be reckoned only upon the fixed portions of the disbursements from the Home Treasury. Thus calculated, this enhancement does not, probably, as yet, exceed 2½ crores of rupees * a year, which sum may be taken as a full estimate of the loss to British India from the disturbance of the equilibrium of the precious metals which existed in 1873.

About 2½ crores of rupees a year.

15. But it must be remembered, on the one hand, that this estimate is confined to the consequences of the increase of the value of gold in excess of the increase in the value of silver, and does not include the loss due to the rise which is common to both metals; and, on the other hand, that although, owing to the metals being linked together through the French Monetary Law, there was no disturbance of their relative values, and so the fact received comparatively little practical recognition, yet there is no doubt that, in consequence of the gold discoveries in California (1848) and Australia (1851), the values of the precious metals were, in 1873, still abnormally depressed. Their present values will probably prove to be more permanent than their values in 1873.

Considerations affecting this estimate.

16. The chief item of loss to British India is due to the fact that, during the period (1850—73) when the value of the precious metals was so abnormally depressed owing to the gold discoveries, that the general standard measures of value were perhaps 25 per cent. below their usual range, India borrowed, for the suppression of the Mutiny and construction of Railways, 164½ millions sterling, on which India must continue to pay interest, at the covenanted rates, by standards which have nearly, if not quite, recovered what will probably be found to be their normal values. The burden has, however, been mitigated by the subsequent reduction of the rate of interest on most of these loans, excepting some of the Guaranteed Railway Loans; and it cannot be confidently assumed either that India would have been able originally to borrow on the same terms, if the range of the standard measures of value had not been depressed, or, on the other hand, that the subsequent reduction of the rates of interest upon those loans would have been possible if there had been no intermediate recovery of the values of the precious metals.

Chief item of loss to India.

17. The grounds upon which it is considered that British India would be benefited by the adoption of an international bi-metallic standard measure of value may now be discussed. Two practical advantages are anticipated from the adoption of such a standard by all nations or even by the leading commercial nations:—

Advantages expected from international bi-metallic standard.

*First.*—Fluctuations of exchange between the moneys of different countries would be confined within narrow limits.

*Secondly and principally.*—The standard measure of value would gain immensely in that stability which is, above all things, to be desired in a standard.

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* NOTE.—This estimate is thus made—

| | | |
|---|---|---|
| Net yearly obligations of the Home Treasury Fund fixed in sterling, about . . . . . | | £11,750,000 |
| Equals, with silver at— | | |
| 50*d.* an oz. (exchange about 1*s.* 7*d.*) . . . . | Rs. | 14,66,00,000 |
| 60*d.* an oz. (exchange about 1*s.* 11*d.*) . . . . | ,, | 12,22,00,000 |
| Loss, upon the assumption that the fall in the exchange is due, exclusively, to a rise in the value of gold . . . | Rs. | 2,44,00,000 |

Fluctuations of exchange.

18. Speaking, first, of fluctuations of *international exchange*, it is unnecessary to dilate upon the inconvenience which they cause to trade. Possibly, indeed, this inconvenience may some times be over-estimated ; for the direct effect of a fluctuation is confined to engagements already contracted and in course of fulfilment ; it can only affect subsequent transactions by inducing apprehensions that renewed fluctuations may vitiate the calculations upon which they are undertaken. Not only, however, are such apprehensions, often, sufficient to paralyse trade, and not only must repeated fluctuations cause serious and unmerited losses to honest traders, but which is, perhaps, worse, uncertainty as to the international exchanges introduces an avoidable element of speculation injurious to sober, prudent and honourable, and, therefore permanently profitable commerce.

Their main cause.

19. Fluctuations of exchange between two countries must be mainly due to variations in the standard measures of value of one or both countries. If two countries use one standard measure of value*—whether they use the same unit or not is a matter of little importance—the fluctuations of the exchange between them cannot exceed the narrow limits of the cost of transporting the material of the standard from one country to another. Such stability of exchange is a considerable advantage ; but it is important not to exaggerate its scope, or to forget that fluctuations of international exchange might be, thus, almost wholly eliminated, not only without any improvement of the stability of the common standard measure of value, which is its only indispensable attribute, but even with a simultaneous deterioration of that characteristic.

Advantages of their elimination should not be overrated.

International bimetallic standard existed under French Law of 1803.

20. The international bi-metallic standard measure of value, actually, to a great extent, prevailed throughout the whole world, as long as the French Monetary Law of 1803 was in operation. This truth may not, even yet, be generally recognised ; but it is indisputable that, so long as gold and silver were freely interchangeable in France, at a fixed ratio, that ratio, necessarily, governed the relations of the two metals, and therefore the value of each throughout the world. The sole gold standard of England and the sole silver standard of India were, alike, wholly subject to the influence of the French Law, and not, as has been supposed, independent of it : the values of England's gold and India's silver were absolutely controlled by the French Law.

Its effect upon the stability of exchange.

21. Doubtless, that law only could operate freely and fully, while France possessed sufficient stores of both metals. Before the gold discoveries of 1848 and 1851, the French Monetary Law had ceased to maintain the value of silver measured in gold, which commanded a small varying premium ; and had the gold discoveries of California and Australia been repeated conversely, as her silver stores were exhausted, the French Monetary Law would have, in like manner, ceased to maintain the value of gold measured in silver. But this only shows that the demand for metallic, that is, intrinsic money, in France alone, great as it is, is not sufficient to maintain such a law per-

* Of course the conditions on which standard money can be coined in the two countries must be stable. It is not enough that the same substance should be used ; the Mint conditions must be invariable.

manently, under all circumstances ; and must not be allowed to obscure the fact that the French bi-metallic law alone did confine fluctuations in the relative values of gold and silver throughout the civilised world, for three-quarters of a century, within narrow limits.

Bi-metallic standard not essential to stability of exchange.

22. In theory, however, the bi-metallic standard of value is not, in any sense, indispensable for the elimination of all avoidable fluctuations of exchange. Manifestly the same result would be attained by the use of any other common standard, say, for instance, either gold or silver. In order that there may be no substantial fluctuations of exchange between two or more countries, the one and only thing needful is that they shall measure value by one standard, whatever that standard may be ; and no other device will prevent such fluctuations.

Stability of standard.

23. But, obviously, the degree of stability of an international standard measure of value must depend entirely upon the particular standard selected. This suggests the second and principal advantage which is to be expected from the adoption of an international bi-metallic standard measure of value ; namely, the vast improvement of that stability of the general standard measures of value which is of such supreme importance.

Injurious consequences of its recent disturbance.

24. It has been observed that the substitution by Germany of gold for silver, as its standard measure of value, followed by what was, in effect, the same action by France and her Associates in the Latin Convention, was the immediate cause of the recent disturbance of the long-standing equilibrium of silver and gold, and so aggravated to British India the consequences of the recovery of its value by gold, which was already in progress, as to cause to it a loss upon its public obligations measured in gold, estimated at about 2½ crores of rupees a year. A loss in the same proportion was caused upon all other obligations fixed by contract or custom, by the gold standard. Doubtless, the transfer of pressure from silver to gold, which produced these inconvenient consequences, must have, proportionately, counteracted the rise in the value of silver which would, otherwise, have been greatly accelerated, and India must have obtained some compensation for the enhancement of its public gold obligations in the correlative depression of public silver obligations. But if British India be treated as a whole, only its foreign obligations need for the present purpose, be considered ; and the fixed foreign obligations of British India measured in silver, though large, bear so small a proportion to those measured in gold, that it is certain that after all sets-off, there must remain a large balance of loss caused to British India by the action, first of Germany, and then of France.

Stability of standard should not be liable to disturbance by action of one nation.

25. No one can say whether the Governments of these two countries, especially that of Germany, which originated the disturbance, fully perceived the injury to the general interests which would follow upon the change of their national standard measures of value. Inasmuch as Germany herself has suffered and is suffering, as is believed, in proportion, as much by the change of its standard measures of value as any other nation, it may perhaps be presumed that the nature and effects of that measure cannot have been altogether appreciated by its authors. However that may be, it is, surely, a most serious evil that a single nation should, by a domestic action of this kind, whether inten-

tionally or not, inflict upon other nations grievous injuries against which they are powerless to protect themselves.

As it now is.

26. As things now are, the stability of the standard measures of value throughout the world is at the mercy of any single considerable nation, which can, at its pleasure, practically overthrow such stability with all the great interests dependent upon it. All countries alike are, however, deeply interested in the avoidance of any disturbance of the general standard measures of value; and it may be hoped that, when the vast importance of the general interests at stake is perceived, it may be possible to obtain a mutual undertaking by each nation not again, without international consultation and consent, to take any steps of this kind, involving, of necessity, the disturbance of the general bases of contracts. Certainly it would seem that this, of all others, is a matter which the comity of nations should act, under all circumstances, in common accord; and that resort should be had to all the sanctions and restrictions which international engagements can supply, in order to prevent a recurrence of the evils to which recent events show that all nations are now, helplessly, exposed.

International remedy urgently required.

The best international standard measure of value.

27. Thus far, the following two axioms have been established :—

(1) That it is highly desirable that all nations should measure value by one standard.

(2) That the common interests require that no important nation should alter its standard measure of value without the consent of the rest.

The further problem may now be considered, what would form the best common international standard measure of value, if the principal nations should agree to adopt one? This question resolves itself into the previous question, what would be the most stable possible standard; for beyond all doubt the most stable standard which is in other respects suitable, is the best standard.

Such a standard must be gold, silver, or a combination of the two.

28. It is unnecessary, in the discussion of this question, to go behind the precious metals, or to enquire why, by general consent, gold or silver, or some combination of these two metals are in use as standard measures of value by all civilised nations, to the exclusion of all other standards. There is no doubt,—indeed, the occasion for the present argument would demonstrate the fact afresh, if such demonstration were necessary—that the value of the precious metals themselves is far from being immovable, and, therefore, that they are far from constituting perfect standard measures of the value of other objects; but, from time immemorial, better and more stable standards have been sought in vain. It would, therefore, be unprofitable to advert further to such speculations, it being, practically, certain that, in practice, among all civilised nations, the precious metals must continue to constitute the standard measures of value to which all contracts, not otherwise expressed, must be referred. In what follows, therefore, it will be assumed that the choice of the best possible standard measure of value lies practically between gold, silver and some combination of these metals.

29. The problem now to be investigated has no immediate bearing upon the fluctuations of international exchange, which can be prevented, absolutely, beyond narrow limits by the use of any suitable common standard measure of value, and in no other way whatever. It signifies nothing so far as stability of exchange alone is concerned, whether such common standard be gold, or silver, or a combination of the two metals, or any other possible substance or device whatever. In order, however, to ascertain the effect upon the infinitely more important *stability of standard*, of the adoption of one or other of the three possible standards, namely, gold, silver, or some combination of the two metals, it is necessary briefly to examine the causes which regulate the value of the precious metals.

Stability of standard to be distinguished from stability of exchange.

30. In their nature, these causes do not differ from those which regulate the value of any other object. Value is essentially a relative and not an abstract conception; and the value of the precious metals, as of any other object, at any moment, and in any place, depends, immediately, upon the pressure of the present demand upon the present supply. Without diverging to follow any of the lines of thought suggested by this definition, it is only necessary, for the present purpose, to remark that the pressure of the demand upon the supply of objects such as gold and silver, which are, practically, imperishable, and the principal uses of which involve comparatively little wear and tear, is subject to influences which differ widely from those which regulate the pressure of the demand upon the supply of perishable objects, as, for example, a great catch of fish.

Causes of values of precious metals.

31. Gold and silver are used for three principal purposes, which may be named in their order of importance, as follows:—

Uses of gold and silver.

(1) hoarding, or storing value, whether in the form of money or in cruder forms;
(2) current or active money;
(3) the manufacture of works of art or ornaments, and various industrial uses.

The actual final consumption or waste of the precious metals in manufacture of works of art or ornaments, is, by comparison with the quantities produced, so insignificant that it may be ignored. Whether embodied in works of art, or in solid bars, these metals are so far indestructible, that the weight of metal used in the arts which constantly reverts to the crude form, probably suffices, without very large additions, to supply all demands for this object. The consumption of these metals for industrial purposes, though larger, is still, probably, unimportant in relation to their whole stock.

Waste in works of art insignificant.

32. So, again, the recurring demand for crude gold and silver for the manufacture of coin for current use, in all probability, rather diminishes than increases. Paper money in its several forms of notes, cheques, bills of exchange, etc., and improved methods of the settlement of accounts, such as culminate in clearing-houses of various kinds,—all tend constantly to displace the gold and silver money in current or active use for the exchange of value. Such devices are, probably, not as yet exhausted, even among the most intelligent communities; while there is great scope for the economy of

Use of precious metals for active money

the precious metals employed as active money, by the introduction, among the less advanced countries, of methods which are already established in the more advanced countries. Even if such obvious opportunities for further economy be ignored, it is certain that the volume of the metallic currency, or, as it may be defined, the active metallic money of any country, fluctuates but little; and that when a country has an adequate outfit of active metallic money, its indents upon the general stores of the crude metal for the maintenance of its currency are almost imperceptible. The waste of the metal thus used, whether in wear and tear, loss or destruction, is ascertained to be so small that it may be neglected.

creates but small permanent demand upon stocks,

33. The fact is generally recognised that the volume of a properly constituted subsidiary money, whether superior, like bank or currency notes, or inferior, as debased silver or copper coins, is subject only to limited variations: the demand for such instruments remains comparatively uniform. Upon reflection, it will appear that the same principle applies to the rest of the active or current money of any country whose currency is in a sound condition. There is no reason whatever to suppose that the volume of the retail exchanges of any community which requires the intervention of active money is liable to any violent or frequent expansion or contraction, or that the volume of metallic money in active use varies more than that of the several forms of subsidiary or representative money, or, in fine, that any constant accretion to such money is required. Doubtless, there may be a spasmodic demand for a fresh stock of active money on special occasions, as there was for gold when recently Germany introduced its gold standard, or when America resumed specie payments; but such contingent and temporary demands produce little permanent effect upon the value of these metals.

because the volume of active money does not fluctuate or grow.

