time is another matter. Neither history nor reason warrant the hope that any permanent standard of value, in this sense, could be secured by any means whatever. We can only adopt that commodity which of all others is least liable to sudden and capricious fluctuations. The former kind of uncertainty attaches to both, and as far as can be seen at present, even more to the latter than to the former, while for all the purposes of a "common measure," gold is clearly the better of the two. This much is certain: an artificial complication of standards will only increase the difficulty of dealing with any question which may arise from a fall in the intrinsic value of the precious metals. The consideration that such an event is not beyond the limits of probability only affords another reason for establishing our monetary system on the simplest possible basis. Nor in this context must too much weight be given to the fact that the production of gold has somewhat fallen off since 1853, for, apart from the chances of discoveries in new quarters, the annual supplies are *cumulative*. The great staff of life is produced and consumed year by year, and most other necessaries so quickly perish by use or natural decay, that the annual production bears a very large proportion to the annual waste; by the mere force of association of ideas there is a tendency to regard a decrease in annual production as a sign of a decrease of stock. But the actual consumption of gold must be measured in a very different cycle; the question rather is, how far the increase of wealth in the world will create a demand for its use, in arts and manufactures, sufficient to prevent an undue pressure on the currency? Looking at the actual *quantity*, there can be no difficulty in finding uses for it. The whole supply of 1853, the largest on record, was about 42 millions sterling, which would weigh about 320 tons, and be easily contained in a space of $8\frac{1}{2}$ feet cube. The dust of our iron works would outweigh all our gold; so the event must very much turn on the increase of surplus wealth and the consequent ability, in this sense, of the civilized world to take this expensive luxury into increased "consumption."

§ 31. On all general grounds, therefore, gold is to be preferred to silver, nor are there any circumstances in India which would reverse this opinion. It possesses here all the qualities of silver in a higher measure, and is open to no disadvantage which the inferior metal does not share in an equal or greater degree. The substitution of the one for the other is an object worth some trouble and expense; and although it may not be practicable in the present state of Asia to secure all the advantages which have been gained by others, it will be something to restore even the partial use of the higher metal to our currency. Whether wholly or only in part successful, an operation involving changes of such importance in the basis of our monetary system, cannot be carried out without some risks, the nature of which must be carefully considered, so that the prestige of the State may not be involved in the danger of a failure which might arise from causes far beyond its control.

§ 32. To maintain a double standard means, in the full sense of the words, nothing more nor less than that the State shall undertake to preserve the relative value of gold and silver at the same ratio, so that *either* the one or the other may be used as a measure of value in any transaction with the Government or between individuals. To secure this the State must not only declare either gold *or* silver to be a legal tender without limit, but would have to give or take either the one or the other on the demand of any individual. Thus, assuming the present value of gold to silver to be legally fixed as 1 to 15, and that these rates represent the relative value in the open market, the two metals would no doubt circulate side by side without trouble or inconvenience, so long as there was no change in the proportionate value in the open market for bullion. But there is no security whatever for this stability. Neither geologically nor economically, nor in any other way, is the production of the one metal connected with that of the other, nor are the causes which govern the demand for either of them in any way identical. Thus we find in the 14th and 15th centuries the proportion ranging at about 1 to 11; in the 16th, ranging from 1 to 10 up to 12; and rising till early in the 18th century, when gold was equal to rather more than fifteen times its weight in silver, which is about the present range. As it has been, so it may be; and it is only a matter of probability, and by no means of certainty, that fluctuations will not take place in the same degree in future.

It is easy to see that perturbations far less than these would be fatal to the maintenance of any "double standard." Were silver to decline to 16 to 1 of gold in the open market, any one who could collect 1,500 rupees or tolas could go to the Government Bank or Mint and claim 100 tolas of coined gold, with which he could buy 1,600 tolas of silver, to be again taken to the Mint and exchanged for gold, and so on indefinitely, omitting for the present the consideration of seignorage, which will be discussed hereafter. Fluctuations arising from slight local or temporary causes might no doubt be checked by these means, but at great cost and risk to the State, which would constantly have to keep on hand a large stock of *both* gold and silver to meet the possible demands of the public for *either*, with the certainty that if any real and permanent depreciation took place in either metal, all the world would call upon the Government to fulfil its engagement to take either indiscriminately at a certain fixed proportion, would tender the cheaper and demand the dearer, until the resources subjected to so unlimited a drain were exhausted, or the attempt to fulfil so impracticable an obligation abandoned. But the necessary remedy would also place the Government on the horns of a cruel dilemma. Is it to *increase* the weight of the silver, or decrease that of the gold, unit of value? Creditors will urge the former; debtors will insist upon the latter. Whether the difference may arise from a fall in the value of silver or a rise in that of gold, no one can possibly say *à priori*, and an acrimonious discussion, embittered and obscured by personal interests, would inevitably add to the confusion and uncertainty, which is the great object of all systems of currency to avoid.

§ 33. No obligations of this kind can be assumed by the State, but it can, without exposing itself to any such risks, undertake to coin in certain definite proportions such gold and silver bullion as may be brought to it for the purpose. In the countries just referred to a gold coinage had for a long time legally existed, though its use was practically in abeyance. It was undervalued by the law, and consequently never brought for coinage, for those who owned it could get better proportionate value in the open market. Even had it been issued from the Mint, being of greater real than nominal value, gold coin would have been divested of a stamp which only served to depreciate it, and sold for its intrinsic worth. The first ostensible movement was a demand, altogether from external causes, for silver as bullion, until silver in its turn held a higher relative value than that assigned to it by law in the early part of the century.

Thus up to 1850 gold had hardly a place, except in theory, in the currency of France, but shortly after that date the comparative prices of the two metals began to approximate to the rates legally fixed, and at last their relative position was reversed. In these changed circumstances gold was of course brought to the Mint, and, when coined, remained in circulation: no one could do better with it. The Government of France were thus entirely spared the difficult task of fixing the relative value of gold to silver: that had been done already. If 20 francs and 1 napoleon have the same "purchasing power" in a country, whichever of the two can be had cheapest in the world's markets will be used, and the dearer will go where the best value can be obtained for it. This is a simple law of universal application, though the extent of its operation will depend on the difference between the actual and the real prices which represents the motive force required to effect any change. Nothing therefore had to be done, but to provide gold coin sufficient to supply the place of the silver which was withdrawn. The silver currency took care of itself: full weight pieces were steadily exported; light coins only were left behind. The Government after issuing some of a slightly inferior quality, finally by convention with neighbouring States using the same standards—some time contemplated, but not formally promulgated till 1866—avowedly reduced the quantity of pure silver from 900 to 835 parts in the 1,000. The first was the measure of value taken up previously by the gold coinage, while the latter represents, as a token currency, the aliquot parts only of such standard coin.

The same broad features were presented by the operation carried through in the United States. Silver was taken out by external demand, till the reserves left in the country were almost entirely of gold. The gold equivalent of a multiple of the silver dollar, already fixed and well known, was then coined in quantity and received readily by the country at large; finally the formal unification of the standard was achieved in this case, by an Act passed 21st February 1853, reducing, not the fineness, but the weight, of the old dollar unit from $412\frac{1}{2}$ to 384 grains. So complete was the abandonment of the old coin, that half and smaller fractions only of the dollar were coined in silver, at the proportionate weight thus fixed upon, for a subsidiary token currency.

These reduced rates give a nominal value to silver of about 5s. $5\frac{1}{2}$d. in the French, and 5s. $3\frac{1}{2}$d. in the United States coinage, per oz. *British* standard. In like manner the pound troy of standard silver in England, now really worth about £$3\frac{1}{20}$, is not coined into 61, but into 66 shillings: in other words, it is issued at 5s. 6d. per oz.* Unless silver should reach these rates the value of these tokens will not merely be that of the cost of the bullion contained in them, but that of the fractional parts of the gold standard unit which they serve to represent.

§ 34. How far the change in the relative value of gold to silver was caused by the depreciation of gold, owing to the discoveries in California and Australia, and how far to the great demand for silver which arose from Asia, it is impossible to determine with any degree of accuracy; but of this much we may be quite certain: Europe never would have sent so vast an amount of silver away without value returned in exchange for it. The "effective demand" for silver for transmission to the East was enormous, and was the chief cause why the great operations under dis-

* The proportionate values in the token currency are in the United Kingdom 14·288 parts silver, in France 14·381, and in the United States 14·884 to 1 Gold; reduced to equal standards for both metals.

cussion were effected with such ease and promptitude.

Such changes are often spoken of in some such terms as the cheaper metal "driving out" or "expelling" the dearer from circulation, and the in-inaccuracy of the mode of expression sometimes leads to a corresponding inaccuracy of thought. No such hypercriticism is intended as an objection to attributing active power to an inert substance—that may well pass. But a far more serious inversion of thought is involved. That which is referred to as active is neither active itself, nor is it acted upon. It is exposed to no influences of a new and exceptional kind at all, but simply remains where it was, and performs its functions as before. In no sense at all pertinent to the present question, can the cheaper be said to expel the dearer metal. The one said to be expelled may be acted upon certainly, but, as in the cases under review, by causes altogether external to the country and necessarily external to the currency itself. If the value of a coin were fixed by the dictum of authority at a rate under its intrinsic value in the general market of the world, and another declared to be higher than such value, the latter might in a very intelligible sense be said to drive out the former, but that would be by an act directly debasing the standard of value.

