We have therefore in a gold coinage, as compared with a silver coinage, three elements of cheapness, which cannot fail to have a marked effect in asserting the superiority of gold as a circulating medium and one of metallic reserve :—

1st—Its superior portability.

2nd—Decrease of wastage.

3rd—Economy in mintage.

Now, if we accept the definition of a metallic currency, that it is a certain portion of the capital of a community which is abstracted from the whole without immediate return of any kind, for the purpose of enabling the community to pursue its business, in other words, to employ the remainder of its capital in the daily commerce of life, we cannot escape the conclusion, that that medium should be chosen to perform the particular functions of currency, in which mechanically it can be done most cheaply. In this we merely follow the same rules of reasoning and practice, that we apply when we substitute animal draught for porters, and the steam engine for horses.

It is particularly necessary to bear this in mind, to recollect that a currency is only the means of transacting business, that it is a machinery in the economy of which all men are interested, and therefore, that the medium has to be considered on account of such merits, just as we consider the relative merits of steam and horses. This view may be called the mechanical one. It is very liable to lose the attention which it deserves because of the difficult problems which come across the investigator, and of the manner in which the value of the precious metals as commodities occupies the mind, to the preclusion of the mechanical facts of their employment, and of the cost of those facts. Hence a great confusion arises. Even acute thinkers are thus apt to forget the important circumstances which have been stated to overlook the mechanical economy of using one metal (gold), as compared with another metal (silver). Nevertheless other conditions of relative value being preserved, this very mechanical economy would be quite sufficient to drive the lower metal generally out of circulation, were circulation allowed to adjust itself without the intervention of State laws or other restrictions. When arguing against the introduction of a gold currency for India, the late Mr. Wilson omitted to give these important considerations the weight they deserve. On the contrary, while he allowed that a gold currency would be more convenient than a silver one, he did not also add, as he should have done, that as a machine of daily commerce, a gold medium is much cheaper in the working than a silver one can possibly be. This fact should not have escaped a practical economist of his distinction. It is perhaps to be regretted that an authority of his calibre was lent to an incomplete statement on this very important part of the subject.

Having thus established the mechanical superiority of gold over silver as a medium of currency, that is to say, that it is superior as a means of machinery in point of economy, to silver, it would seem to follow that the State, in which term is conveyed the inherent governing power of a community, is bound to cause the more valuable metal to be substituted in the currency for the cheaper one, as soon as the community has become rich enough, to render such a change desirable for the greater convenience of daily commerce.

It will hardly be denied that the State should guard itself according to the manner in which a trading firm or corporation would proceed in defence of the interests of its constituents. Such a firm or corporation having a given function to perform, which requires the absorption of a certain portion of capital, feels bound to economise the means of action according to the improvements which may take place, and to the progress made by invention and experience. In this sense, to revert to our old illustration, it substitutes animal draught for porters, and steam engines for horses. It is not held that porters who have to seek another employment, have any grievance and we none of us can forget, how fruitless were the jeremiads of the old anti-railway party on the destiny of stage coachmen.

In the same manner, if the State finds an old official machinery which does not suit the times; such machinery, after more or less discussion, is invariably made to give way to adaptations, possessing greater convenience, as being more suitable to present exigencies than what is cumbrous, or has become obsolete in form.

The same rule and practice are precisely attributable to a currency, when considered in its character of machinery. The holders of an old and cumbrous medium can no more plead exemption from the effects of progress and development, than porters who find themselves supplanted by horses, or the stage coachmen who have given way before the steam engine.

The actual holders of the medium are also a portion of the community which benefits at large, by an economical reform of the currency, or the machinery by which transactions are carried on. The holders are generally interested in the measure of reform, just as the stage coachman is interested in the general improvement of the country by the introduction of the railways, and, in the possibility thereby afforded to him, of securing his existence somehow or other, though perhaps not on the coach-box.

In like manner, by having an economical currency given them, the holders of the old medium, though at first sight they might seem to lose by its demonetisation, whether with or without the aid of law actually gain in the end by the greater use they are able to make of it as a commodity of trade.

This ultimate gain to all classes we have seen both in France and in the United States.

The Government then being considered as the trustee of the community, is bound to afford to that community the cheapest currency or machinery, for conducting all the transactions of domestic exchange and deposit which can be devised by human skill and ingenuity. The obligation is one from which the State cannot escape.

The cheapness being the interest of the whole, must be preferred to individual interest if the two be found to run counter to one another.

There is no reason to believe that any such antagonism exists, it being found that any reform or measure which re-acts with favourable results on the whole body of a nation, is beneficially, however indirectly, experienced by all the individuals composing it. It is essential to bear these somewhat trite maxims in mind, on account of the fallacies, by aid of which it is sought to be maintained, that to reform the metallic currency of India, by substituting a gold for a silver one, involves breach of faith with those who have contracted obligations in the form afforded by the latter medium, or who happen to be holders of it.

The attempt is made to put out of sight the character and mechanical functions of a currency, the cost of the performance of these functions, the means of economising the cost under the admitted necessity of maintaining a due metallic reserve. The other character of that reserve is then alone considered, *viz.*, its character as a commodity. That character is, of course, disputed by no one, but it is but to state one side of the argument when it alone is brought forward, and the other character (*viz.*, of machinery) maintained at the cost of the community, is hidden from view.

In confirmation of what has been advanced, it may, I think, be held to have been shown by the practice of wealthy nations, that gold is a more convenient means of currency machinery than silver, when transactions are sufficiently numerous, and when the metallic means are sufficiently large, to render economy of porterage, wastage, and coinage, an element of calculation both to the State and to the individuals of whom the currency wants are concerned ; England, France, and the United States are sufficient examples.

This being so, we must be convinced that as a matter of administration, on the score of economy, we should substitute a gold currency for a silver one for the accommodation of large transactions, or what may be in excess of the wants of very petty dealing, in countries which have reached the level of wealth and commercial activity attributable to such nations. As regards the application of a gold currency to India we have then to ask, is she entitled to be counted among such nations? Are her transactions of a character, are her needs on account of means of reserve and circulation, are the expenses of her Mints and of waste of capital sufficient to warrant a change similar to that which has been found in the United States, France, and Great Britain ?

Chapter III.

The Standard of value.—Does a change of the Standard involve what is called a Breach of Faith, either with the Public creditor, or the Private one ?

Before proceeding to consider the question of a change in what is called the "Standard of value," it may be well to come to an understanding on the exact meaning of the phrase. Confusion is apt to arise from the misappreciation of terms, and the public sometimes deceives itself, and is frightened accordingly by the misuse of words and phrases.

Such a confusion, perhaps, exists at present with regard to the phrase to which attention is invited. In some minds the so-called "standard of value" is mistaken either for value itself, or for the regulator of value. It is, in fact, a particular metal or commodity, in which the law of a given country declares that a currency shall be maintained.

That particular metal comes thus to be the expression, or means of the measure of value. This is a very different thing from being the measure itself, or from the commodity chosen as the standard of value having any intrinsic virtue, by which it can regulate value, or obtain value in any manner not common to other commodities.

We are taught that there is no real value but the cost of labour which is thrown into production,* transport, and delivery. However that labour may

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* *Note.*—The cost of *production* as here used includes the rent of land. Waste land, on which labour has not been expended, returns no rent.

be paid for, whether by the commodities it produces, by other commodities, or by their representative in the form of money, on the cost of it depends the value of the commodity produced. It makes no difference whether the commodity be gold or silver, corn or oil, stone or timber. In the cost of labour must be included wages in every form, the expenditure of material which has been produced by previous labour, the preparation of the soil which is also the result of labour, at whatever former period it may have taken place, although, now it may be paid for under the denomination of rent.

Thus is it that by the cost of labour value is determined. It is measured by the exchange of one commodity against another, as we say that an ounce of gold is worth a ton of iron, the cost of producing the ounce of gold being the equivalent of the cost of producing the ton of iron, or the labour on account of the ounce of gold being the equivalent to the labour on account of the ton of iron.

It is evident that what is called the standard of value cannot affect the operations with respect to value, *viz.*, its creation by the application of human labour to matter, its determination according to the limits of the cost of the labour so applied, its measurement by the exchange of one commodity against another, except in so far as the commodity furnishing the standard appears as an article of trade, and not merely as the means of measurement.

We must therefore carefully distinguish between value with the foregoing conditions, and the legal notion conveyed in the term " standard of value," as applied to a currency, which declares what particular metal shall afford expression of the measure of value, for the convenience of the community. Otherwise we may be led into the mistake of forgetting that the metal which has been selected for a legal tender, has on that account a twofold character, as has been already illustrated, *viz.*, that it is the basis of a currency, or the material of an artificial machinery by which the rude operation of barter has been superseded, besides being also an exchangeable commodity of trade.

In the former character, a metal when made into coins, measures market value, in other words, affords the formula of price, whereas its own value as a commodity is determined by the cost of its production, as compared with other commodities.

If this distinction between the two characters of the metal, chosen by the community for the expression of value be not resolutely kept before us, the one, *viz.*, that of machinery, being artificial, and created for our own convenience, and the other, *viz.*, its own value as a commodity being natural, we may expect finally to fall into the error of attributing an occult virtue to a condition of currency, which is liable to change with the circumstances which may render it inconvenient.

This seems to be a not inaccurate description of what often takes place in the consideration of currency questions. It is not improbable that the phrase "standard of value" has more than once been the cause of the confusion and the errors of reasoning, which have arisen from them.

Objection is thus taken to a change from the legal standard of India (silver), to a gold one, because large liabilities have been contracted by the State under the former, and it is maintained that as a matter of good faith, as it is called, the public creditor might reasonably demur to being paid under any other.

If such reasoning were to be admitted, it can but be on the ground that silver is viewed as a commodity of trade only, and that its artificial character of being the material of the currency machinery, chosen either expressly or fortuitously according to a shifting expediency, is forgotten.

We must not however permit ourselves to forget the artificial condition. Having in the progress of civilization committed ourselves to a system of "Money," in supersession of one of barter, that is, having organized currency in various forms, having constructed a machinery by which the system of "Money" may be carried into execution, we cannot permit ourselves to revert to a system of barter, in the one item of silver, which is not tolerated in any other commodity. Otherwise we should destroy the very ground on which a currency rests, *viz.*, that the so-called standard of value is but the legal means of expressing how value is to be measured, and does not itself affect value.

In effecting a loan, the State borrows value as represented by a certain number of coins.

It does not borrow a special commodity of trade, or contract to return that same commodity, except in so far as it is the representative of value.

Thus the money it seeks represents a given value. It actually contracts for that value, and receives the money which represents it in the legal tender of the day. But it is because money is the representative of value, and that the legal tender is merely the form in which the money is clothed, that the State so receives the money in gold or silver, as the case may be.

The State does not, and cannot, bind itself never to change the character of its legal tender, or expression of measure, which it looks on as liable to change like other institutions. Its engagement deals with the value of the loan, and not with the special expression of the measure of value, which in equity cannot be a matter of consequence either to the lender or the borrower if the idea of currency be fairly maintained, and it be not confused with the notion of the natural character of the commodity, which has been chosen to afford a material of currency or national machinery of exchange. If value be left untouched by the change, if there be no sacrifice of convenience in the mode of repayment, either of principal or interest; if, on the contrary, the convenience of the community be increased by a change in the currency machinery, as caused by a superior portability and economy, it is indeed idle to maintain that there is even a semblance of breach of faith with the public creditor. For if we pay the public creditor the full intrinsic value of interest and principal of his loan, whether in gold or silver, he has surely small ground of complaint. On the contrary, if there is a greater convenience to himself in the fact of receiving, carrying and guarding a portion of gold as compared with its equivalent in silver, he is clearly a gainer, if the former be substituted for the latter so far as a currency is concerned.

If we paid the public creditor 99 Rupees' worth of gold on account of his loan of 100 silver Rupees, we should defraud him, and he would be right to exclaim. But if we pay gold, which is actually equal in value to the hundred Rupees, there is no ground on which an objection can be raised, with regard to an obligation, created after a system of barter has given way before a system of money.