34. It may be concluded, therefore, that, if gold and silver were needed only for the manufacture of works of art or ornaments, and of active money, the pressure of the permanent demand upon the permanent supply of these metals would be so weak, that their values would be unstable and low. The stability, at a high range, of the value of gold and silver really depends exclusively upon their use for hoarding or storing value.

Value of precious metals wholly dependent upon their use for storing value.

If, indeed, language be used with severe exactitude, it may be difficult to draw a clear distinction between money hoarded or passive, and money current or active; and the most precise definition of the uses of the precious metals would, perhaps, be—

(1) Storing value (hoarding);
(2) The manufacture of works of art or ornaments, and various industrial uses;

the second of which uses, as has been shown, contributes little or nothing to the value of these metals, except, indeed, in so far as this use, sometimes, as, largely, in Asia, merges in, and is indistinguishable from their use for storing value.

35. According to this, which appears to be the true definition, the primary use, even of current or active money, is to store value not immediately wanted; its employment for the transport or exchange of value being, though an important, yet a secondary duty. It would be difficult, on any

True use of the precious metals always to store value.

other hypothesis, to distinguish between the attributes of money buried by misers or ignorant peasants, and, so, absolutely passive and useless for the transfer of value, and that which passes, perhaps several times in a day, from hand to hand. To regard money proper of all kinds, including the crude substance of money, as used, primarily, for storing value, furnishes us with a definition common to all such money; under which passive money differs from active only in that it is stored for a longer money period.

Distinction between active and passive money.

36. Certainly, it is impossible to draw any clear line between current money and hoarded money. Money current to-day may be hoarded to-morrow; money hoarded to-day may be current to-morrow; and it may be often difficult to say whether particular money is hoarded or not, as, for instance, the reserves in the vaults of the Currency Department of India or of a Bank. All that is clear is that of all the precious metals in existence, a certain volume, subject to little or no expansion or contraction, which has been, in this memorandum, defined as active money, is required for the constantly-recurring occasions when value must be transferred in retail from hand to hand, and the rest is, excepting the insignificant portion devoted to artistic and industrial uses, hoarded or stored. The importance of the distinction between active and passive money must, however, not be overlooked: it lies chiefly in this, that representative instruments and devices can and do perform all the duties of active money, often far more conveniently than the money proper which they represent. But, speaking generally, such expedients cannot efficiently discharge the functions of passive money, because they are ineffectual for prolonged hoarding.

Pressure of demand upon precious metals for storing indefinite.

37. The laws which regulate the demand for gold and silver for storing value cannot be traced; its pressure is indefinite, and, perhaps, depends, ultimately, upon the volume of the products of the labours of man and the fruits of the earth not required for immediate consumption. This, and probably this only, is the demand which, by its pressure on their supply, ultimately confers upon the precious metals their permanent value.

Their efficiency for this purpose not intrinsic, but dependent upon human laws.

38. The efficiency of the precious metals for storing value does not, unhappily, depend, like the efficiency of coal or wood for storing heat and force, exclusively upon intrinsic qualities of which mankind cannot deprive them, but to a large extent, upon the common consent, or, even, caprice of mankind; their intrinsic efficiency for storing value, and, therefore, their intrinsic value, consists only in their superior fitness for this particular duty as compared with all other substances: but they may, conceivably, be at any time dethroned from this position: their value rests, in short, upon human laws, and can, at any moment, be destroyed by human laws.

Recent practical examples of this truth.

39. During the last thirty-five years, the value of each metal in turn has been seriously imperilled by threatened or actual legislation of this kind. After the discovery of gold in California and Australia, one of the most distinguished of French Economists (Chevalier), and a wellknown English Economist (Danson), oblivious, as it would seem, of the effect of their proposals upon the existing standards of value and thus upon contracts throughout the world, earnestly and persistently advocated the disuse of gold as money: if their advocacy had prevailed, the value of gold would have been destroyed. Now, again, within the last few years, silver has been actually demonetised in Europe

the stability of its value being thereby seriously impaired. Plainly, either metal might be, at any moment, demonetised, and its value indefinitely reduced, by human legislation. If the suggestion that the value of both metals might, by like means, be simultaneously dissipated, be made with much hesitation, it is only because, as already said, it is difficult to conceive that it would be possible to find any other standard measure of value which would be, or, at least, is likely to be, substituted for both gold and silver.

Precariousness of their value under present conditions.

40. Upon so precarious a basis rests the whole fabric of that portion of human wealth which is stored in the form of the precious metals; the most permanent of all the forms of wealth, if human laws were unalterable; the most easily destructible by any change of such laws under the influence of panic, caprice, or misunderstanding of the abstruse principles which underlie the phenomena under investigation.

Relative values of precious metals are under human control.

41. If the conclusion be accepted, and it appears undeniable that human legislation, by causing their disuse as money, and so incapacitating them for the duty of storing value, can deprive either, if not both, of the precious metals of the greater part of their value, it follows, conversely, that the value of either metal can, by the same instrumentality, be increased at the expense of the other, and, accordingly, that their relative value can, within wide limits, be fixed or defined; it was so defined, as has been shown, for three quarters of a century, in virtue of the law of a single country (France); and, provided that such a law is sufficiently general, and that its permanence is ensured, its effect must be universal and absolute.

Production and stock of the precious metals.

42. In a second appendix to this memorandum will be found an estimate of the total production and present stock of the precious metals. According to that estimate, the weight of gold and silver in human possession is about 510 millions of pounds troy, of which 30 millions of pounds (one-seventeenth part) is gold, and 480 millions (sixteen-seventeenths) is silver. The aggregate value of the whole was, till recently, about equally divided between the two metals. The value of the whole may be, at this moment, about £2,800,000,000. So vast is the property, the value of either half, if not of the whole, of which lies, as has been shown, almost absolutely at the mercy of human legislation. If, by human legislation or otherwise, one of these metals should be demonetised, its value would be practically destroyed and transferred to the other, the value of which would be doubled. The catastrophe which would follow upon such a revolution can hardly be imagined.

Effect of German demonetisation upon their relative values.

43. The immediate effect of the recent action of Germany may probably have been the transfer to the owners of gold of one-sixth of the value of the stock of silver existing in 1873, and the enhancement, in the same proportion, of all debts then existing, defined in gold, and of all recurring payments fixed by contract or custom in gold. By a happy accident it seems probable that the claims of creditors by the silver standard have not yet been actually depreciated: at the same time, but for the action of Germany, such creditors would have been, to the foregoing extent, in a better position than they now are. Enormous injury has been caused to trade by the resulting oscillations in the value of both standards in search of a fresh equilibrium, and from apprehensions which still continue, lest other nations should follow Germany's example.

Gravity of risks lest other communities should follow suit.

44. These serious consequences from the comparatively moderate disturbance of the general standard measures of value, due to the action of a single nation, furnish some indication of what would happen if other nations should hereafter take similar steps. It is not too much to say that, in such case, that stability without which a standard of value cannot discharge its main functions already gravely impaired, would be finally destroyed. This calamitous result can be certainly averted only by the concerted action of the principal nations, and no effort should be spared to obtain such concert.

Inferior stability of mono-metallic standard.

45. If gold alone, or silver alone, was, by common consent, made the universal standard measure of value, then, after an indefinite interval of incalculable disaster and ruin, a certain new stability of standard established upon the sole gold, or sole silver, basis might again be attained; but, even then, such stability, based upon one metal only, must inevitably be wholly inferior to that based upon the two metals in correlation, because the compensatory influences of the existing duplicate standards would be absent, and every passing fluctuation would operate upon a much smaller volume of material. To illustrate this, it may be asked what would have happened if the discoveries of gold in 1848 and 1851, which reduced the values of both metals by about one-fourth for twenty years, had operated upon gold alone? It seems probable that, but for the steadying influence of the French yoke between gold and silver, the value of gold would have fallen by at least one-half; in other words, gold prices would have doubled, and creditors by the gold standard would have lost half their property.

Various forms of the bi-metallic standard.

46. In order to the existence of a real bi-metallic standard measure of value, it is not absolutely necessary that the two metals should be actually interchangeable, anywhere, at a fixed ratio. Such a ratio would, in a great degree, establish and maintain itself without any such interchange, if only a permanent share of the common field of employment were absolutely secured to each metal. At present, speaking generally, it may be said that the field of Europe and America is supplied only by gold, and the field of Asia is, to a great extent, supplied by silver: though even in Asia, notwithstanding that gold is not used for money there, much value is stored in gold.

Existing correlation of gold and silver.

47. Thus under present circumstances, silver takes a very substantial share of the work of storing value, not much less, as is shown in Appendix II, than one-half. Under this division of duty between the two metals, the value of each is, even now, in correlation to the value of the other, so that a bi-metallic standard measure does already actually exist in a very important sense. If, indeed, permanency of the existing conditions could be ensured, the most elementary defect of the present state of affairs would be cured. But not only is there no security for such permanency, but it is scarcely to be expected that the nations will consent to guarantee the *status quo* against all changes. Such an arrangement would leave America and France, especially France, burdened with a vast mass of silver money representing value in excess of its own proper value; and, even if this obstacle were surmounted, it is hardly to be expected that other nations who have now a silver standard will, upon such conditions, bind themselves, for the common benefit, to forego for ever the use of gold money.

Inefficiency of the existing correlation, even if it could be made permanent.

48. After all, too, even if a bi-metallic standard measure of value, based upon the permanency of the *status quo*, could be established, it would probably prove inefficient for one essential purpose. With a perfect system

of standard measures of value, there ought to be no difficulty in the transportation of either metal from one country to another. For example, by reason chiefly of the rapid accumulation of the public debt incurred for the consolidation and material improvement of the empire, the settlement of the accounts of India, including inland Asia, with the rest of the world beyond sea, has hitherto required the constant inflow of gold and silver. But it may be hoped not only that the debt of India will, in due time, cease to grow, but, even, that India may be in a position to repay some of its foreign debt. Whenever this state of things occurs, India ought to be able to retransport silver as well as gold without serious loss. It will be a great disadvantage to India, if, eventually, it should find itself deprived of this manifestly equitable resource. It may, however, readily be conceived that, if silver is not used for money in Europe, its value there would, under such circumstances, be so greatly depressed that its re-transport might be impracticable.

49. For these several reasons, the expedient of an international agreement to maintain the standard measure of value of each nation, as it now is, may be set aside as practically unattainable, and comparatively ineffectual.

Guarantee of *status quo* rejected.

50. The simplest and most perfect theoretical form of a bi-metallic standard measure of value would be an electron or amalgam of silver and gold in fixed proportions. But, inasmuch as, if the metals were amalgamated in the proportions which other considerations require, such an electron would not be distinguishable, otherwise than upon assay, from pure silver, this method also must be rejected as unattainable. Moreover, it would be too violently inconsistent with the actual facts of the world's money, which must practically predominate any settlement of the question.

Also the method of an electron or amalgam.

51. Another method, also based upon the recognition of the bi-metallic standard measure of value, would be to endue the two metals with the *vis liberatrix* upon which, as has been shown, their value depends, only when associated in fixed proportions. Thus, for example, it might be determined that debts should be discharged by the delivery of 1 part of gold and 15½ parts of silver. But this method would be, manifestly, so cumbrous and difficult in operation, that it, too, may be rejected, without more particular investigation.

Also that of associating the two metals in fixed proportions.

52. Thus three conceivable methods of giving effect to a bi-metallic standard measure of value have been described, namely,—

There may be other possible methods.

(1) The surrender by each country, by international agreement, of the right to make any change whatever in its existing standard;
(2) The general adoption, as a standard, of an electron or amalgam of gold and silver in fixed proportions;
(3) The endowment of either metal with the *vis liberatrix* or *force liberatoire* only when accompanied by a fixed proportion of the other.

It is quite possible that these three methods do not exhaust all possible alternatives for the establishment of a bi-metallic standard measure of value.

53. Their recital, however, is useful, chiefly, to illustrate the principle of a bi-metallic standard, as well as the baselessness of the common prejudice that the relative value of the two metals is not subject to the control of human laws. As already said, the experience of

These several methods serve to illustrate principle and show efficacy of human laws.

the world under the dominion of the French Monetary Law of 1803 effectually disposes of that fallacy. That law, although confined to a single nation, sufficed, for seventy years, to yoke the two metals together within narrow limits, which even the revolutionary gold discoveries of 1848 and 1851 scarcely stretched. As has been shown in this memorandum, the value of each precious metal is immediately dependent upon human consent, that is to say, human laws, only. A grave disturbance of the relative values of the two has actually been caused by the legislation of a single nation (Germany); and it seems certain that, if the principles underlying the value of these metals were generally understood, the at one time generally received, but now nearly-exploded, objection, that their relative value is independent of, and cannot be controlled by, human laws, would never again be heard.

The French method.

54. The three alternative methods aforesaid have been described only to be rejected, as being, for sundry reasons, impracticable. The only method left is that first introduced, instinctively, if not, indeed, accidentally, by the French Monetary Law of 1803, and now, in practice, monopolising the title of THE BI-METALLIC STANDARD. By this method the coinage of silver and gold is unrestricted, and both metals are endowed with the *vis liberatrix* at a fixed ratio. For example, by the French Law, a debt of 100 francs may be discharged by the delivery of coins containing either 450 grammes of pure silver or 29·0323 grammes of pure gold, being in the proportion of 1 : 15½.

Its efficacy in maintaining the stability of exchange and of the standard measure of value.