§ 35. This distinction is of importance, because it touches on the very point of difference between our present position in India and that of France and the United States. The currents setting in the decade between 1850 and 1860 were so very strong and well defined;—for the depreciation of gold which they desired to retain, by increase of supply, and the appreciation of silver which they desired to extrude, by increase of demand from the East;—that the task may almost be said to have been forced upon the respective Governments: indeed it is not very clear that either forethought, or power of design, were brought into exercise—a remark not made in disparagement of men who did well all that was to be done, but rather as a warning against accepting these operations as a precedent to be taken without due consideration and limitation in the present case. There is no reason whatever to expect that any external demand will take away our silver, or even cause such an outward flow as would relieve us from any excess caused by its partial demonetization. Europe is not likely to want it back except at a depreciation, which would entail a considerable reduction in the present gold equivalent for rupees in India. China might still absorb silver to a vast.extent, especially if any government were established there which would restore peace and security to its industrious millions; but as long as the opium trade is maintained, the natural course of trade must be entirely against any export of bullion from India to that country. As gold is introduced and silver so far superseded, the tendency will be to depreciate the market value of the latter, both in this country, and almost as directly in the markets from whence Asia draws its chief supplies. The effect of the increased demand for gold would probably be hardly appreciable in the vast market of the world; but as far as it had any effect at all, it would be to enhance the rate of gold above the fixed equivalent representing the "purchasing power" of the standard existing at the time this proportion was determined.

§ 36. It might seem at first sight that such a depreciation would tend to bring forward buyers for export, but where would they find sellers? Assuming again the proportion to be 15 to 1, no one would sell cheaper—that is, give more than 15 (say tolas) of silver, while upon the spot he could get 1 tola of gold for them, which tola of gold maintained its full value in the world at large, where in fact it would command more than 15 tolas silver Even though the owner of silver could not directly demand an exchange from the Mint, at all events his 15 parts silver are by law the equivalent of 1 of gold, and locally possess the same purchasing power. Any one importing bullion would of course prefer silver as the cheaper in the general market, while any one exporting would take gold, which there maintained the value common to all countries. Thus a change would go on, not suddenly and violently perhaps, but not the less surely, till all the gold had been withdrawn from circulation: silver then losing its artificial support would fall to its natural price, and again serve the purposes of a common measure of value, for which it is fitted in a degree second only to gold. The same result would arise with gold should it become depreciated in like manner. The general law will work its way, and whichever metal proves to be the cheaper will remain, and the dearer will be exported in spite of all artificial expedients to the contrary, provided the difference be sufficient to cover the cost or trouble which may be required for the operation. In other words, after the proportionate value of gold and silver is fixed in any country by law, if silver fall as compared to gold in the general market of the world, it will, by its local and artificial connection with gold, be valued higher at home than abroad, and will consequently remain at home. If gold in its turn were to become less valuable in the general market, as compared with silver, than the rate fixed by law, it would still in like manner, within local limits, serve to buy the same amount of silver and silver's worth, and be retained; while silver possessing its purchasing power in the same measure in all quarters, would be preferred for export.

It follows, therefore, that in fixing the equivalents of gold and silver for the purposes of currency, two opposite dangers have to be avoided. If gold be assessed too highly, and the new standard coin consequently made too light in weight, it will not readily be received into circulation: if, on the other hand, it is taken too low and the coin made too heavy, though it will no doubt be taken into circulation, it will not so readily be brought for coinage and will certainly be sent out of the country in preference to silver whenever the accidents of trade require an export of bullion :— especially, when bullion has to be brought into the country, importers will not *give* the large gold coin, while its legal silver equivalent costs them loss in the open market.

§ 37. It is specially in this contest that the whole question of the effect of *Seignorage* charged on coinage is of so much importance. The British Government make no charge for coining, but return sovereigns, weight for weight of standard gold delivered at the Mint, the fractional part of an ounce constituting the sovereign being cumbrously expresed by £3-17-10½, which, being resolved, simply means that $3\frac{143}{160}$ sovereigns equal one ounce troy : these figures originally represented the market price of gold in a somewhat irregular and uncertain standard, ostensibly based on silver, when the gold standard was first adopted. Now the nominal *price* of gold paid without deduction in the same gold, can only mean a certain fractional quantity. For 10 lbs. of standard gold taken to the Mint, 467¼ sovereigns, weighing exactly 10 lbs., are returned. If the so called "price" were altered the only possible effect could be that a greater or less number of lighter or heavier pieces would make up the same weight. The Bank of England, it is true, give only 77s. 9d., but the difference of less than ⅛th (3s. 2½d.) per £100, must be held to represent the service rendered by the Bank and the trifling amount of interest saved to the seller. The Britsh unit of value is therefore the sovereign of $\frac{160}{623}$* of an ounce, or 123·274 grains, 22 carats fine, and

$$\frac{\text{* £1 . . . . = 210 pence}}{\text{£3-17-10½ per oz. = 934½}} \;\; ,, \;\; = \frac{160}{623} \text{ oz.} = 123{\cdot}274 \text{ grains Troy,}$$
a fraction which neither decimally, nor in grammes nor in grains, can be exactly rendered.

2 carats alloy; and the coin being delivered free of charge, the same portion of bullion is practically the exact equivalent of the sovereign. Or, as alloy is always eliminated as of no value in calculations of bullion, $\frac{155}{624}$ of an ounce, or 113·001 grains troy, pure gold is the more simple expression.

Against the weight of this precedent may fairly be adduced that of some writers of authority. It is not to be denied that, as long as the peculiar utility of the coin, as coin, is maintained, there is no reason why the cost of making the sovereign should not enter into the value of it, just as much as the cost of raising the gold itself from the mine. On this assumption, the one portion of labour is just as necessary as the other, and it is further urged that as the Mint only coins just so much gold as is brought to it by the public, it is not likely that there will be any excess in the quantity issued; but in a question of this kind we should seek the greatest security attainable, leaving as little as possible at the risk even of improbable contingencies, and the more recent course of events has certainly lessened the weight of the arguments in favour of the imposition.

The experiences of the first half of the century no doubt pointed to the difficulty of retaining coin, and the traditionary caution lasted apparently after the danger had not only ceased, but was rather to be apprehended from the opposite quarter. Merchants no doubt, then as now, might see their advantage in an operation requiring the export of a large quantity of bullion, which then might more readily be obtained in the standard coin of the realm than in any other form, but the great accessions of such metallic wealth since received make it far less likely that inconveniences of this kind should again arise, while the large amounts sometimes available, as a commodity in trade, make an occasional local excess the more probable, and it is *certainly* not unlikely that the owner of this excess may find it to his own interest to turn his bullion at once into coin. He has clearly a right to do this, and far worse evils would arise from the imposition of any arbitrary restraints in this respect; for the very basis of its peculiar value as "money" is the universality of its use as a purchasing power. But a coinage thus made in excess of the requirements of the currency could not retain the value of any seignorage put upon it, but would be worth only its actual weight as bullion. That portion of the value of coins which consists of a seignorage is subject to a risk different, both in kind and in degree, from that to which bullion itself is subject. The former is casual, local, and, within its limit, violent; the latter depends on the widest range of average which all the markets of the civilized world afford.

Great Britain, in giving the standard coinage free to all applicants, secures for it the highest attainable stability; it does all that can be done to avert or mitigate the evils of temporary and casual fluctuations. The State, in undertaking this work at the public cost, does not lay itself open to the charge of incurring a needless and useless expense, but exercises a wise and judicious liberality befitting a great commercial nation.

§ 38. The depreciation of the currency is a subject generally considered with special reference only to that portion of it which consists of paper, but the principles involved are identical, whenever and in so far as the value of any portion of the currency depends upon anything but that which, in the most general sense, may be described as its intrinsic worth. A certain value of currency in one form or another is required, which may be made up more or less by very worthless tokens, as long as their aggregate nominal value only makes up the amount thus required; but, whatever their intrinsic worth, only this aggregate value will remain in circulation. An excessive issue can only be relieved by causes external to the currency itself: in other words the excess of tokens is not wanted in the currency, it is of no use as money, and unless some other use can be found for this excess, the whole value, which the currency derives from the special functions it has to perform, must be divided among the larger quantity of tokens, and this depreciation in value will obviously be in the inverse ratio of the increase in quantity. The superfluity cannot be destroyed, for every token not the less retains its reduced proportion of "purchasing power," which no one owner more than any other can be called upon to sacrifice. This depreciation will, in the first instance, affect all tokens or representatives of currency value alike, wholly irrespective of their intrinsic worth, which comes into consideration only when the question arises as to the use to which such tokens can be put beyond the local limits of the currency circulation. The value of gold and silver especially does not depend on any merely local causes, and a very slight fall suffices to pay the cost of its transport from the place where it is redundant : it will flow out, relieving the market from a valueless over-supply, and throwing the burden on the general market where other counteracting causes are probably at work to preserve the general equilibrium. Ultimately, of course, the same law will prevail throughout, and if the entire supply of gold or silver exceeds the entire demand, the result can only be a general depreciation equally throughout the whole world : a change which will not in any way impair the efficiency of bullion as a common measure of value, but can only affect the comparison of prices at comparatively remote periods.

If, however, there is a seignorage on coin, this also must be sacrificed, for coinage confers only a local and not a general value; and till the depreciation reaches the proportion in which this charge is exacted, no coin will be sent away. Relief is at last attained, but the currency, *pro tanto*, has suffered depreciation.

