importations in large quantities for the purpose of circulation at ten rupees. An examination, however, of the Statistical Tables raises doubt regarding the completeness of the calculations comprised in them, and the general conclusions founded on them appear to me to be altogether erroneous.

The information on which the scheme in the Minute is founded is mainly derived from the paper furnished by Mr. Dunlop (Appendix TT). This gentleman appears to have collated with intelligence, and, I have no doubt, with great accuracy, the Returns accessible in India* of the imports of gold and silver and of their relative prices.

15. Reasoning founded on statistical compilations is, however, proverbially delusive, unless attention be given to collateral facts. No sound conclusions can be formed from averages taken from monthly statements of the prices of gold and silver without information regarding the amount sold in each month, and the circumstances under which each remittance was made. A merchant or banker is not governed in his dealings by averages, but by his calculation of the immediate profit to be derived from each transaction. The flow of the precious metals is governed by the exchanges, and a turn of 1 per cent. in them might be sufficient to send gold from one end of the world to the other. Take, for example, the price of Australian sovereigns at Calcutta in the last three fortnights of 1863, *viz.*, Rs. 10-5, 10 1·6, and Rs. 10-1; the average of the three quotations would be Rs. 10-2-6; but supposing sovereigns to the extent of £150,000 were sold in the first fortnight, and to the extent of £50,000 in each of the following fortnights, the price realized for the whole would be Rs. 10-3-6. Something of this sort actually occurs in trade.

16. The remittance of sovereigns from England to India is governed by the price of silver and the quantity procurable in London at the time and the price at which bills on London can be purchased in India. Gold is sent in order that the value may be returned, with profit, in the shape of bills. In the month of December 1863 the price of silver in the London market rose to 5*s.* $1\frac{5}{8}$*d.* Not only, however, was the price high, but the quantity in the market was insufficient for the amount of remittances required. Time is precious in mercantile transactions, and those who deal in the business of remittance and exchange could not afford to wait for expected arrivals. Gold was therefore sent in place of silver; and I learn, from a Return of the Custom House, that the large amount of £342,615 in gold specie was shipped for Egypt on the 9th of December 1863, the bulk of which was destined for India.

17. Mr. Dunlop comes to the conclusion, from calculations founded on average prices, that British coined gold can "be laid down in Calcutta at Rs. 10 4-10 per sovereign." I have ascertained from the Manager of the Oriental Bank that the actual cost of sovereigns sent to India by that establishment in 1863, was at the rate of Rs. 10-3-4. The difference is important, because much stress is laid in the Minute on the economy of direct transmission of gold from Australia to India. There is, no doubt, a saving of expense under existing circumstances in adopting that course; and that

* I may, however, observe that the table of the selling prices of bar gold and silver of standard quality in London is calculated to convey an erroneous impression. The prices of gold which Mr. Dunlop quotes are evidently those of what is technically called "bar gold parting," that is, gold containing silver in the alloy which may be parted in the refinery. Generally speaking, it means Australian bar-gold, which, on account of the silver contained in it, bears a higher price than standard gold of the quality that is taken to the mint.

merchants are not slow to avail themselves of the advantage is shown by the fact that out of imports of gold into India, amounting to nearly £3,000,000 in the year 1863, more than two-thirds were drawn from Australia. Yet more is deduced from this advantage than the facts warrant. No allowance is made as a set-off against increased freight for the charge for refining gold in Australia, which is higher by 1 per cent. than that of the London refineries; no reference is made to the rise in the price of gold in Australia in consequence of the Indian demand, and sufficient consideration is not given to the circumstance that, notwithstanding the facilities afforded by the Australian market, it has yet been profitable to our merchants to send direct from London one third of the gold required in India.

18. I dwell upon this point because it appears to me that the prime fallacy in the proposed scheme is founded on the sentence of the Minute that—

"The sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply, that is, from Australia."

19. The whole question turns upon this assertion, and it is important to examine it, because if it be a fallacy, all the authorities consulted in India by Sir Charles Trevelyan appear to concur in it, with the single exception of the Hon'ble Claud Brown, whose letter is published (Appendix VV) with candour, but without the attention which it deserves.

20. It might be a sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate, and if the proposed measure were to bring about the expected result of inducing the transmission of gold in reference to silver, Australia could not supply more than one-fourth of the amount required, even if the whole of its produce of gold were sent thither. It is shown in one of the tables in the Appendix to the Minute, that the amount of treasure imported into India in 1863-64 was £26,147,200, and it is shown in the Minute itself, that the produce of the Australian gold-fields in 1862 was only of the value of £6,685,192 with "a decided tendency to fall off."

21. It may further be observed, that the gold imported into Great Britain is drawn, in the course of trade, from almost every country, and that Australia supplies but a comparatively shall proportion of the amount. According to the Returns of the Board of Trade, the value of the registered imports of gold bullion in 1863 was £19,142,665. Of this only £5,995,368 was derived from Australia. A great part of these general imports is employed, through the operation of the exchanges, in acquiring silver for transmission to India; and if, by an alteration of the Currency laws, silver should cease to be the preferable medium of remittance, gold would be sent direct to India from England, instead of being used circuitously in the purchase of silver.

22. The principle involved requires, however, further investigation, and I propose to direct attention to the experience to be derived from the proceedings of other nations which have adopted a mixed currency, and to draw inferences from that experienced in regard to India

23. I will first refer, in some detail, to the case of the United States, because the proceedings of that Government afford an example of the effect, on a currency, of small errors in calculations of relative value, and because the history of those proceedings is not correctly quoted in the Minute.

24. The first Act of Congress for the regulation of the Currency of the United States was passed in 1792. It enacted that "there shall be from

time to time struck at the Mint dollars and units, each to be of the value of a Spanish dollar, and to contain 371¼ grains of pure, and 416 grains of standard silver." The Eagle (or 10 dollar piece) coined after this, contained 247½ grains of fine gold.

25. It may not be unworthy of remark that Congress in its first search for the "almighty dollar" deviated from the coin proposed for their model, as the average contents of fine silver in the Spanish dollars was about 376 grains. The authorities of the United States thus begin their operations by a depreciation of the currency to the extent of more than 1 per cent.

26. It will be observed that the relative valuation of the gold coin to the silver dollar gave the proportion of 1 of gold to 15 of silver; and as the average relation of the two metals to each other in the general market was at the time as 1 to 15·7, gold was undervalued in the currency, and the new silver dollar became the practical standard of value in the United States. This state of things continued until 1834, when an Act was passed reducing the contents of the fine gold in the Eagle to 232 grains, thus altering the proportion of gold to silver in the currency from 1 to 15 to 1 to 16. Gold being thus over-valued became the preferable medium of exchange, and a further depreciation of the currency was established. Subsequent Acts altered the proportion of alloy in the two descriptions of coin, but made no appreciable alteration in their relative contents of pure metal. After 1834 the quantities of gold taken to the United States' Mints for coinage greatly exceeded the quantities of silver, and the coinage of the silver dollar and its sub-divisions was limited to the requirements for a circulation of the lower denominations. Although the coinage of silver under this system was expensive, no material inconvenience appears to have been felt until after the discovery of the gold mines of California, when the relation of the two metals to each other was altered to an extent which rendered it profitable to collect the small silver coins for exportation. To remedy this evil, an Act was passed in 1853, not altering the old silver dollar (that is, the whole dollar) but authorizing the coinage of half dollars and lower fractions of a dollar, at the rate of 192 grains for the half dollar in silver of nine-tenths fineness, which should pass for a limited tender of payment on the principle of the token coinage of Great Britain. After the passing of this Act the coinage of entire silver dollars fell into disuse, and the last coin of this description was issued in 1857. Legally, therefore, the double currency of gold and silver still exists in the United States, but gold became the practical measure of value until displaced by the recent excessive issues of Government Paper money.

27. In France the attempt to establish a double medium of exchange was more nearly adapted to the prevailing relative value of the two precious metals. The proportion adopted was as 1 of gold to 15½ of silver. At these rates silver was the cheaper tender of payment until after the new discoveries of gold, but the difference before that event was not so great as to preclude the use of gold entirely, and it passed current at a varying premium. In certain conditions of the exchanges, gold passed between London and Paris in adjustment of payments, and the same bag of gold has been known to make several journeys in these transactions.

28. It is unnecessary to refer to other European countries in which a similar system has prevailed; and it is sufficient to observe that, under its operation, gold and silver were both available for the adjustment of mercantile transactions on the Continent of Europe.

29. I will, however, make a passing remark on the application of this principle to the currency of the West Indies, because Sir Charles Trevelyan

has called attention to a paper written by me in 1858, in which reference is made to this subject, and because the arrangement of 1838, for the regulation of the currency of the British Colonies in that part of the world, affords the most perfect example on record of a successful adjustment of a mixed currency. The arrangement is so fully described in the extract from my paper (Appendix SS), that it is unnecessary here to repeat the details.

30. Sir Charles Trevelyan has referred to my labours under him and with him in and for the public service, in terms so gratifying that I am sorry to find myself in opposition to him on the present occasion. But his candour has hitherto led him to bear much from me in our mutual discussions on financial and other public matters, and he will not, I feel sure, object to my stating that I regret the use made of this document, which does not, I think, bear out the inference which he derives from it.

31. The paper from which the extract is made was written for the purpose of proving that the arrangement, which was successful in the West Indies, was inapplicable to the Colony of Hong-Kong, and for like reasons I consider it inapplicable under existing circumstances to India. I think that the extract itself shows that the conditions which rendered the transition from a silver to a gold currency in the West Indies, easy and unobjectionable, are not to be found in India. In the West Indies, coins of the two metals were rated for circulation on a fine calculation of their relative value; and British silver, which combining with that relative valuation represented fractional parts of both descriptions of coins, constituted, as it were, a pivot on which a change from one to the other could be made, without derangement of contracts or current business. In India both these ingredients are wanting. There is no concurrent valuation of gold and silver coins to form the foundation of a change, and there is no subordinate coinage which can be adopted equally to the current money of India and Great Britain.

32. It will be obvious that, in all the foregoing cases, a common prevailing price constituted the basis on which the regulation of the concurrent use of gold coins was attempted, and that the practical results have depended on the prevailing price and its later variations. The currencies of France, of the United States, and of the West Indies were influenced by a common cause.

33. We find no room for speculation on the sources of the supply of the precious metals. Before the recent discoveries, the principal supply of gold was derived from Ural Mountains, but it was not found that gold, for permanent and practical purposes of regulation, was cheaper in the countries bordering on Russia than in America.

34. Gold derived from America is constantly sent back from London to the Brazils in the course of trade. In 1863, gold of the value of £2,707,857 was sent from Great Britain to Russia, a gold-producing country, and re-imports thence of the value of £904,532 occurred in the same year. When once sent on its travels, the original attribute of peculiar value is lost, and gold of the same quality becomes of the same value whencesoever it may be derived, and whatever may be the cost of the labour which produces it.

35. On what ground, then, is it supposed that the general law is inapplicable to India, and in what way are we to account for the undoubted fact that gold is relatively cheaper in India, as compared with silver, than in London?

36. The apparent anomaly is owing to the exceptional position which India holds, and is easily accounted for.

37. Silver is the standard, and the regulator of prices in India, to the entire exclusion of gold as a measure of value. It is so generally in the East. Except in the comparatively small communities of Ceylon, Mauritius, and Manilla, and doubtfully in Japan, gold hardly enters into the currencies of the vast regions eastward of the Cape of Good Hope and northward of Australia. It follows that it is comparatively depreciated there when measured by the silver money of those regions. The material of that money, purchased with gold in London, must bear the charges of freight, insurance, interest, and mintage, amounting in India to 5¼ per cent. (as correctly shewn in Mr. Dunlop's paper) before it can be brought into circulation in India. It is by this silver measure of value, thus enhanced in price, that the cost of the Australian sovereign is estimated in Sir Charles Trevelyan's Minute.

