in the value of the Rupee, as regards operations of foreign exchange, would take place if England had a silver instead of a gold standard. The statement would, however, then be made in other terms, *viz.*, with reference to the shilling only, or whatever coin might denominate the public debt in England.

It appears to me that I need not enter further into this part of the subject beyond saying that we must be careful not to confuse the results of exchange with the price of gold.

The business which lies before us is to ascertain by experience, so far as may be possible, whether or not Act XVII, the only currency law we have, does, approximately, represent the value of gold and silver, respectively, or if it requires alteration.

I do not know that any other means lie open to the Financial Department for obtaining the necessary experience in the want of which, as stated by Mr. Arbuthnot, is found the whole difficulty of the question before us than in pursuing the course which has been lately adopted by the Government of India.

This course being eminently tentative and experimental for the purpose of resolving the point of relative value, it appears to me to be unnecessary to follow my hon'ble colleague in his argument in which he shows, with much ingenuity, that the price of the Sovereign, stated in the notification recently issued, which, as said before, follows Act XVII of 1835 has been fixed too low with regard to the facts of value presented by silver and gold in the English market.

It remains only to observe that the gold merchants (see the evidence of Messrs. Claude Brown and Dunlop in the papers relating to a Gold Currency) take a different view, and that they consider they can import Sovereigns, at an advantage to themselves, at rates varying from R10-3-0 to R10-5-0. Thus Mr. Claude Brown* stated that he could lay down Australian Sovereigns in Calcutta at Rs. 10-2-11. Mr. Dunlop comes to the conclusion that British Sovereigns can be laid down at Calcutta at Rs. 10-4-10; but it was ascertained in 1863 that the actual cost of Sovereigns sent by the Oriental Bank to India was Rs. 10-3-4. But very recently a communication was received from Mr. Christian, a Broker in Bombay, in which he affirmed that Sovereigns could be laid down at that place at about Rs. 10-3-0.

I therefore submit that the facts, as we know them in practice, are generally against the Hon'ble Mr. Strachey's position, that the Act of 1835

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* I think it right to add in a note Mr. Claude Brown's own words, it being remembered that he is a merchant of much eminence and ability. Extract from a letter to Sir C. Trevelyan, dated May 28th, 1864:—"We may fairly assume that the average selling price of gold over a series of years in this market is an index to the rate at which, with reference to the state of the exchanges, it can profitably be laid down here, and that if the prices ruling afforded anything more than a moderate profit, the effect would be seen in a great addition to the supply, and a general reduction of value to a level, corresponding to that ruling in the other markets of the world.

I have taken the average of our own sales of Australian gold in the years 1861 and 1863, and find it to be Rs. 14-14-3 per sicca mohur of 22 carat fine. If we include the first four months of this year, during which the value was exceptionally affected by the monetary crisis, the average is reduced to Rs. 14-13-9½ on total sales of Rs. 17,02,708.

To check this result I have taken the average of the quotations during the three years from our monthly Circular, and find it to be Rs. 14-13-4, so that I think we may fairly conclude that the value of gold of standard quality has during the past three years, been as nearly as may be Rs. 14-14-0 per sicca mohur.

At this price, the 5 dwts. 3½ grains, which an English Sovereign contains, will be worth Rs. 10-2-11, and when to this is added seignorage at the rate of 1 per cent., the cost of the coin will be Rs. 10-4-6."

does not approximately represent the relative values of the two metals in India.

But, under the circumstances stated in the early paragraphs of this minute, I, for one, have been most unwilling to proceed arbitrarily or summarily, and I am led to concur in the opinion of Mr. Arbuthnot that we require experience in order to determine the inconsistency which appears to rule in the values of the metals, as shown in the European and Indian markets, if such inconsistency exists, which I greatly doubt for reasons which will presently be shown.

My own view has generally inclined to the opinion that, on the whole, the value of gold might possibly rise in India. That opinion was expressed in 1864, and I have as yet no reason to depart from it. Nevertheless, there is no other conceivable criterion for our immediate and present guidance than the facts of value as accepted by the gold merchants.

It is not irrelevant to observe that, while Mr. Strachey finds fault with the rate which, according to his views, is below the real value of gold, the contrary has been suggested both in Bombay and Calcutta, *viz.*, that owing to the want of a legal tender the treasuries might come to be encumbered with gold, because the public would be unwilling in certain states of the exchange to take the Sovereigns from the treasuries at the rate stated in the notification, *viz.*, Rs. 10-4-0. Very recently I was consulted on the practical value of the objection thus taken, and as to the measures which might be necessary in consequence.

Mr. Strachey's Minute, on the one hand, and the questions put by Mr. Balfour, of the Bombay Bank, on the other, are, I think, not bad evidence that the Government has struck the proper mean by which to obtain the experience required before proceeding to the step of declaring a legal tender of gold.

It is to me a matter of regret that the question of a Gold Currency for India was encumbered by the interpolation of the English Sovereign in 1864, which is coined for a different system in another country. The advantage of circulating the Sovereign in India, except as an auxiliary to an Indian coin, has never made itself apparent to me. Nevertheless, the Sovereign has many friends, and, owing to the step taken by Sir Charles Trevelyan, it cannot now be summarily banished, until its incompatibility with Indian wants has been proved by experience.

To have given it a higher value for receipt and issue at the Government Treasuries than Rs. 10-4-0, without the safeguard of legal tender to compel its issue, would, doubtless, at times, have caused very considerable difficulties to the treasuries, for they would have been made the recipients of Sovereigns for the furtherance of mercantile speculation, and the Sovereigns would then have often remained as a dead weight in the treasuries, because of the high Government value attributed to them. But further, to have given them a higher value, would have been to reiterate Sir Charles Trevelyan's mistake, and to attribute to coined gold in India other official rates than are shown by the only metallic currency law we possess.