It is not quite exact to refer to the difference as one of "intrinsic" value. The whole cost of a coin is as intrinsic in the coined, as the whole cost of bullion is intrinsic in the uncoined, metal. It is rather that the value of the former depends on considerations far less general than that of the latter. For to carry the argument a step further: if we suppose a coin common to all the world, its value would still depend, in just the same manner, on the requirements of the same wide circle for this special form of "money." If it were supplied in excess, and that excess had to be diverted to use in the arts or manufactures, the cost of coinage would equally be lost; coin, as coin, is fitted only for uses more special and limited than those to which bullion can be applied.

As far as a currency consists of tokens, having in this way an independent and general value, the limits of its local depreciation are soon reached; but there is nothing to check the over-issue of inconvertable paper, and no limit can be set to its depreciation in full proportion to the excess of its issue. Where no gross abuses prevail, and the currency is generally sound, a comparatively small quantity of coin exported may suffice to arrest a decline, for the amount required to carry on the traffic, especially of a highly civilized country, is very small compared with the aggregate of its transactions; and should coin become scarce and the want for it be only supplied on the same terms of seignorage as before, the former standard might be restored, but the doubled evils of a temporary fluctuation would have been incurred.

§ 39. Let us trace more closely the way in which such a depreciation of money and enhancement of prices is brought about. Say that 10,000 pieces are required in a community as the average quantity which one man with another will keep about him. The permanence of such general averages is a fact well known to modern science; there is no new or inscrutable principle at work in them; such statistics only bring home to us in a new and striking manner the rational conclusion, that without some new cause no new results can be produced. As long as the society supposed remains without any marked change affecting its arrangements for buying and selling, this average will remain just as constant as the quantity of corn they will require. If one member sells to another, the money common to both merely passes out of one hand and into another; but if any one sell, let us say, a piece of land, and gets paid for it in bullion drawn from some exterior source altogether, which he is able to coin into 1,000 new pieces and pass them into circulation as currency, what is the effect? There is no reason to suppose that the new possessor of the land has any more need to keep more tangible money about him than the former owner. The seller evidently does not want the bullion, or he might have employed it for ornament or hoarded it, but in fact he re-sells it by paying away the coins in his ordinary dealings. But nothing has been done by which the average amount of pieces required for use is increased, while 11,000 instead 10,000 are in circulation: as far as they come into the hands of men who are just paying their way along from day to day or from week to week, they are not likely to remain long. A poor man's "investments" are pressed upon him only too closely; food and clothes and other urgent wants take all his "money," but the richer people, who have an option in their investments, will find this 1,000 pieces among them. That there was this amount, and probably far more than this amount, of surplus *wealth* in the community, is inferred from the mere fact that these notes could be taken into circulation at all; but once in, they are constantly a surplus balance in one or in many hands. A. has them: he does not want to let his resources lie idle, and looks about for something which he can turn to use by trade or industry, or take for his own enjoyment. B. is tempted to sell: not that he wishes particularly to get rid of his property, whatever it may be; but A. offers a good price. A. gets rid of his unproductive pieces, but a first step is made to higher prices. B.

very likely will have to make another; at all events, unless he can export the surplus pieces altogether, they will constantly turn up again and again as a surplus seeking employment, till from this impetus given to the urgency of buyers, prices generally are apparently forced up: every one pays more for what he has to buy, but gets more for what he has to sell.

Those who have debts of old standing to receive in money find prices apparently high, and that they are at a comparative disadvantage in reinvesting their receipts. The chief risk socially is that wages are often so much governed by custom and precedent, that they do not rise in like proportion; so that, while the labourer has to work as much as before, he gets less for his wages. There is a disturbing element in the distribution of wealth, and the weak and ignorant are apt to go to the wall. Apart from these cases, every one would simply get the same as before, but paying more money for it in the proportion of 11,000 to 10,000; and the value of money, as currency, is to that extent depreciated.

Simple people only see the ostensible change—"that everything is dearer than it used to be." If the money of such a people were composed of some substance of small cost, and held by their neighbours in light estimation, there would be no limit to the fabrication of "money" by those who could get it into circulation, and who would thus levy a tax to an indefinite extent on the whole community: those who took the "money" being tempted by prices apparently constantly on the rise. As long as the general rise in prices has reference only to a local and artificial standard, external trade would not be in any way affected; for foreigners would see that if they got a higher price for what they sold, they had to pay in the same proportion for that which they had to buy in exchange. But if the local "money" had any general value at all, as soon as the price fell, as compared with other commodities, so as to make it a subject of interchange between the respective countries, a new motive power would be introduced into trade. Those holding "money" at home would be stimulated by rising prices there, to find an investment abroad; while foreigners would find that they could increase *their* exports, as this money, available to them as a new commodity, would provide a ready means of taking the value they required in return.

Temporary fluctuations are the evil most to be guarded against: the depreciation of the common measure of value is injurious to all sellers, but the return to the original standard causes just as much hardship to all buyers who may have entered upon their transactions during the period of depression: the two wrongs in no way tending to right each other. So much is this the case, that it is very doubtful whether a return to an ideal standard, once lost, does not entail more injustice than it remedies, and any change from a well-established *status in quo* is to be deprecated unless a higher order of stability can be secured thereby. Thus the resumption of specie payments in England in 1816, inasmuch as it secured a better and more exact common measure of value, was highly beneficial; while the return to a standard which had practically become obsolete entailed a vast amount of hardship and injustice. But the two measure were not necessarily identical; the standard actually existing might have been fairly assessed and arbitrated, and a fixed expression found for it in gold, by which all current obligations would have been carried on, with the risk of any new and further fluctuations reduced to a minimum.*

* The present case in the United States is analogous, though the changes have been so comparatively recent that the standard of value has not become so completely obselete. Still, the resumption of specie payments need by no means depend on the return to a standard which has been clearly abandoned, and it is surely competent to the Legislature to discuss and to decide what definite fraction of the gold dollar fairly represents obligations expressed in the existing currency. Creditors may urge that they have given more on the faith of an implied obligation that the standard would ultimately be restored; on the other hand, they will be saved the risk of further depreciation, and the argument may have some, but not very much, weight in the arbitration. In a vast majority of cases the chance of the restoration of the standard, if

The debasement of the standard was an evil, it is true, but it was partially disguised only, not remedied, by the restoration. Better by far let such evils stand out clearly: posterity will judge how far the necessities of the case warranted the resort to such an expedient.

§ 40. Beyond the direct evils arising from an over-issue of currency, there appear to be other dangers of an even graver description which deserve a passing notice. An excessive circulation, as shown by the Bank of England returns, has for long been recognised in monetary circles as a symptom of coming danger. Sometimes, when the redundancy appears after a period of exceptional depression and has arisen from the check thus imposed on genuine enterprise, the surplus disappears without any disturbance to credit, but frequently it has proved the forerunner of collapse and disaster to an extent for which the mere figures cannot directly account. The excess is at the outside some 8 or 10 millions sterling—the amount of an ordinary day's transactions passed through the London bankers' alone, without taking any account of all the other industry of the country. It bears no very alarming proportion to the annual income of the country, which Mr. Dudley Baxter estimates at 814 millions, or to the aggregate imports and exports of the country, which are about 400 millions, or even to the aggregate of the currency itself, which Mr. S. Jevons has lately assessed at 135 millions, including country and Bank of England notes.

This excess, naturally accumulating in the central bank, seems to be that of a "purchasing power" in

it have weight at all, is merely a pernicious element of gambling and uncertainty in all transactions. Debts specially payable in gold must, of course, be paid on the old standard, and there may be other cases which have a valid claim to special consideration: existing currency debts at so many cents of the dollar. New obligations would naturally be expressed in full standard coin; and prices, with some little temporary inconvenience, would be readjusted to it. A subsidiary coinage of small pieces representing fractions common to the currency and gold standard would tend very much to mitigate the difficulties in retail transactions.

the special form to which reference has been already made. From one point of view it may be regarded as an access of wealth in excess of the intelligent power of employing it in any productive undertakings. In its existing form it is constantly returning on the hands of the issuers; if it were held by individuals, the necessity of seeking some employment for the money as bullion, and not merely endeavouring to pass an excessive quantity of it from hand to hand as currency, would probably be more apparent. But its identity is lost in the vast common fund, and it merely serves to swell unduly the amount of "money" seeking merely temporary investment. If a man in England wants to sell silver, he knows he must find a purchaser who buys, either to employ it in some way or keep it until he can find employment for it specially; but though the quantity of gold coin in excess of the requirements of the circulation can only be utilized by treating it as a commodity, any individual owner can avail himself of the special form in which his purchasing power is, or may be, held, to part with it without restriction; the difficulty thus is shifted from hand to hand, but it is no one's business to apply the real remedy for the evil.