The same reasoning applies even more strongly to all obligations of domestic commerce, in which a currency comes into action, and the particular legalised money represents value for the convenience of the community. Although some thinkers may have a difficulty in overcoming the exact terms of a State Loan, they cannot find any perplexity when they survey the transactions of commerce, it being understood and admitted by all, that the given coin or legal tender is simply a device by which the prices of commodities may be adjusted, with respect to their relative market values.

The market values are constantly changing, and they require according to circumstances more or less of the coin of legal tender in the form of price, but they cannot be affected one way or other by the character of the legal tender, excepting the consideration, that an economical improvement in the currency cannot but effect a certain reduction of charge to the community, as we see similar effects from improved machinery in other matters.

The very fact of the existence of a money system demonstrates that a merchant does not contract to receive his dues in one particular form, but in any form which may be most convenient to the community of which he forms a part, provided only that he does really obtain those dues ; in other words, that the value to which he is entitled is not depreciated with respect to the actual present state of things.

The argument may therefore be summed up as follows :—

The State not being bound for ever to adhere to a given tender, it follows that loans made whether on account of the public or of individuals, and that all transactions of domestic commerce must follow the rule of any change in the mode of measuring monetary obligations, which may be demanded on account of the general convenience, provided that that change does not prejudice real value, that is, that the value of a new legal tender is, at the present, absolutely equal to that of the old one, or in other words, that the currency is not depreciated.

Chapter IV.

Further exposure of the fallacy contained in the Breach of faith argument, urged against the substitution of a Gold for a Silver Currency in India.

In considering the question of currency, it is hardly possible to exaggerate the importance of the conclusion which has been arrived at in the former Chapter, *viz.*, that the State or individual making a loan, in all cases, makes a contract for value, and not one affecting the particular commodity in which the legal tender happens fortuitously to exist.

The view stated in an opposite sense does in fact abolish the idea of a currency, and reduces us again to a state of barter. It ignores the representative character of money, and depends altogether on the character of the metal composing it, as a commodity of trade.

Thus to take Mr. Wilson's illustration* :—" If two men enter into a contract, one to deliver and one to receive a given quantity of wheat at a distant day, however much wheat may have fallen in price in the meantime, the receiver has no right to complain, any more than the deliverer would have had it in the meantime risen as much in price. But if the person whose duty it was to deliver wheat, finding that it has risen much in price since the con-

* *Vide* minute on a Gold Currency by Mr. Wilson, dated December 25, 1859.

tract was made, sought to deliver barley or some other grain, which in the meantime had become relatively cheaper, the injustice of such an attempt would be plain. But it would be equally unjust, after a contract had been made in a silver standard, to change the standard to gold, because it was becoming more plentiful, and in relation to silver likely to become cheaper."

Now in the foregoing illustration, the theory of a currency is entirely put out of sight, and with that omission is coupled another, that the State in fact borrows value and not a particular commodity.

The illustration of the wheat is really beside the question altogether, because it refers only to a system of barter from which we have been removed by a system of money.

It is evident that when the contract to pay for the wheat was to be completed by offering an inferior description of grain, this could only take place by substituting the real equivalent in value, or a larger measure of the latter for the former.

In the same manner, if gold were now to be substituted for silver, it would be necessary to find the exact equivalent of the two metals as respects weight and fineness, and in discharging obligations, to see that no depreciation of value took place to the disadvantage of the creditor, according to the state of things as *now actually existing*.

But keeping in view the idea of a currency, that it is a machinery for circulation, and the statement of transactions and prices, there is no good reason why we should be irrevocably bound hereafter by an accidental form of the legal tender which happens to be in existence now. Otherwise this would convert the holders of silver, and those who were on the credit side of obligations contracted in a certain form, into future fortunate speculators in a commodity, whereas when their contracts were made, this idea did not enter into the conceptions either of the creditor or the debtor, the expression of the contract in the medium having been assumed solely as the readiest mode of stating the obligation, according to the law or custom of the community, and not for the purpose of driving a trade in the commodity which happens to have been fixed on as the means of measuring value.

If such reasoning as Mr. Wilson's were to be admitted, when the question of substituting a cheaper currency for a more expensive one is considered, such as silver for copper and gold for silver, the community would be absolutely precluded from effecting any improvement or economy in the working of that particular machinery, organised and maintained by the community at its own charges, for the performance of particular functions, which affect alike the State and the individual.

It would be to create a new vested right in consequence of an accident, to bar economy and the progress of development, in favour of certain portions of the public to the disadvantage of the public generally; in short, it would be to do what has been declared politically and socially wrong, and therefore unwise, in all the great changes which have been executed in England since the passing of the Reform Bill.

If we guard the public creditor and the private one up to the actual moment of making a change, if we guard him from any retrospective operation, we have done our duty towards him. But if we legislate so as to give the public creditor and the private one an advantage prospectively, in a sense which was intended neither by them nor the debtor, we then legislate in favour of the creditors to the inequitable disadvantage of the debtors.

Yet if we are satisfied that silver is likely to become hereafter relatively dearer, that is to say, that a change of value is likely to take place by which an ounce of silver will at some future time possibly be worth more than an ounce of silver now is, we are surely bound to consider that the public, including what is called the State, as well as individuals, is made up of two large classes, the creditors and the debtors. Bearing this in mind, and that all monetary obligations have been created for value, and not for the commodity accidentally affording the legal tender, we are further bound, according to every principle of equity, to consider the interests of the debtors hereafter to the full as much as those of the creditors. We have no more right to increase the value of the debt of the former hereafter, by declaring that, for all time, their debts shall be paid in coins, constantly gaining a higher value than that originally attributed to those coins, than we should have to declare arbitrarily at present, that the dues of creditors shall be discharged in a depreciated currency, with regard to the actual state of things.

It is believed that a judge in equity would not consider the possible prospective value of advantages, which might be speculatively entertained as an afterthought by one or two parties to a contract, provided that no reference had ever been made to such speculative advantages in the draft of the covenant binding the two parties.

The judge would consider what was the exact intention of the contracting parties at the time the contract was effected; he would insist on the contract being completed according to that intention, with regard to actually existing circumstances and the due interpretation of the latter as affected by the meaning of the covenant, and he would banish from his mind fortuitous conditions, not contemplated originally, and which as yet have no reality in practice.

If this view be correct, we may adopt it without danger in considering the obligations of the public and the private creditor and debtor, with respect to the breach of faith argument urged against a substitution of gold for silver.

The contract of the creditor being really made for value, must be completed in value as nearly as possible at the present time, but that value is not to be enhanced in the future, because the form in which the monetary obligation was contracted, is likely to become more costly than it is now or when the contract was made.

Yet if it be true that silver is to become more costly than it is at present, owing to the supply being unequal to the increased demand for it in China and India, we should really add to the debts of all debtors, whose debts have been contracted under the denomination of a silver legal tender, were we to declare that this prospective change in the value of silver is to be entirely ignored. Such a resolution would be a one-sided and therefore an unjust one in favour of creditors, whether those creditors are represented by the holders of the public debt, or by bankers and other private individuals.

On the assumption therefore, that the relative value is likely to be greatly raised, an assumption however which must be received with the utmost caution, it would seem that so far from there being a breach of faith in introducing a gold currency in the place of a silver one, we are absolutely bound to do so in justice and in good faith to the public at large, unless we would lay ourselves open to the charge of regulating our measures solely in favour of certain classes, *viz.*, creditors, public and private, who lent value under a silver denomination, and of the actual possessors of silver.

It is evident that these classes form but a part of the whole vast public of India.

When we reflect on the argument by which the introduction of paper money is justified and eulogised by all writers on political economy from Adam Smith to the authors of the present day, of whom no one has been more eloquent and more convincing than Mr. Wilson, it is difficult to repress the feelings of surprise caused by the argument of bad faith as adduced by him.

His argument and that of all others in favour of a paper currency is, that the introduction of convertible Bank Notes on proper terms, has the same effect as opening a gold mine in the country to the extent of the relief afforded by the Paper Currency.

Thus assuming that the Bank Note Currency of the Bank of England is 14 millions in excess of the coin kept in deposit, for the purpose of meeting the liability caused by the convertibility of the Notes, so much metal, *viz.*, 14 millions of bullion being released, the metal becomes proportionably cheaper, in other words money is cheaper, or the same amount of coined money will not purchase so many commodities as it would do were there no Bank Notes, and were 14 millions of bullion, now set free as a commodity to trade with, absorbed in the British circulation.

Consequently the issue of the Bank Notes is a direct disadvantage to the public creditor, who, having lent value, finds that value depreciated by the fact of money having been rendered cheaper by the artificial mine dug under his feet. Therefore his 3 per cent. of dividend will not purchase for him so many commodities, as it would have done, had there been no Bank Note issue.

The like consideration affects all private creditors on account of loans as well as all holders of the precious metal.

We have never heard of the British public creditor being permitted to cry out against breach of faith, because the value of the public debt has been diminished from time to time by the development and improvement of affairs, and the machinery used in conducting them, including Bank Note circulation.

Yet if the argument is worth anything, we must apply it to the introduction of a Bank Note circulation under the law, by which money is rendered cheaper, and the value originally given for public securities is depreciated to the full as much as to any other measure by which a similar result might be produced, such for instance as to a substitution in India of a gold for a silver currency, by which the artificially caused extraordinary demand for the latter metal might be checked.

But Mr. Wilson could see no evil in cheapening money, or interfering with the value given by the public creditors or retained in deposit by private holders, so long as his own nostrum of paper was only concerned. He desired, and it is believed rightly, to introduce paper throughout the length and breadth of India for the purpose of realising vast masses of hidden metal, and thereby cheapening money. Not a word in this about the public creditors or the duty of obligations. But there cannot be a doubt, that if he had been permitted to carry out his plans, admirable as they were, and if his expectations had been realised, his operations would have been attended with similar, but far more important results to the creditors in all sorts of obligations, public and private, than he attributes as likely to flow from a substitution of gold for silver on account of the assumed eventual greater costliness of silver as compared with its present value.

The truth seems to be, that Mr. Wilson reasoned rightly when he was discoursing on the merits of his paper scheme, and that he was wrong when he talked about the change of gold for silver, as involving breach of faith.

He was, in the latter instance, seduced from his correct principles, by the mistake of attributing to a denomination of value the fact of value itself, and he substituted the idea of the character of a commodity for the idea of a currency.

In the former instance, *viz.*, of paper, in which he escaped the difficulty of the commodity, however convertible his paper might be, he remained true to the proper theory of a currency. This, as before shown, declares that currency is a machinery for the easier transaction of all the domestic operations of the State and of commerce. The State being thus responsible for working its machinery, of whatever character, as cheaply as possible, and with the greatest advantage and convenience to the community at large, is bound to use paper as much as it can be applied with advantage, just as it would turn to its own uses a gold or silver mine which might be found in land in which the State has a private property.

But, as already asserted, an economical reform of currency, by substituting gold for silver, which shall give the community the means of circulation and deposit at a cheaper rate than it has hitherto enjoyed, does actually afford also relief not so large, but similar in kind to that afforded by the introduction of the convertible Bank Note, if the latter operation is to present all the consequences promised by Mr. Wilson, an assumption, be it said, which is open to more than reasonable doubt in the case of India.

Chapter V.

The double "Standard of Value,"—In practice a single standard alone exists.—Illustration afforded by France and the United States.

Having established the exact meaning and function of the "Standard of Value," it becomes necessary to pursue the inquiry, for the purpose of fixing the worth of that much vituperated thing a "double standard."

It is said that a country has a double standard, when legal tender is made of coins in two metals, silver and gold, in payment of taxes and debts, a given coin of the one (*viz.*, gold) being held legally to be the equivalent of a certain number of coins of the other *viz.*, silver.

Metallic money assumes two legal forms. Two metallic media of circulation appear, in either of which obligations may be discharged according to law, either wholly or in part.

At first sight, it might seem that, under such an arrangement, two means of measuring the value of commodities are then afforded, and that a conflict must ensue between the two to the disorganisation of trade. It is well to ask if this is so.