55. If a standard of this kind were adopted by all, or by a sufficient number of, the nations, and if the ratio were fixed within certain limits, there can be no question that but that the equilibrium, and, to the utmost possible extent the stability, of the values of the two metals would be completely and permanently secured. The general adoption of such a standard would produce the same effect as the actual replacement of the two metals, gold and silver, by a single electron or amalgam of the two metals in the proportion adopted. To whatever extent, in the proportion used, the facts should be so disregarded as that, after an imaginary amalgamation of the whole stock of the two metals in that proportion, there would remain a considerable surplus of either metal, the common standard would be, to that extent, subject to disturbance; but, as such disturbance would not be confined to one country, but would extend over the whole world, it would be imperceptible, unless the error in the proportion used were very great. In no case would it affect the international exchanges, which by the adoption of a common measure of value, would be proof against all fluctuations beyond narrow limits.

Stability of such a standard.

56. There seems no room for doubt that a standard measure of value resting upon this broad basis must, of necessity, be indefinitely more stable than such a standard resting upon the basis of one metal only, and that its adoption, under sufficient sanctions, would certainly deliver, not India only, but the whole world, from all the evils to which, in the absence of any international agreement, it is now exposed; and this without serious injustice to any existing interests. No doubt, creditors by the present gold standard would lose some of their actual advantage; but for the most part this advantage has been acquired recently, and being wholly unearned, is held upon no fundamentally equitable title. Moreover, the sacrifice entailed upon such creditors for the

Effect of its general adoption upon creditors by existing gold standard.

common good, would probably, in almost all cases, be largely compensated, even to them, by the substantial improvement of their security, and the general increase of prosperity which must ensue from the establishment of the standards of value of the world upon a permanently stable basis.

Proper ratio between gold and silver in such a standard.

57. The question what particular ratio between silver and gold should be adopted in a bi-metallic standard of this kind, though important, is, still, only a subordinate question. Theory, as already indicated, requires that this ratio should be, as nearly as possible, the proportion which the whole stock of gold in the world bears to the whole stock of silver. But neither is it possible to ascertain this proportion with any precision, nor, whatever it may be, will it be permanently maintained. According to the statistics in Appendix II, this ratio, at the end of 1878, was about 1 : 16. The ratio by the Law of the United States of America, now practically suspended, is 1 : 16. The ratio under the French Monetary Law was 1 : 15½. Although the American ratio, probably, approaches the more nearly to present theoretical precision, yet the proportion of silver to gold in the common stock is now constantly diminishing, and much wider practical effect having been given to the French ratio, it would, probably, be preferable to adopt it. There is no doubt that the French ratio would, in effect, secure as complete a stability of value in the standard as is attainable.

Proposed Union.

58. Reference has been made, in this memorandum, more than once, to the consent of a sufficient number of nations as essential to the establishment of a common standard measure of value. The greater the number of nations associated for such a purpose, the more thorough would be the result. At the same time, it has been shown how effectual has been the action of a single nation (France); and it is believed that, if America, France, Germany, and India were to unite with this object, the desired reform would be effectually and permanently accomplished, and that it might be even possible to dispense with the co-operation of Germany. The Government of British India need not hesitate to become a party to such a union, to which it might be expected that other nations would quickly adhere. The Government of India should not join any convention to which France is not a party. Present circumstances imperatively demand a concerted action between France and India.

Conclusions recapitulated.

59. The conclusions suggested in this memorandum may be thus recapitulated. It is considered—

(1) that value should be measured throughout the world by a common standard;

(2) that this standard should, by the most effectual possible international sanctions, be secured against disturbance by any single nation;

(3) that, practically, however, the desired object would be attained by the union of America, France, Germany, and India, or even of America, France, and India;

(4) that the best, because the most stable, standard would be the recognised BI-METALLIC STANDARD, that is to say, the optional payment of debts in gold or silver at a fixed ratio; and

(5) that this ratio should be that prescribed by the French Monetary Law of 1803, namely, 1 : 15½

60. To complete the reform advocated, the mints of all nations should be organised, and the levy of seigniorage regulated, under international laws. It would, indeed, be better still if, in recognition of the fact that value, of which money is, after all, only the instrument, is cosmopolitan, the mints of the world could be managed as neutral or international institutions, belonging not to individual nations, but to mankind as a whole. This is, perhaps, an ideal, the realisation of which is distant; but it may be hoped that sufficient effect may be given to the general principle advocated, to deliver the world, almost wholly, from the inconvenience and loss occasioned by fluctuations of the international exchanges, and greatly to alleviate the infinitely more injurious, albeit less patent, fluctuations to which the standard measures of value are now subject.

International Mint Regulations.

61. The adoption of these principles would still leave many minor improvements in the currency or exchange-machinery of the world to be desired; but none of them are important in comparison with the settlement of a common standard measure of value upon a secure and appropriate basis. The following may, however, be mentioned:—

Subsidiary currency reforms.

(1) The universal establishment of proper principles as to the issue of subsidiary money of all sorts, whether in paper or in any kind of metal. No such subsidiary money rests upon a sound basis which is not convertible, on demand, into standard money.

(2) The assimilation of the moneys of different nations. It would be convenient if there were not only one standard measure of value, but a common unit of such standard; that is to say, if the several coins of each country contained the same weight of fine metal, or, at least, multiples of the same weight.

(3) The general introduction of the decimal sub-division of money.

62. It is not necessary to speculate on the effect which the introduction of the bi-metallic standard would produce upon the current or active money of the world. On the one hand, it is not to be expected that such a measure would, for a long time, if ever, modify that universal preference of gold to silver, which is doubtless founded upon its *primâ facie* inherent or intrinsic superior qualifications for storing value. The Gresham Law might, therefore, perhaps, operate to cause the recession of gold into the stores of passive money, where it would, none the less, effectually discharge its share of the common function of the two metals, although it might only appear at intervals in the rôle of active money. On the other hand, the greater efficacy and cheapness of the more valuable metal, for the transport of value in large amounts and over long distances, might possibly lead to its preferential use for the wholesale and international settlement of accounts.

Effect of international bi-metallic standard upon metallic currency.

63. Doubtless, the substitution of silver for gold as the active or current money of the countries which now use gold—if, perchance, this should be the result of the introduction of the bi-metallic standard—would be distasteful to those who are accustomed to the more portable and convenient instrument. But, while sympathy might be felt with their preference for gold, objections of this nature need not be ranked highly in comparison with

Gold might possibly disappear from active circulation.

the world-wide and substantial benefits to be expected from the reform which might, possibly, involve them; and, when it is remembered that but a small fraction of the world even now uses gold for its current money; that little practical inconvenience is found to result from its absence in such different countries as India and Scotland; and that, by a suitable development of paper currency, the disadvantage of the greater weight of the less valuable metal can be so mitigated as to be almost neutralised, the conclusion need not be evaded that there is little real substance in such prejudices. The sentimental arguments which are connected with the supposed superior beauty, and the certainly superior value, of the royal metal, do not seem to deserve even a passing thought.

But too much weight must not be allowed to this disadvantage.

64. Lastly, one remarkable phenomenon, cognate to the subject of this paper, may be noticed. During the thirty years ending with 1878, the stock of gold in the world was nearly doubled, and one-fourth was added to the stock of silver. This rate of increase to the stock of the two metals was unexampled. Some temporary inconvenience was caused by the consequent fall in the value of these metals,—or, in other words, the general rise in prices; but, although, as yet, the production of the precious metals is but slightly abating, there has, of late years, been a marked reaction in prices, which have receded very nearly to the level at which they stood in 1850, that is to say, notwithstanding the unprecedentedly vast additions to the stock of the two metals and their continued great, although now diminishing, production, they have, already, nearly regained their former value.

The additions to the stock of the precious metals since 1851, have caused no lasting loss of their value.

65. This paper must not be prolonged by an attempt to analyse the causes of this unexpected, not to say extraordinary, result. But it deserves remark that the period during which these unparalleled additions have been made to the general stores of the precious metals,—not at all, as is believed, to the active metallic money of the world—has been also a period of unparalleled development of the general resources of the human race and unprecedented material improvements. If it be true that the fundamental and principal use of the precious metals is to store the surplus produce of the soil and of human labours, then it seems to follow that the growth of this surplus has, ultimately, kept pace with the supplies of the precious metals, greatly as these supplies have been for the time, accelerated.

Concomitant increase of human wealth.

66. Thus it becomes a not violently improbable assumption that there is no remote connection between the supplies of the precious metals and the progress of material improvements in the world. Indeed, it would not, probably, be difficult to trace, in the recent history of British India, a direct relation between the contemporary discoveries of the precious metals and the activity of labour which would otherwise have remained dormant: the cultivation of land which would otherwise have continued unproductive; and even the preservation of human lives which would otherwise have perished.

Probable connection between these phenomena.

67. According to all available information, we have now to contemplate the probability of a progressive contraction of the supply of these metals. If so, it is peculiarly important, just now, to prevent the further disuse

Threatened contraction of supply of the precious metals.

of the less valuable metal, and it would be just now especially disastrous if mankind should finally resolve to use gold alone for the storage of value, and decree the destruction of the value of silver.

Cosmopolitan character of the question.

68. Many of the arguments used in this paper have travelled beyond the scope of the British Indian interests, and averted to cosmopolitan considerations which may, at first sight, seem to be outside the duties of an Indian official; but for this no apology is necessary. The truth is, that, in this matter, at least, the interest of each country is identical with the interests of the whole world. Therefore, in the advocacy of the great reform which is the object of this memorandum, on behalf of India, it has been necessary to plead on behalf of all other nations.

The interests of India.

69. At the same time, this paper has not been prompted by a quixotic desire to promote a reform with which India is not concerned, but solely by the conviction that the interests of this great empire imperatively demand its adoption. The yearly loss to India from that recent monetary disturbance which was possible only by reason of the absence of international engagements for the equitable protection of the monetary interests of all nations has been estimated at about 2½ crores of rupees. Large as is that sum, it represents, it is believed, feebly and inadequately, the injury inflicted upon British India by the loss of general confidence in the stability of its standard measure of value. Moreover, India is left, meanwhile, constantly exposed to the consequences of the actions of other nations over which the Government of India have no control.

Importance of the problem.

70. The restoration of public confidence in the standard measure of value of British India by its re-establishment upon a stable and secure basis, and the deliverance of the Government of India from risks and apprehensions, which, as has been said, make any settled financial policy well-nigh impossible, seem to be objects worthy of vigorous and sustained efforts, and of the application of all the resources at the command of the highest statesmanship.

# TABLE I.

*Prices and Values of Typical Commodities in Gold and Silver in London and Calcutta (Prices and Values of March 1873=100).*

| In London. | Actual Prices. | | Prices in Gold. | | | | Values in Silver. | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Compared with March 1873. | | Percentage of change since 1876. | | Compared with March 1873. | | Percentage of change since 1876. | |
| | April 1876. | December 1879. | April 1876. | December 1879. | Rise. | Fall. | April 1876. | December 1879. | Rise. | Fall. |
| Gold | ... | ... | ... | ... | ... | ... | 111·72 | 113·94 | 1·98 | ... |
| Silver | 53·5d. | 52·4d. | 89·54 | 87·76 | ... | 1·98 | ... | ... | ... | ... |
| Scotch, Pig Iron | 58s. 3d. | 65s. 6d. | 49 | 55 | 12·2 | 20·6 | 55 | 63 | 14·5 | ... |
| Coals, Hetton, Wallsend | 21s. 3d. | 16s. 9d. | 63 | 50 | ... | ... | 71 | 57 | ... | 19·7 |
| Copper, Chili Bars | 79l. | 66l. 10s. | 88 | 74 | ... | 15·9 | 99 | 85 | ... | 14·1 |
| Straits Tin | 71l. 10s. | 90l. 10s. | 49 | 62 | 26·5 | ... | 55 | 71 | 29·1 | ... |
| Wheat | 45s. 3d. | 47s. 1d. | 82 | 85 | 3·6 | ... | 91 | 97 | 6·6 | ... |
| Flour, Town-made | 40s. 6d. | 40s. 6d. | 86 | 86 | ... | ... | 96 | 98 | 2·1 | ... |
| Beef, Inferior | 3s. 8d. | 2s. 10d. | 110 | 85 | ... | 22·7 | 123 | 97 | ... | 21·3 |
| „ Prime, small | 5s. 6d. | 5s. 1d. | 105 | 96 | ... | 8·5 | 117 | 110 | ... | 6· |
| Cotton, Middling | 6¼d. | 7d. | 69 | 76 | 10·1 | ... | 77 | 86 | 11·7 | ... |
| No. 40 Mule Twist | 11¼d. | 10¾d. | 80 | 77 | ... | 3·7 | 90 | 87 | ... | 3·3 |
| Wool, S. D. Hogs | 16l. 10s. | 14l. 10d. | 80 | 71 | ... | 11·2 | 90 | 80 | ... | 11·1 |
| Sugar, Manilla | 14s. | 18s. 6d. | 72 | 95 | 31·9 | ... | 80 | 108 | 35·0 | ... |
| Coffee | 82s. 6d. | 71s. 6d. | 95 | 83 | ... | 12·6 | 107 | 94 | ... | 12·1 |
| Saltpetre | 22s. 3d. | 26s. 9d. | 80 | 96 | 20·0 | ... | 90 | 110 | 22·2 | ... |

## TABLE I—*contd.*

*Prices and Values of Typical Commodities in Gold and Silver in London and Calcutta (Prices and Values of March 1873=100)*—contd.