38. Remove the impediment to the concurrent circulation of gold with silver, and the cause of this difference of value between the two metals in the West and the East will disappear. The tendency, at least, must be to an equalization of the general rates of the bullion market in both quarters. It is therefore the price of silver in London, and not the price at which sovereigns can be laid down at Calcutta from Australia, as estimated in present currency of India, which should be regarded as the point for consideration in this matter.

39. And this constitutes the main difficulty in devising any measure for the introduction of a gold currency into India. Experience is wanting for a guide. During the first half of the present century, there was little variation in the comparative value of gold and silver. The normal price of silver of British standard in London was about 60*d.* the ounce. The new discoveries of gold disturbed this relation, and the price of silver has of late years been subject to so much fluctuation, that it would be difficult now to fix an average for the concurrent circulation of coins of the two metals. But this is not all. Although the ultimate value of gold and silver must, as before observed, be derived from the value of the labour employed in their production, their immediate price is governed by the law of supply and demand to an extent, and sometimes for a prolonged period of time exceeding that which applies to other commodities. The price of standard silver in London has been mainly influenced of late years by the abnormal requirements for India. When the demand for transmission of silver thither has been great, the price in London has risen; when it has temporarily ceased it has fallen—on one occasion even to an extent which touched the point at which it would have been profitable to send silver to France. Any measure, therefore, which would lead to the practical employment of gold in preference to silver in the currency of India, would cause a cessation in this demand, and lead to a re-action in the upward tendency which has of late prevailed in its price as compared with gold.

40. On this ground it would seem to be rash to attempt, at the present time, any permanent regulation which, if effectual for the establishment of gold in the currency of India, must be of doubtful tendency, and if ineffectual, would be simply delusive, and therefore not creditable to the foresight of Government.

41. A tentative and experimental course would seem the wisest policy in this intricate matter. I understand that the Secretary of State proposes to authorize the receipt of sovereigns at the rate of 10 rupees each in payment of the revenue. Although this measure will not probably give currency to British money at this rate at the Presidencies, it may lead to its increased use in the Provinces, where, on account of the convenience of transport, it will

find its way at less cost than silver; and if the sovereign is officially recognized as currency in any part of India, it may perhaps be received in payment at the Presidencies at a varying premium, just as gold formerly passed current to a limited extent in France. The experiment is worth a trial, and will afford a sure test of the various speculations which have prevailed on the subject.

42. It might tend to afford relief in times of pressure, if the principle were extended to the issue of Notes in exchange for sovereigns deposited at the same rate. If such issues were allowed as a temporary expedient, on the condition of allowing the depositors to redeem their gold within a limited period, the difficulties arising from the delays in the coinage of silver might be greatly alleviated. The transaction would be as safe for the Government as the receipt of sovereigns in revenue payments. It will be seen that the practical objection to which Sir Charles Trevelyan refers in an extract from a paper of mine would not apply to an issue of notes on a deposit of gold for an amount below its intrinsic value. The objection entertained by Mr. Wilson on the subject, on which Sir C. Trevelyan dwells, is at best more a theoretical than a practical one, not borne out by the experience afforded by the practice of the Bank of England; and it will probably be admitted that a measure which may be a gain to the mercantile community by giving them the command of money when needed, will not result in "pure loss" on the Government.

XII.

DESPATCH FROM THE SECRETARY OF STATE FOR INDIA (RIGHT HON'BLE SIR CHARLES WOOD),—NO. 224, DATED 26TH SEPTEMBER 1864.

I have received your despatch dated the 14th July last, No. 89, enclosing the elaborate Minute of Sir Charles Trevelyan, and the valuable papers contained in the Appendix, on the subject of introducing gold into the currency of India.

2. The practical proposal of Sir C. Trevelyan on this subject, in which you express the concurrence of your Government, is to make the gold sovereign and half-sovereign legal tender in India for ten and five rupees respectively, concurrently with silver rupees, and ultimately to establish a gold standard and currency in India, as in England and Australia, with a subsidiary coinage of silver, the silver coins not possessing the intrinsic value which they represent, and being legal tender only to a certain amount.

3. I have carefully considered in Council this important question, which indeed has occupied my attention for some time, and which, as you will have learnt from the public journals, has been the subject of a debate in Parliament.

4. I lose no time in making you acquainted with the views which Her Majesty's Government entertain upon this subject, for I concur in the opinion that it is desirable that their decision on the question should be made known as early as possible in India.

5. It is obvious, from the information collected by Sir C. Trevelyan, that there is a very general desire for the introduction of gold coins in India; that the people, even in the upper and remote parts of India, are well acquainted with the sovereign; and that there is a very general impression that the introduction of the sovereign would be well received, and that it would circulate freely at ten rupees. Nor can there be any doubt of the advantage to India, England, and Australia if the gold sovereign could be made the basis of their common currency.

6. It is not proposed at once to change the standard coin of India, and indeed it would be a very serious measure hastily to attempt so great a revolution in the habits of the people. There is great wisdom in the observations of the Chamber of Commerce at Calcutta, that they are "strongly in favour of the introduction of gold as an auxiliary currency and as a tentative measure, which they believe will gradually but surely lead to the adoption of gold as the general metallic currency of this country, with silver as the auxiliary; but they are opposed to any sudden change being attempted, fearing that any such attempt would prove unsuccessful, and be likely to cause great derangement in the commerce and finance of India."

7. The only practical measure, therefore, to be considered is the establishment of a double standard of gold and silver, the gold sovereign being legal tender for the same sum as ten silver rupees.

8. I will not stop to discuss the general question of establishing a double standard, but it appears to me that there are great practical objections in the way of adopting the measure actually proposed.

9. It is only necessary to state that, where coins of the two metals, gold and silver, are equally legal tender, those of the metal which, at the relative legal rating of the two metals, is cheapest at any period, are thereby consti-

tuted the currency, and the metal of which they are made becomes practically the standard at the time, and further that a very slight difference in the relative value of the two metals may change the standard and the whole currency of a country.

10. The readiest illustration of this truth is the recent change in the circulation of France. In that country coins of gold and silver were equally legal tender. Gold coins containing one ounce of gold were legal tender for the same sum as silver coins containing $15\frac{1}{2}$ ounces of silver.

11. Before the recent discoveries of gold an ounce of gold was worth, in the markets of Europe, nearly $15\frac{3}{4}$ ounces of silver. It was, therefore, according to the relative legal rating of gold, and silver, more advantageous to pay in silver than in gold. Silver coin, therefore, for many years formed the currency of France, the gold coin bearing a premium. Since the recent discoveries of gold, the value of gold relatively to silver has fallen to about 1 to $15\frac{1}{3}$. This difference has rendered it more advantageous to pay in gold. Gold has displaced silver, and now forms the currency and standard in France.

12. It is obvious, therefore, that whether the sovereign, rated at 10 rupees, can circulate to any extent in India, concurrently with the silver rupees, depends upon the question whether it will be cheaper to meet an obligation of the amount of 10 rupees by a gold sovereign or by 10 silver rupees.

13. In examining this point, it is enough to refer to the information and the calculations contained in the Appendix to Sir C. Trevelyan's Minute as to the value of the sovereign in India.

14. In these calculations the value of gold is of course taken in rupees of the Indian silver standard.

15. There are two modes referred to in those papers by which sovereigns might be provided for the currency of India, first, by coining them in India, secondly, by importing English or Australian sovereigns.

16. With regard to the first proposal of coining sovereigns in India, Mr. Brown's paper contains a calculation of the cost at present of producing a sovereign at a Mint in India, and he estimates it at Rs. 10-4-6.

17. With regard to the second proposal of importing sovereigns, Mr. Dunlop's paper estimates the price, calculated in rupees (and the rupees taken at the $\frac{1}{10}$th part of an English pound), at which an English sovereign can be laid down at Calcutta at Rs. 10-4-10, that of an Australian sovereign at Rs. 10-2-9.

18. The prices at which Australian sovereigns have been actually sold at Calcutta, according to Mr. Dunlop's paper, give a higher value for the sovereign than this, and the prices of English sovereigns, which I have received from Bombay, are also rather higher than the price above given.

19. I do not know that, in the present exceptional state of the markets for produce in India, the present prices of the precious metals are a good criterion of their value. On referring to the prices of silver in the markets of Europe, the intrinsic value of the sovereign in rupees would seem to be about Rs. 10-8 at the present price of silver in London, and about Rs. 10-12 at the price which prevailed some time before 1850.

20. At the present prices of gold, with the various charges of bringing it to India, the value of the sovereign must, according to these statements (and it is by these statements that Sir C. Trevelyan's proposal is supported), be so much above that of 10 silver rupees that, for the purpose of making any payment, the latter coins must necessarily be preferred to the sovereign.

21. If there were the means of coining sovereigns in India, it would be more for the advantage of the holder of bullion to carry silver to the Mint for coinage rather than gold, and it would be more for the advantage of the exporter from England to send silver to India rather than gold or sovereigns. Even if the sovereign is imported from Australia, it would be more valuable in India than 10 silver rupees.

22. If the use of gold in the currency of India enhanced its value there, as is probable, and if the anticipations which are generally entertained of a diminishing supply of gold, and an increasing supply of silver, should be realized, the difference in favour of the employment of silver coin will be greater even than it is at present.

23. I cannot but think, therefore, that to enact that a sovereign should be legal tender at 10 rupees, with the view of introducing it largely into the currency of India, would be totally inoperative; and it is very inexpedient to enact a law which would have no practical effect, and which it might be necessary to alter in a very short time.

24. I am unwilling, therefore, to sanction such enactment, but at the same time I see no objection to reverting to a state of matters which prevailed in India for many years, namely, that gold coin should be received into the public treasuries at a rate to be fixed by Government, and publicly announced by proclamation.

25. This was the case with the gold mohur, or 15-rupee piece, from 1835 till Lord Dalhousie's proclamation in 1852, and with other gold coins previously to the reformation of the currency in 1835.

26. At their present value, there can hardly be a question of the readiness of the people of India to receive sovereigns for 10 rupees, and if any difficulty should be apprehended about their doing so in parts of the country distant from the Presidency towns, it will be obviated by their being received at that rate into the Government treasuries. I do not anticipate the least risk of loss to the Government by so receiving them. One of the Appendices to Sir C. Trevelyan's Minute shows that the sovereigns received into the treasury of the Madras Presidency were sold at a profit. The only possibility of loss is such a change in the value of gold as would make a sovereign worth less than 10 rupees, and, for the reasons which I have given, I do not anticipate any probability of this being the case. If it should happen, it would be a very simple measure to alter the rate at which they were received.

27. The obligation which is imposed by making a coin legal tender is only an obligation upon the receiver to take it for a given sum. No obligation is imposed by such an enactment on the person paying. It is obviously unnecessary to impose an obligation upon any one to receive a sovereign for more than its value; and as the person paying, by whom, in fact, the coin is put into circulation, has the option of paying either in gold or silver, the question as regards the introduction of the sovereign into circulation at the rate of 10 rupees must depend upon whether it would be worth the while of any person having a payment to make to carry gold to a Mint to be coined into sovereigns, or to import sovereigns, in order that he may have the power of paying a sovereign in discharge of a debt which he may equally discharge with 10 silver rupees.