If the two metallic means of exchange were abstractions, like the signs for measuring length or weight, they might be jointly retained as mere means of measurement also. No practical inconvenience would result from the use of such two means, but the labour of reducing the one to the other in calculation. As, for instance, it makes no difference, whether a piece of stuff is measured in French metres or English yards. Price follows on the actual length of the stuff, and not on the signs by which that length is represented. In the same manner, coins of different denomination, but of the same metal, are reduced from one to the other, according to the value they actually represent, without trenching on any other consideration. When we have to deal with things and get beyond the region of signs, the reality of value must be dealt with also. Thus silver and gold not being abstractions but exchangeable commodities, beside having whatever functions of representation and measurement which may be assigned to them, follow the laws of supply and demand like all other exchangeable commodities. This involves variation of relative value with *regard to one another,* according to the changing demand for them, variation in the means of supply, their conditions of bulk, the cost of transport, waste, and so forth. The relative mint value of the two metals may be struck by law with the greatest nicety, with regard to cost of production and delivery in the country where the mint is placed, but the vicissitudes of production, and the necessities of commerce, including currency, are ever causing slight variations between the market values of the two.

It then becomes a matter of calculation to creditors and debtors, as to which particular metal will best suit their respective purposes, when all such elements of value have been taken into consideration. It will not be forgotten, that in these elements are comprehended the considerations of economical machinery already illustrated, through which an actual economy of the national capital takes place. Others of a not dissimilar character will be adverted to hereafter.

When two metals are engaged in a currency, the principle displayed in Chapter II comes naturally into operation. That metal which asserts its superior cheapness as the material of machinery, for carrying on the transactions of exchange, excludes the other from circulation.

If a currency in one of the two metals can be carried on more cheaply than in the other, the former will be preferred, although the original cost in producing each of the two is the same.

This consideration affects all alike, both creditors and debtors, because the precious metals absorbed in a currency, are so much of the capital of a country, which is devoted without interest by the community, to save it from living in a state of barter.

The relative value of the two metals, taken as commodities and not as mere means of measurement, is carefully weighed, and according to the price of the metals as fixed by the value of other commodities, or we may say by the cost of production as involved in the labor expended for that purpose, will the choice be made by the payers of taxes and debts, as to which of the two metals shall be their medium of payment, or in which of the standards payment shall be made.

If it be cheaper to the community to maintain a currency in one metal than it is in another, when both have been launched on equal terms, this circumstance must re-act on them as commodities, and make the former the preferable means for the discharge of all obligations. It thus becomes established as the medium of exchange and deposit, whatever may be the law about the standard of value, or the double legal tender.

Thus when there is a so-called double standard of gold, or silver, or to speak more accurately, a double legal tender, if it be more profitable to the community at large to pay in gold, payments will certainly be made in it to the exclusion of silver, notwithstanding that the latter is equally a legal tender with the former. In such case, silver practically subsides from circulation, and sinks into the rank of a mere commodity of trade, with the exception of a certain small quantity, which executes very petty transactions, the place of silver in the circulation and in deposit being usurped by the conquering gold, exactly as horses are pushed out by steam, on the superior economy of the latter coming to be recognised as an agent of machinery.

On the other hand, if the price of gold were fixed at too low a rate relatively to silver, in the legal tender of the two metals, with regard to the amounts produced and consumed, that is to say, if the legal equivalent of silver were unequal to the market value gold possesses as a commodity, the superior cheapness of gold as a material of currency would be defeated by the consideration of the profits of trade.

Gold would then disappear and would subside from the circulation, because amid the freedom afforded by a double legal tender, silver would furnish the domestic money, and the gold merchant, being able to take advantage of the larger price gold would fetch abroad than at home, would export it all accordingly.

The nominal double legal tender would resolve itself virtually into the single one of silver, and the best metallic basis of currency for a rich country would be supplanted by the worst, in defiance of a proper economy of the capital of the community, because of an error in the calculation of the value of the metals.

This seems to have been actually what occurred in France, from 1801 to 1850, during which time the *market value* of gold was in excess of its *legal* equivalent in silver.

The variation in the value of silver since the gold discoveries, which is reckoned at 5 per cent., seems to have proximately established the values of the two metals, at the rates previously but erroneously attributed to them, when the equivalents of the two metals were legally fixed. The gold Napoleon ceased to be worth more of silver francs than it could claim by law in the form of money. It ceased to be able to buy more value in a foreign country than it could in its own, which had been the case till the gold discoveries, and the action of some other countries in this matter, to which allusion will hereafter be made. On this taking place, the superior economy of a currency of gold as compared with silver, at once made itself felt. Silver has, in consequence, in France, been driven out of the circulation and of deposit, and has been exported, the currency of the country and its reserves being maintained in gold, which has been coined in vast quantities.

The same results were seen in the United States of America. A very slight variation of the relative values of silver and gold was sufficient to cause the fullest weight to be attached to the superior economy of the latter (gold) as compared with the former (silver), for the performance of the work of currency and deposit. Gold was accordingly, as in France, coined in millions to meet the contingency, and silver was exported, that operation being more favorable to the possessors of it, than to tender it in payment of debts. The latter (silver) sunk altogether to the rank of a simple commodity of trade. No variation of prices took place in other commodities, no inconvenience was experienced in measuring values.

The public debts and all other obligations were not held to have been in any manner affected by the circumstances, the mint value of the new gold dollar having been made as nearly as possible equal to the original mint value of the silver one. The money made of gold represented value generally to the satisfaction of the public, according to the idea it had hitherto had of value in the silver form, and the gold money was cheaper to the public as such a representative, than its equivalent of silver could have been, on account of the much greater bulk, weight, waste, and expense of coinage of the latter.

Thus it is seen in practice, how other things being equal or nearly so, the question of tender, and therefore finally of standard, is determined by the necessity of following the simple rule of economy, which guides the conduct of all manufacturers and merchants in the transaction of their business. It is said that the question of standard is *finally resolved* by the instance afforded by the United States, to which I will now allude, though it may be necessary to dwell on it hereafter.

Thus by the law of 1849 in that country, a step forward was made towards the substitution of gold for silver by the introduction of golden dollars, a certain weight of coined gold being estimated and legally declared to be equal to the original silver dollar.

In 1853, although no legal objection was made to the discharge of the largest obligations in full weight dollars, the silver coinage required for daily petty transactions was by depreciation legally reduced to the rank of a token coinage. Payments of more than five dollars could not be enforced in the token coinage according to law. This change was made as a matter of convenience. The national reserves had come to consist almost entirely of gold.

Perhaps it may be well to mention that a token coin merely means a metallic Bank Note; that is to say, that a certain coin (say of silver) is authorised to stand for more than its weight of silver, and therefore to be a sign of value which it does not itself possess. This is the case with the shilling. To prevent traffic in token coins to the derangement of trade, a legal tender of shillings does not exceed 40. Beyond that sum payment must be legally made in gold in England.

In the United States so much of the old full weight silver coin had been absorbed as a commodity of trade, as to put the community to inconvenience in the execution of petty daily transactions.

The substitution of gold for silver on account of the larger functions having become complete, the necessity of consulting daily convenience was felt and acted on in the matter of silver coins of small value, as had been previously done in Great Britain.

It was no longer required for the national convenience, that the silver coins current for such purposes should possess the intrinsic value of which they were the signs. The function of representation of value in the national reserves having been finally assumed by gold, it was evidently to the interest both of the State and of the individual, that no more of silver should be absorbed in daily petty commerce than was absolutely indispensable.

Consequently in 1853, the legal tender of the United States was practically reduced to a single one, the double standard of silver and gold being thus brought down to a single one of gold. This does not seem to have been absolutely stated in words. If any one had been unwise enough after that date to present his full weight dollars in payment of large obligations instead of exporting them, there was nothing in law to prevent him.

With the two examples of France and the Untied States before us, we can thus hardly resist the conclusion, that as a matter of pure economical science, a battle about a double standard is a somewhat unnecessary contest. For whatever we may proclaim regarding a legal tender of two metals in discharge of obligations, the facts of payment and deposit settle on one of the metals, to the exclusion of the other from the currency. If two metals be declared to be legal tenders, but one will be tendered practically, the other gradually subsiding from circulation, being absorbed in domestic manufacture, hoarded, or exported, as may be found expedient by individual interests.

With regard to what may be further expected, or what may actually take place under the double standard, or when a twofold metallic legal tender exists, we must again advert to the fact of the exchangeable value of the two metals.

Thus it is absolutely necessary in the interests of commerce, and of the community, that there should be but one measure of value, whether or not there be a double metallic legal tender. This is so fully recognised in practice both by Governments and subjects, that we find in the countries where such double tender exists by law, that but one denomination of coin, of one metal, is admitted into the calculations of value. This is seen in the transactions of trade and of the Revenue. The nominal value of the particular coin remains as a fixed quantity, and is the recognised measure of value, in the face of the legal twofold metallic tender.

All accounts are kept in it, whether of the public debt or of private obligations. Thus in France the Silver Franc has retained the denomination of the measure of value, although, as abovementioned, the legal tender admits of silver and gold, and that the gold has practically driven the silver out of circulation.

The price of the gold is thus determined by the value borne by the silver, at the time that gold asserted itself as the best medium of circulation. All transactions are still measured under the old silver form, though the payments are actually made, and deposits are maintained in the gold equivalent.

The interest of the public debt is paid in gold as being the equivalent of the silver which is due according to the actual terms in which the contracts for the loans were actually conceived.

Thus it may be said, that any possible or prospective change in the value of silver is banished from view, and that the value of silver only is considered by the legislature and the community, as it stood at the date when gold was poured over the country in supersession of the old silver coinage.

The French have not as yet advanced beyond this point. They have not as yet legalised and fixed what has actually occurred, in accordance with the principles which have been stated. We remark a curious phenomenon: the titular standard and measure of value have alike maintained their position in silver, notwithstanding that the money of the country has for the most part become gold. In this manner, have discussions with regard to the Public debt and the breach of faith argument been successfully disposed of.

Names have been retained, while legal equivalents declared with the utmost nicety of calculation, have changed the face of the money or representative of value throughout France, without in any way affecting prices, obligations, or interests, of any kind whatsoever. Consequently it may be said that the real Franc of the present day is the golden equivalent of the silver Franc of the year 1850, just as we have seen that, in the United States the golden dollar, in which all the reserves and currency are maintained, is the equivalent of the silver dollar of 1849. The comfort of the communities of both countries, and the economy of their capital, have alike benefited by the reform operated, according to their progress and increasing wants.

But as already said, the United States have proceeded one step further than the French, and by the introduction of a token coinage for sums less than a dollar, have fixed their gold currency by law.

It is probable that the gold currency of France is practically as much fixed as that of the States, but it would be well if she also were to have recourse to a token silver coinage, according to the example set by ourselves, and followed by the United States.

We may fairly say, that both France and the United States have exemplified in practice what has been maintained with respect to value, and the monetary obligations consequent on a particular form of metallic currency, the said obligations being contracted for value, and not for the metal or commodity in which the currency is cast.

Chapter VI.

Effect of the Demonetisation of Gold subsequent to the Gold discoveries.—Breach of Faith towards those on the debit side of obligations thereby involved.

It is necessary once more to refer to a definition.

The money absorbed in a currency, whether it be actually floating in the course of daily exchange, or in deposit for the purpose of insuring the convertibility of Bank Notes, and of meeting the balance of trade, is so much of the capital of a country which a community estranges from the ordinary processes and profits of manufacture and commerce, for the easier transaction of its business.

This absorption of capital takes place in a special form, *viz.*, in a certain metal, or in metals which have been produced or imported in exchange for other commodities.

The absorption of a particular metal for the special purpose of money, in other words, of metallic currencies in the several communities of which the world is made up, causes a larger demand for the metal or metals generally, than would be the case, if these metals were not so used, that is to say, if they were required only for the purposes of manufacture, jewellery, and so forth.

Many hundred millions of gold and silver are absorbed in the function of representing value, which would be available for other purposes, if it were not more convenient to retain them for that particular one.

The metals are therefore produced in great quantities, to meet the demand on account of this particular function of representing value, which is known as metallic currency, the metals employed in it being intrinsically worth the value they represent in the form of coins.

The further conclusion is then, that a much larger production of the metals takes place on account of the several currencies of the world, than would occur if those currencies did not exist.