It will be understood, after the foregoing statement, that I am unable to comprehend Mr. Strachey when he says that Act XVII of 1835 is entirely obsolete so far as it declares the relative value of gold and silver. I think

I have shown that the framers of that Act have very fairly anticipated the proximate relative values of the present day.

With reference to the late measures being inoperative for any useful purpose, as declared by Mr. Strachey, he will surely admit that if those measures lead us to the facts we want, with respect to the truth or otherwise of the values stated in Act XVII, those measures will not have been altogether devoid of utility.

For if the Sovereigns come and go at the notified rates, it will be apparent that the Government notification has properly determined their value. If they accumulate in the treasuries, it will follow that they are too dear in price. If, thirdly, they are not paid into the treasuries, and the late measures turn out, as supposed by Mr. Strachey, to be simply without practical effect, we shall be satisfied that the price of gold as determined by Act XVII of 1835 is not high enough.

With regard to paragraph 17 of Mr. Strachey's minute it is to be noted that the notification of October has not been without some result. Thus I am informed that in the month of January about 80,000 Sovereigns were paid into the treasury at Calcutta, about a tenth of that sum having been withdrawn by the public.

Assuming Mr. Strachey's calculations about the prices of different kinds of gold to be correct, the fact of the Sovereign being 1 per cent. dearer than bar gold is not surprising when its quality of money and the demand for coined gold, whether in India or for travellers leaving the ports of embarkation, are fairly considered.

According to the instructions lately given in the Financial Department, the Sovereigns paid into the treasury will retain their present form if the public should wish to take them. If there be an accumulation on the other hand, a proportion will be thrown off in Indian coins. According to our present means of information the Indian coins appear to carry a premium in the market owing to local circumstances which is not warranted by their intrinsic value, but is probably to be ascribed to the dearth of Indian coins.

These points have been lately very carefully considered by Sir Richard Temple, Mr. Chapman, the Financial Secretary, and myself. The instructions subsequently issued for giving practical effect to the notification in certain details, on which Colonel Hyde, the Master of the Mint, required information, account satisfactorily, I believe, for any doubts which might arise.

As yet Government has not sanctioned the purchase of bar gold for the purposes of coinage. This operation I believe to be desirable. There is only one objection that I am aware of, that being that Colonel Hyde's machinery is so deficient that he is positively not in a position to comply with all the obligations imposed on him by law, *viz.*, of coining gold according to certain denominations of coin as required by Act XVII.

This fact has a peculiar bearing on Mr. Strachey's argument; for it is true that much loss of labour takes place in the coinage of gold at Calcutta owing to imperfect machinery, as lately explained by Colonel Hyde. This imperfection is now in the course of being repaired, but many months must elapse before the deficiencies can be set right by supplies from England.

Another item of the alleged loss is, I think, to be found in Colonel Hyde's method of computation. Now it is true that the minimum legal weight of a Sovereign is 122½ grains. Colonel Hyde makes his computation on the basis that all the Sovereigns presented are of minimum legal weight. This method may be convenient for account purposes, for all I know to the contrary, but I think it is plain on the surface that such a mode of computation must be inconsistent with fact. Thus I should imagine that the bales of Sovereigns which come in large remittances from England and Australia, and are probably often coined for the purpose, are much more likely to be full weight than otherwise. At least, considering that Sovereigns have but little circulation in India, we may take it for granted that if they are presented in large quantities at the treasury, at least half of them will be full weight. Thirdly, I understand 1 per cent. of Colonel Hyde's computation to be imaginary or nearly so, that is to say, that it consists of the 1 per cent of seignorage which is charged to the public for the coinage of gold bullion.

For it is clear that if Government occasionally send bullion to the Mint for coinage, it is little else than a matter of account whether the seignorage be charged or not. It is curious, when investigating this matter, to find that the re-coinage of Sovereigns is slightly cheaper than the coinage of bar gold, because in the former, mixture with alloy has already taken place, which has to be done with the latter before it is fit for manufacture. In short, the Sovereigns supply their own alloy.

On the whole I believe it may be said with accuracy, that whatever real loss may take place in the re-coinage, provided the machinery be effective, it is so trifling as to be almost inappreciable. At least such was the result left on my mind after a careful enquiry into these points recently held by Sir Richard Temple and myself with the Master of the Mint.

I think a further argument might be maintained in favour of showing that Sovereigns received at Rs. 10-4-0 would, when re-coined according to the rates of Act XVII, show an actual profit sufficient to cover the possible loss on light weight Sovereigns and the expense of manufacture. For this I would refer to the facts stated by Mr. Claude Brown as set out above.

I am unable to agree with my hon'ble colleague with regard to the inexpediency of producing Indian gold coins at the Mint.

In the first place, to produce these Indian gold coins is strictly according to law and is a boon to the public. Secondly, it will be in his recollection that, till very recently, there was a misapprehension about the Mint operations. It was believed that the public had entirely ceased to bring gold for coinage. If I recollect rightly, the alleged cessation was one of Mr. Strachey's reasons, in the course of conversation, for declaring Act XVII to be obsolete as affecting gold

Enquiry, however, proved that the notion of cessation was incorrect, and that, notwithstanding the imperfection of the Mint, the fact of gold not being a legal tender, and the further one of Indian gold coins being in no manner receivable at the treasuries, the public, nevertheless, does insist on the right conceded according to Act XVII, *viz.*, to demand Indian gold coins in exchange for its bullion, upwards of a million having been thus coined since 1852, the date of Government declining to take those coins in payment of Government dues.

Knowing as we do, besides, that the Native Mints in the Independent States turn off a large quantity of gold coins, I confess that, to me, this fact has a significance more important than I can describe as showing how the Government of this country has hitherto neglected its duty in furthering the advancement of a Gold Currency, or at least in actively supplying a gold coinage.

For a Gold Currency it is indispensable that not only gold should be in the country, as we know it to be, but that it should also exist in the form of coins.