28. It is not probable that, at the present relative value of gold and silver, any one would incur the loss which such a proceeding would cause, but if the convenience of the sovereign circulating at the rate of 10 rupees is so

great as is represented in Sir C. Trevelyan's Minute and the accompanying papers, it is possible that this advantage may counterbalance some loss.

29. Whether it would do so, and to what extent, can only be determined by experience, and I am of opinion that it may be desirable to try at once, as an experimental measure, the course which I have suggested.

30. I wish you, therefore, to declare and to make it publicly known by proclamation, that sovereigns and half-sovereigns, according to the British and Australian standard, coined at any properly authorized Royal Mint in England or Australia, and of current weight, will, until further notice, be received in all the treasuries of India for the same sum as 10 and 5 silver rupees respectively, and will be paid out again at the same rate, unless objected to.

31. This measure appears to be entirely unobjectionable. It is in accordance with the cautious and tentative course recommended by the Chamber of Commerce of Calcutta; it will, as far as it goes, facilitate the use of the sovereign and half-sovereign in all parts of India; it will pave the way for the use of a gold coinage in whatever shape it may ultimately be found advisable to introduce it; and, at the same time, it establishes a preference in favour of the sovereign.

XIII.

NOTIFICATION BY THE GOVERNMENT OF INDIA IN THE FINANCIAL DEPARTMENT,—No. 3517, DATED 23RD NOVEMBER 1864.

The Governor General of India in Council, considering it expedient that the circulation of British and Australian sovereigns in all parts of British India and its dependencies should be encouraged and facilitated, is pleased hereby to direct that, from and after the publication of this Notification, sovereigns and half-sovereigns coined at any authorized Royal Mint in England or Australia of current weight,* shall, until further notice, be received in all the Treasuries of British India and its dependencies in payment of sums due to the Government, as the equivalent of ten and five rupees respectively; and that such sovereigns and half-sovereigns shall, whenever available at any Government Treasury, be paid at the same rates to any person willing to receive them in payment of claims against the Government.

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* The standard weight of the sovereign is grains 123·274, and it ceases to be current when, from wearage or other causes, it falls in weight below grains 122·5.

XIV.

NOTIFICATION BY THE GOVERNMENT OF INDIA IN THE FINANCIAL DEPARTMENT,—No. 3518, DATED 23RD NOVEMBER 1864.

The Governor General of India in Council is pleased to direct, under the authority vested in him by Act XIX of 1861, Section 9, that Government Currency Notes shall, until further notice, be issued at the Offices and Agencies of Issue of the several Circles of Government Paper Currency in British India, in exchange for sovereigns and half-sovereigns, coined at any authorised Royal Mint in England or Australia, and of current weight, calculated at the rate of ten and five rupees respectively, to an extent not exceeding one-fourth of the total amount of issues represented by coin, or by coin and bullion in each circle.

XV.

Minute by the Honourable Sir Richard Temple, dated 5th June 1868.

In reference to the possible introduction of a gold currency for India, I submit that further measures should be considered for the accomplishment of this end.

2. This would be in accordance with the recommendations addressed to the Government of India from all quarters, with the recorded opinion of three successive Finance Ministers, Mr. Laing, Sir C. Trevelyan, and Mr. Massey, and with the express representations of the Currency Commission of 1866, under the presidency of His Excellency Sir W. Mansfield, who is one of the first living authorities on the subject, and by whom the deliberations of Government in this matter have been most materially assisted.

3. I am personally much indebted to His Excellency Sir William Mansfield for advice and support in the preparation of the case which I have now to lay before the Government of India.

The notification by the Government of India issued in November 1864, declaredly with the view

"that the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated,"

though to some extent successful at first, has for some time remained inoperative, since few or no sovereigns are now presented at the treasuries, and in the opinion of the best informed authorities is likely to continue inoperative.

4. The cause of this appears to be that, in the notification, the amount of ten rupees offered as equivalent for the sovereign is not generally sufficient to attract sovereigns, as the above rate is somewhat below the average market value of the sovereign. This result was indeed predicted in Sir W. Mansfield's Minutes of 1864, and was indicated in Sir C. Wood's despatch of 26th September 1864. This view is further enforced in the Currency Commission's report.

5. Inasmuch as the Secretary of State in the above despatch desired that gold coin should be received into the public treasuries at a rate to be fixed by Government, and further observed that

"it may be desirable to try as an experimental measure the course suggested,"

remarking that

"this would facilitate the use of sovereigns in India,"—

and inasmuch as the notification was issued to facilitate accordingly the influx of sovereigns, which object had not been attained, apparently because the rate offered as equivalent for the sovereign was too low,—I am of opinion that the question ought now to be considered of raising the proffered rate somewhat above ten rupees—a course which would *primâ facie* accord with the principles laid down by Sir C. Wood.

6. At the same time, of the amount (understood to be about 500,000) of sovereigns received in the treasuries in consequence of the notification, a large portion is believed to have been rapidly taken up by the public, while some portion (about 160,000) remaining in the treasury was transmitted to England in 1865. It may be that the last-named transmission was due to a particular state of the exchanges at the time. This matter should be more particularly examined in the Financial Department.

7. The average market value of the sovereign—by which the rate to be offered as equivalent in rupees should be regulated—has been fully discussed in Sir W. Mansfield's Minutes of 1864.

The following passages may also be quoted from Sir Charles Wood's despatch of September 1864 :—

"*Para.* 16.—With regard to the first proposal of coining sovereigns in India, Mr. Brown's paper contains a calculation of the cost at present of producing a sovereign at a Mint in India, and he estimates it at Rs. 10-4-6.

"17. With regard to the second proposal of importing sovereigns, Mr. Dunlop's paper estimates the price, calculated in rupees (and the rupees taken at the one-tenth part of an English pound), at which an English sovereign can be laid down at Calcutta, at Rs. 10-4-10, that of an Australian sovereign at Rs. 10-2-9.

"18. The prices at which Australian sovereigns have been actually sold at Calcutta, according to Mr. Dunlop's papers, give a higher value for the sovereign than this, and the prices of English sovereigns which I have received from Bombay are also rather higher than the price above given.

"19. I do not know that, in the present exceptional state of the markets for produce in India, the present prices of the precious metals are a good criterion of their value. On referring to the prices of silver in the markets of Europe, the intrinsic value of the sovereign in rupees would seem to be about Rs. 10-8 at the present price of silver in London, and about Rs. 10-12 at the price which prevailed some time before 1850."

8. Further, in reference to the possible consideration that the rate should be fixed mainly with regard to the price at which coined gold could be laid down in India from the cheapest and nearest source of supply—namely, Australia—the following passages from the Minute by Mr. Arbuthnot of September 1864 seem to show that regard ought also to be had to the price of coined gold from England :—

"Mr. Dunlop comes to the conclusion that British coined gold can be laid down in Calcutta at Rs. 10-4-10 per sovereign. I have ascertained from the Manager of the Oriental Bank that the actual cost of sovereigns sent by that establishment to India in 1863 was at the rate of Rs. 10-3-4. The difference is important, because much stress is laid in the Minute (by Sir C. Trevelyan) on the economy of direct transmission of gold from Australia to India."

9. Then further adverting to the following passage from Sir C. Trevelyan's Minute that

"the sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply, that is from Australia"—

10. Mr. Arbuthnot goes on to say—

"It might be a sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate * * Australia could not supply all the gold that might be required."

Again, he observes that

"sufficient consideration is not given to the circumstance that, notwithstanding the facilities afforded by the Australian market, it has yet been found profitable to our merchants to send direct from London one-third of the gold required in India."

11. Under all the circumstances, I propose, if His Excellency in Council shall approve, to consult the Governments of Bengal, Madras and Bombay as to the exact rate which shall be be fixed above ten rupees, with a suggestion that they refer to any particular person or persons who might be experts in this matter. I also propose that Mr. Dickson, the Secretary to the Bank of Bengal (who is believed to be generally in favour of raising the rate), should be similarly consulted. These several communications should be made confidentially.

12. After these opinions shall have been received and collated, the Government of India will, I submit, be in a position to consider the propriety of issuing a fresh notification with a revised rating of the sovereign relatively to rupees.

13. I would next observe that Section VII of Act XVII of 1835, relating to gold coinage for India, has never been repealed, and is still capable of being put in force. That section runs as follows:—

And be it enacted that the under-mentioned gold coins only shall henceforth be coined at the Mints within the territories of the East India Company:—

First.—A gold mohur or 15-rupee piece of the weight of 180 grains Troy, and the following standard, *viz* :—

$\frac{11}{12}$ or 165 grains of pure gold, or 15 grains of alloy.

Second.—A 5-rupee piece, equal to a third of a gold mohur.

Third.—A 10-rupee piece, equal to two-thirds of a gold mohur.

Fourth.—A 30-rupee piece, or double gold mohur. And the three last-mentioned coins shall be of the same standard with the gold mohur, and of proportioned weight.

14. By law, then, it would be possible to coin gold pieces, each equivalent to ten rupees, according to the above standard.

In special reference to the above, the following passages may be read from the report of the Currency Commission:—

"*Para.* 26.—The Commission would draw attention to the fact that the price of the gold mohur or Government piece of Rs. 15, as fixed by Act XVII of 1835, is, as nearly as possible, the average market rate of the price of coined gold of the present day.

"27. That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of 10 and 5 rupees respectively, the 10-rupee pieces having the weight of 120 grains, and the 5-rupee pieces 60 grains Troy. *Vide* Section VII, Act XVII of 1835."

15. In connection herewith, the following passage may be read from Sir C. Wood's despatch of September 1864:—

"I see no objection to reverting to a state of things which prevailed in India for many years—namely, that gold coin should be received in the public treasuries at a rate to be fixed by Government, and publicly announced by proclamation. This was the case with the gold mohur or 15-rupee piece from 1835 till Lord Dalhousie's proclamation in 1852, and with other gold coins previously to the reformation of the currency in 1835."

16. There may be doubt as to whether the proclamation of 1852 is any longer needed, and should not now be withdrawn. Mr. Laing's opinion expressed in 1862 may be quoted in support of this view.

17. If gold pieces were now to be coined in the same way as they were from 1835 to 1852, the influx of gold into India, and the existence of considerable quantities of that metal in the country, might ensure the presentation of a sufficiency of gold at the Mints for coinage. Irrespectively of the presentation of sovereigns, bar gold might be bought by the Mints for coinage when the operation could be effected remuneratively.

18. At the same time it might be considered whether power should be taken by the Government of India to declare, at such time as might be deemed proper, the gold coins to be legal tender in the same manner as was done by Sections VII and IX of Act XIII of 1862 for silver and copper coins.

19. Attention may be given to what has been urged in Europe with respect to a combined system of international and decimal coinage, whereby, among other things, the English sovereign would be assimilated to a gold piece having the exact value of 25 francs. It may be remarked that the standard value of such a piece, *viz.*, of 25 francs, would approximate in intrinsic value to the 10-rupee gold piece of 1835, the latter being apparently slightly less than 25 francs, while the sovereign is 20 centimes more. Without commit-

ting myself to any opinion, I would just observe that possibly hereafter a bridge may have to be found to the execution of the plans which have been debated in Europe. The points involved in this part of the subject are worthy of further discussion, and of reference to competent authorities.

20. I apprehend that the question of coining gold pieces, either under the provisions of Act XVII of 1835, or else with reference to some other standard value as might be fixed after enquiry, ought under all the circumstances to be eventually referred to the Secretary of State.

21. In respect to declaring gold coins to be legal tender in India, I incline to think that, before adopting this course, it would be better to await the effect of receiving sovereigns at the revised rating and of the coining of the proposed gold pieces at the Mints.