Consequently, as to make the money of a community of particular metals causes a greater demand for them, and therefore increased production, so, suddenly and arbitrarily to drive one metal away from the function, for which amongst others it was largely produced, cannot fail to affect its value, as shown in market price, till the absorption and waste of manufactures have again given a stimulus to the production of it.

Further, this operation on a metal hitherto used in a currency, called demonetisation, in favour of another metal, which is retained, is liable to render the former cheaper and the latter dearer.

Such a result may be counterbalanced by other causes, but in the absence of such other disturbing causes, it could not fail to follow.

The ultimate practical consequence of sudden demonetisation of one of such metals, is that owing to the cheapening of the demonetised metal, it leaves the country where it has been so cheapened, or it is hidden away, in the hope of better times coming for it hereafter.

The production and importation on account of that particular country ceases, except for manufacturing purposes.

If not compensated for by the opposing action of other countries, we can conceive without fear of error, that production of the demonetised metal would altogether cease, till the absorption and disappearance has occurred through manufacture and waste, till the reserves previously held had been finally exhausted in it.

This having taken place, the value of such a metal would again rise to what it about formerly possessed, relatively to other commodities with regard to the cost of the labour expended in its production. We have seen that in France and in the United States, silver has been *gradually* but practically demonetised in recent times without shock to existing interests, as it had been previously in England.

It is unnecessary to remind the reader of the extraordinary wealth of those countries and of the productive power of their respective communities, as compared with all other countries and communities in the world. The trade and the production of them has been increasing at an accelerated ratio since the termination of the great wars in 1815. Leaving England out of the question, as having effected her currency reform before the gold discoveries, we may content ourselves for the present with the consideration of France and the States, with regard to the subject before us.

Their enormous wealth and trading power demand a great mass of metallic currency and reserves, and the demand is ever increasing with the progress of their development, the daily augmenting multiplicity of the engagements and obligations they have to meet.

For as the trade of a country and its capacity for production increase, so also does its demand for metallic reserves.

The reserves of France and of the United States must, as a matter of course, follow such a very simple and obvious rule, and we have evidence of it in the enormous gold coinage of both countries.

The latter fact shows besides, that their reserves are now held in gold instead of in silver, or part silver and part gold, as in former times. In these circumstances, and in the fact of the increasing wealth of Great Britain, France, and the United States, we find a chief reason, why the value of gold has been but little affected by the gold discoveries, and the extraordinary production of gold, which has taken place in recent years as compared with times antecedent.

If, as was done in some other countries, gold had been artificially demonetised by France and the United States, subsequently to the gold discoveries, the result expected with much alarm by some economists and Governments would probably have ensued. It is certain that, according to the amount now producible in the known mines, silver could not have continued to supply the currency and reserves of those countries amid their great development, without an extraordinary rise in its value, as compared with gold and other commodities.

Had then those countries been as ill-advised as some others, it is really true that silver might possibly have taken the place of gold, and all loans and obligations, including public debts, nominally payable in silver, would in such case have been doubled, perhaps, trebled, in value.

It perhaps may be said then, that the course pursued by France and the United States, and by England, in the matter of metallic currency, has saved the world from a great revolution in the relative value of the precious metals, and from the evils which could not fail to have followed on such a revolution.

On the other hand, the conduct of other Governments, which acted under feelings of alarm, and from incapacity to grasp the reality of what they were about, was exactly calculated to cause the disaster, which was the object of their fears.

In the countries under such other Governments, the fact was overlooked that to demonetise gold, which had hitherto been used in aid of a silver currency, was to add to the effects of the change caused by the gold discoveries: in the absence of compensating foreign causes, to degrade the value of gold by arbitrarily reducing that demand for it, which had hitherto had the sanction of law and custom: to deprive it of the principal functions on account of which heretofore it had been largely produced, *viz.*, the functions of currency and of deposit, of forming part of the national reserve, whether in the public exchequer, or in individual hoards.

Thus was gold reduced in those countries hastily and arbitrarily to the rank of a mere commodity of trade and manufacture, instead of being permitted to be the agent of vast operations involved in the character of being a legalised representative of value.

In addition, therefore, to the mines discovered in California and Australia, gold mines were artificially created by the inconsiderate conduct of the Governments alluded to. To the best of their ability, these Governments poured forth on the world the gold hitherto absorbed in their metallic currencies, or condemned it to idleness, when they degraded it from use in their domestic exchange. That took place which has been stated as certain to occur in the absence of disturbing causes. Gold was relatively cheapened as regards silver, its price being determined by the artificial value communicated to the latter.

For the value of silver could not but be proportionally raised, with regard to the amount of that metal existing and annually produced in the world being called on to perform the great function of money, or of representative of value, which had hitherto been divided between silver and gold.

The consequence was, that in all the countries adopting this course a positive injury was done to the community generally, and to all debtors, because the repayment of obligations from the date of the legality of the gold tender, being denied, had to take place in silver, the value of which had been thus artificially and arbitrarily raised, that being subsequent to the date on which the contract of the obligations had been made.

This injury was to the detriment of the State in its character of debtor as it was to all other debtors.

It was a successful speculation in favour of the fundholder and of all creditors. It was also a successful speculation in favour of all those who happened to possess hoards of silver metal, while it was the contrary to the holders of gold, it being understood that disturbing causes of the counter operations of wiser governments are put on one side, while the question and its conditions are stated with purity and absoluteness.

Under such circumstances, there is small room for surprise that silver should rise 5 per cent. in value, which may be fairly attributed to the conduct just illustrated, and not to the new production of gold.

We can only be thankful that it did not rise still more, a circumstance which, as above shown, can only be accounted for by the wise conduct of the three most wealthy and actively producing communities in the world, those of France, the United States, and Great Britain, and by the fortunate era of peaceful progress and of national development in which that conduct took place.

The progress and the development of these countries were sufficient to prevent any but slender change in nominal value on account of the increased production of gold, and their conduct was almost able to obstruct the mischievous regulations of other Governments, which tended directly to raise the value of every debt, public and private.

We cannot then resist the conclusion that the conduct of the Governments of Holland, Belgium, and India in this matter, which has been mentioned in terms of commendation, as being an useful experience by a great authority (the late Mr. Wilson), it being called by him an act of great caution, was in fact one of inconceivable rashness.

He says that "before the gold discoveries, silver was rarely so low as 4*s.* 11*d.* the ounce; since, it has seldom reached, or at least exceeded, 5*s.* 2*d.* the ounce, but under the apprehension of a fall, the Government of Holland, proverbial for its caution, was the first to take alarm, and having then a circulation of both gold coins and silver coins, which were a legal tender at a fixed relation to each other, they demonetised the gold coin, leaving silver, the ancient standard, the only legal tender."

Thus Holland, it appears, merely *under an apprehension* of a fall, and not because a fall in the value of gold had occurred, was the first to set the fatal example. Holland was the first to create an artificial gold mine to aid the new Californian natural mines, in changing the relative values of gold and silver, in fact, to cause the very evil it professed to dread, and doubtless did dread.

The example was followed by another small but very rich country (Belgium). India under the British Government did the like, and gold, which from time immemorial had been coined for circulation and reserve by all the Governments which preceded ours, was made suddenly to cease to form part of the British Indian currency.

The inevitable consequence was soon seen. The price of silver being thus unnaturally forced in other countries, while it remained at its natural value in France, the United States, and Great Britain, according to the commercial law which enjoins all traders to sell things in the dearest market, and to buy them in the cheapest, silver forthwith began to flow to the market where it could fetch the highest price.

I would ask leave, in considering this important matter, notwithstanding the fear of repetition, to refer again to the points involved in the value of obligations being increased, by the sudden and arbitrary demonetisation of gold in the several countries where it occurred.

I would also request that the facts of value, as applied to obligations (public and private), may be borne in mind, the deduction from them being in the present instance, that to demonetise gold arbitrarily and summarily, to order that silver only shall perform the functions of metallic money, is to interfere with value as it has been hitherto determined in respect of silver, to give a high price artificially to silver, and then to rule that that high price shall stand in the place of intrinsic value, as measured by the cost of production. Consequently an *artificial high* price replaces the natural price at which silver was estimated, when it was selected by contracting parties to represent value in mutual obligations between debtor and creditor, it being the fact that the particular metal was only the representative of value, and was not itself a commodity of trade, in which either party was driving a speculation.

These considerations are peculiarly important when we consider the public debts of countries, money obligations connected with the mortgage of land, etc., etc.

There cannot be a doubt that in all the countries in which gold was arbitrarily demonetised, the public debt in those countries having been contracted under the denomination of one of the forms of legal tender, while two were admitted in the currency, the operation took place for the benefit of the holders and the detriment of the tax-paying public, in exact proportion to the rise in the value of silver, *viz.*, about 5 per cent.

If they sold 100 Rupees of their stock, they received value which was equal to five Rupees more than they had originally lent.

Their dividends from henceforth were 5 per cent. more valuable than they had contracted to receive, although the nominal interest was the same.

All mortgagees, all holders of policies in life insurance, in short, all creditors in monetary obligations made antecedent to the demonetisation, received a like benefit, to the *positive detriment* of the debtors.

It is really pleasant to observe that, with regard to the breach of faith argument, that which has been *most erroneously* used against a substitution of gold for silver, might have been, indeed ought to have been, if the nature of value is fairly considered, urged with firm and honest purpose against the operation called a measure of caution by Mr. Wilson.

It is certainly true that the fundholders, the creditors, and the holders of silver of the time in the countries referred to, exercised the caution which makes laws and regulations to enhance the value of existing property, in other words, which legislates in a purely selfish interest to the detriment of the public at large which pays taxes, and of the huge class of debtors, including what is called the State.

Chapter VII.

Justice can alone be done to the community of India by the introduction of a gold legal tender, and the consequent prevention of rise in the value of silver.—Effect of the rise in value of Silver on the very poor. Instance afforded by the incidence of the salt Taxes.—Loss caused to India by the compulsory importation of Silver.

Amongst other arguments which have been used against the introduction of the gold legal tender, we have been told that a great injustice amounting to robbery would be inflicted by it on the ryot, or cultivator. It is asserted by some that the proposed measure is meant to add to his difficulties, and it has been dubbed confiscation on such an account.

The assertion is a seducing one to some minds. It is indeed but a re-statement of the breach of faith argument with a dash of sentimentalism infused, for the purpose of attracting the support of the British philanthropist.

It may be fairly said that the truth is exactly opposed to the assertion, that justice can only be done to the ryot, and to those who are lower down in the social scale than he is, by reverting to a gold currency.

It has been shown that, putting disturbing causes aside, an arbitrary and absolute demonetisation of gold must of necessity raise the value of silver. Consequently such an operation is directly disadvantageous to all debtors whose obligations were contracted prior to it.

Such demonetisation is also disadvantageous to all who are bound to make payments of given sums at regulated periods according to ancient contracts. For the sake of argument we must assume that the rise in the value of silver with respect to that of gold is the same in India as it is declared in the markets of Europe, although that perhaps is hardly so. Thus, if silver is now worth 5*s.* 2*d.* an ounce instead of 4*s.* 11*d.*, as was the case in Europe in former days before the gold discoveries, and before gold was absolutely demonetised in certain countries, every obligation contracted under the national denomination of value, *viz.*, the Rupee, before the changes adverted to, is practically worth about 3*d.* more in five shillings, or something like 5 per cent., than it would have been had no such changes taken place.

Consequently, all leases, mortgages and public debts impose this disadvantage on those who are on the debit side of the contracts made prior to the operation referred to. Such parties counteracting causes being put on one side, of which notice will be taken hereafter as affecting India—are actually now paying about 5 per cent. more of value than they contracted to pay, because they are compelled arbitrarily to pay their dues in a metal, the market value or selling price of which has been artificially raised 5 per cent. by the absolute demonetisation of gold.*

Let us examine how this circumstance acts on the ryots of India.

* Be it said in passing, that for the sake of the argument I am obliged to assume that the popular demonetisation of gold has been really as effective in India as the laws and the regulations would have made it. It will be seen in a following Chapter that this is by no means the case, and that there is consequently reason to believe, that India has in a great measure escaped the evils of that demonetisation, as affecting the relative values of silver and gold.