By the measure of 1852 the Government did what it could to diminish the demands for such coins, and therefore to lessen the operations of the Mint. Notwithstanding this, however, we see that the thirst for Indian gold coins has still prevailed, and that, owing to the dearth of them, these very coins bear a fictitious value in the market.

I am therefore clearly of opinion that, while giving what may be called fair play to the Sovereign, we should not refrain from throwing off the Indian coins as sanctioned by Act XVII.

In short, I believe, that if we would have a legal Gold Currency hereafter, we should supply the country with gold coins at present. In any case this must be a matter of time, but I think it is incontrovertibly shown that we shall never extricate the currency from the dilemma in which it is placed, a dilemma totally opposed to the wishes of all the commercial classes in India, until we afford the means of a Gold Currency by adding to the Indian coins now in circulation. The legal tender must then follow.

There should be no attempt at regulating the value of gold by further notifications, unless Government be prepared to concede the legal tender. We shall be in a position to do this so soon as we are satisfied whether or not the statements given by Act XVII do fairly represent the relative values. Till the mistake of 1864 was repaired, it was quite impossible to make an experiment or even hazard a guess in these matters.

What I object to in Mr. Strachey's views is this, that because we are in uncertainty now, therefore we are to take no practical step towards our extrication from it. This would be, in fact, to abandon the results of all the labour and investigation of the last five years, and, finally to deny a legal Gold Currency to the commerce and industry of India for which they have so long entreated in vain.

I concur in my hon'ble colleague's warning against the artificial enhancement of silver. I would venture to say, that there has been no more zealous supporter than myself of the argument that it is absolutely necessary to proceed according to actual facts of value without any artificial arrangement such as that suggested by Sir Charles Trevelyan in 1864, again and lately by those who have advocated the compulsory tender of the Sovereign at Rs. 10, whereby the value of silver would be unnaturally raised.

It is in such a sense, *viz.*, consulting only the facts of value, that I wrote in 1864, and, at the instance of Sir John Lawrence, again tendered my advice during the last year. With regard to those facts it would be well to consult the evidence given to the Currency Commission, as well as the tables of prices which are prepared at the ports of embarkation, where the Sovereign has a value *per se* because of its quality of money in England.

But can the same be said of Mr. Strachey's practical recommendation? Thus (*vide* his 23rd paragraph), he actually wishes to depreciate the value of silver artificially in this country, and to make a legal tender of gold which shall thus stereotype the arbitrary depreciation. Be it further observed that he fixes on a price of silver for this purpose 5*s*. 1*d*. in India, which is frequently, it may be said in prosperous times, generally below the rates of the London market itself.

In support of this assertion I add in a note * the table of the prices of bar silver in London, which was furnished to me authoritatively in 1864, and is in the Appendix of my Minute of that year, from which Mr. Strachey has quoted. This table gives the prices of silver during the eleven previous years, *viz.*, from 1853 to 1863, inclusive. It will be observed that in no single year was the average price of silver below 5-1¼, whereas the average price for the eleven years was about 5-1½. Now this was in London and not in India, and in India silver has to bear the cost of freight, insurance, and brokerage when imported from Europe, which are computed at 3¼ per cent.

I cannot discover in Mr. Strachey's Minute that he has taken into consideration the 3¼ per cent. which must be added in India on the foregoing accounts to the price of bar silver as stated in London. The like omission, unless I have read the paper wrongly, appears in the table he cites in his 14th paragraph. Thus, in that table it is said that when bar silver is at 5*s.* 1*d.*, the equivalent in the rupee is 22·67*d.* = 10-9-3 in the pound.

In Mr. Dunlop's table (Appendix V) which in the calculation includes 3¼ per cent. for freight, insurance, and brokerage, and further the Mint charge, it is shown that when the bar silver costs 5*s.* 1*d.* in London, the cost of the rupee in Calcutta Mint is $23\frac{9}{10}$, which would give Rs. 10 and ⅝ of an anna to the pound.

I am, I think, bound to follow the argument to its legitimate conclusion. Thus Mr. Strachey has told us, see paragraph 13 of his Minute, that since July 1866, the price of silver has never gone above 5*s.* 1*d.* in London, and that during the whole of last year it did not exceed 5*s.* 0½*d.*

Taking the price of silver in London as the basis of calculation, we have seen what the cost of the rupee is in the Calcutta Mint when the silver costs 5*s.* 1*d.* in London. The same commercial method of computation being adopted, *viz.*, of adding the cost of freight, insurance, brokerage, and Mint seignorage to the London price, we are informed by Mr. Dunlop's table, that

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* *The price of bar silver per ounce standard in London.*

Years.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Average.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
1853	5 1⅝	5 1⅝	5 1⅝	5 1⅝	5 1	5 1	5 1⅝	5 1⅝	5 1⅞	5 1¾	5 2¼	5 1½	5 1½
1854	5 1½	5 1⅝	5 1⅞	5 1⅞	5 1⅜	5 1½	5 1¼	5 1⅝	5 1½	5 1½	5 1¼	5 1⅝	5 1½
1855	5 1½	5 1⅜	5 1⅜	5 1⅝	5 1⅝	5 1⅜	5 1⅝	5 1¼	5 1½	5 1⅜	5 1⅜	5 1½	5 1⅜
1856	5 1¼	5 1½	5 1	5 1½	5 1⅝	5 1½	5 1¼	5 1¾	5 1½	5 2	5 2⅛	5 1½	5 1⅝
1857	5 1⅞	5 1⅞	5 1⅞	5 1⅞	5 1⅞	5 1⅞	5 1⅝	5 2	5 1½	5 1⅞	5 1⅞	5 2⅛	5 1¾
1858	5 1⅝	5 1⅝	5 1⅝	5 1½	5 1¼	5 1⅜	5 1⅜	5 0¾	5 0¾	5 1½	5 1⅞	5 1½	5 1⅜
1859	5 1⅞	5 1⅞	5 1⅞	5 2¼	5 2⅛	5 2	5 2	5 1⅞	5 1¾	5 1⅞	5 2	5 1⅞	5 1⅞
1860	5 2⅛	5 2⅛	5 2⅛	5 1⅝	5 1⅝	5 1⅝	5 1½	5 1⅜	5 1	5 1⅝	5 1⅝	5 1⅜	5 1⅝
1861	5 1¼	5 1	5 1	5 1	5 1⅛	5 0⅝	5 0⅜	5 0¼	5 0⅛	5 0¾	5 0⅞	5 1⅜	5 0⅞
1862	5 1⅛	5 1½	5 1⅜	5 1½	5 1⅜	5 1⅜	5 0⅞	5 1¼	5 1⅞	5 1¼	5 2	5 1⅜	5 1¾
1863	5 1½	5 1½	5 1½	5 1	5 1½	5 1½	5 1⅜	...	...	...	...	...	5 1⅜