| In Calcutta. | | | Values in Gold. | | | | Prices in Silver. | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | £ s. | £ s. | | | | | | | | |
| Grey Shirtings (8 lbs. 2·4 oz.) | 5 0 | 4 11 | 75 | 69 | ... | 8· | 84 | 79 | ... | 5·9 |
| Mule Twist, White Good, No. 40 | 0 5½ | 0 5½ | 77 | 70 | ... | 9·1 | 86 | 80 | ... | 6·9 |
| Turkey Red, No. 40 12 lbs. | 1 8 | 1 3½ | 82 | 66 | ... | 19·5 | 92 | 75 | ... | 18·5 |
| Orange Nos. 40-60 | 0 13½ | 0 12¾ | 79 | 74 | ... | 6·3 | 88 | 85 | ... | 3·4 |
| Copper, Sheathing | 39 4 | 32 12 | 89 | 73 | ... | 19·1 | 99 | 82 | ... | 17·1 |
| Iron, Flat, Bolt, Bar and Square | 3 11 | 3 1 | 73 | 60 | ... | 17·8 | 82 | 68 | ... | 17· |
| Spelter, Hard | 10 13 | 8 0 | 136 | 98 | ... | 27·9 | 152 | 112 | ... | 26·3 |
| Hides, Buffalo, Patna | 72 0 | 125 0 | 54 | 91 | 68·5 | ... | 60 | 104 | 73·3 | ... |
| Jute, Picked | 24 0 | 31 0 | 117 | 148 | 26·5 | ... | 131 | 169 | 29·0 | ... |
| Linseed, Fine Bold | 3 12½ | 5 1 | 76 | 99 | 30·2 | ... | 85 | 113 | 32·9 | ... |
| Rice, Ballam | 2 7 | 3 2 | 103 | 129 | 25·2 | ... | 115 | 147 | 27·8 | ... |
| Saltpetre | 5 5 | 6 11 | 62 | 75 | 20·9 | ... | 69 | 85 | 23·2 | ... |
| Sugar, Gurpatta | 6 10 | 8 8 | 61 | 76 | 24·6 | ... | 68 | 87 | 27·9 | ... |
| Tea, Good Souchong | 0 12 | 0 8 | 97 | 64 | ... | 34·0 | 109 | 73 | ... | 33·0 |
| Wheat, Doodiah | 2 8 | 3 10 | 66 | 95 | 43·9 | ... | 74 | 107 | 44·6 | ... |

## TABLE II.

*Estimates of the production of the Precious Metals since the discovery of America, and of the Stock in existence before that event (compiled from various sources).*

| | Gold. | | Silver. | | |
|---|---|---|---|---|---|
| | Kilo-grams. | Lbs. troy. | Kilo-grams. | Lbs. troy. | |
| In existence in 1492* | 87,870 | 236,420 | 3,222,395 | 8,633,333 | |
| Produced elsewhere than in Extra-Russian Asia, 1493-1848* | 4,415,498 | 11,829,856 | 134,650,078 | 360,750,000 | |
| Produced in Extra-Russian Asia, 1493-1847* | 1,288,768 | 3,453,827 | 3,107,309 | 8,325,000 | |
| 1849-1850 | 102,515 | 274,656 | 2,071,539 | 5,550,000 | Values in sterling money in 1878— |
| Total 1493-1850 | 5,806,781 | 15,557,339 | 139,828,926 | 374,625,000 | £<br>Gold . . 1,519,482,000 |
| 1851-1875† | 4,521,775 | 12,918,339 | 31,003,825 | 83,064,414 | Silver . @ 50*d.* an oz. troy 1,298,685,000 |
| 1876-1878‡ | 410,062 | 1,098,626 | 5,293,934 | 14,183,333 | Silver . @ 60*d.* an oz. troy 1,558,398,000 |
| Grand Total | 11,123,498 | 29,809,724 | 179,349,080 | 480,506,080 | |

* Tooke and Newmarch, Vol. VI, pp. 141, 142, 150, 231.
† Soetbeer, *Production of the Precious Metals* (1879).
‡ Sir Hector Hay, Statistical Society's Journal, 1879, p. 436.

NOTE.—All the authorities who have shared in the compilation of these statistics concur in the warning that the figures, especially before 1848, must be taken with reserve. They are, in fact, at the best only guesses carefully made by competent observers, after examining all kinds of data.

Even as such they are open to the following criticisms and remarks :—

I.—The estimate of the metal already won in 1492, avowedly, only includes the stock in Europe, Russia in Asia, and Mediterranean Africa. It does not include the stores already won from the earth in America, Asia, and the rest of Africa. Even the European stock seems, probably, much underestimated ; and it is likely that the Asian store was already large.

II.—The estimate of the produce of Extra-Russian Asia between 1493 and 1847 is by a Russian authority M. Otreschkoff. It does not, apparently, include India or Japan ; yet there are indications that the production of gold in India may, in the past, have been considerable.

III.—The statistics, since 1847, apparently include little or nothing for Extra-Russian Asia ; and the greater part of Africa is throughout excluded. But Jacob speaks of considerable produce in Africa, and values the produce of Asia in gold at £1,235,000 a year, and in silver at £165,000 (*Jacob on the Precious Metals* [1831], Chapter XXVII). Otreschkoff estimated the gold production of China at £600,000 a year, and of Sumatra, Java, Borneo and the Archipelago at £2,400,000, and the silver production of China at £180,000 a year (*Tooke and Newmarch, Vol. VI, p. 762*). Chevalier estimated the yearly produce, before 1865, of Extra-Russian Asia and the Asiatic Archipelago and Africa at no less than 80,000 kilos of gold (nearly £11,000,000) and 500,000 kilos of silver (about £4,300,000, (*Money*, Edition 1896, p. 557).

IV.—On the other hand, the figures in this table since 1493 allow for no waste and no losses, as for example, by shipwrecks, fires, forgotten hoards, and the like.

Perhaps, these several omissions may be set against each other ; and the weight of gold now in existence estimated as follows :—

| | Kilograms. | Lbs. troy. |
|---|---|---|
| Gold | 11,200,000 | 30,000,000 |
| Silver | 179,200,000 | 480,000,000 |

But these estimates probably err in the direction of being too low.

# XXXV.

NOTE BY MR. T. C. HOPE, DATED THE 9TH APRIL 1881.

1. In a despatch, No. 79 of 24th February 1881, the Secretary of State has forwarded to us a letter addressed by Lord Lyons to Lord Granville reporting an "unofficial and private" conversation he had had with M. Léon Say on the subject of the proposed Bimetallic Conference to be held at Paris. In forwarding this letter, Lord Hartington makes the following remarks:—

"In the absence of any expression of the views of Her Majesty's Government as to this proposal, I have not thought it right, at present, to make any communication to the Foreign Office in reply to their letter. But as the subject is one of much interest for India, it would appear to me to be unwise, in the event of the proposed Conference of the Powers being held, that the Indian Government should not be represented; and I shall be glad to learn as soon as possible what are the views of Your Excellency in the event of its being proposed that India should become a member of a Union, based on principles of bimetallism for a limited term of years."

2. In a subsequent despatch (No. 94 of 10th March 1881) the Secretary of State has forwarded to us a note, which has been communicated to Her Majesty's Government by the Representatives of France and the United States, in which a formal invitation is conveyed to take part in the Conference. The terms of this note are as follows:—

"Le Gouvernement de la République Française et le Gouvernement des Etats-Unis, ayant échangé leurs vues au sujet d'une Conférence entre les Puissances principalement intéressées dans la question d'etablir l'usage de l'or et de l'argent comme monnaie internationale bimétallique, et d'assurer la fixité de la valeur relative entre ces métaux, se trouvant d'accord sur l'utilité et l'importance dans une telle Conférence, ainsi que sur la date et le lieu où elle serait tenue, ont l'honneur d'inviter le Gouvernement de Sa Majesté Britannique à prendre part à une Conférence composée des délégués que chaque Gouvernement voudra bien désigner.

"La Conférence se reunirait à Paris le Mardi, 19 Avril prochain, pour examiner et adopter, dans le but dele soumettre à l'acceptation des Gouvernements représentés à cette Conférence, un plan et un systéme pour l'établissement, au moyen d'une Convention Internationale, de l'usage de l'or et de l'argent comme monnaie bimetallique, suivant une valeur relative déterminée entre ces deux métaux."

3. On the receipt of this invitation the Secretary of State caused the following communication to be addressed to Lord Granville on 8th March 1881:—

"Without knowing the system which the Foreign Governments may think of adopting, and without ample time for obtaining the opinion of the Governor General of India in Council on so important a question, the Marquis of Hartington is unable to assent to that Government being pledged to adopt the principle of bimetallism.

"It does not appear to Lord Hartington that, for the object proposed, there is any necessity that a Government which is now using a silver standard only should adopt a bimetallic standard.

"Lord Hartington deems it, however, of great importance that the interests of India should be represented in a Conference having for its object the means of restoring silver, in some degree at any rate, to its former value; and he desires me to suggest, for the consideration of Earl Granville, whether it might not be possible to obtain from the Governments convening the Conference a modified invitation to Her Majesty's Government to send delegates instructed to report on the extent to which it may appear possible that the measures which the Conference may decide to recommend would be forwarded by any action on the part of the Government of India, and, if the Lords Commissioners of Her Majesty's Treasury would consent, on the part of the British Government also."

4. Officially, the matter stands thus. Unofficially a Reuter's telegram, dated yesterday, reports as follows:—

"Sir Charles Dilke, replying to a question in the Commons, said that the Indian Government was willing to send a delegate to the Metallic Conference, but that he would not be authorised to vote on any question to adopt the bimetallic standard."

It may very probably be correct, but we cannot rely on its correctness. I do not take it to mean more than that England will not submit to the decision of a mere majority of delegates the question whether she shall modify either the English or the Indian standard. Another telegram of the same date, but received to-day, runs thus :—

"*Paris, 8th April 1881.*—In the Senate the Minister of Finance said that he still hoped England would participate in the Metallic Conference. France, he said, will support a bimetallic standard."

Evidently England's course of action is not yet definitively settled.

5. Of the nature of the arrangement contemplated by the conveners of the Conference, some idea may perhaps be gathered from the following cutting out of *The Times* received by yesterday's mail :—

"*Berlin 14th March.*—A morning journal here professes to have received from London the proposals made by the French Government to those Powers who have been invited to attend the forthcoming Monetary Conference in Paris, and, while remarking that the Legation of the United States here knows nothing as yet of the document referred to, I may summarise it briefly thus. After a long preamble, setting forth the reasons and motives for the contemplated change, the paper takes the form of a draft convention of 11 articles, which the Conference delegates are supposed to adopt as the basis of their discussion, just as the Treaty of San Stefano formed the basis of negotiation at the Berlin Congress. According to this, the United States of America, the French Republic, etc., would constitute themselves a Bimetallic Union, the several members of which would permit the unlimited coinage of gold and silver in the value proportion of 1 to 15½, it being optional for the various contracting countries, under this condition, to alter or retain their coinage of dollars, francs, pounds sterling, or marks. Every person would have the right to bring any amount of gold and silver, in money or otherwise, to the mint of any of the countries to have it gratuitously converted into cash, and payment of the sum to be coined could be had immediately by a deduction not exceeding two per thousand. The gold and silver coins to be legal tender in the State which thus minted them. The Government in each State to continue issuing its various coins to settle their quantity and quality, and determine the amount beyond which no private person would be bound to accept the same as payment. The fact of a State issuing paper money or letting it be issued, whether convertible or not, is not to free that State from the stipulated obligation of always keeping open its mints for the free coinage of both the metals aforesaid in the proportion of 1 to 15½ ; and gold and silver, whether in bars or cash, are not to be taxed on importation or exportation. The acceptance of silver to begin the same day in all State, of the Bimetallic Union, and the convention to remain in force till the 1st of January 1900, and, in the event of its not being denounced a year before this date, further by tacit renewal till 1910, and so on for periods of ten years."

There can be little doubt that America and the Latin Union (France, Switzerland, Italy, Belgium and Greece) will enter into a new Bimetallic Union not differing very essentially from this sketch. Germany is believed to have been, unofficially, a prime mover in the matter, and to be prepared to enter the Union, subject to certain reservations, probably relating to her stock of silver. Austria is understood to be strongly in favour of bimetallism. Spain is practically bimetallic. Russia and Turkey, owing to their forced circulation and financial difficulties, are not of much account.

6. As the Conference is to meet at Paris on the 19th instant, and no indication of the views of the Government of India, even as to sending an Indian delegate, has yet been given, an answer to the Secretary of State ought to go as soon as possible. Possibly the uncertainty indicated by the telegram may be partly owing to its non-arrival.

7. The interests of the Indian Government and people have alone, of course, to be considered. It seems unnecessary for me to expatiate on all the present and future evils to which India is, and may be, subjected by a depreciated, varying and falling rupee. But I may mention—

*First*, we have the actual loss in exchange falling on all Government and private remitters. In the case of Government, this appears in the Budget for

the current year at £3,063,000, and amounts, even at the *ratio* of 15½ to 1, to no less than £2,053,600.

*Secondly*, there is uncertainty in commerce. The merchant has to contend with and allow for not only the fluctuations in price of the article in which he deals, but also those occurring between the metals used as standards in the countries between which his business lies.

*Thirdly*, come the loss to fixed incomes, the depreciation of State fixed resources, and the modification, in favour of the debtor, of all existing contracts.

*Fourthly*, the extinction of a proportion, corresponding to the depreciation, of such part of the circulating capital of the country as consists of money. If a mercantile firm possesses a capital of ₹1,00,000 for carrying on it business, or a native possesses ₹100 hoarded in a chatty-pot, the effect of a depreciation in silver of 25 per cent. will be to reduce the means and purchasing power of each by one-fourth just as effectually as if that portion of the cash had been thrown into the sea. Supposing the currency of India to be 200 millions a depreciation of 18 per cent. will have the same result as if a fine of 36 millions in cash had been levied, and carried off by an invading power. This effect is not, of course, experienced by fixed capital, or by circulating capital consisting of produce, etc.

8. From this it will appear that it is of the first importance to India to have a rupee (1) appreciated, or raised again, as nearly as may be, to the old level on which the bulk of expectations and State contracts have been based; and (2) steady, or, in other words, furnishing a standard of value varying as little as possible.