In the first place, the land revenues of India being in the nature of rent, the State landlord receives 5 per cent. more of value than he intended when he contracted for the rent of his lands, or in other words settled the assessment of the land revenue.

In Bengal, this settlement, made in the last century, was a permanent one. Therefore in Bengal, the essence of a permanent agreement has been invalidated by the fact of a circuitous arrangement, one altogether out of the minds of the contractors on both sides to the settlement when the settlement was made, that is to say, other disturbing causes being put on one side, the permanent landholders of Bengal now pay 5 per cent. more of value for their land than it was originally intended by them and Lord Cornwallis that they should pay, or than they did pay for more than half a century after that settlement was made.

In the North-West Provinces and in Bombay the settlements are not permanent, but run for thirty years.

In the North-West Provinces the settlements were generally effected after the Act of 1835,* but before the treasuries were ordered not to receive gold in payment of revenues.

The rents were therefore fixed in a great many instances before the value of silver could have been affected by the gold discoveries, and its price raised by them. Consequently, until the settlement comes to a close, the older lessees or payers of revenue under the thirty years' settlement of the North-West Provinces, are affected similarly to the permanent tenant of Bengal. The land settlement of Bombay, which is still proceeding, seems not to have been commenced at so early a date, but the argument must also partially apply to that Presidency.

It is obvious, therefore, that, so far as rent is concerned, all obligations contracted between the State landlord on the one side and the tenant on the other, which are older than twenty years, are discharged according to a notion of the value of the rupee, which was not intended by either of the contracting parties, and which is to the direct advantage of the tenants. Let it be remembered that these tenants are the classes on whom most of the direct taxation of India is made to fall.†

Whatever may be our opinion of the policy of the immemorial system of State landlordism, for raising the funds required for the functions of Government and administration in India, it is clearly wrong and unjust to add to the burthen indirectly. Yet this is exactly what has been done by the course pursued with regard to gold and silver in the currency of the country, in disregarding the fact that a certain idea of value was originally contemplated by the lessors and the lessees, and not the actual commodity or metal; in other words, the special form of money, in which that idea was for the time nominally represented in contracts.

In addition to the difficulty stated with regard to the contract made with the State landlord, we have the further facts of the indebtedness of a large

* Act XVII of 1885. This Act determines the silver and gold coinage, and establishes equivalents of respective values. It also enacts that gold shall not be a legal tender.

† This is not said in depreciation of the Indian system of land revenue, which I believe to be a most perfect engine of raising money for State purposes, when it comes down from ancient times, as is the case in India, and is not arbitrarily applied as a novelty, and therefore a tax. In the former it is strictly rent, in the latter it is an impost which may or may not be equitable, with regard to the burthens placed on the classes connected with the land.

proportion of the Indian land owners and ryots, under whatever name they may exist, towards bankers and others. This state of indebtedness is not only general, but is also in a vast number of instances of very old standing. It has come down from generation to generation, and is transmitted from father to son, the security being in the form of mortgage.

Here again the mortgagee profits, as it has been shown that the State landlord profits by the arbitrary elevation given to the market price of silver, by the demonetisation of the gold.

Again has the burthen of the indebted ryots and of the indebted possessors of land been artificially and circuitously raised.

It may, therefore, be said that in the matter of change of value in consequence of the absoute demonetisation of gold, the great landed interest represented by the ryots or tenants under other names, and by the indebted freeholders of India, stand with regard to the breach of faith argument in the same position as the State, when the latter is viewed as a debtor on account of such portion of State debt, as is more than twenty years old.

In the character of a debtor, the State is unfairly prejudiced.

In its character of a landlord it obtains an unfair advantage in Bengal with regard to the permanent settlement, and in the North-West Provinces with respect to the thirty years' settlement inaugurated by the late Mr. Thomason.

If even there had been no counteracting causes to bar the effect of the legal demonetisation of gold, it is possible, perhaps indeed very probable, therefore, that so far as the Public purse, the Exchequer, is concerned, one of the circumstances neutralises the others.

In like manner, assuming the rise of the value of silver to be a fact for the sake of the argument, it is by no means improbable that the tenants or ryots who are wealthy and follow the national instinct of hoarding, have found a compensation for the increased value of the rents they pay, in the increased value of their savings. But the indigent ryots who were not what is called "before the world" when the value of silver was raised, who have to pay the interest of mortgages contracted by their fathers or by themselves, have no such compensation wherewith to mitigate the additional burthen inflicted on them by the artificially effected increase in the market value of silver.

It is therefore evident that any measure which tends to arrest the rise in the price of silver, to cause the value of contracts to be appreciated, as apart from the arbitrary augmentation of price of a particular metal which happens to be the legal tender of the day, cannot but be an unmixed advantage to the vast tenant interest of India, from which come the great bulk of the revenue of the country in the form of a rent paid to the State landlord.

There are other numerous classes besides the ryot and the indebted landowner, which have a right to demand that the value of the silver rupee shall not be artificially raised.

It is far from my wish to reflect on the financial system of India. The improvements which have been made during the last half century, the abolition of transit duties, the reduction of the rates of land assessment, the abatement of customs duty on articles of first necessity, are all evidence of the spirit by which the Government of India is actuated and of the right course in which it is moving. Difficulties present themselves with regard to raising the necessary revenue which impede reforms otherwise desirable.

It is on such account, we may presume, that the salt taxes which are condemned on principle by the most enlightened Governments of Europe, still find a place among the imposts on which reliance is placed by the Indian administration. The effect of the salt tax on the very poor is, as it is well known, of a most serious character. Thus, it is not too much to say, that people of this class, in order to support life, to prevent themselves from being slowly poisoned by the scanty farinaceous food on which they subsist, must spend a large portion of their incomes on the purchase of salt.

The salt must be paid for in the legal tender of the day or in silver, a great part of the price of the salt being a direct tax to the State. The poor man like the rich one cannot escape a physical law. Although his income may only be from 3 to 4 Rupees,* or 6 to 8 shillings a month, his health requires that he should consume as much salt as the man of large fortune.

It must therefore be admitted, that although the salt revenues may be levied either in the form of Excise or of Customs, they do in effect constitute a Poll tax on every man, woman, and child in the country, simply because salt is a necessary of life.

It is then evident that any measure which conduces to raise the value of silver artificially in which, as at present ruled, taxes can alone be paid, forms an addition to the Poll tax which is levied on the enormous masses of the Indian population.

Perhaps it will be said, that all disturbing causes being put on one side silver being assumed to rise in value as is feared, the rupee received by the very poor man as wages will rise proportionately in value with that portion of the rupee paid away by him as a tax on salt to the State. This is true, but we may be quite sure that if the value of silver with regard to all other commodities were to rise, the actual rate of wages as represented by the number of rupees paid for labour, would sink as the value of silver rose.

It is not perhaps likely that such a consideration would influence the scale of the salt taxes, unless it had been determined to revise the financial system and to abolish salt duties.

On the contrary, we know that actually while the price of silver has been affected in European markets by the demand of importation to India, it being believed by many, however contrary it may be to fact, that the value of silver in India was also rising, the tax on salt which according to the legal tender of the day must be paid in silver, has been raised.

I must again guard myself and bring to mind that for the sake of the argument, the facts of silver and gold only have been considered, the effect on the former by the absolute demonetisation of the latter, being alone taken into account in answer to objections offered to the proposed reform. It will be seen, as the inquiry is prosecuted, that both metals, gold and silver alike, have of late years sunk in value in India about *pari passu*. Consequently, both the payer of rent and the payer of salt taxes are on this account better off than they used to be, with the exception of persons living on very small fixed incomes—a considerable class in the town and village communities of India.

* Such a low rate of wages is now much less common than it used to be.

Before quitting the subject of justice to the community as involved in the proposed reform, it is well to advert to that which is so clearly stated in the memorial of the Chamber of Commerce, *viz.*, " that while silver must be transported to a great distance, and reaches India burdened with heavy charges, gold may be cheaply procured from neighbouring countries."

From this follows a prejudice to India, because silver being burdened with such heavy charges, cannot be re-exported without loss, much of its reproductive power being thus lost to India.

It is further pointed out in the same memorial, that India, instead of being the last recipient and the absorber of silver, would become the first importer and distributor of gold, if her currency were put on a reasonable footing.

With regard to the facts of India being a producer of manufactures as well as of raw commodities, both the former and the latter being available for direct export to the gold-producing countries, it seems clear that a positive injustice is done to the Indian community by permitting a state of things to exist which unfavourably affects the value of gold in India, and compels a large importation of silver when gold would otherwise be preferred.

There can be no good reason to compel the precious metals to make the journey from Australia round by London to India, instead of coming direct to the latter country. Yet that is what to a certain extent necessarily takes place, and which throws heavy charges on the metal ordained as a legal tender, *viz.*, silver. The gold of Australia must go to London to be exchanged for silver, which is then sent out to India after being bought at an artificially high price in Europe and the United States. The European markets are the middlemen, who obtain their profits on the silver sent to India to restore the balance of trade.

Those profits are thus a partial deduction from the profits which would otherwise accrue to India herself. It is evident that this is neither more nor less than a grievance, seeing that the proceeding is arbitrary and artificial, and not demanded by the natural wants of commerce.

It may be argued that the present extraordinary state of things cannot last, and that India will cease to be such an importer of the precious metals as she now is, when the supplies of cotton from different parts of the world shall have become equal to the demands of the several markets of Europe and America.

This may be true to a certain extent; but so long as India is a great producer of raw commodities and a considerable manufacturer, and until the masses of her people have so changed their habits as to become great consumers of European productions, we must understand that the balance of trade will continue to require a large annual importation of the precious metals. Let it be remembered that her powers of production, her capacity for manufacture, and her determination to avail herself of the profits of foreign commerce, are daily increasing, while the change of habits and customs, involving a demand for European commodities to which the Indian mind is not yet habituated, cannot but be a matter of very slow growth.

I have heard it said in answer to this argument, that the trade of India with Australia being as yet slender, to import gold direct from the latter to the former in large quantities is at present impossible. We may, however, believe, that mercantile ingenuity would overcome any difficulty of execution, which stood in the way of buying gold cheap at the mouth of the mines, instead of when it is burthened with the cost of freight by a journey to London.

Thus if A, an Indian merchant, exports his cotton to B in England, B may send cloth to C in Australia and make his payment to A in India in the form of bills drawn on C in Australia, which would be discharged in gold. That gold is I believe worth about £3 15*s.* in Australia instead of £3 17*s.* 10*d.* the price of the Bank of England, to which it rises in the European markets in consequence of freight, etc.

Chapter VIII.

The Introduction of a Gold Currency into India is urgently required as a matter of convenience and economy to the people at large.—A Paper Currency inoperative, owing to social causes.—The introduction of a Gold Currency demanded by the same social causes.

We now proceed to other considerations.

It is believed that the justice of any measure, including the gradual and partial demonetisation of silver, which may prevent the further upward move of the market value of silver, or its selling price, has been fully proved.

We have now then to discuss those other parts of the question which have been already generally stated in the second Chapter of this treatise, *viz.*, the convenience to the people, the superior economy proposed by an arrangement which shall include gold in the currency, as compared to the charges and want of comfort to which they are at present exposed.

With regard to mint operations, to economy of manufacture and administration, and to the saving of waste of material, and therefore of the national capital, by substituting generally as means of circulation and deposit, the more costly metal, gold, for the cheaper one, silver, it is unnecessary to recapitulate the arguments by which this part of the subject has been already illustrated.*

But when we come to consider the questions of porterage of coin, and of preserving in security the savings of the poor and of large sections of those elevated above poverty, we touch a subject intimately connected with the social habits, and the imperfect civilisation of the people.

Let us reflect on the fact that the populations of India have the most simple and gregarious habits. There are tens of millions of the people who carry their little store of wealth habitually with them on their persons, or bury it in the corners of their huts. To perceive the actual presence of their hardly saved rupees, or to conceal them away from the eyes of all other men, is their only notion of safety for their slender property.

For them, therefore, it is difficult to over-estimate the advantage of having the intrinsic value of their savings in the smallest and most portable form. The intensity of the want of portabiliy of money comes before us in various ways. It is one of the conditions of what may be called the extreme promiscuity of existence seen in Oriental Bazars, in the town and village life of India, as compared with the habits of European communities.