If those who are charged with the task of finding employment for the aggregate floating balances of capital were careful to keep to a sound general rule of lending to those persons and those projects which were on their merits suitable objects for investment, comparatively little evil would arise; but over and over again the temptation of this constantly recurring balance has been too much for some of their number. This "money" is generally deposited "at call," or to be withdrawn on short notice, and of course can be lent only for short terms by the banker or discount brokers receiving it: there is thus an excessive desire to get interest for the use of money for short periods, without the lender being committed in any way to the requirements of any undertaking; and the new and indirect phase of the evil begins when money is lent, not on any reasonable conviction of the real stability of the borrower, but merely in the hope that he will last, in the easy state of the money market, long enough to repay the temporary advance made. The experiences of all commercial panics, and most especially that through which we have lately passed, show the same feature of large undertakings of greater or less plausibility, but requiring generally a considerable period for their execution, commenced on money borrowed only for short periods. "Three months' bills" are the means by which the most gigantic bubbles are floated. No one is responsible for the capital required to carry the scheme through to its conclusion. The reason is, that the fictitious appearance of wealth has given rise to the oft-repeated delusion that there is nothing on which enterprise can more securely rely than on the aggregate balances of the national capital seeking investment. To a certain extent this is perfectly true; there are always large amounts of purchasing power ready for employment, and the transfer of the ownership of this purchasing power is made with no disturbance whatever to the currency. But the special form in which the excess of currency exists constantly forces on the holders a desire to invest, while there is in reality no use for that which he owns in this country. It is not wanted for circulation; practically speaking it can only be utilized by exporting it, and if monetary affairs were conducted with due prudence and discretion it would simply remain very harmlessly in stock until wanted for that purpose. The excess of currency held by the bank should be clearly recognised not only as money held "at call," but at a call which can only be made by a foreign demand, which can find a real use for our surplus as bullion, and thus relieve our currency of its excess.

The numerous reckless schemes which get afloat under the excitement of a wealth supposed to be inexhaustible, merely because the symbols of it are in excess of the uses to which that form of wealth can, for the time being, be appropriated at home or abroad, keep up a fictitious demand for money—or rather a very real demand for money to be squandered on ill-advised, or at the best ill-supported, projects. A very general enhancement of prices takes place; foreigners are willing enough to sell, but do not care to buy, commodities at rates so enhanced. These circumstances are likely to precipitate a foreign demand for bullion, but, from whatever cause it may arise, the opportunity afforded of getting rid of the useless excess of our currency brings about, not relief, but a collapse or panic; because, speaking in general terms, a real use has been found for "money" which before was vainly seeking to be included in the general circulation. It is then apparent that over and over again this money has been availed of in exchange for promises to pay, which all concerned must have known perfectly well could only be fulfilled by finding some other temporary lender who would take his turn of the chance of "easy times" lasting out his advance. The projectors of multitudes of such schemes borrow for short terms only, but never even attempt to associate themselves with those who have capital which they desire to lend for any period adequate to carry out the alleged design. The bad effects of this evil extend far beyond the circles in which it originates, but in no case has there been the slightest symptom of any scarcity of actual "money" in the sense of currency to carry on the trade of the country. At the bottom of all we find simply the vain attempt to employ a surplus of currency to do work for which, as a surplus, it is not in any way qualified. The symptoms and results are too well known. In what degree the presence of such an excess of currency contributes to results so lamentable I leave to those more experienced in that financial world to judge; but there can be no doubt that the excess of unemployed wealth in this special form is fraught with a peculiar danger. The apparent rise in prices discourages practical enterprise, which counts the cost of its undertakings, and rigorously estimates the probabilities of a reasonable return; while the more reckless and ignorant class of speculators, and others who confound general high prices with prosperity, gain the more ready credence for their predictions from men who find a real difficulty in getting employment for their "money," the nature of which they do not rightly understand.

§ 41. In England there is no further cost or difficulty in getting rid of such a surplus than is necessarily involved in the change required to turn the course of the stream: gold coin is exported without let or hindrance as soon as any use can be found for it which will repay the mere cost of transport; but it is a grave question how far some of these evils might not be prolonged and aggravated if the required export of coin were further impeded by a high seignorage. Nor can it be urged that this charge will prevent excessive coinage, especially under the circumstances supposed. A man hoarding may perhaps prefer one hundred pounds of bullion to any lesser weight of coin, but any one seeking to employ his wealth will very soon find that coin has—at the first, at all events—the same purchasing power as the bullion required to make it.

What may be termed the moral dangers are assuredly even more likely to arise in India than in England, for the spirit of practical enterprise is far weaker and not by any means so well informed, while a preponderance is shown of the special skill and subtlety required merely for the skilful manipulation of money—for the game of *getting* the largest possible share of gain, as distinct from the work of *making* new money's worth by the union of knowledge, capital, and labour; and there can be no doubt that this art of skilful money-getting will transfer very large gains to those who have never either directly or indirectly contributed in any way to the increase of wealth; extreme fluctuations and derangements of the currency are to them very much what defects in the coinage itself are to a lower kind of operators, who, in their degree, take advantage of their better knowledge of the "common measure" of value to drive unequal bargains with the ignorant and unwary.

Nor must the large sums of hoarded wealth be forgotten in the consideration of the question. We may indeed hope that the growth of that intelligence and enterprise which will supersede the stupid desire of accumulation evinced by burying coin or bullion in the ground, may bring with it an activity so well diffused throughout the country that a very large increase will be required in the quantity of coin required for currency. But it is useless to shut our eyes to the fact that although no danger is at present apparent, there are, in such hoards, elements of disturbance which may sooner or later put our monetary system to severe trials, which the imposition of any excessive seignorage would tend greatly to aggravate. If such hoards should ever be thrown too suddenly into circulation, the purchasing power of our standard would certainly be reduced to the extent of the seignorage, and during the process of reduction we should be peculiarly liable to that class of evils which so often attend an "inflation" of the currency.

§ 42. There yet remains the practical consideration of what should be the standard gold coin introduced into the Indian currency? It is idle to except the favouring tides which made not only the introduction of gold, but its full establishment as a standard, an easy task in France and the United States; but there are some conditions of our trade and the monetary conditions of the country which afford good grounds to hope that some progress at least may be speedily made towards the end desired. We are not, at all events, in a period of dead stagnation; large quantities of bullion are brought to us by the course of foreign trade, and hitherto there has not been the slightest sign of any unhealthy accumulation. The demand for bullion of both kinds is apparently insatiable. The reports of the Committee before referred to contain a most conclusive mass of evidence that the use and value of gold is perfectly well recognised throughout the country; the quantity taken is very large, coming both from China, the provinces to the north of the empire, and also from England; and there can be no doubt that the mere monetization of gold would give an exactitude to its value, and fit it in a very much higher degree for the purposes of remittance from England. The strongest proof that gold would be received eagerly into the circulation is the fact that gold bars are actually used as currency to a considerable extent, though as they are not a legal tender their value from day to day is entirely a matter of optional agreement.

§ 43. The definite task of the Government is to determine in what proportion to each other coins of gold or silver are to be valued, so that a legal tender may be made in either or both of them, though the State itself cannot undertake to exchange gold for silver, or silver for gold. It can turn into coin, of definite weight, form, and fineness, any bullion that is brought to it for the purpose, but it cannot prevent the practical rejection by the public of either one or the other as "money;" for, even should the law refuse to recognise the validity of a stipulation to pay in one coin rather than another, when both are equally a "legal tender," the result would only be, either direct evasion, or the substitution of bullion for coin in the letter of all agreements made with reference to the value of one metal and not of the other. Nor in carrying out the work contemplated, can the Mint refuse to coin any quantity of either which may be brought to it. In countries where a gold standard has been established and silver forms a subsidiary token currency only, the Government is left to restrict that portion of the coinage at its discretion; but silver is then a legal tender only to a very limited amount. But as the standard cannot be suddenly altered, the first step must be to introduce gold to a full equality with silver, and the aim is to do so on such terms that it may be recognised, in the definite proportions fixed, as the true equivalent of the old silver standard.

§ 44. In all calculations of a general measure of value the quantity of bullion required to make the coin must be taken—not that of the coin itself, which has been reduced by the deduction of seignorage. The coin, and the necessary cost of the coin, must be, as a rule, equivalents; and the tables of Cambists, which ignore this element of value, cannot be taken as a guide for any comparisons of international standards. The original issue, as a matter of fact, is, and must be, made of coins at their cost. When a seignorage, giving merely local value, is charged, coin, no doubt, is inherently liable to a certain depreciation from such local causes as have been referred to. But the cost of the coin governs its value absolutely as long as it is required, and by no other means, except an over-issue, can this value be destroyed. A comparison of the mere weight of coins, without taking into account the cost of making them, is altogether delusive and fallacious, especially when the question relates to introducing new or adding in any way to our existing stock of coin. It is only when an excess has to be got rid of that the seignorage must be struck out of the estimate. The higher value is just as certain and as real in the former case, as is the lower in the latter, and calculations must be made in accordance with the state of facts actually existing.

In the present instance there is no doubt that we have to consider the cost and normal value of coins, and it is to the correct adjustment of the equivalents of cost, and not to any supposed power of seignorage to alter at will the proportional values of the two precious metals, that we must look for carrying out the desired changes in the Indian currency. The charge may perhaps serve some uses during the time while the Government has to balance two elements so radically independent as gold and silver in one system of currency, and that a charge for seignorage should defray the cost of the Mint can hardly be a fair subject of complaint. Yet nevertheless a standard cannot be said to possess the greatest attainable perfection as long as such an uncertain and local element of value enters into its composition.

§ 45. The present standard of our monetary system, which must be our base and starting-point, is already fixed: the rupee is our unit of "purchasing power," and the object desired is to introduce a new and better mode of expressing this power; but justice requires that nothing shall be done arbitrarily to change this "quantity" which enters into the terms of all monetary transactions whatever. The rupee we familiarly handle is an exact unit in Indian weight, viz., the tola of 180 grains. It is a very good thing to have the standard coin identical with a weight well known by the people; it is convenient in many ways, and diminishes the risk of frauds on the ignorant. But in any question of value we have to leave this simple unit at the outset. The equivalent of the value of the rupee* in bullion is grains 183·861, and we must look to this for all comparisons between the value of gold and silver bullion. The Indian standard for silver is lower by about $\frac{9}{10}$ per cent. than the British—the former being 220, and the latter 222 dwts. fine, in the pound of

* Weight of standard bullion required		183·861 grains.	
Seignorage 2 per cent	3·677		
Milling &c., 1 per mille	·184		
		3·861	,,
Weight of the rupee issued		180·	,,

The value of the bullion required to make a rupee, at 5s. 1d. per oz. British standard, is a little over 1s. 11⅛d. (£$\frac{23 \cdot 155}{240}$), and the silver in the rupee itself, 1s. 10⅝d. (£$\frac{22 \cdot 669}{240}$). A comparison with the weight of any token coins, the value of which does not depend on the bullion they contain, would of course be futile.