the cost of bar silver being in London 5*s.* 0½*d.* per oz., the cost of the rupee at the Calcutta Mint becomes $23\frac{7}{10}d.$, which, if reduced to value in the sovereign, gives about 10 rupees 2 annas or 2 annas below the rate stated in the Government notification, and 2 annas 4 pies below the value of gold assigned in Act XVII.

We have then the further inference that the price of bar silver, as quoted in London, if taken alone, is a fallacious guide, and that in truth it leads to a conclusion opposite to that desired by Mr. Strachey.

Consequently, it is difficult to deny that if we would approximate to the value of gold in India in the statement of price, we must follow the rule of the gold merchants, which looks to the cost of the delivery of gold in India, rather than pay exclusive attention to the price of silver in a very distant market. And we are again reminded of the absolute necessity of remembering that behind both modes of computation lie the confusing elements of the balance of trade and the state of the exchanges, which seem to have escaped Mr. Strachey's consideration.

I cannot in any manner concur in the suggestion which would reverse the usual order of things, and make the more valuable metal a legal tender for small amounts only; in short to have a gold token coinage. This, I believe, to be absolutely contrary to correct principle and all previous usage in any country, and therefore to be certain to add one more complication to the difficulties already artificially caused in an otherwise easy matter. There can be no reason for limiting either gold or silver as regards tender, until the time has arrived for reducing the inferior metal to a token coinage, and a single gold standard has been thus established.

As I have often ventured to urge, all that we have to do is to adjust, as closely as possible, the relative values of the two metals in coinage, and then leave them to fight the battle for supremacy.

Wherever this has been done, silver has been driven from the field, notwithstanding that silver was the original standard, *e.g.*, the United States, France, etc., etc.

For the argument on this point, and the manner in which the obligations of a country which once had a silver standard, continue to be stated under the old denomination, after the silver coinage and standard have made way for gold, I beg to refer to my Minute of March 1864.

I would add that I entirely concur in Mr. Strachey's remarks on the proposals of the Indian Mint Masters.

XXI.

MINUTE BY THE HON'BLE SIR RICHARD TEMPLE, DATED 12TH FEBRUARY 1869.

His Excellency Sir W. Mansfield has in his Minute of the 9th current, in my opinion, so completely answered Mr. J. Strachey's Minute of the 30th ultimo that my remarks on the present occasion may be brief.

2. My hon'ble colleague, Mr. Strachey, is quite correct in the belief expressed in his 8th paragraph, that my recent proposals regarding a Gold Currency have been based on the Report of the Commission of 1866. Considering the high authority of that Commission, and the elaborate enquiry they made, it was but natural and proper that I should so base my proposals. Considering also that the distinguished President of that Commission, His Excellency Sir William Mansfield, is a member of this Government, it was fitting that I should consult him, which indeed I have done with much advantage and instruction to myself. Indeed, our deliberations on this important subject have been most essentially aided by His Excellency.

3. I append a copy of my Minute of the 5th June last, to which Mr. Strachey has referred; also extracts from Minutes which I recorded in October last.

4. For further exposition of the reasons for the course which has been adopted, and which I, for one, have steadfastly recommended, I would refer to our recent despatch to Secretary of State of the 23rd December 1868.

5. Mr. Strachey points to the relative value of gold and silver as prevailing in Europe. I admit of course that these data are valuable and worthy of consideration. Indeed, I pointed to this very matter in my Minute of the 5th June last. But various circumstances, exchanges and the like, are shown to cause fluctuations, and to render the argument only partially applicable to India.

6. I observe that my hon'ble colleague pushes his conclusion very materially further than Mr. Arbuthnot has done in the valuable paper from which Mr. Strachey quotes. Mr. Arbuthnot does not affirm more than that the substitution of gold for silver in the currency of India would lead to a "re-action in the upward tendency," which has, of late, prevailed in the price of silver as compared with gold. Mr. Strachey considers that 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. It appears to me that my hon'ble colleague has not only, as has been pointed out by His Excellency Sir W. Mansfield, omitted to consider the charges which must always be added to the European price of silver as an element of the Indian price, but forgotten that the disproportionate demand for silver throughout the East as compared with Europe depends, after all, very largely upon circumstances altogether apart from its employment in the Indian currency, such as the habit of hoarding silver, its constantly increasing use for ornaments, and the demand for it in populous regions such as China and Japan. Upon all these circumstances its displacement by gold in our currency will produce little or no effect.

7. But the main, indeed the conclusive, point is the existing relative value of gold and silver in India. If that can be arrived at, or approached, then

we may hope for a solution of our doubts. Now all the evidence goes to prove that a Sovereign can be laid down in India at rates varying from Rs. 10-5-0 to Rs. 10-3-0. This justifies the rate of Rs. 10-4-0 which we are allowing for the Sovereign.

8. That a rating so arrived at by experience should coincide with the legal valuation fixed in India, so far back as 1835, and since unaltered, is a remarkable confirmation of our proceedings.