* *Vide Supra* Chapter II.

The importance of portability of the precious metals, as a means of being constantly on the watch to preserve the reserve wealth of the family, is observed in the addiction to personal ornaments of silver and gold.

The reserve capital of a family is carried for safety on the persons of the women in the form of gold or silver bangles, as much as for ornament.

It is but an instance of the habit of thought, of the desire, amounting to a craving to intensify the feeling of security, which we see in Oriental Potentates, who invariably invest large portions of their surplus wealth in precious stones and durable valuables.

Thus every man, who is just raised above mendicancy, carries his little store of money on his person, or he buries it. The waistband of almost every such man contains a few rupees or a coin or two of gold, which represent all his wealth, except his wife's bangles and his tools.

We saw the exaggeration of the notion of the value of portability during the recent rebellion in 1857-58, when the price of gold rose 50 per cent. in the Bazars of the North-West, solely because of that quality. The Gold Mohur which used generally to be exchanged by the money changers for 16 rupees, its mint price being 15 rupees, actually rose to 24 rupees, which were readily given for it.

I am particular in noting these circumstances, because if fairly interpreted, they display a far more serious necessity for the introduction of a Gold Currency among the population of India as a matter of convenience than perhaps may be the case in more advanced communities. This has probably always been so, but it seems particularly desirable now that wealth is beginning to spread among the people in a manner which would have been believed to be impossible a few years ago.

In America and in Europe the great reserves of precious metals are for the most part secured in the strong rooms of banks, the value being represented by convertible paper. The promise to pay satisfies every one. The reserves being known to exist, and to be forthcoming to redeem the promise, gold and silver are but little seen in the course of business, except in the petty daily commerce of life.

The old habits of feudal Europe have well nigh died out. Secret hoarding, the carrying about the little store of wealth on the person, and the use of the hearthstone, so common in many countries till quite a recent date, the resources of the weak and of the oppressed, seem to be almost forgotten.

Money is felt to be safer in a Commercial or a Savings' Bank. The people are satisfied to let their money "breed" if possible, and faith in obligations such as bank notes, or bank receipts, has entirely replaced the want of confidence, which among ignorant and backward populations, refuses to be satisfied except by the daily evidence of the senses.

But Oriental populations, if we except the inhabitants of a few large sea-board cities, are generally a long way from such a result of progress in social polity. They are not practically educated to the point of appreciating the convertibility of paper and the advantage of popular banking. The latter in their eyes, is connected with their natural enemy the usurer. The former must remain for a long time an object of distrust.

The people hug the idea of intrinsic value in coins of the precious metals which will last for ever, which will be again found, if war sweep over the country and destroy all that is above ground.

It will be understood that they would not care to bury the bank note in a corner of the hut. They would know that the paper would rot, be destroyed by damp, or be eaten by insects.

They would further be always oppressed with the idea that it might lose in value, or become inconvertible hereafter, in the midst of political changes,—a by no means unreasonable suspicion.

To the very poor the bank note would also present serious objections on account of its easy destructibility. It must wear out in the waistband. Its want of weight, its very flimsiness, preclude the idea of its general use by the very poor, who like to assure themselves by constant touch, that their little reserve store of wealth is actually in its usual place on their persons.

There cannot be a doubt that such people would long to change the bank note, when paid to them in satisfaction of their dues. This they would undoubtedly do even at considerable loss, rather than continue to trust in what to them is a doubtful representative of value. Such facts daily pass before our eyes, even in great marts, where other things might have been expected.

It may further be said, that of all people in the world, the population of India carries practically and keenly into execution the principle, that the money actually current is a commodity which must possess the intrinsic value it assumes to represent.

To them bangles are convertible into rupees and *vice versâ*.

" The gowd's the gowd for a' that. "

Thus in some Native States, the people refuse in their retail operation to take the British rupee without a slight discount, because they declare, whether rightly or wrongly, that the rude rupees supplied from their Native mints have more of silver in them, or are freer from alloy than the British rupee.

The gold mohurs produced in the Native mints were, I am informed, always more in demand for similar reasons than the British gold mohurs, when gold was received at our treasuries. To this day, the purity of the old gold mohur of Oudh, and of the gold mohurs coined at Jeypore, is held in high estimation.

These matters are valued with the greatest nicety by the Native cambist, and they descended into minute retail operations, to the extreme disadvantage of the very poor.

Those practically acquainted with India will understand how they must affect a widespread circulation of bank notes. The difficulty of generally applying bank notes, must remain, until the suspicions of the people have been allayed by practical and patient education, and their civilization in the matter concerned has reached the point we have lately, but very lately, seen attained in some European countries.

It is not asserted that a large development of the paper currency would not greatly facilitate the business of domestic commerce, the transactions in the large towns, the operations of great merchants and shop-keepers, and of Government in its several characters of State Landlord, Merchant, Producer, Administrator, Banker, and Provider of a currency. I desire only to show that what are called the masses, the hundred millions, with the slight exception perhaps of those living in the seaboard cities of Calcutta, Bombay, Madras, and Kurrachee, will, for the present and for many years to come, fail to appreciate a system of paper representing Government promises to pay.

My object is to declare the strength and importance of the habits and customs,—of the immemorial feeling among the many races of which the people of India is made up,—that they must have instrinsic value in their hands, before they are convinced that payment has been made to them. In their present state of knowledge and civilization,—their habits of thought and of practice being based on the ideas of barbarous ages, when concealment and the hoarding of money were necessities of existence,—we should not expect them to hold different views. Such views will in the lapse of time come to be entertained, but it is in vain to attempt to force them forward. They must grow naturally amid tender encouragement.

In this matter we have to overcome what is called the "immobility" of the East. This we know successfully resists sudden pressure. It can be stirred only by bringing Nature to our aid, as we remove the bar from the mouth of a harbour, not by steam-engines and hydraulic presses, but by turning a current, which gradually washes away the immemorial obstruction.

So must it always be in the introduction of improvement into Hindustan. We do not find that the Natives of India are slower than those of other countries to profit by innovation, when their understandings have been convinced that advantage will flow from the change. But it is certainly true that the conviction must be practically won.

Theories are not taken on trust. The experience of other countries is not admitted as sufficient. Custom is paramount till it is dislodged by the actually evidence of the senses, that success attends a change, and that gain follows on the change.

This having been achieved, immobility is shaken among the masses, the bar finally disappears before the increasing strength of the new current directed against it.

Then is perceived what we have seen in the plantations of New Orleans, cotton in Southern India, and of tea in the North. In each case the people had to be practically educated to the point required for a change in their industry. The introduction of the change could not be effected in less time than that represented by a generation. It finally took place, because the people had at length convinced themselves by their own experience, that what was announced by Government and foreign planters was actually true.

These facts of Hindustanee nature, so important to the Legislator and the Administrator, must surely not be permitted to escape us, when we contemplate the introduction of convertible paper, and desire to substitute promises to pay in the hands of the people, for the metallic payment itself. For in this the uneducated and the timid have alone confidence, because as yet it is the only thing they have known, by which value could be represented, and the only thing which has been proved to them by the experience of ages to be durable and recoverable, when all other produced things might be swept away.

The social aspect of the question is after all the truly important one, that which presents enormous difficulties in the way of execution of a general paper currency. The economical theory of the advantages of a paper currency is doubtless absolutely true; but we are convinced by a thousand instances, that in politics scientific truth must wait patiently, must gradually force itself on popular conviction, here a little and there a little.

An over hasty application of the most perfect economical system, which ignores the facts of the existing state of knowledge and civilisation, defeats the objects sought by the advocates of the change. In such case the Government of a country is fortunate, if the resistance it is certain to encounter, be only dumb and dogged, as it might be in India, instead of violent and inflammatory, as it assuredly would be in Europe.

It seems to me that those who, like the late Mr. Wilson, have had absolute faith in the virtue and the possibility of the immediate application of a convertible paper throughout India, have overlooked the foregoing considerations.

Thoroughly imbued with the truths of economical science, they have overlooked the social bar standing directly before them, submerged though it may be by the calm waters of Indian tranquillity and apparent submissiveness to the orders of Government.

They have forgotten that that submissiveness is perfect so long only as the personal interest of the individual is favourably concerned, but that at the point where the interest is either prejudiced, or the individual *thinks* it is prejudiced, the opposition becomes determined and invincible. It is none the less so, because of the outward calm of the spoken and acted submissiveness. As before said, we find ourselves in the presence of great results of natural causes. These results cannot be removed until the causes themselves are diverted.

Yet Mr. Wilson thought, and tried to act on the thought, that by a simple order of Government, the people of Hindustan might at once be induced to appreciate and use a convertible paper currency, which would have dropped on them as a novelty to be understood and fed on, as manna was by the Israelites in the wilderness.

It is not then too much to say that Mr. Wilson fell into the error of overlooking or of putting aside the political truths conveyed by the social aspect of the question.

It seems clear, that in his ardent desire to relieve the currency of India from the difficulties in which he found it, according to his own economical views, he entirely failed to estimate the obstacles presented by custom and habit, by ignorance and prejudice, by the facts of the enormous numbers of the population among which the metallic reserves of India are fractionally distributed, the principle of the Savings' Bank being as yet entirely unknown to them.

Mr. Wilson evidently must have reasoned as if he had had a British or an American public before him, which has been educated to the point of understanding that the convertibility of the bank note when real and positive under the authority of the State, or any other equally valid authority, is but another term for actual value.

His sanguine temperament was perhaps unable to appreciate that to cause such a truth to sink into the mind of the Indian population, and to become operative amidst its shallows, must be an affair of many years. He was probably misled by what he saw at Calcutta and at Bombay. He doubtless assumed, for the more convenient floating of his schemes, that the great masses of the Indian people differed in no respects from the native inhabitants of those vast trading cities.

Yet nothing can be more erroneous Bombay and Calcutta evince the effects of a practical British education, which has lasted for two centuries. In the matters of trade, of the changes and improvements in the art of commerce, they have proceeded with the European countries, more especially England, with which they have been in direct communication. In such respects, therefore, the people of these cities resemble the communities of Liverpool and London, rather than the masses of their poor countrymen in the provinces, who are only now commencing the rudiments of a like education.

This has been practically seen in the districts, wealthy as they are, and overwhelmed by the sudden prosperity lavished on them by the cotton crisis, where the Bombay Bank has established its branches.

The people of those districts are shown to be not ripe for a bank-note circulation, and in point of fact they will not have anything to say to it.

They are greedy of the metals in every form. Silver coined or uncoined, gold in bars and golden bangles, have the greatest charm for them. Gold on such account is bought in the Bombay market and taken into the interior directly it appears. There is at present no more profitable trade than to import gold for this purpose. An ingot currency organised by the people themselves, has as it were sprung into existence, on account of the new value created in the country by the cotton crisis, and by the largely developed export trade following on it. But the bank note is despised in the provinces as it was before the strange, unlooked for, and enormous addition to the material wealth of the country, which has recently taken place.

It will be recollected that Mr. Wilson's schemes were elaborated in 1859, or more than a year before the outbreak of Civil war in the United States.

Nothing could be so favourable to the development of a paper currency as a vast accession to a material wealth, the consequent increase of transactions, and extraordinary impetus given to the activity of trade.

Circumstances on which Mr. Wilson did not reckon, have all been immensely in his favour.

Yet, so far as we know, whenever bank notes have been offered out of the presidency towns, they have failed to attract attention, while on the contrary the old passion for the possession of the metals, silver and gold, has made itself felt with tenfold force among the "nouveaux riches" of Hindustan.

Thus have old social habits been triumphant, and the artificial devices of the Art of Commerce, for the furtherance of the freedom of exchange and the saving of capital are steadily put aside, simply because their merits are not understood, and because the people are not educated to the point of understanding them, and therefore of departing from their ancient custom.

It is curious to note the determination of the population at large to acquire gold in preference to silver as a means of ornament and hoarding, so soon as their increased wealth permits of it.