22. I propose, if His Excellency in Council shall approve, that the above points in reference to the coining of gold pieces in India should be referred confidentially to the Governments of Madras and Bengal, and to the Secretary to the Bank of Bengal, with special reference to the more exact determination of the relative values of gold and silver in India, it being borne in mind that the evidence submitted by the Currency Commission is now two years old, and that the tendency of gold to rise in value, which was remarked by Sir W. Mansfield in 1864 (*vide* note to page 61 of this volume), has somewhat declared itself since he wrote.

XVI.

Notification by the Government of India, Financial Department, No. 3287, dated 28th October 1868.

In modification of the Notification by the Government of India, No. 3517 of the 23rd November 1864, the Governor General of India in Council is pleased to direct that from and after the publication of this notification sovereigns and half-sovereigns, coined at any authorised Royal Mint in England or Australia of current weight, shall be received in all the treasuries of British India and its dependencies in payment of sums due to the Government as the equivalent of ten rupees and four annas and five rupees and two annas respectively; and that such sovereigns shall, whenever available at any Government treasury, be paid at the same rates to any person willing to receive them in payment of claims against the Government. The gold pieces stated in section 7 of Act XVII of 1835 will also henceforth be received as above, according to the values stated in that Act.

XVII.

MINUTE BY THE HON'BLE A. J. ARBUTHNOT, DATED 30TH NOVEMBER 1868.

In the letter from the Financial Secretary to the Government of India, under date the 30th June last, the attention of the Madras Government was called to the question of introducing a gold currency into India, which is now again engaging the attention of the Governor General in Council, and we were asked to give our opinion and those of any selected gentlemen, who from their experience might be experts in the matter, on the two following questions :—

1st.—Whether the rate of ten Rupees, at which, under the notification of November 1864, English and Australian Sovereings are receivable at the public treasuries, should be revised, and if so, what the new rate should be.

2nd.—At what standard value should ten-Rupee gold pieces be coined, supposing such coinage were resolved upon.

2. It was stated in the letter (paragraphs 13 and 14) that at present the Government of India is hardly prepared to recommend the declaration of any gold coins as legal tender, but that it would be open to the Government of Madras, or any of the gentlemen who might be consulted, to advance any special reasons in support of such a declaration, should they deem fit to do so.

3. The Financial Secretary's letter was referred to Mr. Sim, 2nd Member of the Board of Revenue, to the Mint Master, Colonel Carpendale, and to two of the ablest native officials in this presidency, the Honourable V. Ramiengar and C. Runga Charloo. Colonel Orr, the Secretary to Government in the Public Works Department, and who was for some years at the head of the Madras Mint, and is a high authority on currency matters, was subsequently invited to give his opinion on the general question of the introduction of a gold currency.

4. We have now before us the replies of the several gentlemen who have been consulted, except that of C. Runga Charloo, whose onerous duties at Mysore have, doubtless, put it out of his power to comply with our requisition.

5. It appears to me impossible to read these papers, in connexion with the discussions which have already taken place on this subject in former years, without arriving at the following conclusions :—

1st.—That any tentative measure of the nature of that suggested by the Government of India, for promoting the circulation of English and Australian Sovereigns in India by receiving them into, and paying them out of, the public treasuries at a rate to be fixed in supersession of that laid down in the notification of November 1864, would be a very unsatisfactory solution of the difficulties which have hitherto prevented the re-introduction of a gold currency into India, and would be practically inoperative, unless the Sovereign were declared to be a legal tender at the rate fixed on, and unless such a modification was made in the Mint Regulations as would admit of the seignorage on the coinage of silver being varied, from time to time, according to the rise or fall in the value of silver in relation to gold.

2nd.—That whatever method be adopted for introducing a gold coinage, the imposition of such a varying seignorage on the silver coinage will be essential, at all events at the commencement, and until gold shall have so far taken the place of silver in the currency as to justify the Government in placing the latter coinage upon the footing of a subsidiary or token coinage, in order that the gold coin may maintain a fixed value in relation to the silver rupee.

3rd.—That it is absolutely necessary that whatever gold coin may be introduced shall be declared to be a legal tender.

6. The reasons which render it necessary, in the event of a gold currency being determined on, whether the coin selected be the English and Australian Sovereign, or a distinct gold coin nearly an equivalent of 10 Rupees at the present relative value of gold and silver, that there shall, for a time, at all events, be a varying seignorage on the coinage of silver are clearly stated in Colonel Orr's memorandum. They are briefly these: that the value of silver in relation to gold constantly varies, and at present has a tendency to fall; that in order that the relative value of the two coinages may be maintained at a fixed standard, it is necessary, either that the seignorage imposed on one of the coinages shall be altered from time to time to counteract the effect of the changes which take place in the relative value of the two metals, or that the intrinsic value, that is the weight or fineness of one of the coinages, shall, from time to time, be changed, or that the exchangeable value of one of them shall, from time to time, be altered. The last of these three processes is that which is practically involved in the adoption of the first suggestion made in the despatch now under consideration, but it is proposed avowedly as a tentative measure; and there can, I think, be no question that it would cause much confusion in accounts and great general inconvenience. The second may be dismissed with the remark that it would be practically impossible; and there only remains the first, *viz.*, the imposition of a varying seignorage on one of the two coinages, which is apparently the only convenient mode of meeting the difficulty arising from the variations in the relative market value of the two metals.

7. In regard to the question of declaring any gold coin that may be introduced a legal tender, it appears to me essential that this should be done, if it be only to counteract in some measure the well-known tendency of the people of this country to depreciate the value of coins of large denominations. It is probable that, whatever gold coin might be introduced into the currency without being made a legal tender, in many parts of the country batta would be charged on every such coin, when tendered in payment of a debt. Moreover, it is very doubtful whether any coin not a legal tender, and consequently not a part of the legally current coinage of the country, would command that confidence which would enable it to pass from hand to hand, and which is essential to the effective circulation of any form of currency, whether it be gold, silver, copper or paper. In reference to this point Colonel Smith observes that, before the Act of 1835 was passed, the 15 and 10-Rupee pieces which were then legal tender, though not demandable, circulated freely, and were taken without hesitation; but that lately Sovereigns held by the Government of India, although their exchangeable value was superior to 10 Rupees, could not be got rid of from the public treasury at that rate, and were sent home

to England. It was, I think, correctly laid down by Mr. Massey in his Minute of the 2nd February 1868 as an axiom which must be accepted, that if a gold currency were to be introduced "nothing short of the recognition of the Sovereign or some other denomination of gold coin *as a legal tender* would suffice." The same opinion is expressed by the Madras Chamber of Commerce in their letter of the 5th ultimo, and also by the Bombay Chamber in their letter of the 14th September.

8. Subject to the two essential conditions above adverted to, *viz.*, that a varying seignorage shall be imposed upon silver, and that whatever gold coin may be adopted shall be declared a legal tender, it appears to me that there will be no serious difficulty in introducing a gold currency by one of the following methods :—

Either by declaring the English and Australian Sovereign and Half-Sovereign to be a legal tender at 10 and 5 Rupees, respectively, abolishing the seignorage on gold and raising that on silver by such a varying percentage as may, from time to time, be requisite so to adjust the relative exchangeable value of the two coinages as to encourage the importation of gold and its delivery at the Mints, for coinage.

Or by coining gold pieces more nearly equivalent to 10 and 5 Rupees at the present value of silver, providing at the same time for the imposition of a varying seignorage on the latter coinage.

9. The first of these measures has been recently advocated by three officers of considerable experience in currency questions, Colonel J. T. Smith, formerly Mint Master at Madras and Calcutta successively, and Colonels Hyde and Ballard, the present Mint Masters at Calcutta and Bombay. It has the great practical convenience of introducing into India the coin which is in use in those countries with which India has its most intimate relations. One objection to it is, as Major Chesney remarks in his recent work on Indian Polity, that it would cause a rise in the value of the silver coinage and a consequent fall of prices, and that the holders of the existing silver currency would benefit at the expense of the general community by the amount of the seignorage imposed on the new silver currency. The exchangeable value of the Rupee would certainly be raised by the enhancement of the seignorage, and prices would fall in proportion ; but the fall, as Colonel Ballard shows, would be very gradual, and would scarcely be appreciable. It would be as nothing in comparison with the rise of prices which has taken place of late years. It would probably be less than that which would be caused by any great extension in the circulation of the paper currency.

10. Another objection which I am aware has been advanced, and which, though not expressly stated, was probably one of the objections in the minds of the Bombay Chamber of Commerce when they designated the artificial methods proposed for raising the value of the Rupee by raising the seignorage on the silver coinage as hardly less objectionable than an actual increase to the intrinsic value of the Rupee, is based upon an idea that the measure would affect exchanges by raising the rate of exchange in the case of Bills drawn in London upon India, and lowering it in the case of those drawn in India upon London. According to the latest quotations the price of silver in London was 60¼*d.*, while the Secretary of State's and Mercantile Bills were selling for 1*s.* 11⅝*d.* per Rupee. Now the Rupee contains silver worth only 1*s.* 10⅝*d.*, when the price of that metal is 60¼*d.*, and it follows that Bills on India were selling in London for some four per cent. more than their equivalent of bullion. The difference is accounted for in a great measure by

assuming that the purchasers of the Bills took into consideration the cost of sending out bullion, about two per cent., and the seignorage of two per cent. now charged at the Indians Mints for the mintage of silver. It thus appears that the effect of seignorage on silver, so long as that metal continues to be the measure of value, and so long as the Rupee is the money of account, is to enhance the cost of remitting money to this country, and that if the present seignorage on silver of two per cent. were raised to six per cent., which would be necessary in order to admit of the Sovereign being brought into circulation at the exchangeable value of Rupees 10, the price of Bills on India would be raised also by 4 per cent., or 2*s.* 0⅜*d.* per Rupee when silver is 60¼*d.* per ounce, a serious consideration so long as the balance of trade continues to be in favour of India, if the effect adverted to were likely to be of lengthened or indeed of any duration; but those who advance this objection would seem to have overlooked the fact that, so soon as the Sovereign had taken that place in the currency which the advocates of its introduction desire to obtain for it, it would become the real standard of value, even though the Rupee like the Franc in France continued to be the money of account. Thus, supposing the Sovereign to be a current coin in India at the exchangeable value of 10 Rupees, and that there were no seignorage on the coinage of Sovereigns, a merchant in London having to remit the sum of Rs. 10,000 to Madras, would make his remittance not in terms of Rupees, but in terms of Sovereigns, either by remitting 1,000 Sovereigns or bullion of that value, or by obtaining a Bill of Exchange for that sum, and in the latter case the rate of exchange would be determined mainly by the cost of remitting specie or bullion. The remittance would be made in terms of Sovereigns, but if the Rupee were the money of account, it would be entered in the accounts of the person who received it as a remittance of Rs. 10,000, as he could at any moment exchange the 1,000 Sovereigns for Rs. 10,000.*

11. Another objection which has been advanced, though it is not urged in the papers now before us, and which I may remark would apply with equal force to the introduction of the Sovereign into the Indian currency on any

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* Since the above was written I have seen an article in the *Money Market Review*, dated the 24th October last, pages 385 and 386, the following extract from which seems to support the theory which I have here ventured to advance.

"'If the Sovereign be declared legal tender at R10, an arbitrated par of exchange between India and England will be established that will not fluctuate with the rise and fall of silver bullion in the London market, and thereby the intricacies of commercial exchange between the two countries, created by bankers and bullion dealers only for their manifest advantage, will be avoided; for the par of exchange will mainly depend upon freight, insurance and brokerage, which, being once settled, will continue fixed for long periods, at a rate between three and two per cent., or less, according as England or Australia may export the Sovereign to India.'"