9. The valuation of 1835, having been arrived at under the previous circumstances of a legal tender of gold, was, it may be assumed fixed after the most careful consideration. It may have been temporarily disturbed perhaps, by the subsequent gold discoveries, but after that fluctuation, has again become practically correct for India at least, the country for which it was intended.

10. I have always understood that the relative value of gold and silver does not really change, in the long run, and upon periods of duration sufficient for the establishment of conclusions, though, doubtless, it is subject to fluctuations intermediately. I would refer to the words of Mr. Dickson (whose authority is beyond question), to the effect that "the relative values of the two metals, notwithstanding periodical fluctuations, do very soon adjust themselves to each other;" and that "the subject must be discussed, not in relation to the existing state of matters, but to the experience of a series of years."

11. Accordingly I went into the latter point last year: Mr. Dickson's examination went back for more than a hundred years, and it appeared that in the year 1717 gold to silver was as 1 to 15·209, and in 1867 as 1 to 15·333, so that the difference over this long period was very slight.

12. If I admitted Mr. Strachey's arguments to the full (which, however, I am far from doing), I should reply that the conclusion logically deducible from them was that we ought to have offered more than Rs. 10-4-0 for the Sovereign; but that, considering that we had raised the rate from Rs. 10 to Rs. 10-4-0, we were manifestly proceeding cautiously, and that our error, if any, was on the side of caution. That such caution is a necessity is shown by the questions put to us from various quarters.

13. As to Act XVII of 1835 being "obsolete," as described by Mr. Strachey, I cannot understand that, inasmuch as gold has always been, and still is, coined under this law.

14. Mr. Strachey recommends that gold should be coined and made legal tender up to Rs. 200 only: silver of course remaining legal tender up to an unlimited amount. This is so opposed to my understanding of the whole subject, that I cannot follow it. The notion seems to be contrary to the fundamental principles of metallic currency; and specially to the practice in England. I understand the natural order of things to be that the superior metal (gold) should be legal tender to any amount and the inferior metal (silver) to only a limited amount when the latter has been reduced to the rank of a token coinage. This order seems to be reversed by Mr. Strachey's recommendation.

XXII.

Memorandum by the Honourable Sir Richard Temple, K.C.S.I., dated 19th June 1872.

I desire to lay before the Government of India three notes by Mr. G. Dickson, Secretary to Bank of Bengal, on the subject of the gold currency, which he was good enough to draw up at my request; also notes by Mr. R. B. Chapman, the Financial Secretary, and Mr. H. D. Sandeman, Officiating Comptroller General, and Mr. E. Gay, Deputy Comptroller General, on the same subject.

2. I have long believed that a gold currency is wanted in India; that its introduction ought to be an object for gradual, if not immediate, attainment; and that the British Government ought to adopt measures from time to time towards that end. I do not say the introduction of a gold coinage, for we have that already in India. We have gold pieces representing fifteen, ten, and five rupees, respectively, and believed, by what may perhaps be considered some of the best authorities in India, to represent these several sums very correctly, as regards the relative value of gold and silver. That this relative value has, by these gold pieces, been preserved with as much accuracy as possible under the circumstances, was affirmed by the report of the Indian Currency Commissioners in 1867. But, despite their intrinsic merits, these coins are not and cannot be available as currency, because they are not legal tender. I conceive that we should, so far as we fairly can, permit inducements to arise for the importation of gold into India, and for its retention in considerable quantities in the country; that whenever such quantity might be found adequate, we should take the first opportunity to declare the gold coins legal tender to unlimited amount; that the gold pieces should continue to bear the fixed relation to the rupee; that, for a time, it might be necessary to permit the rupee to remain legal tender to an unlimited amount which would involve temporarily the difficulty of double standard; that the transition period of double standard should be as short as possible, silver being reduced to a token coinage, and being legal tender up to a small amount only; and that gold should be ultimately the one legal standard.

3. Remembering that many steps must be taken before any such consummation could be arrived at, I should have preferred, just now, to confine myself to such practical measures as could be adopted at present. But, among the many doubts which surround the subject, I see, or imagine that I see, one doubt which affects the very root of the matter. It seems to be doubted whether a gold currency is needed at all for India, or whether it constitutes a requirement of that pressing or important character which would justify any alteration in so delicate an affair as the currency.

4. I do not at all share such doubt; on the contrary, I share the conviction expressed by my predecessors, Mr. S. Laing and Sir C. Trevelyan and Mr. Massey, to the effect that a gold currency is among the urgent wants of India. With the exception of Mr. Wilson, every Financial Member of the Government of India has advocated this view. In 1866, similar views were advocated by a Special Commission in India appointed to examine the whole subject, and have been maintained, at one time or other by every Chamber of Commerce in India. But, in the event of such

doubts as above described being seriously entertained, I will attempt to briefly recapitulate the reasons why a gold currency is desirable in India. And my excuse for making the attempt must be this: If people shall strongly entertain an *à priori* conviction that a gold currency is really wanted, then they will find that the supposed difficulties in the way of its introduction are not at all insuperable; if, on the other hand, they have no such conviction, then the difficulties which more or less beset every question of currency become magnified to undue proportions.

5. It can hardly be necessary to recall to mind the superiority of gold over silver, or the reasons why, in all countries, the estimation of gold is about fifteen times greater than that of silver. A well known writer on bullion has summarized the advantages of gold thus:—

> "Gold is the noblest of all metals—the *king of the metals*, as the alchemists of old used to call it. It holds this exalted rank by virtue of its precious physical and chemical properties, among which may be mentioned, more especially, its indestructibility; its signal power of resisting oxidising influences; its fusibility; its permanent ductility and malleability; its beautiful colour and splendid lustre." *Seyd*—"Bullion and Foreign Exchanges."

6. It is this superior estimation which, causing gold to be so much more relatively portable than any other precious metal, gives it a practical efficiency in commercial transactions, of which inherent quality nothing save artificial restraints, from systems of currency, can deprive it.