The fact is remarked and reported by Collectors and Superintendents of Police. It is said that since the cotton crisis, gold bangles have in some favoured cotton districts become almost as common as silver bangles were before. Sir Arthur Cotton relates that before the opening of the Godavery canals, the district of Rajamundree was one of the poorest in India. The irrigation of the soil converted it to a rich one.

He visited the district a few years after his canal labours had produced their fruits. Wealth had taken the place of the most ghastly poverty. The district had become a steady importer of *gold*.

It is then evident that the people must have and will have Gold.

The want of it being strongly felt in accordance with the instincts of the people, with regard to the late accession to their wealth, they are rudely proceeding to supply themselves.

Thus twenty-one millions of gold (pounds) have been imported into India since Mr. Wilson's currency scheme was propounded, viz., *since* 1860-61.*

Although his paper scheme was grievously mutilated, an attempt has been made since that date to float a tentative paper currency. That attempt has failed, as already shown, whilst the enormous sum of gold just cited has been absorbed so soon as it appeared, and this fact has taken place notwithstanding that gold is not coined in the British Mints, and is not available as a legal tender in payment of debts and taxes.

What is then the inference ?

By every consideration of regard for the people, for their convenience and the economy of their means, we are bound to give an administrative form to the solution of the problem of a gold currency, which in a rude and barbarous manner, they have, to a certain degree, worked out for themselves.

Chapter IX.

Change of values in India—Disturbing causes of value—Increased demand for metallic circulation—Popular instinct has corrected an administrative defect—It is our duty to follow the lead thus given.

A survey of Indian affairs during the last few years, makes us acquainted with circumstances which have an intimate connection with the subject before us.

Thus it is seen that many causes have tended to accelerate—perhaps it should be said to create—a new development in India.

The throwing open of trade fifty years ago has at length come to have its full effect: the foreign trade which was most insignificant at the commencement of the century now exceeds a hundred millions sterling. New industries, new commodities have sprung into existence to meet the wants of daily augmenting demands of foreign commerce.

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* Importation of Gold to Calcutta, Madras, and Bombay :—

	Rs.
1860-61	4,50,92,243
1861-62	5,50,22,714
1862-63	6,72,25,794

In the incomplete financial year of 1863-64, *viz.*, till 15th February 1864, the importation of gold to Bombay alone has been Rs. 4,13,43,748. This sum has been imported on private account and is exclusive of Government remittances.

Vast tracts of country which were formerly devoted entirely to the production of cereals, are now alienated to other purposes—to opium, to cotton, to oilseeds.

Provinces in which corn was not many years ago at a fabulously low price, are now importers of grain. The consequence has been that for several years a steady but certain rise of prices has been observed to be proceeding.

Much more of money has flowed into the country and been distributed throughout its wide area, than could be received and absorbed in former times.

Silver and gold have *alike* become cheaper, as a greater demand for other commodities has followed on two causes—the new demands of foreign commerce, and the enlarged power of consumption evinced by the people in consequence of their prosperity.

The latter circumstance is shown by the unfailing test of the salt taxes. The consumption of salt, as proved by the returns of the tax, is steadily rising, the craving for that necessary aliment being the first to be satisfied as a condition of health, as the means of the poor are ameliorated.

It will be understood that a largely increased foreign commerce must add immensely to the amount of domestic production, and therefore to the number of transactions, each in their own way demanding more consumption, more labour, more land, more conveniences, more means of exchange, more money, and an easier adaptation of money to the supply of the new wants.

These facts have all been visible in a very marked manner in India.

Thus great tracts of land are being daily brought into cultivation, which for ages had lain waste. There is no part of the revenue which is more* remunerative, more elastic, or shows a greater tendency to increase, than that proceeding from the land. Notwithstanding that the assessments or rates of rent are much lower than in former days, the actual amounts paid into the Treasury exceed those of the times of high assessments, because of the larger area brought under cultivation, and of the exactness with which the assessment is now paid.

Instead of a population which was too numerous for employment, there is now an active competition on the part of employers of all sorts to attract labour.

One great reason of the rise of prices in all descriptions of food is the greater disposition to consume. The people being richer, actually eat more than they did in their days of poverty.

The rates of wages are rising everywhere, but more especially in the neighbourhood of the sea-coast, where labour is most in demand.

The conveniences required by a great activity of domestic commerce have simultaneously made their appearance.

Thus railways, which create so many new industries and employ the population by millions, are becoming a part of the habits of the people, wherever they have as yet pierced. The same may be said of coasting and river steamers.

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* This remark refers to the Presidencies and Governments into which the Permanent Settlement has not been introduced. In them the Treasury benefits as does an improving landlord whose ultimate returns are augmented by the prosperity of his tenants. Such a result seems to be precluded by the Permanent Settlement, which transfers this advantage to the Zamindar or large landholder in Bengal proper.

Hundreds of thousands of carts have within the last twenty years supplanted the pack-bullock and the camel in wide areas, in which formerly such carriage sufficed for the insignificant traffic of the country.

The Public Works Department of Government is striving to meet the demand for improved communications in aid of the railways, and to ease the growing traffic of the country to the best of its ability. Much is being effected—competition for labour both of man and beast being thus added by the Government to the exertions of Railway Companies, and to the energies of other employers.

If we turn to other matters of convenience, we remark that numerous Banks have been established, that the small capitalists are making themselves felt in India as they do in Europe, in the form of "Companies," for carrying out the purposes of trade and manufacture.

It is observed that within the last quarter of a century a system of barter still prevailed in many parts of India.

The country was too poor in some parts, to own the presence of money, to be able to pay for the convenience of it. Now, on the contrary, the Rupee has penetrated everywhere, and it is doubtless true, as remarked by His Excellency Sir Bartle Frere, that one of the causes of the increased demand for silver and gold may be found in the simple fact that in such lately pauper districts an entirely new circulation has had to be recently supplied.*

Let us add to this cause another. Let us recollect that countless individuals, who must be reckoned by scores of millions, have respectively come to be the possessors of small portions of reserve wealth, which they either consume, save, or employ in reproduction. We shall then be able to form some idea of the immense, but comparatively new demand for increased means of metallic currency, which cannot be measured by European or American experience.

What then have we to note? It is simply this. India has within the last generation, passed from a state of poverty to one of comparative wealth, this being shown by all those signs which we are accustomed to consider as certain unerring symptoms of prosperity and wealth in the communities of Europe, *viz.*, the cheapening of the precious metals with regard to other commodities, increased power of consumption among the people, the great and still growing demand for new means of metallic circulation, the augmented demand for labour, the development or the creation of the expedients by which in civilised and rich countries it is sought to economise the labour of man and beast in every form.

It is thus seen that what I have more than once alluded to as disturbing causes, in their effect on ancient values in India, have been of late very great. While on the one hand, accidents have tended to slightly raise the value of silver, in foreign countries in which exists the legal coin of the Indian Empire; on the other, the material development consequent on an era of peace and prudence and fairly good government, have much more enhanced the value of domestic productions, and therefore of the cost of labour in India itself; comparative competency flowing in on countless individuals, and great wealth on very many.

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* See *Supra*, Chapter II, Definition of Currency.

Such facts alone must convince every one that, putting all other reasons on one side, we have in these circumstances an ample cause for great increase in the circulating medium.

The vastly augmented numbers of transactions as compared with former times, the rise of wages throughout the country following on the demand for labour, together with the increased market value of all commodities as shown by selling price, have called for a great addition to the amount of metallic money in circulation and in deposit, for the mere execution of business.

This would be a certain result in any country in a condition of rapid progress, but it is tenfold more so in India, if we take into consideration the habits of the people, which have been adverted to in a preceding Chapter. These habits, it will be remembered, preclude the idea of a paper currency being allowed the fair play, which it obtains in more advanced countries.

There is yet another consideration.

It is doubtless true that the addition to wealth among the people at large will produce a change of manners at no very distant date. We shall ultimately see commodities imported into India for the satisfaction of luxury and comfort among classes to which such matters have been hitherto unknown. The change of manners has already taken place in Bombay itself, and importations are seen accordingly to meet new wants.

Perhaps the change may be said to be beginning to make itself felt in the provinces, since the great flux of prosperity poured on the merchant and cultivator by the cotton crisis.

If this be so, it can be but a very slender beginning. We must wait for some years before we can expect that the Indian mind generally will undergo a great change. It will not immediately look for value in increased comfort, such as is to be obtained from imported manufactured commodities, to which it is as yet not accustomed. It will still prefer to revel in the possession of a certain quantity of silver and gold, and to be satisfied with such further consumption as is an accordance with the productions of the country and the prevalent notions of enjoyment.

The old craving for the precious metals is as strong as in the days of poverty. This cannot therefore but cause the disappearance from circulation of great masses of metallic capital, the ancient habits of the people thus combining with the new activity of their modern commerce and industry, to stimulate the demand for the metals, to increase the amount of deposits, and therefore to cheapen the value of the metals, to reduce them in price, as compared with other commodities.

This process, half economical and half social, by which values are thus disturbed, has been proceeding in the Bombay Presidency in a very marked manner. Great numbers of the population are afflicted almost to starvation on the one side by the rise in prices, *viz.*, those who live on very small fixed incomes, while the fortunate owners and tenants of the land, and the merchants and shop-keepers on the other, are overwhelmed as it were with the silver and gold which has been heaped on them, and with which as yet they hardly know what to do, beyond amassing it in a glittering heap, turning copper bangles into silver bangles and silver ornaments into gold ones.

The union of the old social causes with the economical one of material improvement, the two operating towards the same conclusion, which drags the precious metals from the West to the East, is one of the circumstances of the difficulty the currency of India now encounters, which has the most escaped consideration.

The fact is powerful in showing that even if silver was adequate to the wants of Indian circulation before the setting in of the late prosperity, it is no longer so. For unless corrected by the determination of the people to have gold as a representative of value, whether or not it be coined into money, the circumstances of improvement would all re-act in raising the value of silver, and therefore in adding to the burthen of those who have contracted to pay value according to the nominal legal tender of the day; for, as already shown, an addition to the functions of the circulating medium must add to its value as a commodity, because more of it is drawn from the other uses for which it is produced.

The correction of the wants of the currency has been enforced by the practice of the people. It is evident that in the popular estimation, gold is a representative of value equally with silver, and the people are determined that it shall so remain. The popular instinct has been wonderfully true to its own interest. In spite of the legal restriction conveyed in the sole legal tender of silver, the instinct operates largely to do what has been done in France and the United States by means of the double standard.* That is to say, the force of that instinct has generally maintained the former relative value† of gold and silver in India, although with a slight depreciation of the former, by compelling the large importations and the distribution of gold, in spite of the prohibitions to discharge obligations in coins of that metal.

The value of the phenomenon here noted with regard to the question before us is immense, it being evident that ‡ *both gold and silver* have been for a long time bought at remunerative prices in Europe for the purpose of exportation to India.

If silver is cheaper in Europe, Australia, and America than it is in India so is gold; that is to say, the commodities returned on account of the two metals are more in demand in the other quarters of the globe, than the metals are.

On the other hand, in India itself, the metals, owing to the abundant importation to the East, are cheap with respect to all other commodities and to the hitherto customary cost of Indian labour. But the cheapness affects *both silver and gold alike*, and the relative value of the two metals has been only slightly affected in India, because, although gold has been legally demonetised, the instinct and ancient custom have been triumphant in retaining gold as a representative of value, and are causing it to perform some of the most important functions of money.

Can further proof be required of the illusion under which Mr. Wilson must have profferred his advice in 1859, and the Government of India issued its prohibitory orders to receive gold at the Treasuries in 1852?

We are therefore again brought to the point reached in the last Chapter, *viz.*, that on account of the convenience of the people, this resting on new economical grounds as well as the old social ones, we are bound to follow

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* *Vide Supra*, Chapter V

† *Vide* Appendix, Tables of Value

‡ *Vide* Tables F. G., in the Appendix.

the lead they have given us, to afford an administrative form and sanction to a gold currency.

However strange it may at first sight appear, it is doubtless true that the popular instinct has saved us from much difficulty in giving practical effect to the necessary arrangements.