240 dwts. Eliminating the alloy, which is accounted of no value, we have 168·539 grains troy of pure silver as our true unit of value. If different rates of seignorage and different degrees of fineness enter into any calculations, by far the simplest method is to adjust the true equivalents first in pure metal, which alone constitutes the value, afterwards making the corrections for alloy or seignorage, which affect only the weight of the coins themselves; but of course where the rates of seignorage and fineness are equal, the comparisons can be directly made.

§ 46. Even were it desirable to alter the composition of the rupee, it would be impossible to adopt any measure for doing so which is not open to some grave objection. If the weight of the coin were raised in order to dimish the seignorage, we should not change the value, but only lessen the margin for possible depreciation in case of over-issue; but if two coins of different weights and the same nominal value are in circulation together, the heavier are very likely to disappear. If the seignorage were lessened, making the coin the same weight as before, it would only decrease the prospective depreciation by at once forestalling a part of it: rupees would cost less, and be worth less. But there is no present reason for making any change in the rupee at all. It is a coin well known, and well suited to the wants of the people; hitherto the integrity of its value has been preserved intact, and if the operation for adequately supplementing it with a gold coinage be judiciously carried out, it no doubt will so continue, until eventually it may be merged in the more perfect standard.

§ 47. The inquiry thus divides itself into two distinct parts: First, what should be adopted as the equivalent in gold to our existing silver rupee; and second, what should be the fineness and seignorage of the new gold coin proposed. On neither of these special points have we much direct evidence, and before coming to to final decisions it would be highly desirable to have them tested by full discussion and inquiry among those best qualified to form a practical opinion on such matters.

§ 48. The present price of silver in England is about 5s. 1d. per ounce: the price so stated has of course no reference to silver, but expresses an aliquot part—61/240ths—of the standard gold sovereign. Allowing for the difference between English and Indian standard and taking gold at 77s. 10½d. per British standard oz.,* this would give an equivalent of 15·46 silver to 1 gold. But it is open to very grave doubt whether the present rate of silver in England truly represents the fair and natural proportion between the two metals. Although it has within the last twenty years often ranged higher than this rate, yet before 1850 the price was almost always under 5s. and sometimes as low as 4s. 11d. per oz. British standard.† The question thus arises: How far is the more recent enhancement to be ascribed to the fact that gold was excluded from the Indian currency, and on that account artificially and unduly depreciated as compared with the more favoured metal? Of the long continued activity of the demand from Asia for bullion, there can be no doubt. The demands of trade, moreover, were unusually pressing and urgent. The one object was to get money, available for immediate use, laid down in India in large amounts, and with the greatest possible quickness and certainty. This urgency often puts out exact theoretical calculations, but such fluctuations are of no permanent significance, and there is nothing recondite about the matter. Any one might give 5 sovereigns for the immediate use of 100 required for some cause

* The Bank of England must buy at 77/9 per oz., but is under no obligation to sell at that rate. Quotations of fine gold often run up to, and even a little over, 77s. 10½d. per oz. standard.

† Appendix D.

so sudden and urgent that he had no time to get them in the ordinary way. In this case the nature of the premium is exactly seen, but when silver, the value of which in England is not exactly defined, is so required, the bonus given is added to the price and cannot be so precisely identified. Yet there can be no doubt that the more extreme quotations of silver of late years have been in some degree owing merely to this *urgency* of demand. The fact that silver could, and gold could not, be coined in the Indian Mints assuredly inverted the order in which preference, for these reasons, would naturally have been given:—indeed, whenever the Mint proved unable to supply with ordinary promptitude, the extraordinary calls made on it for rupees, an appreciable stimulus was given to the import of gold. Looking at the question from another point of view there can be no doubt that the price of silver in the home markets could not be maintained in the face of a diminished demand from India, and that the demand for it must inevitably be reduced if gold be equally available for remittance, is equally certain. *Primâ facie* the object is to carry on our standard without interruption, and after the lapse of nearly twenty years it is not sufficient to say that at the time the rupee was fixed as the Indian standard, silver was worth under 5s. per oz.; but if it further appear that the apparent rise in silver is owing to the artificial exclusion of gold from purposes for which it is pre-eminently suited, it is a perfectly fair inference that gold, restored to its natural position, will simply regain a value of which it has only temporarily been deprived. Some weight certainly is due to this consideration: and I do not think that any risk of arbitrarily debasing the standard will be incurred by taking the price of silver at 5s., or a quarter of the English sovereign, as the basis on which to calculate our equivalents. My doubt is rather whether this rate will not ultimately prove to be too high. The practical form of the question for Bankers is this: assuming demand for India relaxed by so permanent a cause, what will be the future price of bar silver in the markets of supply?

§ 49. The English comparative prices, which, with very slight corrections represent those of all Europe, are taken as those of the great common centre of commerce, in which both metals circulate with the utmost freedom, and by and to which the prices of the world will most certainly be adjusted. The sovereign is identically the same in England and in Australia though as a seignorage of 3d. per oz. is charged for the latter coinage, the bullion equivalent will be higher by ·3959 of a grain, and the proportionate value of silver as expressed in British standard nearly 2/5ths of a penny lower, but for reasons given hereafter I do not think these reduced rates will govern the value of gold. If it be argued that as silver has been demonetized in Europe it is under a disadvantage in Europe corresponding to that under which gold labours in India, the reply is, that silver could not efficiently do the work of gold in the currencies of Europe. The subsidiary silver currencies in Europe do all the work for which silver is naturally best adapted, and it cannot be held to be depreciated by any operation of law which hinders its application to uses to which it would otherwise be applied.

Practically speaking, in order not only to introduce a gold coinage but to put it on such a footing as to afford it a fair chance of being retained in the currency, equivalents must be fixed on bases which make some allowance for the fall in the comparative value of silver which, in all reasonable probability, will follow the free admission of gold into the monetary system of this country. Should it be considered, notwithstanding the argument to the contrary, that this involves some risk of debasing the standard, I would still say;—If it be agreed that gold is preferable to silver as a standard, of which there is little doubt: if also the stability of the standard is increased by the reduced rate of seignorage required on gold: if further it appears necessary, in order to secure these advantages, to incur some possible risk of diminishing the standard of our value to a very trifling extent: still there need be no hesitation in accepting this trifling and doubtful risk in order to secure so preponderating an advantage. But it is not a case, in fact, where one man's gain must be another's loss, but a new value is created by better availing of the utility of one of our resources, namely gold. The compensation, though not equally shared by all, is more than ample for all, and involves loss to none, even in theory, when all theoretical considerations are fully stated. And above all, as far as can be foreseen, there is less risk of any serious depreciation in the gold standard introduced than in that of silver which it is intended to supersede.

§ 50. These arguments are more strongly urged, because there will be far more temptation to make the weight of our gold equivalent too great than too small: for present conditions, however uncertain, are apt to weigh more than any prospective estimate, however well founded: it will be easier to get the higher weight coins taken at once into circulation, while the danger of their flowing out again with corresponding rapidity whenever this country exports bullion, is more remote. Not that is desirable to retain coin by artificial restrictions: on the contrary, the free export as well as import of gold is especially to be desired. The object is that *both* metals should retain their value as closely as possible with reference to the rates ruling in the general market of the world at large, and that the fair value of neither should be influenced by a connection, merely local and adventitious, with the other.

§ 51. On the basis of 5s. per oz. British standard, the equivalent given is 15·7165 parts silver to 1 gold; or for the bullion value of the rupee (183·861 grains) 11·6985 grains gold of the same standard; the comparative weights, pure, being 168·539* and 10·7236 grains respectively. From which figures the charge for seignorage must be deducted, and the difference for standard added to give the weight of the coin. This would give very nearly 117 grains Troy British standard gold for the bullion equivalent of the 10 Rupee coin, from which weight the seignorage must be deducted before the coin is issued. The English sovereign, on which there is no seignorage, would be worth Rs. 10-8-7, and the tola of gold Rs. 15-6-2 standard, or Rs. 16-12-6 pure. These rates, though of course higher than those quoted of late years in the market, are not without precedent, and there could, I apprehend, be no reasonable doubt of their ready acceptance, if Government were to take the step of declaring gold in this proportion a legal tender. The question rather is whether a further deduction of, say 1 grain† in the weight of the gold coin would not be a practicable, as it certainly would be a safer measure, giving a weight of 116 grains Troy; an equivalent as between the two metals of 15·85 to 1; and representing a price for silver of 4s. 11·496d. per oz. British standard. This rate would give Rs. 10-10 for the sovereign, and Rs. 15-8-3 and Rs. 16-14-10 per tola for standard and pure gold respectively.

§ 52. It may be interesting to show the equivalents under which the change from a gold to a silver standard was effected in France and the United States.