"The following table shows the net arbitrated par of exchange that will thus be established if the Sovereign be made a legal tender at R10 in India, and, instead of the exchange with India being quoted at the unintelligible rates of so many shillings, pence and eighths per Rupee, bills on India could be sold at a discount varying from two to three per cent. which is easily understood by all and could be readily calculated without the aid of cumbersome tables of exchange:—

Charges at per cent.	Arbitrated par of Exchange per Rupee.	Arbitrated par of Exchange at Discount of
2	24·48	1·96
2½	24·60	2·43
3	24·72	2·92

terms, and still more to the adoption of an international coinage, which of late years has been advocated in Europe, is the alleged risk of a sudden and large demand for Sovereigns, for exportation from England to India, on the occasion of a monetary crisis in the latter country. It is argued that, in case of a pressing demand for coin, Sovereigns might be exported from England to India in preference to bullion with the view of avoiding the delay which the process of assaying the bullion necessarily involves, and to such an extent as to cause serious inconvenience to the English public. The contingency is one which, doubtless, ought to be consideerd; but it is difficult to suppose that it can have been altogether overlooked by those who have recommended the Sovereigns as the standard of value for India, or by those who have advocated the introduction of a universal currency to be adopted by all the nations of the civilized world. It is, I imagine, one of those cases in which the probable and almost certain conveniences of the course recommended more than counterbalance any possible inconveniences that might occasionally arise.

12. The only objection to the plan of adopting a distinct gold coin for India is that it would postpone, for an indefinite period, the extension to India of the convenience of having a gold coinage similar to that which is said to form half the gold coinage of the world, and which is the coinage in use in those countries with which India is most intimately connected in its commercial and political relations.

13. The objection to the introduction of the Sovereign as a standard of value at any rate, other than ten Rupees, is the confusion it would cause in accounts. This objection is adverted to in the letters from the two Chambers of Commerce, and it appears to be generally shared in by mercantile men. Since these papers came before me, a resolution has appeared in the *Gazette of India*, intimating that Sovereigns will, until further notice, be received into, and paid out of, the public treasuries at Rs. 10-4-0; but at the present price of silver it is difficult to conceive that this measure will be more successful than that adopted in 1864.

14. Reverting to the two questions propounded by the Government of India, I think that in reply to the first it may be safely asserted that Rs. 10-8-0 is the lowest rate, which, at the present price of silver and with the present rate of seignorage, would bring Sovereigns into circulation; but it appears to me to be very doubtful whether, even if this rate were adopted, the measure would succeed, unless the coin were declared to be a legal tender.

15. In regard to the standard value at which the Rupee gold pieces should be coined, supposing such coinage were resolved on, I think that, for the reasons stated in Colonel Orr's memorandum, the 10-Rupee gold pieces should be of 120 grains, of which one-twelfth should be alloy, such additional seignorage being imposed on the coinage of silver as will encourage the importers of bullion to import gold for coinage.

16. On the whole, however, I am disposed to think that to declare the Sovereign a legal tender at ten Rupees, imposing at the same time such an enhancement of the seignorage on silver as may be requisite to bring the Sovereign into circulation at that rate, is the best and most convenient method of introducing a gold coinage that, under present circumstances, can be devised.

17. In the foregoing remarks I have not deemed it necessary to enter into any discussion of the question whether a gold currency is really needed to meet the monetary requirements of India. That such a currency is a great

desideratum is now admitted almost universally; and, this being so, I would observe that the present time, when the price of silver is comparatively low and its tendency is apparently to fall, appears to be a peculiarly favourable time for the introduction of a gold currency, for the comparative cheapness of silver in relation to gold renders it much more easy than it otherwise would be, to reduce the silver currency, by means of an enhanced seignorage on all future coinages of silver, to the position of a subsidiary or token currency, a process which is absolutely necessary, if gold is to take that place in the currency which appears to be desirable with reference to the increasing wealth of the country.

XVIII.

FROM THE GOVERNMENT OF INDIA, TO THE SECRETARY OF STATE FOR INDIA, No. 333, DATED THE 23RD DECEMBER 1868.

By our despatch No. 29 of the 22nd January 1867, we submitted copies of the report by the Commission appointed to enquire regarding the currency, both paper and metallic. We now desire to address you in respect to that part of the subject which relates to gold.

2. It will be in your recollection that by the notification of the 23rd November 1864 the Government of India engaged that sovereigns and half-sovereigns should be received at the public treasuries as the equivalent of 10 and 5 rupees respectively, until further notice. The declared object of this was that "the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated."

3. In his despatch of the 26th September 1864 on this subject, the Secretary of State remarked that there was "no objection to reverting to a state of matters which prevailed in India for many years, namely, that gold coin should be received into the public treasuries at a rate to be fixed by Government and publicly announced by proclamation."

4. Further on he laid it down that—

"the question as regards the introduction of the sovereign into circulation at the rate of Rs. 10 must depend on whether it would be worth the while of any person having a payment to make to carry gold to a mint to be coined into sovereigns, or to import sovereigns, in order that he may have the power of paying a sovereign in discharge of a debt which he may equally discharge with ten silver rupees. It is not probable that at the present relative value of gold and silver, any one would incur the loss which such a proceeding would involve. * * * Whether it would do so, and to what extent, can only be determined by experience."

5. Further again, in reference to the notification above alluded to, he observed:—

"It will, as far as it goes, facilitate the use of the sovereign and half-sovereign in all parts of India; it will pave the way for the use of a gold coinage, in whatever shape it may ultimately be found advisable to introduce it."

6. Before proceeding further, we would observe, in reference to the extract last quoted, that, in fact, India had never been without a gold coinage; that such coinage had been put on a legal footing by Act XVII of 1835, which law had never ceased to be acted upon in respect to the coining of gold, as shown by the Calcutta Mint return for each year up to the present time.

7. In the first instance, some measure of temporary success followed the issue of the notification above referred to, and about 500,000 sovereigns were received into the treasuries. This was, doubtless, owing to the then peculiar state of the exchanges. Of the above amount, a large portion was readily taken out by the public. A portion, however, remained on the hands of Government, and that was remitted to England with a fairly advantageous result. Since that time, however (1864-65), the presenting of sovereigns has almost entirely ceased. The notification has had no effect for some time past. And in the opinion of the best informed authorities it was likely, except under very exceptional circumstances, to remain inoperative.

8. The cause of this is, as we certainly believe, that in the notification the amount of 10 rupees offered as equivalent for the sovereign is not generally sufficient to attract sovereigns, inasmuch as the above rate is somewhat below the market value and the intrinsic value of the sovereign. It is, therefore,

manifest that if any effect is to be given to the principle sanctioned by the Secretary of State in 1864, a rate somewhat above 10 rupees must be offered. This necessity, was, indeed, predicted in 1864 by several authorities in this country, Sir William Mansfield among them. The same conclusion was clearly pointed to by the facts and considerations forwarded with the Secretary of State's despatch in 1864. And this view was further enforced by the Currency Commission in 1866. In short, the object which the Secretary of State desired to attain has not been attained, because the proffered rate was too low.

9. There is also another cogent reason for revising the rate of the notification. By the Act (XVII of 1835) the standard and the conditions for coining gold pieces as equivalent for 15, 10 and 5 rupees are fixed. According to that standard, a 10-rupee gold piece has 120 grains, including alloy; whereas a sovereign has 123¼ grains and would be worth not Rs. 10, but Rs. 10 and annas 4, as nearly as possible. This standard, too, is found to be a true and correct one; it has been for many years, and continues to be, fixed by a law which is still in operation. Now there is a manifest difficulty in maintaining a rate such as that in the notification of November 1864, which makes an official deduction from the proper value of the sovereign of 2½ per cent., which places the sovereign at a disadvantage as compared with the British Indian gold pieces, which makes an unnecessary distinction between British and British Indian gold coins to the prejudice of the British coins, and which is at variance with a standard fixed by law in India. It is thus not only very desirable, but necessary, to rectify the official value of the sovereign, so far as the public treasuries are concerned, and to place it on a footing of equality, as regards relative value, with the gold pieces established in India by Act XVII of 1835.

10. In the concluding part of the Secretary of State's despatch of September 1864, a hope was expressed that the receipt of sovereigns at the public treasuries at a rate to be fixed by Government would "establish a preference in favour of the sovereign." Manifestly, it was intended that the sovereign should have at least a full measure of justice. Experience now proves that in order to do it justice, a rate somewhat in excess of 10 rupees must be offered.

11. Looking, then, to all these considerations, to the recommendations of the Currency Commission, to the opinions of those authorities who have been consulted, and especially to the opinion of the able and experienced Secretary of the Bank of Bengal (a copy of which is herewith forwarded), we have determined to offer to receive sovereigns at the public treasuries as the equivalent of 10 rupees and 4 annas, and we have notified the same accordingly.

12. We bear in mind that the facts and considerations adverted to in the Secretary of State's despatch of September 1864, and in the minute by Mr. Arbuthnot forwarded at the same time, point to a higher rate even than 10 rupees 4 annas. It has also been remembered that for some time the current market price of gold has been higher than the last-named rate. If, then, it should appear at first sight that a higher rate than 10 rupees 4 annas should be offered, we would observe that intrinsically it is sufficient; that it is as much as could prudently and safely be offered; that sovereigns received at this rating could, sooner or later, be certainly disposed of without loss to the treasury; that if a higher rate were offered, there might be difficulty sometimes in disposing of the sovereigns advantageously. On the other hand,

there is no probability of the revised notification remaining, like the former one, a comparatively dead letter. Already some thousands of sovereigns at the new rate have been received at the Calcutta Treasury, and more are expected to be paid in.

13. Seeing that the rate of 10 rupees 4 annas for the sovereign approximately corresponds with the standard fixed by law for the British Indian gold pieces; that the coinage of these pieces has been going on to considerable amounts year by year and is still proceeding; that the quantity of these coins taken by the public affords proof of their undiminshed usefulness and popularity;—we have determined to receive these pieces at the public treasuries at the valuation fixed by Act XVII of 1835, and we have notified accordingly. Previously to 1852 these coins used to be received at the public treasuries. In that year this practice was discontinued by the order of the Government of India, consideration having been had to the possibility of an excessive influx of gold from Australia. That apprehension has now, of course, passed away. It is thus plain that these pieces may be received at the treasuries without loss to the State and with much convenience to the people. Notwithstanding the disadvantage of not being receivable at the treasuries, these pieces have, during the period which has elapsed since 1852, been coined at the Calcutta Mint to the value of upwards of one million sterling. For this coinage the gold was almost entirely received from the public, and the coins are believed for the most part to have been sent up-country. We shall continue, of course, according to the law, to coin in this way all gold bullion or specie that may be presented for coinage.

14. It will be for the Financial Department to determine from time to time what should be done with any superfluity of sovereigns which might possibly accrue, namely, whether to coin them into Indian pieces or to remit them to England, when such an operation might be favourable with regard to the state of exchanges.

15. It will be for experience to determine whether sovereigns will take a place as current coins, the sovereigns not being the exact multiple of the rupee, or whether, as is most probable, the Indian coins will be preferred. Should the former turn out to be the case, then sovereigns will be taken out of the treasuries as freely as they are paid in at the rate stated in the revised notification. If, on the other hand, the sovereigns are not taken out, the public have an immediate remedy, as referred to above, namely, in turning them into Indian gold pieces. If the latter result should come about, there would be proof of the impossibility of successfully applying the sovereign to currency purposes in India.

16. Heretofore, however, only 15-rupee pieces have been coined, although the law authorises the coinage of 10 and 5-rupee pieces. We propose to make early arrangements for the coining, according to law, of 10 and 5 as well as of 15-rupee pieces.