9. I do not propose to examine the whole question of bimetallism. To do so seems unnecessary, and would not be satisfactorily practicable within the ordinary limits of an office note. But I may remark that the aspect of the question, and of the controversy over it, has materially altered during the last three or four years. Experience of the practical effects of the discoveries, first of gold and then of silver, has shown them to be by no means so important or revolutionary as was anticipated, and has thus considerably weakened the force of discussions and conclusions based on such anticipations as were those which occurred in India some years ago. The bimetallists have been brought, by the fire of criticism to which they have so long been subjected, to divest their case of various fallacies and broad statements which at first attached to it, and to put their arguments with greater moderation and precision. On the other hand, the writings of some distinguished monometallists, such as Messrs. Bagehot and Giffen, deal with only portions of those arguments, and that, sometimes, on premises themselves open to question. Consequently, no books can be named which deal completely with the case, either on one side or the other. Nearly all the most recent are on the bimetallic side, and the best of these are "on the Depreciation of Silver" by Edward Gazalet, "What is Money?" by Robert Gladstone, "the Decline of Prosperity" by Ernest Seyd, and "Gold and Silver" by Mr. Hucks Gibbs, who was one of the British delegates at the Paris Monetary Conference of 1878. Mr. R. B. Chapman's "Memorandum on an International Bimetallic Standard Measure of Value," which was forwarded to the Secretary of State with the Government of India's Despatch No. 185 of June 8th, is also a very important contribution to the discussion.

10. But whatever may be the abstract merits of the two rival theories, we shall probably be pretty safe in assuming (1) that England herself will,

under no circumstances, be induced to abandon monometallism; (2) that most, if not all, of the financially important continental nations will establish a new Bimetallic Union without her; and (3) that the value of silver will be considerably raised in consequence.

11. Under these circumstances, it may be asked whether our chestnuts will not be pulled out of the fire for us by others, and whether we need do more than sit still and reap the benefit. I submit that more is incumbent on us. We in India are the largest holders of silver, believed to possess two-fifths of the stock in the world, and all the action or inaction of ours is of primary importance. If we were to demonetise silver, the new Union itself could hardly bear the strain; as long as we do not declare our intentions in this respect, uncertainty and fear (the chief workers of the present mischief) must affect the metal and our own interests in it. If, again, we have in our power to facilitate metallic remittances from one country to another, to reduce their cost, and to increase the consumption of silver, we should on no account neglect to do so. "The true remedy," says Mr. Bagehot, "for an enfeebled market is an access of demand."

12. As to demonetisation, we know perfectly well that it is impossible to us, because we never could obtain the means of acquiring the necessary gold. We should also hardly be so rash as to attempt the operation, in view of the recent failure of Germany on a smaller scale. Consequently, there can be no harm, and there will be the good indicated above, in declaring, or even engaging, to this effect.

13. Beyond this merely negative measure, however, we might take certain definite steps, involving no risk whatever, but likely to have a very powerful effect in our favour. I will first state these concisely, and then explain their scope. In India itself the steps required would be—

"*1st.*—The Indian mints to coin for the public a new silver piece, or dollar, worth intrinsically one-fifth of an English sovereign in the *ratio* of 15½ to 1, and therefore containing 350·306 grains troy of pure silver.* Its full weight would be 389·228 grains, supposing it to be made '900 fine,' as the similar coins of the Latin Union are.

"*2nd.*—This piece to be made legal tender at the rate of 34 annas, which is its intrinsic relation to the rupee, in the *ratio* of 15½ to 1.

"*3rd.*—The English sovereign to be made legal tender in India at the rate of $34 \times 5 =$ ten rupees ten annas.

"*4th.*—Sovereigns of similar weight and fineness to be coined for the public, on demand at the Indian mints, at rates for seignorage, etc., proportionate to those charged for rupee coinage."

*N.B.*—The question of coining half-dollars, either to run alongside the rupee or to supersede it, and of the subsidiary coinage, should stand over for future consideration, after the effects of the main measure have been observed. They have no present urgency, as the dollar and sovereign will not clash with any part of our existing Indian coinage.

14. In order to give full effect to the above four steps, it is further desirable, with *sole* reference to our Indian needs, to obtain assistance from England to the following limited extent:—

"*5th.*—The Indian dollar to be coined also at the English mint on

* The proposal to coin such pieces originated with Mr. Ernest Seyd, in his work on "Bullion and Foreign Exchanges." Whether the piece should be composed as above, or contain 350·625 grains of pure silver, as he has more recently suggested, is a minute technical question which need not be noted at present.

behalf of Government, and issued, under suitable precautions, to the public for shipment to the East.

"*6th.*—The English Bank Act, clause 3, to be altered so as to allow of the Bank's holding silver *coin and* bullion, instead of silver bullion only, up to the value of one-fourth of its stock of gold.

"*7th.*—Private arrangement to be made with the Bank of England permanently to hold accordingly about five millions of its metallic stock in silver coin and bullion, and to include in this a supply of dollars sufficient to meet ordinary requirements of shippers to the East.

"*8th.*—The dollars* to be also issued in England as a part of the *subsidiary* coinage (*gold remaining the standard*), that is, to be limited legal tender up to £5 only, and the issue to be regulated by Government in the same way as that of the silver and copper token coinage now is. The Bank of England to give these pieces to the public, in exchange for gold or notes, as far as possible consistently with the above provisions."

*N.B.*—If the limit of £5 be strongly objected to, 40 shillings, which is the legal tender limit of the present English *token* coinage, would be better than nothing, though £5 would be very preferable, and could do no harm whatever.

15. The first object of these measures, which all work into each other and should be considered as a whole, is to establish a fixed natural par of exchange between India and England. Mr. Bagehot thus explains† a natural par :—

"As is well known, between two countries which use the same metal for money, there is a natural and fixed par of exchange. A certain weight of that metal of a certain fineness, in the currency of one of these countries, will always exchange for an equal weight of like quality in the currency of the other. But between two countries, one of which employs gold and the other silver, there is no such natural par. The relation between the two currencies depends on the amount of the one metal which will exchange for a given amount of the other."

Where two countries have the same standard, the exchange can only vary (according to demand for and supply of it) within the narrow limit of the cost of transmitting specie from one to the other and converting it into coin. Where two countries have a currency identical, or partly so, as England and Australia have, the bond is closer still, for the actual coin can be transmitted, the delay and cost of assay and recoinage being saved. It has hitherto been the misfortune and loss of both India and England that, though politically one, they monetarily speak different languages, and cannot communicate except through an interpreter. A London merchant who has to remit to India must buy bar silver or Mexican dollars, or sweep the continent for five-franc pieces, as he cheapest can, and have rupees coined in India. An Indian merchant remitting to England must either purchase gold, or send off rupees and silver bars to be exchanged in Europe for gold, before he can command sovereigns in London. The same applies, *mutatis mutandis*, to our now increasing trade with Australia. It is unnecessary for me to enlarge on the risks and losses which this process entails. Under the measures proposed, the merchant in either India or England will be free to remit at once sovereigns either way, and dollars to India, without limit (and even dollars to England to a moderate extent), as he may find most convenient.

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* If there be any objection to the currency of an Indian piece in England, all the pieces coined there might be styled four-shilling pieces, and bear the ordinary English superscription. These pieces could then be placed on the same legal footing in India as the dollars coined there. This point, however, is of minor importance.

† "On Silver," page 72.

16. The necessity of adding gold to our Indian legal tender currency is two-fold. First, the option of selecting sovereigns for remittance will greatly relieve the exchange and promote its fixity—merchants will be free to take for remittance whatever is first to hand. Secondly, the full monetisation of gold will greatly benefit India, by affording a ready outlet for part of the vast hoards of the metal now lying unprofitably in bars or ornaments, and so increasing the active capital of the country, with the well known results of "cheaper money" and greater industrial and commercial activity. It may be added that if our gold-diggings should chance to afford a large outturn, it will be a great gain and convenience to be able to convert the metal into local money. Upon this point, as on others, my limits preclude my writing at length; but I may refer to the ample evidence in favour of causing a legal tender of gold to be a part of our currency arrangements which is contained in the volume of discussions on the gold question, 1859-74, and specially to the opinion of the Currency Commission of 1866 (paragraphs 24-25, pp. 341-342), and to the following extract (paragraph 5, page 296) from Sir Charles Wood's despatch No. 224, dated the 26th September 1864:—

"5. It is obvious, from the information collected by Sir Charles Trevelyan, that there is a very general desire for the introduction of gold coins in India; that the people, even in the upper and remote part of India, are well acquainted with the sovereign; and that there is a very general impression that the introduction of the sovereign would be well received.

* * * * Nor can there be any doubt of the advantage to India, England, and Australia if the gold sovereign could be made the basis of their common currency."

17. The fixing a ratio between gold and silver is an indispensable concomitant of the new position proposed for the former. I select the ratio of 15½ to 1, not because there is any magical virtue in it, but because, on the one hand, our Indian experience has amply proved that both the *ratio* of 15 to 1 established by Act XVII of 1835, and the more recent attempt to get English sovereigns into circulation voluntarily on ₹10, were too high to be workable; while on the other hand, 15½ to 1 is the *ratio* corresponding most nearly to the bulk of transactions and contracts prior to the late disturbance, and certain to be adopted at the coming Conference. Regarding the general suitability of this *ratio*, I may refer to M. Cernuschi's pamphlet, "Bimetallism at 15½," published in January last.

18. The second object of the measures detailed in paragraphs 13 and 14 is to strengthen the demand for silver. In India, the dollar would probably not add much to the silver circulation, but chiefly take the place of rupees. For trade remittances from both India and England to China and the East generally, however, they would be largely used, owing to their economy and convenience. The dollar—American, Mexican, Spanish, and miscellaneous—has always been a favourite coin in the East,—in fact, the supply is believed to fall short of the demand,—and a new dollar of British Indian origin would be sure to make its way rapidly. In England, the five millions to be kept in the Bank of England would be a permanent accession to the demand, as would also such quantity of four-shilling pieces as might be added to the subsidiary coinage under clause 8 of paragraph 14 above. According to the best information procurable, four-shilling pieces would supply a recognised want, and be a great convenience. Every accession, small as well as large, is of a certain use and value.

19. It may be asked wherein the scheme just set forth differs from pure bimetallism for India? Also, the objection may be made that, if it does not

differ, and if bimetallism be good for India, there will be a better chance of the Home Government sanctioning the latter if it stand alone than if it be mixed up, as in these proposals, with arrangements extending to England.

20. The scheme *is* tantamount to bimetallism for India, but it involves more besides, without which India, owing to her distance and isolation from Europe, and to the fact of so large a proportion of her trade lying with gold-monometallic England, cannot reap as much benefit from bimetallism as continental nations and America can. If I have properly explained myself, it will be clear that the arrangements in England for coining and keeping in hand dollars for shipment to the East (*supra*, paragraph 14, clauses 5, 6, and 7) are part of the essence of the scheme for raising and steadying the exchange. Without a natural par, much fluctuation and uncertainty must remain. The proposal to issue the dollar, or four-shilling piece, in England as part of the subsidiary coinage (clause 8 of paragraph 14 ) stands distinct, resting on separate ground, and is chiefly designed to add to the demand for silver, and to afford a substantial guarantee to continental bimetallic countries like England, though indifferent, is not hostile to their system. The first seven clauses of the scheme ought, I submit, to stand or fall together—unless, indeed, only a limited advantage is to be reaped from the present opportunity. But the eighth might be suggested separately, and not indispensably, for the adoption of the Home Government, if that course were deemed more politic and safe.

21. The popularity which the measures are likely to attain cannot be left out of account. In India, there can be little or no doubt of their favourable reception. Goldmohurs have been, from the days of the Mahomedan Emperors, in general use on account of their portability, easy concealment, beauty as ornaments, and ready conversion from the purpose of adornment to that of expenditure. Sovereigns hold the same position. The volume already referred to contains ample proof of this well-known fact. The dollar possesses similar advantages, proportioned to its different value and bulk, and is to this day largely used for the objects above indicated. Moreover, neither sovereigns, nor the new dollars and half-dollars, will be any distressing novelty. Sovereigns are already well known (as stated by Sir Charles Wood), "double rupees" were part of the currency previous to the Act of 1835, and the new half-dollars will be identical, within ·6105 *of a grain*, with the old sicca rupee. As to England, there appears no reason why anybody should take objection to what is proposed. The gold monometallic standard will remain intact, and its retention will be authoritatively and explicitly affirmed. The coining of dollars at the Mint for exportation will be immaterial, and even unknown, to the British public. Their issue as subsidiary coin can do no harm, for its regulation by Government will prevent excessive supply and they will not issue at all except as people like to take them. It may be added that the party favourable to bimetallism has largely increased during the last two years, and has received some notable accessions.

22. The manner in which the measures are likely to be received by the Home Government must also be considered. On this point, speaking with all due reserve, I should suppose the India Office to be generally favourable, the Treasury perhaps less so. But Lord Hartington, speaking on the 9th March last on behalf of Her Majesty's Government to a deputation from the Liverpool Chamber of Commerce, is stated in a report of the interview just issued by that Chamber, and put up herewith, to have spoken as follows :—

"England was exceedingly anxious in the interests of India that something should be done. He was very glad to see gentlemen who had thought out and fully understood the

matter, because, as the deputation was aware, there were many eminent financiers who did not hold the same views, and the greater number of competent persons who supported such opinions as those expressed in Mr. Chapman's Memorandum, the greater confidence the Government of India would have in endeavouring to carry out the recommendations contained in that Memorandum."

This reply was considered by the deputation to be very satisfactory.

23. In conclusion, complete action at the earliest possible date seems very desirable; for, whatever is to be done can probably be considered most thoroughly and quickly if put forward complete, and now, while the whole question is prominent in England. The effect on silver, too, will probably be greater in proportion as the measures adopted by the Conference, or in connection with it, are more complete, and uncertainty in the future is eliminated. There are, however, two degrees of urgency in the matter. As the Conference meets on the 19th instant, and the question of England's action is still undecided (possibly pending our reply), it is necessary to inform the Secretary of State almost immediately whether the Government of India desires to be represented at the Conference, and if so, on what general basis. But the definite measures which this Government proposes for adoption would probably be in time if telegraphed a little later, after fuller consideration than is at once possible.