The old French standard silver coin was the 5 franc

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* Say for the Rupee ...	...	168 539	grains, pure, in bullion.
Seignorage 2 per cent	3 371		
Mintage 1 per mille .	168	3 539	
		165	grains, pure, in the rupee.
Add 1/11 for alloy		15	
		180	grains standard in the rupee.

† The value of a grain of British standard gold at 77/10½ is a little under two pence, say 1·9469d.

piece, weighing 5 grammes (385·808 grains Troy) $\frac{900}{1000}$ pure, or W 0·6. The napoleon or 20 franc gold piece weighed 6·451 grammes (99·561 grs. Troy) of the same standard, expressed (inexactly) as W 0·1$\frac{5}{8}$ in British assays. These figures give a proportion of 15·5 to 1, or a price of 5s. 0·84d. per oz. British standard, but allowing for the difference in mintage, which was $\frac{1}{5}$ per cent., or a little over, on gold, and $\frac{5}{8}$ to $\frac{3}{4}$ per cent. on silver, a price of 5s. 0$\frac{1}{2}$d. per oz. British standard is given, and 15·586 to 1 as the true equivalents. The United States silver dollar, certainly as far back as 1837, was fixed by statute at 412·5 grains Troy $\frac{9}{10}$ pure (W 0·6), and the gold eagle of 10 dollars at 258 grains of the same standard, giving 15·998 to 1 as the proportional equivalents, and a price of nearly 4s. 11d. (59·98 pence) per oz. British standard for silver. No charge for coining seems originally to have been made by their Mints, but the owner bringing metal had to bear the charges of converting it into standard bullion fit for coining, and as such charges always form a higher per centage on silver than gold, this proportion was practically increased by a small fraction, and the actual value of silver reduced in a corresponding degree. It was not till 1853 that an additional charge of $\frac{1}{2}$ per cent. was made, not only on coins but on all bullion assayed and stamped by the Mint, by the same Act which reduced the half dollar to 192 grains Troy, or in the proportion of 384 for the whole dollar, no longer coined.

§ 53. However the exact equivalents may be decided, the hope of introducing gold in fair proportion into the country rests on the fact that though the stream of bullion sets strongly in, it very rarely runs out, and there is no cause apparent which can effect any serious change in this respect. The rupee is well established, and indeed best fitted for circulation in vast districts hardly wealthy enough to receive gold. Its circulation, even as subsidiary currency, will always be very large, and so also will be the actual consumption, if the great mass of the rural population continue to prosper. We may hope, therefore, for enough elasticity in the respective markets to prevent any extreme fluctuations, for a very trifling increase in difference, beyond that of the equivalents adopted, will no doubt cause one metal to be preferred to another for transmission, with the stream, *into* this country, and an extreme fall in silver in the European markets would promptly be checked by a revival of demand from India. But a very much larger difference would be required to draw gold *out* of the country *against* the stream in which bullion generally was flowing. Further, the greater quickness with which gold can be coined should enable the Mints to make it worth more by about a halfpenny an ounce, in silver, to Banks desirous of laying down funds here: the value would be saved to them in interest and certainty, and the difference in these respects would probably suffice to turn the scale in favour of gold from Australia direct, on account of the indebtedness of England to India; competition also may eventually induce a slight difference in the costs,—including the risks of transmission,—in favor of gold. Such considerations as these do not affect the more permanent equivalents of the two metals: they merely show how gold is more portable and more easily used than silver. It is by so much the finer common measure of value and will flow into or away from a country with the greater facility.

Very small fractions will turn the scale as between gold and silver when the cost of sending one *or* the other must be incurred to meet the general exigencies of trade, but a very much larger difference would be required to cover the costs of an independent operation to bring in one metal in order to buy and export the other. If the general trade balances of India did not, directly nor indirectly, require either an import nor an export of bullion, there might be a margin of equal to the charges of transmission both ways, or about 1 or 5 per cent, exclusive of interest, against any actual abstraction of the dearer metal by the substitution of that which may become the cheaper in the general market, but it is extremely improbable that any such state of equilibrium should be attained or preserved for any length of time in the present state of commerce. The change in France, for instance, though its own balances showed no sufficient perturbation to effect it, was made at the expense of the trade with Asia. India and China merchants sent gold to France to buy silver which they sent on to Asia as the readiest and cheapest means of paying for silk and cotton urgently required in the European markets. This trade *moved* the bullion; the preference given for one metal rather than the other was determined, first, by the equivalent values fixed by law in France, and further by such considerations as those to which we have just adverted.

§ 54. As regards the seignorage to be deducted from the gold equivalent, it is hardly to be expected that Government will undertake the cost of coinage, but looking to the undoubted imperfection which this charge adds to a standard common measure, it should certainly be reduced to a minimum. One half per cent. would, according to the precedents afforded by France and the United States, be amply sufficient, which would reduce the weight of the gold coin (see sec. 51) issued to 116·4 grains Troy as for the equivalent of 116·985, bullion or 115·42 grains Troy, as that of 116 bullion for the Rs. 10 piece. Having regard to the perturbations to which our coinage may be exposed while a double standard is current, there may be a temptation to guard it by a larger deduction for seignorage, but as has been already fully shown, it is impossible to foresee when or how the charge could be got rid of if once imposed. To change it arbitrarily is simply a covert way, open to the gravest objection, of changing the standard of value itself.

§ 55. The standard in the sense merely of the proportion of pure metal to alloy, is of course purely arbitrary. The minimum of alloy necessary to give coin sufficient hardness to prevent undue waste from friction in use, is all that really need be added. The British standard for gold and the Indian standard for silver are the same, viz., 11 parts pure to 1 of alloy. The old Indian gold coins, however, were generally of a finer metal, and it might be worth enquiry whether there still exists any preference likely to be effective for a higher purity. It would require an adjustment only in the mere weight of the coin : in fact, the weight of pure metal would be constant, the difference being made up in the alloy which is accounted as of no value whatever. A standard of 15 pure to 1 alloy, taking the "anna" fraction, would give a coin of 113·813 grs. or 112·855 instead of the 116·4 grs. and 115·42 grs. just mentioned. No matter of principle is involved in the question and no disturbance of value can be caused by it ; but a different proportion of alloy in the standards of the two precious metals requires a troublesome correction in every calculation of their comparative value. The objection to coins of different weights but the same value would nevertheless be a very strong one, for the poor and ignorant are always liable to be puzzled and mulcted for a discrepancy the nature of which they could not understand : for their sakes simplicity of form is as desirable, as simplicity of principle is for those dealing with the wider operations of interchange. The long fractions in which the equivalents are expressed are not an objection on this score, for no substance exposed to the constant wear and tear of use can keep its weight to within fractional parts of a grain—a certain inexactitude is inevitable and would equally supervene, however simply the original equivalent could be expressed, and a fractional element for premium or discount constantly enters into international exchanges even when the currency unit is identical, as in England and Australia ; and perfect arithmetical simplicity can never be maintained in dealing with the various bearings of this question.

§ 56. Perhaps as convenient and suitable an adjustment as any would be found by taking $116\frac{1}{2}$ grains 22 carats, or $\frac{916.66}{1000}$ fine as the equivalent of Rs. 10, which gives a proportion of 15·782 parts silver to 1 part gold, $4/11\frac{3}{4}$ per oz. *British* standard as the price of silver, and Rs. 10-9-4 as the value of the sovereign. From this quantity a deduction of one half of a grain for seignorage or mintage, or rather less than $\frac{1}{2}$ (·429) per cent would leave 116 grains as the weight of the coin issued, or indeed, might afford a slight fraction more for loss of weight by friction ;—fractions and multiples of it to be coined in proportion as occasion might require. Such a coin gives comparatively simple fractions to be dealt with practically, and, having reasonable regard to the probable effect of any effectual introduction of gold into the Indian currency, seems to afford a fair promise of being one that would maintain its place in the circulation. If I may further venture to suggest a name, it might well be called an *Imperial*, and as it is essentially different from the sovereign in value, it should be palpably different in appearance, an object easily obtained by making it somewhat thicker and of less diameter :—or the reverse.*

§ 57. There are strong reasons why the apparently

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* $77/10\frac{1}{2}$ per oz. is the *buyer's* price for gold, and has been taken for all the foregoing calculations. If comparisons are desired with the price of 77/9, a little less than one-fifth (·192) of a grain must be added to the weight of the equivalent for the Rs. 10 gold piece 11/12 pure, and rather less than one-tenth of a penny (·096) deducted from the price of silver per oz. British standard.