7. The most advanced nations, England, France, Italy, America, Germany, Holland, possess a gold currency. Most of them have at various times adopted measures to change the currency from silver to gold. Some of them have even put forth efforts and undergone sacrifices for this object.

8. It is generally acknowledged by the best authorities, that the money which is to be the medium of exchange and the measure of value in large transactions, or in all save small transactions, should be gold as being the metal most suited for such purposes from its greatly superior estimation. Silver is suited only for transactions too small for the use of gold, just as copper is suited only for transactions too small for the use of silver.

9. In the first place Adam Smith explains that—

> "In the progress of industry, commercial nations have found it convenient to coin several different metals into money; gold for large payments, silver for purchases of moderate value, and copper or some other course metal for those of still smaller consideration."

10. Michel Chevalier gives a similar explanation:—

> "We know that, for many centuries, copper constituted the money of Rome. Afterwards, society having become richer, copper money was no longer sufficient; with the increase of wealth, payments became too cumbrous, and a more valuable metal than copper was found better adapted for the bulk of transactions; it was thus that silver money came into use. This was soon after followed at Rome, and for the same reason, by a gold currency. The history of the currency in the monarchies which were reared upon the ruins of the Roman Empire reveals the same process."

The same authority goes on to say of gold and silver—

> "a division of their employment seems to be indicated, for silver the smaller, for gold the larger payments."

11. M'Culloch, speaking of gold and silver, says that—

> "the former would be sure to be preferred as money to the latter in all but petty transactions."
>
> * * * * * * * * *
>
> "The use of gold as money is accompanied by so many advantages that it would maintain its place even though it were somewhat under-rated as compared with silver. Inasmuch, however, as gold has so many natural grounds of preference on its side, the true plan is to make it the only standard."

12. Tooke, after rejecting *seriatim* the arguments for a change from a gold to a silver standard, says that—

"in other respects it would be the substitution of the less convenient for the most convenient description of currency."

13. Chambers writes in his chapter on money—

"a substance has been employed as the chief circulating medium over the civilized world. Its own nature has made it the standard currency, though it is relieved and aided by other kinds of currency. This substance is gold, which by common consent people at the utmost extremities of the civilized world have used as their standard currency."

14. One of the main reasons for the preference of gold over silver is forcibly expressed by another writer (Dunning Macleod).

"The greater the intrinsic value of the metal, the better is it qualified to perform the functions of a country." . . . . "The more rare and valuable the metal, the more portable and convenient would it be, so that a man might carry about with him, as it were, a concentrated essence of power of commanding services."

As John Stuart Mill observes :—

"There is an obvious convenience in making use of the more costly metal for larger payments and the cheaper one for smaller; and the only question relates to the mode in which this can best be done."

15. Mr. N. A. Nicholson in his work on the Science of Exchanges says—

"In a country where bank notes for very small amounts are permitted, as, for instance, the dollar notes of America, it matters little which of the two precious metals is chosen as the standard, provided there be one standard. In a country where these small notes are not permitted gold is to be preferred to silver as the one standard."

Further on he reiterates the opinion thus :—

"Gold therefore is to be preferred as the standard of value in countries where small bank notes are not permitted by law."

These remarks are fully applicable to India.

16. Even some of those authorities, for example, Ricardo and James Wilson, who prefer silver as the sole standard, make important admissions in favour of gold. Ricardo states that—

"In favour of gold it may be said that its greater value under a smaller bulk eminently qualifies it for the standard in an opulent country."

James Wilson says—

"No one will be inclined to deny that if we had to begin a system of currency *de novo*, the most convenient of all the various systems now in practice would be found to be that used in England, where gold is the standard, and silver tokens of limited tender the subordinate coins."

17. Now these considerations of political economy are just as applicable to India as to any other civilized country. It will hardly be denied that India *is* a civilized country. Although civilization, in a politico-economic sense, is not so diffused in India as in Europe; though the mass of the people are less civilized than the corresponding classes of an European people, still India has a fair proportion of civilization, has a large field for the exercise of political economy, all which, though inconsiderably relative to the vastness of the country, is considerable absolutely. Though on the whole a poor country certainly, still India is, in parts, rich enough, has, within particular limits, great wealth, has extensive transactions, has, in some respects, much to do with money on a great scale.

18. It is no sufficient answer to this to say that the mass of the people never see anything better than copper money; that it is only certain classes

that see even silver; and that but a comparatively limited number would see a gold currency if it existed. For the limited number who would see gold represent the most important classes of the country, just those classes whose skill, enterprise, and intelligence, go far to make the fortune of the nation. If the sections of the people who would use gold were summed up, they would be found to represent a great and growing interest. And if they really require a gold currency, that would be a strong reason for introducing it.

19. Again, if it be supposed that such currency were not so urgently wanted for the interior of the country generally, still the question would remain as to whether it is wanted for the larger transactions of the inland trade and especially for the foreign trade? It is not so easy to gauge the inland or inter-portal trade. But we know the extent of the foreign trade exactly, and we can see what a mighty interest that represents.

20. But the number of persons in all India who would use a gold currency is not so limited as seems to be supposed. It may be mentally measured in this way. With our five-rupee gold piece legal tender, every one who had to pay five rupees or more in metallic currency (unless he paid in currency notes) would pay in gold. Every one who kept, or hoarded five rupees and upwards in treasure would use gold. Let us compute by our own notions (we cannot ascertain exactly) what the number must be of payments of five rupees and upwards in all India within any year. Surely it must be very great, quite great enough to justify the consideration of measures for introducing a gold currency.

21. Or let us suppose that, following the example of the five-franc gold, coinage or, forming the easily conceivable notion of a five-shilling gold piece we were to have gold coins of lesser denomination than five rupees (for which the authority of M'Culloch might be cited)—say, for example that we were to have 2½ rupee gold pieces, then every payment of metallic currency of 2½ rupees and upwards would be made in gold, if there were a gold currency. How very great, then, must the number be of such payments in a year.