Thus knowing as we do that importation of gold has been of late years proceeding at an accelerated ratio as compared with former times, that consequently immense masses of gold are held in the country, and that the gold so held must proportionally have displaced silver, we cease to fear an alarming depreciation of the value of the latter when it shall be partially and gradually demonetised by the introduction of a gold currency.

It being thus clear that great stores of reserve value are maintained in gold by the practice of the people, we are saved from the dread of committing ourselves to a measure which may in any manner interfere with the national tastes, or invade the national notion of value, with regard to the discharge of obligations in their integrity.

Such reflections are especially important to us, as removing even the faintest idea of want of equity towards the holders of silver, whether they be wealthy capitalists, or the poor, who, in individual slender savings, build up national deposits, as islands of coral are produced in the ocean.

These considerations have a like weight in answer to the objection which has been conjured up, but it is hoped has now been dispelled, with regard to the fanciful assumption that in the discharge of obligations the actual metal of the fortuitous legal tender or current coin must be absolutely considered, instead of the value it represents.

We may believe with certainty in consequence, that no change of any importance in the popular consideration of the value of the silver rupees, could ensue on the introduction of a gold currency. Existing stores of silver would be absorbed gradually but certainly in manufacture, and by the universal taste for jewellery among all classes, rich and poor, the only effect being that the importation of silver would diminish, perhaps might almost cease for a time, while an impulse would be given to the importation of gold.

As respects national tastes and desires, we should but revert to a concurrence with the habit of thought, which has been sufficiently powerful to resist the enforcement of the sole legal standard absolutely ordered in 1852, in opposition to the old customs of India, and to the practice of all Governments preceding ours, that practice having been our own till a recent date.

Chapter X.

Caution necessary in the mode of Introduction of the Gold Currency—Transition period of Double legal tender—Token Coinage inadmissible during such period.

It is hoped that much of what has preceded may be borne in mind, in considering how practical effect may be best given to the demand made for the introduction of a gold currency into India.

The social facts of India to which allusion has been made, as well as the illustration afforded by other countries in similar circumstances of change, seem especially worthy of reflection, when we determine what is to be done in the matter before us.

Thus knowing as we do that an immense quantity of silver coins is held in the country, a considerable time must elapse before the masses of silver which are in deposit and in circulation can make place for gold. This is so on two accounts.

A sufficiency of gold coinage cannot make its appearance *per saltum* in exchange for the silver. Time is required for the mere mechanical operations of the mint, and when the gold has been coined, for its further distribution through the country. It is evident that if a hasty order were given to make payment of revenue receivable only in gold, the gold coins actually in existence would go up to an extravagant price, because more would be demanded than are now probably to be found in the market, whatever the exertions made by the money-changers.

Secondly, it is most desirable on other accounts, that whatever change is made should take place most gradually, according to the demand evinced by the people, as the mode in which it may operate on their interests dawns on them.

We cannot be too careful to avoid the charge which might be justly made if by a sudden and absolute demonetisation of silver, we were suddenly to reduce its value in the local markets. This consideration has great weight with regard to the amount of silver now in the country. The *gradual* and due absorption of that metal is demanded by every principle of justice and equity, before gold can be *absolutely* substituted for silver in the currency. Absolute substitution is a very different thing from adding gold money to the present existing silver money.

We must be further careful, as a matter of social policy, not to disturb the popular, existing, and healthy notions with regard to value and exchange. To ensure this, when we present to the people coins of the two metals for general use, instead of one as heretofore, we must not interfere with the reigning idea, that the coins of both metals are valued by the people on account of their intrinsic value, that is to say, of the amount of the metals actually contained in the coins. For some time to come, both metals, when in the form of coin, must run their chance as commodities of trade without assistance.

Relative Mint values with regard to certain considerations being fixed between gold and silver, the facts of the ultimate settlement of the particular function of money, will determine themselves according to the laws it has been sought to illustrate.*

In such respects then, we have but to follow the example which has been set to us by the United States and by France. We are forced to admit the necessity of a transition period of double legal tender, during which gold and silver must be permitted to compete on their own merits. The facts and arguments before stated are sufficient to determine the ultimate success of the gold. †

The necessity of a transition period being admitted, we must infer that a token coinage could not be issued during such period.

The success of a token coinage is the practical evidence that one metal, gold, has been substituted successfully in currency and deposit for another

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* *Vide Supra*, Chapter V, on the double Standard of Value.

† *Vide, Supra* Chapter II on "The economy of Gold as the medium of currency as compared with Silver"; also Chapter IX, "On the demand for a Gold Currency as declared by the popular instinct of India."

metal, silver. The power to introduce a token coinage, and to cause it to be adopted generally, is a result of the completeness of the change, which has been effected by the operation of the superiority of gold over silver, for the performance of the functions of currency and deposit in a wealthy country. A token coinage is then the consequence of a perfected antecedent.

To apply a silver token coinage, before the change from silver to gold has been finally effected at large in currency and deposit, would therefore be to apply a result, in anticipation of the causes which may hereafter render a token coinage expedient, but as yet have not come into operation.

Let it further be carefully borne in mind, that a necessity of a token coinage of silver for small transactions, is the sign that silver no longer exists in any quantity in a country. When the necessity of a token coinage is felt, silver is no longer found in deposit to meet the demands of foreign trade or to represent the reserve value kept in store by a community. The necessity of the token coinage is the indication, that the silver in a country does not more than suffice for the purposes of manufacture and jewellery, and that none is left for the discharge of large obligations.

In India we know that the direct contrary is the result of the very measures we have taken of late years, to monopolize the functions of money in silver to the depreciation and expulsion of gold, however much our measures have been corrected by the popular instinct. Consequently, in India, the cause which necessitates a token coinage does not yet exist.

There is, besides, another reason, which is strongly opposed to the introduction of a token coinage, until it shall have been ascertained by the people to be necessary, because of the disappearance of silver from circulation and deposit, as was shown in the case of the United States in 1853.

The argument against a premature token coinage, and against a hasty forcing forward of a Bank-note circulation, is identical. The people of the empire generally are not educated to the point of receiving either a token coinage or bank notes as representatives of value, which intrinsically they do not possess.

The disappearance of silver may ultimately force the people to appreciate the superior convenience and profit to themselves, as afforded by a token coinage in the place of full weight silver rupees, and full weight fractional parts of a rupee.

Till the cause has taken place, *viz.*, the disappearance of silver from circulation and deposit, we can well afford to wait.

For in truth the primary use of a token coinage is to atone as a matter of convenience for the absence of silver. The secondary and equally important use of a token coinage is to fix the metallic currency, and to protect it from the chance of further fluctuation, when the substitution of gold for silver has been finally carried out.

I think, therefore, we may assume, that on the introduction of a gold currency, a period of double legal tender must be undergone, while the substitution of gold for silver is gradually taking place in the currency and deposits of India.

Secondly, so long as the double legal tender or period of transition lasts, a token coinage would be inconsistent, and indeed impossible in such a condition of things.

Thirdly, that so soon as in the course of years, the substitution of gold for silver in currency and deposits has been effected, it will be possible, and in all probability prudent, to introduce a token coinage.

With respect to the latter conclusion, we must not hope that the rapidity of the process of substitution, which was perceived in the United States, will be seen in India.

It is not improbable that what four years could do in the former, may require the period of a generation in the latter. This, however, is but another argument for doing nothing hastily, and against urging any measure, which might attempt to force the natural growth of opinion and appreciation.

Chapter XI.

CONCLUSION.

The denomination of the Rupee to be retained as a matter of course—How Sovereigns may be used—The equivalent of Gold and Silver declared in Act XVII of 1835 may be maintained—Legal tender of Gold in addition to that of Silver should be created on such a basis.

It will, I presume, be conceded, that whatever we may do in the matter of introducing a gold currency, we must retain the denomination of value in which all obligations have hitherto been contracted.

As the franc has been preserved in France, and the dollar in the United States, the gold value of both alike having been gradually substituted in currency and deposit for the old silver value, so must the rupee continue to assert its ancient position in India, whether its value be represented in gold or silver.

It is expedient that gold coins, struck for the purpose of domestic exchange, should be multiples of the rupee as laid down in the Act of 1835.

It is not to be expected that any foreign coin, which has been called into existence with regard to another basis of calculation, can be an exact multiple of the rupee.

In an accidental state of the money market, amidst the fluctuations of exchange, circumstances might occur for a single day, to render the foreign gold coin such an exact multiple for a moment in the market prices.

The price would be abnormal.

To adopt the *foreign* gold coin into a *native* circulation on such terms, to declare that it shall be the permanent multiple of the silver native coin, because, on one particular day, it happened accidentally to be so, would be to give permanence to an abnormal circumstance, and in all probability to attempt to fix a scale of relative values of the metals, which is not borne out by the facts of general *domestic* exchange.

Thus the idea has been entertained, that it would be very convenient to use the introduction of a gold currency into India in such a manner, to establish the sovereign in India as it is in England and Australia, to seize on a particular time when amid the fluctuations of exchange, the sovereign should represent the exact value of 10 rupees, and then from henceforth to declare (such value having been momentarily obtained), it should so remain permanently, it being received as legal tender in payment of debts and taxes.

But it is clear that if the sovereign is generally worth more or less than 10 rupees, the due estimation will be taken of the fact in foreign markets, irrespectively of the considerations which might influence an Indian Government in making such a regulation. If the sovereign was worth more than 10 rupees according to average, it would be exchanged to India for a greater value than that of the ten rupees, and *vice versâ*. In the former case, so far as the function of money is concerned, silver would be paid for taxes and debts, and the sovereign would be retained in deposit or disposed of, as being more valuable than the legal tender the sovereign represents.

In the opposite case, if the sovereign in foreign markets was of less worth and could be imported for less than 10 rupees, all taxes would be paid in it and silver would be sold at a profit, Government being the loser.

There seems to be only one mode of using the sovereign in India in circulation, that being to permit it to be offered in payment, according to the value it bears relatively to the Indian gold coin legally established as the multiple of the rupee, one per cent. being allowed for Mint charges,* to put it on the same footing as gold coined in India.

Thus the British Indian gold mohur being held by the Act of 1835 to be equal to 15 Rupees, gives a value of 5*s.* 2¼*d.* to the ounce of silver +0½*d.*, which may be considered the difference of Mint charge between gold and silver.

This being so, if the value of the sovereign† be calculated on a similar basis, its worth must be taken Rs. 10-4-4, its intrinsic value at 5*s.* 2¼*d.* being Rs. 10-6-1‡ the difference between the two sums being that which would represent the Mint charges, if the sovereigns were coined in India instead of being imported.

Consequently, if it be determined to effect a large coinage of British 15-rupee gold pieces or gold mohurs, and to accept them as legal tender for such value, there would seem to be no objection to permit the sovereign to be also legally tendered at a uniform rate of about Rs. 10-4-0.§

A convenience to the local Mints might be afforded by such a rule, and an important advantage would be gained for the trading community generally, by the fact that gold specie coming from England and Australia, would thus be enabled to take its place in circulation immediately after it was landed.

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*The Bombay Mint charges are as follows :—

One per cent. on gold, two per cent. on silver ; this is called Seignorage. There is besides a premelting charge of one per mille on silver, and ·25 per mille on gold. Colonel Ballard remarks that "the difference of charge should be maintained. Gold is cheaper to coin than silver, and therefore entitled to the advantage."

†In estimating the relative value of sovereigns and Indian coins, for the purpose of circulating the former, it is clearly indispensable to burthen sovereigns with the Mint charge, to which the domestic coinage is necessarily exposed.

‡ Intrinsic value of the sovereign in silver rupees, when silver is worth—

			Rupees.		Sovereign.			
			s.	*d.*		Rs.	A.	P.
4*s.*	11*d.*	per ounce	= 1	9·92	=	10	15	2·18
5*s.*	0*d.*	,,	= 1	10·29	=	10	12	3·29
5*s.*	1*d.*	,,	= 1	10·66	=	10	9	5·53
5*s*	1½*d.*	,,	= 1	10·84½	=	10	8	1·07
5*s*	2*d.*	,,	= 1	11·03	=	10	6	8·86
5*s.*	2¼*d.*	,,	= 1	11·12	=	10	6	1·07

§ *Vide* Table A in appendix, which shows that this rate gives approximately the price which has ruled for several years.