The British silver standard is $\frac{222}{240}$ or $92\frac{1}{2}$ per cent. pure and the British gold standard $\frac{22}{24}$ (11/12) or $91\frac{2}{3}$ per cent. pure. An ounce Standard of gold is thus 440 grains Troy pure, while one of silver is 444 grains, and all equivalents expressed in British standards must be corrected in this proportion. This of course does not apply to quotations in silver money, which merely represents fractional parts of a sovereign.

lower prices in Australia cannot be held to affect the equivalents stated of gold and silver. The most permanent element of difference is the seignorage of 3d. per oz., but it is exposed to peculiar uncertainty in this case, for the gold producing, must be also a gold exporting, country, and whatever the local seignorage may be, the sovereign and the bullion required to lay down the sovereign in London, the great market of demand, will be equivalents ; the costs of transit being equal. Hence a brisk demand in Australia sends the rate up to 77s. 9d. per oz., which is the prompt price paid by the Bank of England. Prices of bullion, however, are there often quoted under the local equivalent of 77s. 7½d. (77s. 10½d.—3d.) but this resolves itself into a mere question of account in the adjustment of current transactions : thus :—If an importer of goods owes in London £100 (assuming all claims for interest, commission, &c., to be included in that sum) and remits in sovereigns at a cost for transit, say of 2 per cent., he must get £102 for his goods to cover their actual cost. The coin (or its fixed equivalent in bullion) is the same and an exact common measure of value in both places. But if this common measure is not so precisely fixed, the nominal price of the gold may fall, that is more gold will be given. If he get gold enough to make 102 sovereigns in England in exchange for his goods, he may call the cost of them £100 only, and deduct the £2 for transit charges from the gold itself :—all he has to do is to pay the 100 sovereigns, net, in London. These 100 sovereigns, and the 100 sovereigns with which he bought bullion enough to make 102 sovereigns being identical in weight and fineness. It is clear, therefore, that question of transit charges is settled within the limits of the interchanges which make the complete transaction ; but instead of a fixed standard to which foreign, as well as home dealings, are adjusted, the foreign measure of value is itself unstable to this extent : goods are not on the average any cheaper, they are only less accurately and consistently priced. The Banks who generalize mercantile transactions find a reduction in the quotation for gold constantly counterbalanced by a corresponding movement in exchange.* Moreover, unless the *whole* of our supply were drawn from the Colonies, the calculation on English equivalents must still be maintained, for where a supply of any article has to be drawn from more than one source, it is the higher cost which governs the market.

These abstract considerations affect only the estimate of the equivalent quantities of the two metals. It by no means follows that India will not draw its supply from Australia. On the contrary the very course of international exchange referred to will tend strongly to bring it to us by the most direct course: not because it is actually cheaper—for a sovereign, for instance, cannot be said to be cheaper or dearer than itself—but because the requisite charges of current trade will be lessened thereby. Especially as the question will present itself to a Banker, there will be a saving in interest; that is, in time; quite sufficient to turn the course of the stream into India.

There seems little reason to expect any great stimulus to direct traffic in other commodities from this change: Australia draws its supplies of tropical products from nearer and better sources, and indeed had there been scope for any such trade it would have flourished long ago. The fine weights of the Mint do not in this way move the Custom House scales. But the precision and certainty given to the value of gold will tend greatly to make India the monetary centre of the East, and in this manner a beneficial impulse will be afforded to the general commercial activity of the Empire. It

* I have not been able to get a copy of the local regulations of the Australian Mints, but their use must in some way be restricted to the public, for it is evident that if any one could take 10 lbs. standard gold to the Mint and get sovereigns of the same weight, &c., as the English coinage, viz., £467¼ for a cost of 3d. per oz.: or £1 10s., giving him net £465¾, he would not sell, say at 77s. 6d., which would give him £465 only.

is not the large proportion of profit, or even the magnitude of the totals on which it is gained, that restrains the working of bullion operations so stringently within their own natural limits, but their precise certainty. If a man is offered two appointments, the value of which is a matter of uncertain estimate, he may hesitate which to choose, although the real difference may be considerable; but if he is offered £10,000 or £10,001 there is no doubt as to which he will take, nor that, if he believe he is justly entitled to the extra pound, he will most strenuously maintain his right. The various fractions discussed may seem to differ very slightly, but the differences are capable of the most precise measurement, and thus are amply sufficient to turn the scale in operations of this character.

§ 58. In all cases, in the United Kingdom, in France, and in the United States, gold has merely been introduced at its existing equivalent value for the time being, and this is what has to be done, as nearly as possible, in India; but in this case, as gold has not already a place in the currency, not only its introduction, but the effect of its introduction, have to be considered. The change has nothing whatever to do with any metrical system: the respective values of gold and silver differ severally from time to time as a matter of fact, and could not possibly be reduced to any one simple expression by any possible change in the mode of numeration. It will be time enough to discuss the unification of weights, measures, and standards when common units shall have been agreed upon, and then, it must be borne in mind that every existing system would be related to the new system in every variety of fractional proportion, and every existing satistical table into which weights, measures, and values entered, would require its special correction. For my own part I would rather protest against any partial change which will only introduce fresh elements of confusion. If a standard unit of length be once established on a true scientific basis, the square of which would be the unit for measures of extension, the cube that for those of capacity, and the contents of such cube in that substance least liable to variation under fixed and definable conditions, the unit for weight; there would exist data on which common measures for all the civilized world might be introduced, for the benefit rather of posterity than of the present generation.* And perhaps those who place so high a value on the mechanical conveniences of the decimal over the deodecimal method, might consider whether the advantages of both systems might not be combined by the introduction of a new scale of numeration raised on the powers of twelve instead of those of ten. The one change will hardly present more difficulties than the other, if practically carried out through all stages of society. It would be unreasonable to put off the introduction of gold till such problems as these are solved, and perfectly useless to attempt to connect a gold coinage with any ideal system instead of making it express the simple multiples of the existing standard rupee: there must be a fraction either in the weight of the gold coined to adjust it to the rupee, or fractional parts of the rupee must be given to adjust it to the value to the gold coin: there will be little difference of opinion that the former is the more simple and practical method.

§ 59. The attempt to introduce the English sovereign into our currency can hardly be persisted in as a serious measure. It was very natural for the gold yielding colonies to reproduce the sovereign to which they were accustomed and to desire its recognition, which was not granted, however, without some needful restrictions, in the United Kingdom. They were bound by no antecedents, and were perfectly free to adopt any course they desired. But the idea of maintaining an identical standard coin, common to

* This is the French *method*, but their primary unit seems open to grave objections on scientific grounds.

India and the United Kingdom, is altogether premature. There is no real community between the currencies, properly so called, of the two countries, but there is, on the contrary, a very large transport of the metals of which coins are made from one country to the other. England would be liable to have its coin, which it delivers without cost, weight for weight, for bullion, suddenly withdrawn at the option of any one desiring to make an immediate transfer of value to a region entirely out of the circle of the currency of the United Kingdom. For India thus to endeavour to get its coinage, free of expense, from England is more like the act of a hostile power than that of a loyal dependency. The sovereign, moreover, is unsuitable in actual value, and if a seignorage is to be charged at all in India, there is no way of deducting it from the weight of the coin, nor is there any other mode in which an equivalent impost could be enforced, for it is practically impossible efficiently to collect a tax on the imports of such an article as gold coin. To buy sovereigns at Rs. 10-4 each, or any other rate, is a most useless proceeding : they are in no way preferable to bullion for minting purposes : they cannot be sent home, against the stream of exchange, without heavy loss : they cannot be made a legal tender, and there can be no object in making them known throughout the country since they cannot be made a legal tender. To issue notes even to a limited extent against coin which is not a legal tender is to incur a risk, not very imminent perhaps, but for which there is no compensating advantage, and for the Government Banks to return them in their accounts as lawful coin of the realm, would only be to profess "the thing which is not." In exceptional times of pressure—and it is only in such times that the nature of a Bank's advances are tested—it would be only too evident, that it had been false to the public and failed to guard those cash reserves which it is one of its most important duties to maintain. Sovereigns are a first class security upon which any Bank is justified in advancing freely, but on such terms only as will enable it to realize its security without loss, even under those unfavourable conditions which constitute a time of pressure. If such a coin were introduced into a country, like China for example, which has no exact currency system at all, it would no doubt be made useful in many ways; but to foster the introduction here, of a coin which is not made a legal tender, merely intrudes an uncertain element into our comparatively advanced system, and is in fact a retrograde movement. No doubt, the sovereigns, bought at Rs. 10-4, can, if the views here expressed of the right equivalents of gold and silver are correct, be coined with some direct profit; but the transaction is not one which will tend to facilitate the introduction of a gold coinage on a true basis.

§ 60. Into the details of the exact cost of laying down gold I do not enter. The costs of transit may probably be reduced by competition, but in any case they form merely a simple addition to the first cost of the equivalent in bullion of the coin required. The chief element in this calculation is the charge, also variable, of interest for the two or three months required for transit out and home and further until the maturity of bills drawn at the usance of six months after sight: for this usance is not merely a capricious and arbitrary arrangement. It at present represents, roughly but fairly enough, the time required for the transmission of those more bulky commodities by which the bullion is paid for, and to obtain which for use and consumption in Europe or elsewhere, this bullion is sent out. The want to be satisfied;—which is the motive power;—is for these commodities, and if all cost including those of transmission are not paid both upon them and upon the bullion, the demand is not "effective," and the trade will languish and decay. Calculations of this kind are the daily business of Bankers, and the details are liable to constant variations. When once the Government has fixed the equivalents at which gold and silver are to be coined and made legal tender, its task for the time, is completed. The result must be determined by the general causes which govern the relative values of the two metals throughout the world. There is no doubt that the acute and free competition of our Bankers will give local effect to any such changes, as far as they are capable of affecting this country.