22. But in these, as in other matters, there is such a thing as national prejudice. It is conceivable that such a population as the Indian might have some national prejudice against gold. But have they, in fact, any such prejudice against gold pieces? No, they have not. Quite the contrary; their prejudice, if they have any, is entirely in favour of gold. The imperial dynasties which preceded us in India had a gold currency. Some comparatively ancient gold coins have still a limited circulation, and enjoy the highest repute. It is remarkable that the gold coins which issue from the British mints in India mostly find their way to Native States. It may be said, in general terms, that, on our accession to power in India, we found a gold currency existing conjointly with the silver currency; and it was reserved for us to accord silver the dominant and exclusive position which it now holds in the currency. My own belief is, that few nations have, in their own minds, a higher appreciation of gold than the natives of India.

23. It was in 1835 that silver was made the sole legal tender in India; gold, however, ceasing to be a legal tender, was still receivable at the treasuries in payment of Government dues. Even this was stopped in 1853. The prohibition was withdrawn in 1869, since which time the gold pieces have been and are receiveable at the treasury as before.

24. This measure, however sound in principle, has not proved efficacious. Indeed the state of the exchanges prevailing since that time has not been

such as to cause the importation of gold bullion. And, indeed, nothing can bring about a permanent influx of gold, while gold pieces are not legal tender.

25. Upon this point M'Culloch writes thus :—

"Silver has become in India, in fact as well as in law, the sole legal tender * * * There are, at the same time, various circumstances which make it much to be regretted that an attempt should have been made to exclude gold from the currency of India. * * * Had gold been allowed to circulate as coin, it would have been extensively employed in making large payments, and it would also have been extensively hoarded. * * * It would be good policy to re-introduce a gold currency."

26. M'Culloch further makes a remark which I shall cite in this place. After explaining that gold would, if it had a fair chance, circulate in India as well as silver he goes on to say—

"In that case the increased demand for gold * * * would, by lessening the demand for silver, have checked any tendency it may have had to rise."

Sir William Mansfield (now Lord Sandhurst) elaborated this same point in 1864. He estimated that the exclusion of gold from the currency caused a rise of 5 per cent. in the price of silver, and held that this led to injustice towards the land-holding classes of India who pay land revenue fixed for long periods or in perpetuity.

27. Whether we go to the full length of these conclusions or not, still we can hardly doubt that to virtually oblige the people of India (as we indeed do oblige them by our present system) to use only one precious metal for currency, when they might have had two precious metals, is to enhance the price of that one precious metal, silver, and thereby to put them to considerable expense unnecessarily. They must have the silver for currency use, and they must purchase it with their produce. If the price be enhanced, say, by even a small percentage, then let the significance of that be considered. The amount of silver in circulation cannot of course be stated, but it must evidently be very great—supposed to be at least 150 millions sterling in value, sometimes even estimated at more than 200 millions. Tooke's History of Prices, Vol. VI, page 723, gives the amount at 400 millions. But that includes silver for ornaments and other purposes. It is not material to the present argument to discuss what the estimate ought to be. The amount, whatever it may be, has been purchased by the people of India. Then even a small percentage on either sum would give an extra expense of several millions, to which the people have been unnecessarily put. Such an estimate is not precise indeed, but it may serve to give some idea of the possible loss occasioned to India.

28. Again, to use gold instead of silver coins is to effect a great saving in minting charges and in wear and tear, or, *per contra*, to oblige the people to use silver coins when they might use gold is to put them to the expense of about fifteen times as much minting and wear and tear of coinage as might otherwise have been necessary. This cost may be relatively small, from one to two per cent. on value of coins; still let us remember the amount of silver coined in India since 1835, about 197 millions, and we shall see that even a small percentage on this vast sum would be an appreciable amount. It follows that this amount might have been to a large extent saved to the country had there been a gold currency. Sir W. Mansfield summarizes the advantages of gold as—

"1st, superior portability,"
"2nd, decrease of wastage,"
"3rd, economy in mintage,"

and he describes these as "elements of cheapness which have a marked effect in asserting the superiority of gold."

29. It is often said, in effect, that the certainty of silver always being largely employed as currency in a comparatively poor country like India is a reason why a gold currency is not wanted. But I contend, on the contrary, that this very circumstance is one of the reasons why a gold currency *is* wanted, because it tends to steady the price of that silver which is one of the necessaries of the national life.

30. On the whole, it seems clear that, while, in all other branches and departments of administration, we endeavour to give to India the best of everything so far as we can, yet, in respect to metallic currency, we deliberately withhold from her the first-rate article and afford her a second-rate one.

31. The foregoing considerations apply to India in common with other countries where there may be commerce and accumulated wealth. But there are special reasons in India why a silver currency without any gold currency must be inconvenient. In other words there are, in addition to the general reasons, special reasons why India ought to have a gold currency.

32. The Continent of Europe, and especially the United Kingdom, obtain both gold and silver from about the same distance in the case of each metal. Those countries have commercial relations with gold and silver-producing regions. Gold comes direct from America, so does silver.

33. With India the case is different. She has but slight commercial relations with America, and, consequently, she has to obtain silver through the medium of England. This is, to some extent, a disadvantage, and must involve various charges, direct and indirect. She has also to obtain the silver, in which her currency solely consists, from an immense distance.

34. On the other hand, she could obtain gold from Australia direct without employing any other country as a medium, and from a much shorter distance. Thus it would appear that, from its situation, Australia, with its gold-producing regions, is the natural source of supply of the precious metal to India. It is the present system of the metallic currency that prevents India from availing herself of the great natural advantage offered by Australia in this respect, and forces her to obtain her specie under comparatively disadvantageous circumstances.