24. For the present purpose it would suffice to telegraph to the following effect:—

"Your Financial Despatch No. 94 of 10 March. We consider that India should be represented at Conference on the basis that we will engage to coin silver in unlimited quantities at our mints, to continue the use of silver as legal tender for debts of any amount for the period the proposed convention remains in force, and to promote the re-appreciation of silver by any further currency measures which we may find suitable to the circumstances of India; but that we reserve the right of also coining gold freely, and making gold also legal tender, whenever hereafter Government thinks fit. Telegram regarding further measures, and despatch, will follow as soon as possible."

I may explain that the object of the allusion to further measures is, while not actually pledging us to anything, to give confidence to the Conference and our delegates that we are, at the worst, friendly neutrals, and not possible adversaries.

25. By the above course the immediate occasion will, apparently, be met, while sufficient time will be reserved for considering whether the measures suggested, or others in furtherance of the same general object, should be adopted.

# XXXVI.

MINUTE BY SIR EVELYN BARING, DATED 19TH APRIL 1881.

The telegraphic answer which was sent to the Secretary of State on the 13th instant did not deal fully with the important question upon which our opinion has been asked. I now submit to His Excellency the Viceroy and my Honourable Colleagues my views on this question at greater length than in my former brief note of the 11th instant.

2. Bimetallism is not to be classed amongst such proposals in respect to currency as have from time to time occupied public attention, and as to which the whole weight of competent authority has generally been opposed to the views advocated by a few reformers. It meets with the approval of many able men who speak with the weight of unquestionable authority. To quote only a single name amongst continental authorities, I may mention M. Laveleye, the eminent Belgian economist, who is a strong supporter of bimetallism. Even in England, although monometallic views prevail generally, the bimetallic cause has certainly gained ground. Thus in 1879 the Liverpool Chamber of Commerce formally declared its opinion in favour of bimetallism; and Mr. Hucks Gibbs, who, as a member of the Paris Conference in 1878, expressed himself in a sense adverse to bimetallism, has now publicly declared that he has changed his opinion.

3. More than this, I think the bimetallists may fairly urge that in many cases, at all events, the issue which they raise has not been met by their opponents. Mr. Giffen (*Essays in Finance*, p. 307) says that the objection on the ground of impracticability has up to the present time appeared "so strong," that "for no other reason Mr. Bagehot and other monometallists have steadily declined to discuss bimetallism." The English Commissioners at the Paris Conference in 1878, whose names give very great weight to any opinions they may have expressed, do not discuss the question on its own merits. "We considered," they say, "that the impossibilities of establishing a bimetallic system by common agreement for all the world were so obvious, that it was scarcely worth while to argue the matter." A "universal double standard" they characterised as "a Utopian impossibility," and the "establishment of a fixed ratio of gold and silver" as "utterly impracticable." There can be no doubt that in 1878 the scheme was impracticable. The proceedings of the Conference show that unanimity was impossible. But it does not necessarily follow that the divergence of opinion, which was a conclusive objection to bimetallism in 1878, should always continue to exist.

4. Mr. Bagehot, again, in his work *On the Depreciation of Silver* devotes one short chapter (XVII) to "universal bimetallism." He had before considered the scheme "so entirely beyond the boundaries of practical finance, that he had not thought it worth discussing." He then proceeds to discuss it very briefly, his arguments being mainly directed to show that the English people, "with their usual untheoretical common sense," would not, as a matter of fact, join the Bimetallic Union; and he concludes by saying that "the plan is only a theory on paper, and will never be in practice tried." That England will not now join the Bimetallic Union on her own behalf is certain; but it is open to question whether the refusal of England is absolutely fatal to the success of the Union. It is certain that France and the United States are prepared to adopt bimetallism, and there is reason to suppose that other Governments may be willing to join the Union. It is, therefore, not impossible that, although "universal bimetallism" will not be tried, a great step may be made towards universality.

5. The mass of English opinion on this subject is probably represented in a short pamphlet of four pages published by Mr. Thomson Hankey, in reply to Mr. Cazalet and Mr. Gibbs. "I thought and hoped," Mr. Hankey says, "that nearly all the political economists and statesmen in this country had agreed in the opinion that a single gold standard should be, as it has been for nearly all this century, the sole standard of value in this country (England)."

Mr. Hankey does not deal with any of the arguments advanced by Mr. Gibbs or Mr. Cazalet, but he says that he "believes that Lord Liverpool was right in the very decided opinion he expressed on this subject in 1805; and he hopes that the question will not further be pressed for consideration in this country." These considerations are possibly sufficient to deal with the question from the purely English point of view; but I do not think that the Government of India should be altogether satisfied by an argument so inconclusive as an appeal to authority, more especially if it be remembered that the conditions under which the problem presents itself are in many respects different to those which prevailed in the days of many of the authorities who are quoted—for instance, Locke and Lord Liverpool.

6. It is perfectly natural that each community should look upon this question mainly from the point of view of its own interests, and with reference to the peculiar circumstances in which it is for the time being placed. The depreciation of silver has, no doubt, caused some derangement to English trade, but the inconvenience is not so acutely felt as to constitute an evil of the first magnitude. It is only seriously felt by one class of persons, namely, those interested in the Eastern trade. Were this not the case, we might be sure that English public opinion would not remain so quiescent on the subject as it has done up to the present time. We know that in 1837, and again in 1847, when the inconvenience of a single gold standard happened for the moment to be felt, considerable pressure was exerted on the Governments of the day to admit silver into circulation—a pressure which was resisted, and, I do not doubt, wisely resisted. As it is, however, the English people see other nations, which do not possess a single gold standard, in some difficulties, whilst they are comparatively secure. It is, therefore, no matter of surprise that they should deprecate any change in their own system of currency. I am very far from saying that they are wrong. India, however, is in a very different position to England. To her the question of the relative value of gold and silver is of vital importance. We cannot say that our position is free from inconvenience, and that on that account we deprecate any change. We may say, indeed, that we must beware lest the inconveniences from which we suffer hurry us into the adoption of an economic fallacy, which may be productive of still greater evils; but our actual condition is such as to render it imperative on us to consider any possible remedy for existing evils with closer interest and attention than would probably be bestowed upon the subject in England.

7. I proceed, therefore, to examine the question from the Indian point of view. I shall be obliged to touch upon the principles of bimetallism to some extent; but inasmuch as the subject has endless ramifications, I shall endeavour, so far as possible, to confine myself to the consideration of the question in so far as it affects India; and the proposals with which I shall conclude are only such as apply to the special case of India.

8. Before proceeding to discuss the immediate point at issue, however, I should wish to say something as to the spirit in which, as it appears to me, we ought to approach this subject. What are the true interests of India and of the Indian Treasury in this matter? It is sometimes assumed that what we all want in India is to appreciate the rupee, at all events, to such an extent as

will bring it to its old par value of 1*s.* 10$\frac{5}{8}$*d.* I do not think that this is an accurate way of stating the case. It is true that all persons who receive fixed incomes in rupees, such as Government officials and the holders of rupee securities, are interested in the appreciation of the rupee. Supposing such persons to spend all their incomes in India, the degree to which they are interested depends upon the extent to which the depreciation of the rupee has brought with it a loss of purchasing power. This, of itself, is a very difficult question, which I have not as yet seen thoroughly examined. That those who receive a fixed income in rupees, and who have to turn their rupees into sterling, should wish for a high rupee, is obvious. The interests of the mass of the people of India may perhaps be, to some extent, the other way. All producers of jute, cotton, etc., would, supposing the rupee to have lost its purchasing power, receive more rupees than heretofore for their produce. This advantage would be to some extent neutralised by their paying higher for such articles as they consume; but one considerable item of their expenditure—*viz.*, the sum which, in the form of rent or land revenue, they pay for the right to cultivate the soil—is in some cases fixed in perpetuity, and in others only capable of increase under certain conditions and at certain intervals of time. So long, therefore, as the rupee is not depreciated to such an extent as to necessitate the imposition of fresh taxes, landowners and cultivators will probably in different degrees gain by the depreciation. But this advantage would disappear to a great extent if any re-adjustment of taxation took place, even though the fresh taxation might not take the form of a direct enhancement of the land revenue.

9. The degree to which the Indian Treasury is affected by the value of the rupee expressed in sterling raises a very complex question, which I will not now attempt to discuss exhaustively. In the paragraph of the last Financial Statement which I quote in the margin, I pointed out that, on the assumption that the normal relative value of gold to silver was as 1 to 15$\frac{1}{2}$, the real *Loss by Exchange* to the Indian Treasury in 1881-82 might be approximately estimated, not at £3,063,000, which is the net sum that appears under this head in the estimates, but at £2,053,600. I said advisedly that this estimate was "approximate," for, in fact, it is not based on a consideration of all the elements necessary to the true elucidation of the question. In order to arrive at the real loss to the Indian Treasury, we should have to consider to what extent the high prices recently obtained for opium are due to the depreciation of the rupee; to what extent the higher prices we are now paying for opium in Behar are due to the same cause, and some other points of a similar nature. We should also, if we wish to examine the probable loss in the future, have to consider to what extent some branches of our revenue—for instance, our railway tariff—might be revised without any really increased demand from the tax-payers. This would be a very difficult calculation to make. Indeed, it would be well nigh impossible

*Loss by Exchange* has been estimated at £3,475,000, on the assumption that £17,200,000 will be remitted home at 1*s.* 8*d.* the rupee. There appears on the revenue side of the Account a *Gain by Exchange* of £412,000. Thus the net *Loss by Exchange* is estimated at £3,063,000. I need hardly point out that these are adjusting entries, and the difference between them does not furnish the true measure of the loss to India from the recent change in the relative values of gold and silver. In order to arrive approximately at the real loss by exchange, we must assume a normal relative value between gold and silver. When that relative value was as 1 to 15$\frac{1}{2}$, the 165 grains of pure silver contained in a rupee were worth 1*s.* 10$\frac{5}{8}$*d.* The net sterling expenditure at the Home Treasury of the Government of India may now be taken at £14,750,000 (true sterling). £14,750,000 at 1*s.* 8*d.* the rupee equals R17,70,00,000. At 1*s.* 10$\frac{5}{8}$*d.* the rupee, £14,750,000 equals R15,64,64,000. The difference is R2,05,36,000. On this basis, therefore, the real loss to the Indian Treasury in 1881-82 resulting from the disturbance of the equilibrium previously existing between gold and silver may be estimated at £2,053,600.

to obtain all the elements required for making it. I think, however, that we may say that, were a calculation made on a consideration of all the elements which bear on the question, it would be shown that the loss which the Indian Treasury must necessarily incur by reason of the present depreciation of the rupee is considerably less than the sum of R2,05,36,000, mentioned in the Financial Statement. There would, however, probably always be some loss, because the Land Revenue, from which we receive annually about £22,000,000, is either fixed in perpetuity, or only capable of increase at long intervals; and although it has been held that landowners may properly be called upon to pay local cesses and income-tax in addition to their ordinary land revenue, there are considerable political objections to pushing too far the argument that they are generally liable to any direct taxes which may be imposed on them.

10. The actual loss, however, although a matter of great importance, is not, in my opinion, the point to which the greatest importance should be attached. The real evil to which we are now exposed is, that we never know what our loss or gain may be. I have, on former occasions, frequently dwelt upon the fact that, however prosperous the present condition of Indian finance may be shown to be by reference to the actual receipts and expenditure for the last two or three years, we are exposed to very peculiar dangers in the future from a variety of causes, such as the precariousness of the opium revenue and the growing pressure of the population on the soil. On the other hand, our expenditure is perhaps more uncertain than that of most countries. Disturbing causes, such as war and famine, which are met by lavish outlay, are constantly succeeding each other. With all these elements of doubt, the one thing needful for an Indian financier is to be able to know on what he can really rely. It is difficult to initiate with confidence any policy of fiscal reform if, at any moment, our estimates are liable to be upset by sudden and gratuitous drain on our resources, arising from circumstances wholly beyond our control. What we desire is fixity, and an assurance that when we have figures before us, we know what they really mean. Further, it is to be observed that the fluctuations in exchange exercise a deterrent influence upon that flow of capital from England to India which it would be so beneficial to establish. A man naturally hesitates to invest his money in a country in which he may suddenly find the income on which he had depended reduced in very considerable proportions owing to a change in the relative values of the precious metals. I should, therefore, much prefer a high to a low rupee. But what we most of all require, and what the commerce of India requires, is not so much a *high* rupee as a *stable* rupee. Any legitimate means to secure this object should, therefore, meet with our approval.

11. At the same time, I fully recognise that a false step, which it would be very difficult to retrace, might lead to evils even greater than those from which we are now suffering; that the whole burden of proof rests on the bimetallists; and that the principles which they advocate, being opposed to those held on such matters by almost all leading economists and statesmen up to the present time, should undergo the most severe criticism before they are accepted. Whilst, therefore, I think it would be in the highest degree unwise to refuse a fair and impartial hearing to the bimetallists, I also think that our attitude should be essentially conservative and cautious. There is some force in Mr. Giffen's remark (*Essays in Finance*, p. 206) that "the mere fact that it (bimetallism) would be a colossal experiment is an argument against it, so long as we are not compelled to adopt heroic remedies." I would, at present, therefore, go no further than is absolutely necessary to aid in securing the

main objects we have in view—namely, the rehabilitation of silver, and the insurance of stability to the rupee. It will be seen, therefore, that the point of view from which I approach the subject is not altogether the same as that of Mr. Hope, who in the latter part of his note (paragraphs 13-16) advocates certain measures which, as he states, are (paragraph 20) "tantamount to bimetallism for India," and "more besides." Notably Mr. Hope dwells upon the fact that the circulation of gold as legal-tender currency in India is in itself a thing to be desired. I do not propose to discuss this point. I would, for the present at all events, go no further than absolute necessity demands. I only advocate such measures as, with the least possible disturbance of existing arrangements, will suffice to meet our main objects, which, I repeat, are the rehabilitation of silver, and the insurance of stability to the rupee.