17. We append copy of our recent notification above alluded to.

18. In conclusion, we hope it will be understood that we have steadily kept in view the advantage of ultimately making gold a legal tender.

19. On a careful retrospect of the whole case, we apprehend that experience shows that what may be termed artificial difficulties have arisen, first, from the prohibition to receive gold at the treasuries in 1852. After that it was attempted in 1864 to cause the sovereigns to pass at a rate which experience shows to be less than the coin is worth. What is now being done is experimental and tentative, in order that we may become sure of the fact

as to the relative value of gold and silver in India before we make the attempt to stereotype the results by a law and commit ourselves finally to the legal tender of gold. It is our belief, however, that the time is not far distant when such a law may be passed. And that the desire for such a law is very general throughout India was proved by the evidence taken before the Currency Commission, and has been further corroborated by all the information which has subsequently reached us.

20. Our honourable colleague Mr. John Strachey does not concur in the substance of this despatch. The Minute which may be recorded by him on the subject will be subsequently forwarded.

XIX.

Minute by the Hon'ble John Strachey, dated 30th January 1869.

In the last paragraph of the despatch to the Secretary of State, dated the 23rd December 1868, on the subject of a gold currency, it was stated that I did not concur in the conclusions arrived at by the majority of the Council, and that the reasons for my dissent would be subsequently recorded.

In October last I objected to the issue of the notification, by which it was declared that Sovereigns would be received at the Indian treasuries in payment of sums due to the Government, at the rate of Rs. 10-4-0 each. The Minute which I then wrote was accidentally mislaid, and I now wish again to state the grounds upon which my conclusions were founded, and which led me to disagree with the despatch of the 23rd December, to the Secretary of State.

2. From Sir Richard Temple's Minute of the 5th June 1868 it appeared that the main object which he had in view was to carry out Sir Charles Trevelyan's idea of making the Sovereign a subsidiary part of the Indian currency. The notification issued by the Government of India in November 1864 declared that it was expedient "that the circulation of British and Australian Sovereigns in all parts of British India and its dependencies should be encouraged and facilitated," and it was ordered that Sovereigns and Half-Sovereigns should be received in all the Indian treasuries as the equivalents of Rs. 10 and 5, respectively. It was stated by Sir Richard Temple that this notification had remained almost inoperative, because the rate at which the Sovereign was valued was too low, and he proposed in his Minute of the 5th June 1868 to revise that valuation. The revision was actually made by the notification of the 28th October 1868.

3. I objected to the issue of that notification, because it seemed to me clear that it could have no effect in bringing about the end at which the Government avowedly aimed,—the circulation of Sovereigns in India as money.

If the rate fixed by the Government gives a value to the Sovereign above its actual market value in relation to silver, Sovereigns will be imported and will be paid into the treasuries. But in this event the Government will be unable to re-issue them, and they can never come into circulation.

If, on the other hand, the rate fixed by the Government be too low, no Sovereigns will flow into the treasuries, and there will be none to issue.

4. If it were possible to fix precisely a rate which would represent the present relative value of the Sovereign and Rupee, then it might be anticipated that, so long as that value remained unaltered, Sovereigns might come into circulation and remain in circulation. But as it is not proposed to make the Sovereign a legal tender, it would have only a bullion value; and as theory and experience alike show, this value must constantly fluctuate. Any fluctuation in the value of the Sovereign above or below the rate fixed by the Government, exceeding a certain small margin, must necessarily lead, on the one hand, to the withdrawal of the coins from circulation, or, on the other hand, to their accumulation in the treasuries.

Exactly the same conclusion will apply to all other gold coins, whether they be coined under the law actually in force in India or not; unless they be made a legal tender, and unless at the same time they be so rated in relation to the silver coin as to prevent their being sold as bullion; they cannot remain permanently in circulation. No coin that is not a legal tender can have any other character than that of an article of ordinary merchandize, nor, indeed, even if it be made a legal tender, will it lose that character. If the currency consist of coins of two metals, nothing can prevent the eventual disappearance of one of them, unless some system of a subsidiary token coinage, like the silver coinage of England, be adopted.

5. Although the notification of the 28th October 1868 declares the primary object of the Government to be the introduction of the Sovereign into the Indian Currency, it appears from Sir R. Temple's Minute of the 5th June 1868, and from the despatch of the 23rd December to the Secretary of State, that the real intention is to obtain by this means gold for the coinage of new gold pieces under Act XVII of 1835.

6. Even if it be admitted (which I am very far from admitting) that gold can be obtained by such means, and that this is the best way of obtaining it, and that such new gold pieces could at the present time be coined to a large amount without loss to the Government, it seems to me certain, for the reasons already stated, that these coins, not having been declared a legal tender, either could not come into circulation, or could not remain in circulation. But if the first condition of making the coins a legal tender were complied with, would it really be possible to keep gold pieces coined under the Indian Act of 1835 in circulation ? I believe that this would certainly be impossible, because the second condition that the gold and silver coins must be properly rated in relation to each other would not be fulfilled.

7. The proposition to coin gold under Act XVII of 1835 was, I believe, first made by His Excellency Sir William Mansfield in his well-known and valuable Minute of March 1864.

His Excellency showed that the market value of gold in India previously to the gold discoveries had been considerably higher than the value assigned by the Act of 1835. He stated that the value of silver under that Act is 5*s.* 2½*d.* the ounce. " Mr. Wilson " (His Excellency observed) " estimated the value of silver, and doubtless with correctness, to have been about 4*s.* 11*d.* prior to the gold discoveries. At this price the Sovereign is worth very nearly Rs. 11, the British Gold Mohur struck to represent Rs. 15 being on such terms worth more than Rs. 16. Consequently, the Indian Act of 1835 declared silver to be worth 3¼*d.* per ounce more than it really was, as interpreted in the price of gold by the public." His Excellency went on to show that the price of silver had subsequently risen. " Circumstances," he said, " have combined to establish the price of silver at about 5*s.* 2*d.* At this present date (March 1864) it is indeed higher, it having reached 5*s.* 2¼*d.*, or closely to the price indicated by the Act of 1835, with respect to the value of the British Gold Mohur of Rs. 15, after allowing for mint charges * *, that is to say, the Rupee has come to have nearly the value in gold which was formerly, but erroneously, attributed to it. This being so, we are perhaps relieved from a very difficult and responsible duty. We are saved from entering into a calculation with an intention of re-adjusting the legal equivalents of gold and silver in India. It appears that we may simply take the basis laid down in the Act of 1835 as we find it, and leave it entirely undisturbed so far as this very important part of the question of introducing the legal tender is concerned."

His Excellency added that it might perhaps be urged that the price of silver was then exceptionally high, and that it could not be maintained, and that the value assigned by the Act of 1835 would be found still to exclude gold as it had done formerly. His Excellency did not share this apprehension. He thought it probable that the higher prices of silver would be maintained, but said that if it should be found after a few years that the rates laid down in the Act were too favourable to silver, "it would then be for the administration of the day seriously to entertain the question of re-adjusting the legal equivalents."

A similar recommendation to that made by His Excellency Sir William Mansfield in 1864 was repeated in October 1866 by the Commission appointed to inquire into the operation of Act XIX of 1861, of which His Excellency was President. "The Commission," it was stated, "would draw attention to the fact that the price of the Gold Mohur or Government piece of Rs. 15, as fixed by Act XVII of 1835, is, as nearly as possible, the average market rate of the price of coined gold of the present day. That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of Rs. 10 and 5, respectively, the 10-Rupee pieces having the weight of 120 grains, and the 5-Rupee pieces 60 grains Troy."

8. I have referred at some length to the views of His Excellency Sir William Mansfield, because, in the absence of any distinct statement of the reasons which have led Sir Richard Temple to his present conclusions, I presume that the opinions expressed by His Excellency in 1864, and which were repeated by the Commission of 1866, are those on which the late measures have been based.

9. The real question now before us is whether the rating of the value of gold and silver under Act XVII of 1835 is a proper rating to accept for a new Indian gold coinage which shall have a reasonable prospect of remaining current.

There can be no doubt that gold is and has been relatively cheaper in India, as compared with silver, than it is in London. The reasons for this fact have been stated by Mr. Arbuthnot in his "Notes on Sir Charles Trevelyan's Minute on a Gold Currency for India*" most clearly and exhaustively. For facility of reference I shall quote them at some length:—

* Dated Treasury, Whitehall, 16th September 1864.

"On what ground, then, is it supposed that the general law is inapplicable to India, and in what way are we to account for the undoubted fact that gold is relatively cheaper in India, as compared with silver, than in London?

"The apparent anomaly is owing to the exceptional position which India holds, and is easily accounted for.

"Silver is the standard and the regulator of prices in India to the entire exclusion of gold as a measure of value. It is so generally in the East. Except in the comparatively small communities of Ceylon, Mauritius, and Manilla, and doubtfully in Japan, gold hardly enters into the currencies of the vast regions eastward of the Cape of Good Hope and northward of Australia. It follows that it is comparatively depreciated there when measured by the silver money of those regions. The material of that money, purchased with gold in London, must bear the charges of freight, insurance, interest and mintage, amounting in India to 5¼ per cent. (as correctly shown in Mr. Dunlop's paper), before it can be brought into circulation in India. It is by this silver measure of value, thus enhanced in price, that the cost of the Australian Sovereign is estimated in Sir Charles Trevelyan's Minute.

"Remove the impediment to the concurrent circulation of gold with silver, and the cause of this difference of value between the two metals in the West and the East will disappear. The tendency, at least, must be to an equalization of the general rates of the bullion market in both quarters. It is therefore the price of silver in London, and not the price at which Sovereigns can be laid down at Calcutta from Australia, as estimated in present currency of India, which should be regarded as the point for consideration in this matter.

"And this constitutes the main difficulty in devising any measure for the introduction of a Gold Currency into India. Experience is wanting for a guide. During the first half of the present century there was little variation in the comparative value of gold and silver. The normal price of silver of British standard in London was about 60*d.* the ounce. The new discoveries of gold disturbed this relation, and the price of silver has of late years been subject to so much fluctuation that it would be difficult now to fix an average for the concurrent circulation of coins of the two metals. But this is not all. Although the ultimate value of gold and silver must, as before observed, be derived from the value of the labour employed in their production, their immediate price is governed by the law of supply and demand to an extent and sometimes for a prolonged period of time exceeding that which applies to other commodities. The price of standard silver in London has been mainly influenced of late years by the abnormal requirements for India. When the demand for transmission of silver thither has been great, the price in London has risen; when it has temporarily ceased, it has fallen—on one occasion even to an extent which touched the point at which it would have been profitable to send silver to France. Any measure, therefore, which would lead to the practical employment of gold in preference to silver in the currency of India would cause a cessation in this demand, and lead to a re-action in the upward tendency which has of late prevailed in its price as compared with gold."

10. I think that Mr. Arbuthnot has in this passage summed up almost everything of importance that can be said upon the subject. If we introduce a Gold Currency into India, the relative prices of gold and silver in the Indian markets will become approximately the same as the prices that obtain in Europe. If the conditions under which the two metals are used in India be assimilated to those under which they are used in Europe, the relative value of the two metals in the two quarters of the world cannot remain sensibly different; the quantities of the precious metals in Europe, both in actual use and from time to time coming into the market, are likely to be so much larger than the corresponding quantities in India that the European standard of relative value will be that to which the Indian values must constantly tend.

It seems, therefore, clear that no gold coins could be struck in India with a reasonable expectation that they would remain for any considerable time in circulation, unless their intrinsic value were regulated by the average relative value of gold and silver in Europe.