§ 61. Only mischief and vexation can arise from any half measure: the paramount question of the equivalents to be adopted must be considered well and with due forethought. It will be no light matter to change them afterwards. Without forfeiting all right to the confidence of the monetary world, the *standards of value* cannot be repeatedly adjusted to meet fluctuations on one side or the other: buyers and sellers must needs be content to take some risk for better and worse of change in the best standard attainable; but it is a totally different thing to shift the equivalents of a double standard, for such changes made with a view of preventing the outflow of the dearer metal, will constantly be in one direction, and lenders would thereby be subjected to the double risks of fluctuations in either metal, for it has been shown that when there is any divergence in the value of two metals circulating side by side, it is always the higher which is withdrawn, while the lower remains in the country. If gold is once well established in our currency, its superiority as a measure of value will probably induce the use, not necessarily of the coin, but rather of its equivalent, thus fixed and made certain, in gold bullion, for all international operations, inward or outward, requiring the transmission of bullion. Silver would still constitute a large and comparatively immoveable portion of the internal currency, especially when duly supplemented by the coinage of smaller pieces in full proportion. If, however, its value in the general market were to fall so much, and so permanently, that silver could only be sent to us, and still more if the fall were so great as to make a difference sufficient to cause a coincident withdrawal of gold, some of the broader issues of the question would again be forced on our attention. The change now proposed can hardly be sufficient to produce any such effects; such a depreciation of silver as would thwart a well considered attempt to introduce gold, can hardly arise except from a concurrence of external and general causes. Such an alteration in relative prices would probably afford conclusive proof that the purchasing power of silver was declining, and in this case the only remedy—and the right remedy—would be to declare, once and for all, gold the only standard, leaving silver coins to find their natural level in the market, except in so far as they could be supported as a subsidiary token currency representing the aliquot part of the gold unit. A fall in the comparative purchasing power of gold, on the other hand, would strongly tend to establish it in our currency, and we should have to deal with any question of depreciation —if it were considered absolute and not merely comparative—in concurrence with other civilized nations, who will be exposed to the same chances under the same conditions as ourselves. How such an evil could best be dealt with, we need not now discuss; but it does not in any way follow that the recognition and adoption of gold as the best common measure will preclude a direct reference to silver for the correction of the standard of value for more lengthened periods, should the necessity of any such correction be forced upon us. In any case India would be in a better position by the possession of gold in its currency. The more probable event, however, is that the comparative value of the precious metals will not for some time to come be subject to any such vicissitudes; that the introduction of gold will be steady, continuous, and in many ways beneficial, though as long as we have a double standard we shall be exposed to a double measure of uncertainty. An uncertainty, however, which need not affect any of the advantages, which we at present enjoy, but threatens those only which we hope fully to attain, and shall attain in part, as far as the gold freely introduced is retained in the currency. We must bide our time, vigilantly and patiently, until a favourable opportunity arises to secure, on the higher basis of gold, the unity and perfection of our monetary standard.

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APPENDIX A.

SILVER AT 5s. PER OZ., BRITISH STANDARD, IN LONDON.

GOLD COIN (LESS SEIGNORAGE ½ PER CENT.), 106·4 GRAINS, 22 CARATS, 91⅔ FINE FOR Rs. 10 PIECE.

(Sec. 51.)

£100, in silver, at 5s. per oz. = 400· oz. Br. standard, 92½ per ct. fine.
= 403·6363 ,, In. standard, 91⅔ per ct. fine.
= 1076·3636 tolahs do.

Less seignorage
2 p. ct....... 21·5273
Less melting,
&c., 1 p. mille 1·0763
—————— 22·6036
—————— = Rs. 1053·76 or Rs. 1053-12-2.

1 Rupee = 1 tolah of 180 grains.

£100, in gold, at 77s. 10½d.
per oz. .... = 25·682 oz., 91⅔ per ct. fine.
= 12327· 44 grains ,,
Less seignorage ½ p. ct... 61· 63 ,,
——————
12265· 81 ,,
÷ 106·4 = 105·376 pieces of Rs. 10 = Rs. 1053-12-2.

Cost of transit, including risks, are generally about the same on all bullion. Gold, weight for weight, is about fifteen and a half times, and bulk for bulk about twenty-eight times, as costly as silver: its extreme portability affords a great facility for transport, but on the other hand increases the risk of loss through inadvertence or robbery. On the routes across the Isthmus of Panama there is a difference of ⅛ (one eighth) to ¼ (one quarter) per cent. in favour of gold.

APPENDIX B.

SILVER AT 4s. 11¾d. PER OZ., BRITISH STANDARD, 92½ PER CENT. FINE.

GOLD IN INDIA 116·5 GRAINS FOR THE COST OF Rs. 10 COIN, FROM WHICH WEIGHT SEIGNORAGE IS TO BE DEDUCTED.

Sec. 56.

£100, in silver, at 4s. 11¾d. per oz. .... = 401·674 oz. Br. standard.
= 405·3256 ,, In. do. 91⅔ fine.
= 1080·8682 tolas do.

Less seignorage 2 per cent ... 21·6174
Less melting, &c., 1 p. mille. 1·0808
22·6982
= Rs. 1058·17 or Rs. 1058-2-8

1 Rupee = 1 tolah of 180 grains.

£100, in gold, at 77s. 10½d. = 25·682 oz., 91⅔ per cent. fine.
= 12327·44 grains do.
÷ 116·5 = 1058·16 pieces of Rs. 10 = Rs. 1058-2-6.

[*See Note to Appendix A.*]

APPENDIX C.

SOVEREIGNS IN INDIA AT RS. 10-4.

SILVER IN ENGLAND AT $61^{\cdot 684}$D. (5s. $\frac{11}{16}$D. NEARLY) PER OZ.

£100, in silver, at $61^{\cdot 684}$d.
per oz. .... = 389· 078 oz. British standard, $92\frac{1}{2}$ fine.
= 392·6151 „ Indian standard, $91\frac{2}{3}$ „
= 1046·9736 tolahs do.

Less seignorage
2 per cent. ..20·9394
Less melting,
&c., 1 p. mille 1·0469
21·9863
= 1024·9873, or Rs. 1024-15-10.

£100, at Rs. 10-4 per sovereign .... = Rs. 1025- 0- 0.

or

£100, at 77s. $10\frac{1}{2}$d.. ..... = 25·682 oz. = 12327·44 grains, will give 102·7287 coins of 120 grains each = Rs. 1027- 4- 7.

[*See Note to Appendix A.*]

APPENDIX D.

AVERAGE PRICE OF BAR SILVER IN LONDON PER OZ. BRITISH STANDARD.

Year.		Year.		Year.		Year.	
1841..5s.	$0\frac{1}{16}$d.	1848..4s.	$11\frac{7}{16}$d.	1855..5s.	$1\frac{1}{4}$d.	1862..5s.	$1\frac{3}{8}$d.
1842..4s.	$11\frac{5}{8}$d.	1849..4s.	$11\frac{11}{16}$d.	1856..5s.	$1\frac{3}{8}$d.	1863..5s.	$1\frac{1}{4}$d.
1843..4s.	$11\frac{1}{2}$d.	1850..5s.	0d.	1857..5s.	$1\frac{3}{4}$d.	1864..5s.	$1\frac{3}{8}$d.
1844..4s.	$11\frac{1}{2}$d.	1851..5s.	1d.	1858..5s.	$1\frac{5}{8}$d.	1865..5s.	1d.
1845..4s.	$11\frac{1}{4}$d.	1852..5s.	$0\frac{5}{8}$d.	1859..5s.	$2\frac{1}{16}$d.	1866..5s.	$1\frac{1}{8}$d.
1846..4s.	$11\frac{1}{4}$d.	1853..5s.	$1\frac{1}{2}$d.	1860..5s.	$1\frac{5}{8}$d.	1867..5s.	$0\frac{9}{16}$d.
1847..4s.	$11\frac{3}{4}$d.	1854..5s.	$1\frac{1}{2}$d.	1861..5s.	$0\frac{7}{8}$d.	1868..5s.	$0\frac{1}{2}$d.

*** The first exceptional cause for an urgent demand for silver was to pay for silk bought in China to supply the deficiency arising from the general failure of the European crops in 1855 and subsequently. The increased demand for cotton since 1861 seems to have arrested a decline. In the usual course of trade in ordinary commodities England is indebted to both India and China, and China is indebted to India; there is therefore a close connection between the rates of exchange, and consequent demand for bullion, in both countries.

APPENDIX E.

VALUE OF PRODUCTION OF GOLD FROM 1849 TO 1863, (IN THOUSANDS.)

		1849	1850	1851	1852	1853	1854	1855	1856	1857	1858	1859	1860	1861	1862	1863
		Milles.	Milles.	Milles.	Milles	Milles.	Milles.	Milles.	Milles.	Milles.	Milles.	Milles.	Milles.	Milles.	Milles.	Milles
California, &c . .	£	8,000	10,000	11,000	12,000	13,000	12,000	11,500	11,000	10,500	10,000	9,000	8,500	8,000	8,000	7,700
Australia, &c .	£	.	. .	1,865	13,397	13,970	10,813	11,909	13,529	12,598	11,901	10,891	9,948	9,577	8,000	7,990
Other Sources	£	13,255	13,484	14,111	13,851	14,967	14,057	14,395	14,170	14,371	14,674	15,595	16,275	16,075	17,141	17,027
Total	£	21,255	23,484	26,976	39,248	41,937	36,870	37,804	38,699	37,469	36,575	35,486	34,723	33,652	33,141	22 717

Total for 15 years, £510,036,000 ; or per annum, £34,002 400.

VALUE OF PRODUCTION OF SILVER FROM 1849 TO 1863.

1849	1850	1851	1852	1853	1854	1855	1856	1857	1858	1859	1860	1861	1862	1863
Milles	Milles.	Milles	Milles.	Milles.	Milles.	Milles.	Milles.	Milles	Milles	Milles.	Milles.	Milles.	Milles	Milles
£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
14,449	15,993	16,023	16,087	16,691	15,523	15,721	16,347	16,363	17,728	17,398	17,750	18,391	18 118	18 448

Total for 15 years, £251,035,000 ; or per annum, £16,735,666.

Extracted from tables given in the Blue Book of the Commission of 1866, as from the "Money Market Review."