12. One further preliminary point—and it is one of great importance—requires to be mentioned. Before we can advantageously discuss the nature of the remedy which should be applied to existing evils, we should have some accurate ideas as to the causes which operated to bring about those evils. They are thus stated in a Memorandum of Mr. Chapman's, dated 2nd June 1880 :—

"There is not, now, it is believed, any doubt (1) that the long-standing equilibrium between gold and silver continued, till 1873, generally, because, whilst it prevailed, no considerable change took place, throughout the world, in the several national standards of value, and, especially, because the French monetary law of 1803 provided for the constant optional interchange of the two metals at a fixed ratio; (2) that the disturbance of that equilibrium since 1873 is the consequence of the substitution of gold for silver as the standard measure of value in Germany, followed by the closure of the mints of the Latin Convention to the less valuable metal, and the withdrawal of the optional interchange of the two metals heretofore allowed within the jurisdiction of that Convention."

Again (paragraph 20) Mr. Chapman says :—

"The international bimetallic standard measure of value, actually, to a great extent, prevailed throughout the whole world, as long as the French monetary law of 1803 was in operation. This truth may not, even yet, be generally recognised; but it is indisputable that, so long as gold and silver were freely interchangeable in France, at a fixed ratio, that ratio necessarily governed the relations of the two metals, and therefore the value of each throughout the world. The sole gold standard of England and the sole silver standard of India were, alike, wholly subject to the influence of the French law, and not, as has been supposed, independent of it; the values of England's gold and India's silver were absolutely controlled by the French law. Doubtless that law could only operate freely and fully while France possessed sufficient stores of both metals. Before the gold discoveries of 1848 and 1851, the French monetary law had assisted to maintain the value of silver measured in gold which commanded a small varying premium; and, had the gold discoveries of California and Australia been repeated, conversely, as her silver stores were exhausted, the French monetary law would have, in like manner, assisted to maintain the value of gold measured in silver. But this only shows that the demand for metallic, that is, intrinsic money, in France alone, great as it is, is not sufficient to maintain such a law permanently, under all circumstances; and must not be allowed to obscure the fact that the French bimetallic law alone did confine fluctuations in the relative values of gold and silver throughout the civilised world, for three-quarters of a century, within narrow limits."

13. No doubt other causes, besides those to which Mr. Chapman alludes, have contributed to the depreciation of silver. Those causes are stated at length in the Report of the House of Commons Committee of 1876. Moreover, I conceive that Mr. Giffen is right when he argues (*Essays in Finance*, p. 295) that, when gold was expelled from France in 1848 by reason of the fall in the value of silver, French bimetallism could not have arrested a further fall. This argument, however, only proves that one nation alone is not powerful enough to uphold bimetallism. I agree, however, with Mr. Chapman, in

thinking that, of all the causes which have led to the depreciation of silver, those which he mentions are the most important,* and that the French monetary law of 1803, so long as it remained in force, was the chief factor in regulating the price of silver all over the world. Further, I conceive it to be true that the full measure of the importance to be attached to the action of the French is only now being gradually recognised, although I may mention that M. Cernuschi gives† good reasons for supposing that Sir Robert Peel, who was one of our greatest currency authorities, was aware of this fact. The importance of the latter consideration lies in the fact that the non-recognition of the full importance to be attached to French bimetallism, as it existed from 1803 to 1873, rather invalidates the authority of the older writers on this subject, and enhances that of writers of a more recent date, who treat the subject with a more thorough knowledge of the whole of the phenomena connected with it.

* See also, in confirmation of this view, report of the Committee of the House of Commons, p. v., and Bagehot *On the Depreciation of Silver*, p. 41.

† Bimetallism in England and Abroad, pp. 19-23.

14. I dwell on Mr. Chapman's arguments because, if it be once admitted that the stability which lasted for seventy years, and the instability which has lasted for nine years, are alike due, not so much to the operation of economic laws, as to the action of France and Germany—*i.e.*, to purely preventible causes,—a strong presumption is raised that, theoretically at all events, those violent fluctuations in the values of the precious metals, from which we have been so recently suffering, may, to a great extent, be prevented by legislation and international arrangement. I say that this is a strong presumption. It is not, of course, a certainty. In the first place, other causes besides those dependent on the action of France and Germany have, as I have already mentioned, certainly contributed to the depreciation of silver. In the second place, geological and engineering skill may, in the future, enable the precious metals both to be discovered in greater quantities, and to be produced at less cost, than in the past; whilst, at the same time, increased facilities for locomotion and communication, the extension of the clearing-house system, and other analogous measures may enable the trade of the world to be carried on with a smaller amount of metallic money than at present. Thus it is conceivable that the whole problem will present itself under different conditions in the future to those which have prevailed in the past or which prevail in the present.

15. I will now state very briefly what the present currency system of India is, and what it would be were India to join the Bimetallic Union.

16. At present India is monometallic. We have an unlimited silver currency. Silver in unlimited quantities may be presented at the Indian mints, and the Government is obliged by law to coin that silver into rupees, each containing 165 grains of pure silver to 15 grains of alloy. When the relative value of gold and silver was as 1 to $15\frac{1}{2}$, the value of a rupee, expressed in sterling, was, as nearly as possible, 1*s.* $10\frac{3}{4}$*d.* It is now about 1*s.* 8*d.* Gold bullion, when presented, is also coined at the Indian mints into mohurs; but these are not legal tender.

17. If India joined the Bimetallic Union, both gold and silver would be received in unlimited quantities at the Indian mints, and both gold and silver would be legal tender to an unlimited amount in the discharge of debts. They would both possess what the French call the *force libératoire*. We should have to issue a gold coin at our mints, which we might call by any name we

pleased, and which might be of any value we pleased, but which must always bear to our silver standard coin the ratio adopted by the other members of the Bimetallic Union. This ratio would very probably be 1 to 15½, but need not necessarily be so. Some other consequences would result from joining the Bimetallic Union, but I confine my observations to the main issue, which is that which I have stated above.

18. The fundamental principle of bimetallism is thus stated by M. Cernuschi, one of the most able and persistent advocates of the system :—

"Si les grandes nations se mettent concordamment à frapper monnaie d'argent pesant 15½ fois leur monnaie d'or la valeur relative des deux metaux sur le marché général de purra plus varier ; un poids d'or vaudra partout 15½ poids d'argent. Tout le bimétallisme est la."*

* M. Michel Chevalier, et le Bimétallisme. 1876.

Money, M. Cernuschi argues, is not to be confounded with merchandise—

"To speak of merchandise is to speak of competition, supply and demand, purchase and sale price. To speak of money is nothing of the kind. Whether he produces little or much, at a profit or a loss, no miner can sell his metal-money either dearer or cheaper than other miners, for the simple reason that the metal-money is not sold or bought—it is itself its price. Neither offered nor demanded, as soon as it issues from the mines the metal enters of full right into circulation, and its paying power will be identical with that of the metal already circulating—with which it proceeds to mix itself. Thus there is no competition, no buying or selling, no price. Such are the immunities inherent in the monetary metal. Gold and silver, alike, necessarily enjoy them when the monetary law is bimetallic. Therefore, no competition is possible between the producer of gold and the producer of silver, no purchase and sale, no discount, no price between one metal and the other. Without their being offered, without their being demanded, the circulation absorbs them both at the legal par, and cannot refuse them. When the monetary law is bimetallic, neither gold nor silver, coined or uncoined, is merchandise. *That is the secret.*"†

† Silver Vindicated, 1876.

The same principle is stated by Mr. Hucks Gibbs more briefly in the following words :—

"The metal of which the money is composed is indeed a commodity, but when made into money it ceases to bear that character. *Money is not a commodity but a measure of commodities.*"‡

‡ Silver and Gold, p. 16.

19. In the books and papers I put up with this note the soundness or otherwise of the principles above enunciated are discussed at great length. Most of the writings are on the side of the bimetallists. The monometallists, as I have already mentioned, have so far, for the most part, treated the scheme as impracticable, and many of the most eminent amongst them have declined to discuss fully a question which they consider of purely theoretical interest. I cannot hope within the limits of the present note to deal with all the arguments and counterarguments that have been used. I offer, however, a few observations on some of the main points.

20. The main argument adduced against the bimetallists is, that gold and silver do not differ essentially from other commodities, and that it is, therefore, impossible to establish and maintain any fixed ratio between them. Thus, Mr. Picton says :—

"The price of silver bullion in the market is little over 4*s.* per ounce. If, therefore, we have the privilege of paying in either metal, it is quite clear that silver would very soon drive out gold altogether. Why should a man pay £100 in gold if £80 worth of silver will answer all his purpose ?"§

§ On the Depreciation of Silver, and the remedies proposed to obviate it, p. 13.

The same argument is repeated in different forms in many of the monometallic writings. The answer of the bimetallists, so long as the essential conditions of the problem remain as at present, appears to be so far conclusive, that, if all the civilised Governments of the world became bimetallic on the 1 to 15½ basis, the price of silver would certainly rise to about 5*s.* an ounce. Silver at 4*s.* an ounce would not be procurable in the market. To argue otherwise appears to me to involve the fallacy that the value of metallic money depends on cost of production; whereas, in the words of Professor Walker,* "the value of metallic money is not governed by the cost of production, in the present or in the past, but results solely from the relation existing between demand and supply, the past cost of production being only relevant as having influenced the present supply, the present cost of production being only relevant as likely to influence the future supply." Further, the bimetallists are unquestionably right, as a matter of fact, when they maintain that, at present, there is a practical monopoly of demand for the precious metals for currency purposes. On this point Mr. Cazalet's argument seems unanswerable:—

* Money, Trade and Industry, p. 145.

"Unquestionably," he says, "if the bulk of the trade in gold and silver were in the hands of manufacturers, it would be very difficult, if not impossible, for the Governments of Europe combined to regulate the price of these metals. But is this so? The total consumption of gold and silver for manufacturing and all other purposes exclusive of currency is estimated at 5 per cent. of the total annual production. It certainly does not exceed 10 per cent., and the whole of the remainder, from 90 to 95 per cent., is purchased by the different Governments of the world for currency purposes. Consequently it is the currency which supplies, with a comparatively trifling exception, the only market for the precious metals; and as long as an unlimited demand can be retained for both articles, the Governments of Europe have it in their power to fix and maintain their relative value." †

† Bimetallism, and its connection with Commerce, p. 27.

Mr. Fawcett also remarks (*Manual of Political Economy*, p. 498):—

"The amount of silver annually required for arts and manufactures is, comparatively speaking, so small, and fluctuates so little from year to year, that it exercises little influence on the value of silver."

21. It is, of course, theoretically conceivable that the stocks of either gold or silver or of both metals may be exhausted, or, on the other hand, that they may be so largely increased as to render one or other or both metals as common as iron or coal. In the former case some other metals would of necessity have to be used for currency. In the latter, the metal, whose supply was increased, would be demanded more largely for manufacturing purposes, and the practical monopoly of demand for currency purposes would cease; that is to say, the metal would be no longer precious, and would be unsuitable for currency purposes. All that can be said of these contingencies is, that they are very improbable; that their improbability is the main reason why gold and silver are held to be better adapted for currency purposes than other metals; that if any one of them occurred, it would cause great inconvenience to some nations; and some inconvenience to all nations, under any system, whether monometallic or bimetallic; that there is no present indication of the stock of either metal becoming exhausted; and that, although fluctuations must of course occur in the relative amount produced of each metal, it is improbable that either one or other or both will be produced in such large quantities as to break down the present practical monopoly for currency purposes, for that competition will always step in and, by raising the cost of production, limit the amount which it will be worth while to produce.

22. I do not, therefore, see any economic fallacy in the theory of universal bimetallism if it be stated thus—that so long as no very great change takes place in the aggregate and relative quantities in which up to the present time gold and silver have been produced, it would be possible by common agreement amongst all the nations of the world to preserve a fixed ratio between gold and silver; further, that it is probable that no such great variations will take place in the available stocks of either of the precious metals as to render the preservation of the fixed ratio impossible.*

* The total metallic circulation of the world is said to be about 1,400 millions sterling, of which about 750 millions are gold and 650 millions are silver. Mr. Cazalet says (page 22 of his pamphlet) that, taken together, the aggregate production of gold and silver amounts to 40 millions sterling. "This," he says, "does not exceed 3 per cent. of the total circulation of each metal. Of this yearly production, nearly one-third is required to make good the wear and tear of the metals, one-third is wanted for increased population and the development of trade, and only one-third remains to supply the demands of manufacturers. It would require a very large increase in the production of these metals to exercise any appreciable influence on the value of the total currency of the world. But if this is unquestionably true with regard to both metals taken conjointly, it is not equally true with regard to each metal taken separately. The annual production of gold has fallen within the last thirty years from £36,000,000 to about £20,000,000, whilst the production of silver has increased from 10 millions sterling to 20 millions sterling per annum in the same period. That is to say, the production of gold has decreased by 44 per cent., and the production of silver has increased by 100 per cent. The variations in the production of both metals taken conjointly have never exceeded 15 per cent.—*viz.*, the difference between £46,000,000, and £40,000,000. Consequently, if, as is universally acknowledged, the desire of all economists be to provide as far as possible against rapid fluctuations in the volume of a currency, the fact that the two metals circulating together on an equal footing afford a much surer guarantee against such fluctuations than either of these metals taken separately would give, is a very strong argument in favour of bimetallism."

23. I gather that Mr. Giffen admits as much as this. "Of course," he says—

"if all countries were bimetallic—supposing that to be a possible arrangement—exchanges would be steadier just as they would be if all were monometallic upon the same basis. So much may be granted on this head to the bimetallist argument."