11. It is stated in paragraph 4 of the late despatch to the Secretary of State that the standard laid down in Act XVII of 1835 for determining this relative value "is found to be a true and correct one; it has been for many years, and continues to be fixed by a law which is still in operation."

Again, in paragraph 12 of the despatch, it is said, with regard to the value of Rs. 10-4-0 which has been assigned to the Sovereign, that "intrinsically it is sufficient," that "it is as much as could prudently and safely be offered," and that "there is no probability of the revised notification remaining, like the former one, a comparatively dead letter."

Now, if these statements be correct, my own views must be altogether wrong. The question at issue is not one of opinion; it is a simple question of fact. The question is whether the relative value assigned to gold and silver in the Act of 1835 is or is not correct at the present time, whether it has been correct in the past, and whether there are reasonable grounds for supposing that it will be correct in the future.

12. Act XVII of 1835 assumes that the value of gold and silver is as 15 to 1. The value given to the ounce of silver by the Act is 5*s*. 2$\frac{3}{10}$ *d*.* The number of grains of fine gold in a 10-Rupee gold piece under the Act is 110. The value of a Sovereign containing 113·002 grains of fine gold, expressed in relation to the quantity of silver in the Rupee, is, according to the Act, Rs. 10-4-4.

* By this is meant that, assuming 1 *oz*. of standard gold to be equivalent to £ 3-17-10½, 1 *oz*. of standard silver is, according to the Act, worth one-fifteenth part of that sum, or 62·3*d*.

Now there can be no doubt that, shortly before His Excellency Sir William Mansfield wrote his Minute in March 1864, the market prices of silver actually prevailing in London closely approximated to those assigned by the Act of 1835. In January 1864 the London price was 5*s*. 2$\frac{3}{8}$*d*.† It is also true that in June 1866, a few months before the submission of the Report of the Commission to inquire into the operation of Act XIX of 1861, the price of silver in London was 5*s*. 2½*d*. If these had been the prices which have commonly prevailed, the conclusion stated in the passage which I have just quoted from the late despatch to the Secretary of State would have been fully justified, but unfortunately these high prices of silver have been altogether exceptional.

† See tables at p. lvi, Vol. II—Report of Commission to inquire into the operation of Act XIX of 1861.

13. I invite attention to the tables showing the average prices of silver for a long series of years, published in the Appendix to the Report of the Commission to which I have just referred.‡ These tables show that for the 25 years between 1819 and 1843 the average price of standard silver in London was 4*s*. 11$\frac{13}{16}$ *d*. per ounce, and that the average value of gold to silver was 1 to 15·604.

‡ Vol. II, pp. lii to lvi.

In the 22 years between 1844 and 1865 the average price of silver was 5*s*. 0¾*d*. and the value of gold to silver was 1 to 15·358.

In no single year since 1820 has the average relative price of silver in London been as high as the price assigned by the Act of 1835; and it will be seen from the tables that it has only been on the most rare occasions that such prices have been occasionally touched. Since the Report of the Commission of 1866 was submitted, the average price of silver has shown a tendency rather to fall than to rise. Since July 1866 the price has never gone above 5*s*. 1*d*. During the whole of last year it was about 5*s*. 0½*d*. The recent stoppage of the Bills of the Secretary of State on the Government of India appears to have caused an increased demand for silver in London for remittances, and a small rise in the price of silver has taken place, the last quotations being 5*s*. 0¾*d*. to 5*s*. 0⅞*d*.

14. The Financial Department has been good enough to furnish me with the following table. The figures illustrate, I think, in the most forcible

manner the facts regarding the prices of silver which I have just been stating:—

Price of Silver per standard ounce containing 444 grains fine Silver.		Relative value of Gold to Silver (1 oz standard containing 440 grains fine = £3-17-10½).	Number of grains fine Gold in a 10-Rupee piece equal to 1,650 grains fine Silver	Equivalent of Sovereign containing 113 grains fine Gold in Rupees of 165 grains fine Silver.					Equivalent in pence of a Rupee containing 165 grains fine Silver.
s.	d.			Rs.		Rs.	A.	P.	d.
5	0	15·71 to 1	105·01	10·76	=	10	12	2	22·30
5	0¼	15·65 „ 1	105·45	10·72	=	10	11	6	22·40
5	0½	15·58 „ 1	105·89	10·67	=	10	10	9	22·48
5	0¾	15·52 „ 1	106·32	10·63	=	10	10	1	22·58
5	1	15·45 „ 1	106·76	10·58	=	10	9	3	22·67
5	1¼	15·39 „ 1	107·20	10·54	=	10	8	8	22·76
5	1½	15·34 „ 1	107·64	10·50	=	10	8	0	22·85
5	1¾	15·27 „ 1	108·07	10·46	=	10	7	4	22·95
5	2	15·21 „ 1	108·51	10·41	=	10	6	7	23·04
5	2¼	15·14 „ 1	108·95	10·37	=	10	5	11	23·13
5	2½	15·08 „ 1	109·39	10·33	=	10	5	2	23·23
5	2¾	15·02 „ 1	109·83	10·29	=	10	4	8	23·32
5	3	14·96 „ 1	110·27	10·25	=	10	4	0	23·41
5	3·96	14·71 „ 1	112	10·08	=	10	1	0	23·76
5	4·575	14·60 „ 1	113	10	=	10	0	0	24

15. If the conclusion already stated be correct, that supposing serious measures to be taken for introducing a Gold Currency into India, the relative prices of gold and silver will approximate to those which obtain in Europe. I think that the foregoing figures show that it is impossible for the Government to coin gold pieces to a large extent, which shall be a legal tender, at the rates laid down in Act XVII of 1835. Take, for example, the price of silver in London according to the last quotations, 5*s*. 0¾*d*. According to this rate the actual relative value of gold and silver is, in London, 15·52 to 1; according to the Act it is 15 to 1. According to the actual market rate in London 10 Rupees in silver are equivalent to 109·76 grains of gold; according to the Act they are equivalent to 110 grains. According to the market rate a Sovereign is worth in London the quantity of silver contained in Rs. 10-10-1; according to the Act it is worth Rs. 10-4-4.

Even if it could be admitted that, in consequence of the present depreciation in the value of gold in India, pieces of R10, containing 110 grains of pure gold, can be coined without loss to the Government—and this as I shall hereafter show is not the case—it is clear that any increase in the value of gold would lead at once to the demonetization of the gold pieces. Now the introduction of a gold coinage must necessarily cause an increase in the demand for gold, and a reduction in the demand for silver, and therefore a gradual rise in the value of gold and a fall in the value of silver; there would thus be a permanent and an increasing tendency to prevent the gold pieces remaining in circulation at the value which had been placed upon them.

16. I am aware that it has been argued that gold might be introduced into India, directly from Austialia, at a cheaper rate than from England, and that India might consequently hope to obtain its gold at a price which would admit of a relative rating of gold and silver such as that fixed by Act XVII of 1835. But it must be remembered that the necessary tendency of trade is to seek for the largest possible profit, and that the reduction of price which would be made by the owner of Australian gold would never go beyond the amount which would just suffice to underbid the London seller in the Indian market. It would, therefore, still be true that the prices of Europe would regulate those of India, and that there would be a constant tendency towards an assimilation of the relative values of gold and silver in India and in Europe, although possibly gold might be, to some small extent, cheaper in India.

17. I must now refer to the question of the economic possibility of coining gold pieces under Act XVII of 1835 from gold obtained under the operation of the notification of October last.

That notification offers Rs. 10-4-0 for a Sovereign. The current market value of the Sovereign is quoted at Rs. 10-4-0 to Rs. 10-6-0. I understand that, as a fact, Sovereigns are not procurable at Rs. 10-4-0, and that the number received until now has been inconsiderable.

Again, the present quotation of bar gold, 23 carats fine, is R15-8-0 per tolah. The equivalent cost of a full weight Sovereign would be Rs. 10-15-0, so that the bar gold would be about 1 per cent. cheaper than the Sovereign. But in fact the Sovereigns received by the Government will not be full weight, and I am informed that 122½ grains, which is the minimum legal weight, must be taken to represent the average Sovereign received. From this again must be deducted the loss on the first melting of the Sovereigns, which is about ¼ per cent., making a total loss by deficient weight of 1 per cent., so that there would be a total relative loss on the coining of gold obtained from the Sovereigns as compared to bar gold of about 2 per cent.

The calculation of the actual cost of coining new gold pieces shows that, including the minting charge, which is about 1 per cent., there will be an absolute loss of 1·42 per cent. on the conversion of Sovereigns at 122·5 grains into Gold Mohurs of Rs. 15 at 180 grains.

On the whole it is plain that the Government cannot coin gold pieces under Act XVII of 1835 from Sovereigns received under the notification of October, except at a cost to the State of 1½ per cent., and inasmuch as such gold pieces would necessarily be withdrawn from circulation immediately after their issue, there would be a constantly recurring and entirely fruitless drain on the treasury in attempting to carry out the proposed measures. My authority for the figures given in this paragraph is the highest that could be quoted,—that of Colonel Hyde, the Mint Master in Calcutta.

18. A few words may be said in regard to the quotations of the prices of the various sorts of gold in the Indian markets. A comparison of these one with another is sufficient to prove that they give but an indifferent standard for estimating the true value of gold. The price of pure gold during the last month at Calcutta, determined by the prices of English Sovereigns

Australian Sovereigns, bar gold and Gold Mohurs, has varied as much as 2¼ per cent., and this plainly shows that the quotations refer to the sums to be paid for certain coins or descriptions of gold, and do not supply what may properly be designated a correct market value of gold bullion. This is another proof, if proof be needed, of the impossibility of regarding the present market price of gold as a test of its ultimate value in relation to silver, were a Gold Currency established.

19. It is on these grounds that I object to the notification of October last, and on which I doubt the possibility of applying with any useful effect the provisions of Act XVII of 1835 to the coinage of gold. I believe that Act, so far as it declares the relative value of gold and silver, to be altogether obsolete. I think that the late measures must be inoperative for any useful purpose. I do not believe that they can in any way promote the object of establishing a Gold Currency in India, and I fear that their practical effect can only be to cause delay and to prevent the accomplishment of the objects which are aimed at.

20. There is one other point connected with this part of the subject that it is now necessary to notice. In the despatch of the 23rd December, 1868, to the Secretary of State, stress is laid on the fact that the coinage of gold pieces under the Act of 1835 has been for many years actually going on. It is stated that the "coinage of these pieces has been going on to considerable amounts year by year and is still proceeding," and "that the quantity of these coins taken by the public affords proof of their undiminished usefulness and popularity* * It is thus plain that these pieces may be received at the treasuries without loss to the State, and with much convenience to the people. Notwithstanding the disadvantage of not being receivable at the treasuries, these pieces have, during the period which has elapsed since 1852, been coined at the Calcutta Mint to the value of upwards of one million sterling."

I must express my inability to understand how these views can have been entertained. It is certainly true that gold coins continue to be struck at the Indian Mints, but it is well known that those coins never come into circulation. In one sense it is true that the fact that the coins are struck is a proof that they are useful. But this is a very partial statement of the facts. The gold pieces thus coined have notoriously had a mere bullion value, and almost the sole practical effect of turning the gold into coin has been to give to the gold a certificate of weight and quality. There is no gold coin now current in India, and the gold piece of the nominal value of Rs. 15 coined under Act XVII of 1835 varies in actual market value from about Rs. 15-4-0 to Rs. 16. I have just ascertained that, at the present time, the average price in Calcutta is about Rs. 15-5-0. The possibility of coining under the Act of 1835 gold pieces which shall pass current at their nominal value in the face of these facts appears to me to be altogether out of the question.