And again—

"Yet another advantage is alleged for bimetallism, *viz.*, that the standard of value set up by it will probably be more stable from period to period than a standard of one metal only. And on the doctrine of chances it would seem there is, perhaps, some foundation for this statement. There is some probability that the chances of one metal fluctuating in value in reference to itself from period to period will be partly compensated in a double standard system by the chances of the two metals not fluctuating in the same direction. But in this matter, it seems to me, the doctrine of chances is not a sufficient guide for action. The preponderant probability, on one side or the other, is not very great—it appears something like two to one in favour of bimetallism; whereas, for a guide to action, the probability should be so great as to amount almost to certainty. The assumption on which the doctrine of chances is appealed to is, moreover, not quite warranted. In real life, it may be assumed, nations will not be constant in their monetary arrangements. In the future, as in the past, changes of price, political aspirations, the love of imitation, and hundreds of other motives, will induce one nation to change gold for silver, or silver for gold, or to give up bimetallism for one or the other metal. The result may well be that, after a long lapse of years, the change of one metal in value in reference to itself will be no greater than the change in the combination of the two. In any case the differences over long periods in the relative stability of monometallic and bimetallic standards of value hardly seem an object worth any great concern to a State."†

† Essays in Finance, p. 300.

24. Mr. Giffen appears to me to underrate the probability of a fixed ratio between gold and silver being maintained through the agency of universal bimetallism; and for the rest, although I am inclined to adopt a conservative attitude on this question, I am not inclined to push conservatism so far as Mr. Giffen. His argument, in fact, practically amounts to this—that under no conceivable circumstances should even universal bimetallism ever be tried. I fully go with Mr. Giffen in his subsequent remark, that constant alterations of the money in use by a State are to be strongly deprecated, and that M. Wolowski's contention that such alterations are of slight consequence is fallacious. It is also, no doubt, true that, even were a general international agreement made, there could be no positive assurance that some one State belonging to the Union would not break through its engagements and secede. Whether the world is all monometallic, or all bimetallic, or partly one and partly the other, we must always be exposed to possible changes in monetary arrangements, arising from political aspirations, the love of imitation, and the other motives to which Mr. Giffen alludes; but the question is, are we not more exposed to these changes so long as no general agreement exists, than we should be if such a general agreement could be brought about? At this moment we, in India, are suffering from changes made in their monetary arrangements by Germany in the first instance, and by France in the second. I conceive that there can be no doubt that we should be less exposed to fortuitous changes of this nature, were a general international arrangement made in respect to the currency systems of the civilised world, than we are at present in default of any such arrangement. If any such arrangement is ever made, it will probably be on a bimetallic basis. A general monometallic arrangement on the basis of either gold or silver is quite impracticable; whilst, for the present at all events, it seems almost equally impracticable to come to any arrangement on the basis that some nations should bind themselves to adopt a single silver and others a single gold standard. This latter arrangement, moreover, would not ensure stability in the relative value of the precious metals to so great an extent as an universal bimetallism; and, as I have already mentioned, it is stability which India most of all requires.

25. I have so far only dwelt on universal bimetallism, which is admittedly a question of only theoretical interest. It is, however, desirable to have a clear idea of the theory of bimetallism before proceeding to discuss the immediate practical issues involved. We know, however, that universal bimetallism is, for the present at all events, impossible. England, for instance, will not join. The admission that universality is impossible unquestionably weakens the case in favour of bimetallism considered from a practical point of view. The bimetallists, however, argue that, although particular bimetallism,—that is to say, the bimetallism of only one State,—cannot work in practice, absolute universality is not necessary to attain the objects which they have in view. It is only necessary, they contend, to ensure agreement amongst a group of nations sufficiently large to be able to absorb all the silver or gold which any increase of production in the case of one or other metal may bring to their mints. To put the case in another way, they contend that no nation can absorb more than a certain quantity of the precious metals; and that if the monometallic countries be limited to a small minority, they will not be able to denude the bimetallic countries entirely of all but the more abundant metal, and so bring about a general change in the fixed ratio between the two metals which these countries may have adopted. Mr. Giffen, on the other hand, says* that the dissent of any one of the smaller States of Europe

* Essays on Finance, p. 307.

is fatal to the plan of the bimetallists. On this, as on some other points, Mr. Giffen appears to me to overstate his case. I am inclined to think that absolute universality is not essential to the success of the plan; but it must be admitted that the nearer universality be approached, the more certain will be the attainment of the objects which the bimetallists have in view. Coming, now, to the practical point at issue, which is whether we shall recommend to the Secretary of State that India shall now join a Bimetallic Union, it is essential to know what other States will join, and what States will remain isolated. All we know for certain on this subject at present is, that France and the United States are prepared to join the Union, and that England is not prepared to join on her own behalf. It is probable that the countries belonging to the old Latin Union, that is to say, Switzerland, Italy, Belgium and Greece, will join with France. It is said that Germany, Austria, and Holland are inclined to join. If this be true, no doubt a strong coalition would be formed, but on these points we have no certain knowledge; neither should we be justified in basing any official recommendations upon assumptions, however probable. Further, of the intentions of the Scandinavian Union we know nothing, except that in 1878 their delegates were strongly averse to bimetallism. The question, therefore, as it presents itself to us for the moment is, whether France and the United States alone would be sufficiently strong to carry into practice the bimetallic principle. I think there can be little doubt that if these two States only were to enter into a Bimetallic Convention, silver would, for the time, be rehabilitated, and stability would be given to the rupee; but I should not consider the combination sufficiently strong to justify our recommending India to join, more especially as it is not essential, in order to attain the immediate objects in view, that India should join. In the present state of our knowledge, therefore, I do not think we can go further than the position indicated in our telegram to the Secretary of State of the 13th instant; that is to say, India should, for the present, only engage to coin silver in unlimited quantities, and to continue the use of silver as legal tender for debts of any amount, for the period the proposed Convention remains in force. If the adhesion of India were absolutely essential to the formation of the Union, I should be inclined to go a step further, and to express an opinion that if the United States, the Latin Union, Germany, and Austria are prepared to join, the coalition would be sufficiently strong to justify India also in joining.* But the adhesion of India is not absolutely essential to the formation of the Union, or, at all events, it does not appear to be so, in so far as our present knowledge of the subject enables us to judge. We are, in fact, in a very peculiar and in some respects advantageous position as regards bimetallism. We can do all that is required of us to ensure the present success of the Union, without any change of system. I incline to think that theory points to the conclusion that no great danger would be incurred in joining the Union. But, at the same time, we must remember that we are dealing with a subject of very great difficulty; that bimetallism, as it is about to be tried, is an experiment; and that very high authorities on currency consider the system unsound. Under these circumstances, it appears to me, as I have already mentioned, that we

* This opinion would of course, in any case, only cover the general principle. The terms on which we should join would require careful consideration. As to the terms proposed we know nothing officially; but an apparently accurate account of the proposals to be submitted to the Conference appeared in the *Times* of March 23rd. I may mention that the 4th and 5th Articles appear to be open to some objection; but I will not go into these points now. They are not such as to raise any insuperable difficulties.

should, as far as possible, preserve our liberty of action. I see no reason why we should not derive all the advantages possible from our peculiar position. It is true, that by taking up this position other nations may possibly try the experiment; that we should derive all the benefit from it; and that, if the experiment succeeds, we might eventually become bimetallic. But why should we not let them do so, if they, from the necessities of their positions, are obliged to become bimetallic, whilst we may remain monometallic?

26. I might conclude here, but there are one or two further arguments in connection with the general question to which it may be as well that I should allude.

27. The effect of any general adoption of the bimetallic principle might be to increase largely the amount of money in the world. It need not necessarily be so, for competition would probably step in and, by increasing the cost of production, limit the amount produced. Assuming, however, that the amount of money in the world were largely increased, the result would be that there would be a universal and gradual rise of prices. I need not discuss the general question of whether abundant money is, in itself, a thing to be desired, or not. I confine myself to the consideration of the question in so far as it affects the position of the Government of India. As I have already observed, the adhesion of India is not essential to the success of the Union. All that other bimetallic nations really require from us at present is that we should continue to coin silver in unlimited quantities, and to consider silver as unlimited legal tender. Anything we may do beyond this will be dictated, not from our action being necessary to the present success of the Bimetallic Union,—although, perhaps, the adhesion of India would have a certain moral effect and might induce others to join,—but from a belief that a legal gold tender for India is, in itself, a thing to be desired, It results, therefore, from our peculiar position that any universal rise of prices, which may take place by reason of the decisions of the Bimetallic Conference, is a matter altogether beyond our control. It can be caused by a combination of States altogether independent of India. The argument that prices might rise has, therefore, no very practical bearing on the case, in so far as the action to be taken by India is concerned.

28. A further point which has to be considered is the altered nature of the relations between the State and the public creditor. Inasmuch as it is to be presumed that England will adhere to her single gold standard, no change would be made in the relations between the Government of India and the holders of sterling stock. But in the case of the holders of rupee securities, whereas we are now under an obligation to pay them in silver only, we should, in the event of India joining a Bimetallic Union, be empowered to pay them in either silver or gold. Inasmuch as the immediate result would, almost certainly, be to raise considerably the price of our rupee securities, it is exceedingly improbable that any complaints would be made by the holders of those securities. If, however, it be considered that any compulsory alteration whatsoever in the relations between the State and the public creditor is to be deprecated, the difficulty would not be insuperable. It would be a perfectly possible, although somewhat troublesome, operation, to convert the whole of our rupee securities into a new debt, the interest of which would be payable in either gold or silver.

29. A further point which deserves consideration is the effect upon private contracts which would result from India joining a Bimetallic Union. Mr. Thomson Hankey, in the pamphlet from which I have already quoted, alludes to the fact that "every financial arrangement, both of a national as

well as of a private character, has been made on the basis of a single gold standard in England for a long period of time." In so far as England is concerned, the objection on this score to joining the Bimetallic Union may, no doubt, be considerable. It is one, however, which applies in a far less degree to India. The principal derangement which would be caused to private contracts in India would be, not so much owing to the fact that gold would become legal tender in India, as to the fact that the rupee would be enhanced in value. This enhancement, as I have already observed, will, should a Bimetallic Union be formed, take place, even though India were not a member of that Union. The matter is, for all practical purposes, beyond the control of the Government of India. Further, it is to be observed that, in many cases at all events, contracts have been deranged by the depreciation of the rupee, and that its appreciation would merely have the effect of restoring them to their original conditions.

30. There is yet one further argument to which I would allude. Mr. Giffen argues* that, even if universal bimetallism be possible, and if it would realise the advantages to which its advocates lay claim, those advantages are hardly worth attaining. "Is universal bimetallism," he argues, "worth aiming at for the sake of mere steadiness of the exchanges? I cannot but think that, when really looked at, the alleged superiority of bimetallism in this respect, as in regard to its promotion of more abundant money, amounts to very little." He then goes on to deal with the special case of India. He argues that the evils of the fluctuations in exchange have been "enormously exaggerated;" and that "to introduce bimetallism would be to make a permanent alteration in a monetary system to meet a temporary evil." In his *Notes on the Depreciation of Silver* (p. 207) he points out that the real way for India to meet the financial difficulties caused by the depreciation of silver is to devise measures "to enlarge and strengthen the sources of income." In a confidential paper, entitled *Statement of the Real Silver Difficulty in India and how it should be met*, he dwells more at length upon the same subject.

* Essays in Finance, p. 298.

31. I venture to think that Mr. Giffen rather underrates our difficulties and dangers, and, moreover, that he fails to appreciate the degree of danger to which we are exposed. I admit that the evils resulting from the fluctuations in exchange may have been exaggerated, and that, should the rupee remain at its present value of about 1*s.* 8*d.*, our financial difficulties are by no means insuperable, nor such as to call necessarily for any heroic remedies. But Mr. Giffen appears to me to forget that what has happened once may happen again. For some years the finances of India have been deranged, owing, mainly, to the action of Germany, and the consequent suspension in France of the monetary law of 1803. How can we be sure that this will not happen again? Exchange may, indeed, settle down at 1*s.* 8*d.* Our whole financial arrangements may be adjusted on this basis, and stability to the silver market may possibly for a few years be insured; for I cannot conceive it possible that at present any other nation would be induced to demonetise its silver.† But how can we be assured that a few years hence a further demonetisation may not take place, with the result that the rupee may be driven down to 1*s.* 4*d.*, or lower? We should then be again obliged to re-adjust our whole financial system. The result would be that we should probably either have to push economies in

† Professor Walker says, speaking of the German demonetisation, that "the history of the century will be searched in vain for a political blunder of equal enormity."—(*Money, Trade, and Industry*, p. 191.)

the Civil Administration so far as to cripple the progress of the country; or that we should have to reduce our Military Establishments to a dangerous extent; or that we should have to look out for new sources of revenue. The difficulty and even political danger of this latter step appears to me to be underrated by Mr. Giffen. Mr. Giffen, in fact, seems to lose sight of the common place argument on this subject, which has always been enforced by every economist, that fluctuations in the value of gold and silver are a great evil, and that because it was deemed that those fluctuations were improbable, those metals have been chosen for the currency purposes of the world. Thus, to quote only a single instance, Mr. Fawcett says*—"It is evident that a substance should be selected as money which is subject to the smallest possible fluctuations in value: upon this quality mainly depends the efficiency with which money can fulfil the functions which are required from it as a standard of value." It cannot be said that during the last few years silver has met the requirements for currency purposes on which Mr. Fawcett in common with others, lays so much stress. The fluctuations have been very great. Whether bimetallism is the best method of preventing those fluctuations, and whether, even if it be the best in theory, it is possible in practice, is a question on which, without doubt, much difference of opinion may exist; but looking to the financial history of India for the last few years, I cannot agree with Mr. Giffen that the advantages of obviating those fluctuations are not very great. On the contrary, it appears to me, from the Indian point of view, that they are so great as to make it imperative on us to consider carefully every legitimate method for preventing them.

* Manual of Political Economy, p. 354.

32. Such are the observations which I have to submit to His Excellency the Viceroy and my Honourable Colleagues on this very difficult and important question. They are the result of careful and prolonged deliberation, for, in anticipation that this question would arise, I have, for many months, been from time to time studying it, and during the last few weeks I may say that I have studied nothing else. At the same time, the question is one of such extreme difficulty, that I submit my views with much hesitation, and it is very possible that further discussion may lead me to modify them.