21. Although it is not my duty to attempt to initiate measures which fall within the province of the Financial Department of the Government, I think that I may properly take this opportunity of stating briefly the opinions which I myself hold in regard to the steps which ought to be taken to bring about the introduction into India of a Gold Currency. I shall assume that this object is in itself desirable, and I do not propose to discuss that part of the question.

22. For the reasons which I have already stated I assume that no gold coin can now be struck with a reasonable expectation that it will be retained in circulation, unless two conditions are fulfilled: firstly, the gold coin must be a legal tender, and, secondly, its intrinsic value must be regulated by the average relative value which gold bears to silver in the markets of Europe.

It would be, I believe, very unwise to commence the coinage of gold with the intention of regulating from time to time the intrinsic value of the gold piece according to the varying value of gold in the Indian market. To do this would involve the necessity of gradually reducing the weight of the gold coin, as its value rose with its enlarged use, and the effect of this on the character of the coinage would be extremely objectionable. We ought to coin no gold pieces to form a portion of our currency, unless we can reasonably expect that they will remain in circulation for a considerable time, say for at least 10 or 15 years.

23. The result of coining gold pieces in India, the value of which was regulated by the present average relative value of gold to silver in Europe, would apparently be as follows. Assuming this relative value to be 15·45 to 1, and the value placed on silver to be 5*s.* 1*d.* per oz., our 10-Rupee gold piece would contain 106·76 grains of fine gold. I give these figures only to show approximately the values which I believe ought to be assumed for gold and silver. The exact figures to be adopted would, of course, require careful consideration.

If we were now to coin gold pieces of this description, we should, in consequence of the present depreciation of the value of gold in India, be coining pieces the nominal value of which would be in excess of their actual intrinsic value. Such coins could obviously not come into use, unless they were made legal tender, and if they were made a legal tender, we should have created a token Gold Currency.

I believe that the proper course to adopt is to coin such pieces, making them, so far as the public is concerned, a legal tender only up to a certain limited amount, say Rs. 200, while they would be received by the Government without any such limit in payments due to itself. The latter condition would make it impossible for the Government to force into circulation an amount of gold in excess of the real wants of the public, and would prevent the Government from profiting by the issue of a depreciated coinage.

If the Government were not obliged to receive the gold coins without limitation, and there were any over issue, the result would be that gold would accumulate in the hands of traders and bankers, who would be forced to receive the gold in small payments made to them, but might be unable to discharge their own debts with it, in consequence of gold being a legal tender to a limited amount only. The condition that has been proposed would give security against anything of this kind happening. The power of the Government to issue gold being thus limited, all gold in excess of the wants of the community would flow back into the Government treasuries, where it would accumulate. Thus, the actual quantity of gold remaining in circulation might be expected to be just sufficient to supply the wants of the public.

When by the gradually increasing employment of gold in the currency, and the consequent increase of demand, the market value of gold had risen, as I have already said it must do under such circumstances, and an equalization of the relative values of gold and silver in Europe and in India had been established, the time would have arrived for declaring gold to be the exclusive standard, and for placing the silver currency in the subsidiary position which was formerly assigned to the gold. The process of change in the currency would go on without disturbance of values, and the final alteration of the standard might be made without shock.

The process now proposed with respect to the coinage of Indian gold pieces is identically that which has been followed in respect to the subsidiary token silver coinage by the European powers which have adopted the franc monetary unit, under the Convention of the 23rd December 1865; and the gold token currency of India would hold an analogous position to the silver token currency of England. The Government would exclusively regulate the coinage of gold, and the Mints would be open to the public, as at present, for the coinage of silver.

24. Before concluding this Minute I wish to say a few words regarding what I may call the proposals of the Indian Mint Masters on the subject of a gold coinage.* Colonel Ballard and Colonel Smith have proposed to put a heavy seignorage charge on the coinage of silver, whereby they expect that the inducements to import silver for coinage will be diminished, and a corresponding advantage given to the import and coining of gold. By this means the value of the Rupee would be increased to such an amount as would make it equivalent to the tenth part of the pound sterling, and the English Sovereign could thus, it is said, be made a portion of the Indian Currency.

It may be admitted that the results thus contemplated could be obtained by the means which have been suggested, though I doubt whether the seignorage named by Colonel Ballard would be sufficient, for I consider that he has under-rated the value of gold.

This proposal not only provides for the introduction into India of a Gold Currency, but at the same time adopts the English pound sterling as the new unit of value, to suit which the value of the Rupee is to be altered.

25. For my own part I consider that the present time is peculiarly inappropriate for proposals having in view such a change in the Indian monetary standard as shall assimilate it to the pound sterling. In the discussions which have lately been going on regarding an international coinage, I believe that no authority of any considerable weight has seriously looked to the adoption of the pound sterling as a practical means of obtaining a common unit.

If a gold coinage is now to be introduced into India, I think that there can be no doubt that it should be based on the Rupee unit.

26. The essence of the Mint Masters' scheme is that a Gold Currency shall be forced upon India by an artificial contraction of the Silver Currency. Having created a dearth of silver money, it is hoped that the country will take to the use of gold. I cannot believe that such a proposal could ever be seriously entertained.

The artificial enhancement of the cost of silver money, and the necessary simultaneous restriction of the circulation, would be followed by an increase in the value of the silver Rupee and a corresponding fall in prices. Silver money is the money used in the most important transactions of the people of India, and it would evidently require a long time to bring about such a change as the substitution of gold for silver. When we consider what serious mercantile disturbance and danger has been caused in late years by the simple demand for an increased supply of coin to meet the requirements of the internal trade of the country under peculiar circumstances, it seems to me that it would be extreme infatuation for the Government to adopt any measure which deliberately aimed at the contraction of that portion of the circulating medium which is most required for the purposes of the commerce of the country.

Nor is this the sole or perhaps the most serious objection to these proposals. Their adoption would cause a general fall in prices, which would especially affect the great producing classes, and might lead to results of a disastrous character.

27. I have perhaps referred to these proposals at greater length than may seem necessary. But I have done so because I think it extremely important that whatever measures be adopted for the introduction of a Gold Currency should be so taken as not to disturb the standard of value. I believe that everything which is required for bringing a gold coinage into use may be accomplished without any such result, and I deprecate attempts to bring about an alteration in the relative values of the precious metals by restrictive measures.

While I admit that the late proposals of Sir Richard Temple are not open to this reproach, they are in my opinion, seriously objectionable, because they fail to recognize the relation of value which actually exists.

28. I request that this Minute may be forwarded to the Secretary of State, in continuation of the despatch of the 23rd December 1868.

XX.

Minute by His Excellency Sir William Mansfield, dated 9th February 1896.

Having, at the instance of the late Governor General, Sir John Lawrence, been much consulted by Sir Richard Temple before he wrote his Gold Currency Minute of the 5th of June, 1868, which is the basis of the arrangements lately made, and pointed allusion having been directed towards my opinions by the Hon'ble Mr. Strachey in his Minute of the 30th January, 1869, it seems incumbent on me to offer some observations in answer to the latter.

In the first place, it may be observed that Mr. Strachey seems to have misappreciated the character of the measures described in the despatch to the Secretary of State, No. 333, dated 23rd December 1868. He would appear to consider those measures final. They are, on the contrary, avowedly of an* experimental character and devised for the purpose of obtaining experience with regard to the actual relative values of gold and silver before the Financial Department can be in a position authoritatively to recommend a law embodying the legal tender of gold.

We need only refer to Mr. Strachey's Minute to be aware of the uncertainty prevailing on this point according to the different views and arguments of various authorities.

It may be as well to recapitulate the artificial difficulties created on several occasions since 1835 with regard to gold. Thus, prior to that year, gold was apparently in India, in practice, a legal tender. But the Act, XVII of 1835, whilst declaring certain relative values between the two metals, gold and silver, deprived gold of the property of a legal tender.

In 1841, although gold still remained without the property of legal tender, Government announced itself to be willing to receive Indian gold coins at the treasuries according to the values declared in Act XVII.

In 1852, influenced by the facts of a trifling accumulation of gold in the treasuries, and the panic which was felt throughout the civilized world on account of the then recent gold discoveries, a panic which in the measures of Government affected Belgium and Holland, as it did the administration of India, the privilege granted in 1841 of receiving Indian gold coins at the treasury according to the values stated in Act XVII was withdrawn. In the course of the years 1863 and 1864 an urgent demand for a gold currency again arose in India, and the matter was much discussed.

Actuated by theories, the soundness of which may be disputed, Sir Charles Trevelyan, the Financial Member of that day, induced the Government of India to commit what is now believed by everyone to have been an error, namely, to make the attempt to introduce the British Sovereign into circulation in India at the rate of Rs. 10, which is below its value.

Sir Charles Trevelyan apparently omitted to see that, when he led the Government of India to adopt his advice, he was declaring gold to have in practice a less value than that assigned to it by the only law we have with

* See paragraph 19 of despatch.

regard to a metallic currency, *viz.*, Act XVII of 1835, as well as by average market rates.

As was foreseen, the action taken by the Government of India in 1864 remained without results, for the very simple reason that the Sovereign, according to the weight of gold contained in it, is of more value than Rs. 10.

After this short detail it is evident that the matter of the circulation of gold in the form of coin, whether Indian or British, was in such a tangled state that before any step could be taken towards legal tender it was necessary to unravel the complications, and to resort to the experience of facts with regard to the positive relative values of the two metals.

Accordingly, when I was consulted in the spring of last year, it appeared to me that there was but one thing to do, *viz.*, to assume tentatively that Act XVII did generally represent the relative values, and therefore to repair the first omission of Sir Charles Trevelyan in his consideration of the Sovereign.

The conclusion then was that if the Sovereign was to have a declared value, that value should be about that which is exhibited in Act XVII with respect to the Indian pieces. As a matter of fact, the declared value is slightly less.

This course was an eminently prudent one, because, although declaring the value of the Sovereign to be higher than that stated by Sir Charles Trevelyan, it is still below the value given as the average since 1835. This average stands at 10 rupees 7 annas and 10 pies for the thirty years from 1835 to 1864, inclusive, notwithstanding that, as shown by the various mercantile authorities who have been consulted, the Sovereign can be generally laid down in India at rates varying from 10 rupees 3 annas to 10 rupees 5 annas. The table* of averages from which this is taken is given in the Appendix to this Minute. It is curious to note that if the average of the price of Sovereigns be struck from the year 1835 to 1864, it is, as stated, 10 rupees 7 annas 10 pies. But if we take the average from the year 1850 to 1864, inclusive, it stands at 10 rupees 3 annas 9 pies. It will, I think, be found, with regard to these facts, that whatever may be the price of silver in England, Act XVII of 1835 does, at all events now, approximately represent the relative values of gold and silver, if we can divest them of other conditions of trade, as shown by the rates of the exchanges.

In practice, however, the professional banker assures us that this is very difficult.

Thus, it happens that at certain states of the exchange the rupee sinks to 1*s.* 9*d.* in value, whereas at others it has been known to rise to 2*s.* 3*d.*, it being a matter of fact that the price of the Sovereign, as shown in exchange, has been liable to vary as much as 25 per cent. according to the balance of trade being for or against India.

This variation, however, would not seem to rest on the value of gold as a commodity, but on the fact that as England has a gold standard and India a silver one the vicissitudes of trade between the two countries come to be stated in a form involving mention of the two metals. But precisely the same change

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* This return was rendered necessary in 1864, in order to meet Sir C. Trevelyan's proposal to reduce the price of gold arbitrarily in India, while now, oddly enough, it comes into play to prevent alike reduction in that of silver in the same country as suggested by Mr. Strachey.