35. As Colonel Smith, the Mint Master, has well expressed it—

"The advantages of introducing gold into the currency of our vast dependency need not be here insisted upon. They may be inferred from the unanimous wish of the inhabitants for a less cumbrous means of exchange, from the benefit to be derived by the whole civilized world from India's taking her share of the increased produce of the gold mines, and from the anomalous spectacle exhibited for many years past, of ships freighted with gold traversing half the globe in one direction, crossing ships conveying an equal value of silver in the opposite direction, for the adjustment of balances of trade capable of settlement without either voyage, and with a saving of expense of a quarter of a million sterling annually."

36. Sir William Mansfield (now Lord Sandhurst) put the case thus:

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

37. Sir Charles Trevelyan ably set forth the same point thus:

"England has a Southern as well as an Eastern Empire, and the great staple of that Southern Empire is gold. Owing to the exclusion of gold from the Indian currency, the trade with Australia is chiefly carried on in this way. The gold of Australia is sent to England, where it is employed in buying silver, and the silver is sent to India burdened with the charges of the double voyage and with the additional interest accrued during the long period occupied by it. The cotton and other exports of India are charged with the extra expense arising from this circuitous mode of payment. Even a worse result is, that the trade cannot be carried on in a regular manner. The gold remains in the Bank of England until the Indian demand sets in, and then it is suddenly withdrawn to sweep the continent of silver for transmission to India."

38. The fact that the trade between India and Australia is not great, and is not likely to grow essentially, would not of course constitute a difficulty. It is true that if India received a large amount of gold from Australia, she would not be able to send her produce to Australia in return. But the balance in favour of Australia would be settled and adjusted in the trade between India and England and England and Australia. India has extensive claims upon England for produce exported thither. She would transfer to Australia a portion of those claims and thus pay for the gold.

39. The adjustments which take place in China will afford an illustration. China owes India, yearly, a large sum for opium. She does not wholly pay this debt by produce or treasure. She pays, in part, by transferring to India her claims upon England for Chinese produce exported thither.

40. But, further, there is one marked peculiarity in the situation of India,—which is perhaps almost unique in the world,—in that she has annually to remit to England money to the sum of many millions. The liability is as serious as it is inevitable, and the cost of so vast a remittance amounts to nearly half a million pounds annually, and sometimes more.

41. While the India currency is in silver only, the principal means of remittance must be silver. Under these circumstances India will never possess gold in adequate quantities. The balance due to her on trade will be paid in silver; in the main, she must take that metal and none other. And she will possess no other precious metal wherewith to pay whatever there is to be paid by her in specie. She will have then, only her silver and her produce wherewith to discharge her obligations.

42. But, as England has a gold currency, the payments must be made in that metal, so far as they have to be made in money at all. And, as India has to pay in gold, she must obtain gold either by means of her silver or her produce. This is the real basis of the transaction, though, in practice, India does not generally make her payments in specie. She receives gold in England from purchasers of bills called council drafts, and pays to the holders of these drafts silver from the Indian treasuries. But the payments are settled and adjusted in gold, and the difference chargeable to her on this adjustment, comes to the same thing as if she had purchased with silver, or produce, the gold wherewith to make payment.

43. This arrangement appears to be inconvenient to India in various ways.

44. In the first place she obtains her silver through England. The cost of effecting this is considerable. Then she has virtually to bear the charge of exchanging silver in her own limits for gold in England, and the cost of that again is considerable. It would be more economical, and more convenient, if she herself possessed the gold in which the payments had to be made. If her currency were to be gold, then she would always possess quantities of the very metal in which her obligations have to be discharged and her account adjusted.

55. If the currency of England had been silver, then the argument would be somewhat altered. At present India has a sort of double difficulty.

Firstly, she has to make this great payment annually, in itself a difficulty. Then she has the additional difficulty of purchasing the metal in which the payment is calculated. This additional burden is caused by the present state of the currency. And this must aggravate the charges to which India is subject.

46. Again, under the existing state, the relative value of silver to gold is the regulator, in all respects, of the cost of these transactions to India. The value of silver is, of course, liable to fluctuations. For, the value of gold in England being determined by law, and that of silver being not so determined, these fluctuations as regards silver are appreciably great, and are sometimes embarrassing by reason of the trouble and expense which they cause. Within India the value of silver is indeed determined by law, but that fact is of no use nor validity in respect to the exchange with England. Now this difficulty would be mitigated, perhaps almost removed, if India had also a gold currency, with the same status as that of England, that is, with the value determined by law.

47. Mr. Goschen, in his work on Foreign Exchanges, writes—

"Considering the case between silver and gold. When a bill on Hamburg payable in silver is bought in London for a certain price, payable in sovereigns, what will determine the value? * * * * Gold is simply merchandize in such countries as have a silver currency, and silver is merchandize in such countries as have a gold standard; and, according to the price of the merchandize at a given moment, so will the exchanges fluctuate. When a bill on Hamburg is to be sold on London, all the previous elements of value will have to be taken into consideration,—the rate of interest in the two countries, the state of credit relative indebtedness, and so forth; but the value of silver in England will enter largely into consideration, or, in the opposite case, the value of Gold in Hamburg."

Now it seems to me that, *mutato nomine*, the same story might be told of the exchange between England and her Indian dependencies, and that the process inevitably places India at a disadvantage.

48. Thus I contend that there should be one standard only of value for the two countries; in other words, that the standard for India should be the same as that for England; that India is specially entitled to this advantage, because she is more conveniently suited as respects the gold-producing regions than the silver-producing regions, and because gold is the currency of the country to which India has to make such great payments; and that a gold currency would not only cause a saving to India in the procuring of so important an article as specie, but would also lessen the difficulties arising from the pecuniary obligations of India towards England.

49. There is one more point to be noticed, which is this. It is observed by the Financial Secretary, Mr. R. B. Chapman, that when upon the establishment of a gold standard, silver came to be demonetized, and the intrinsic value of the rupee to be diminished, the effect on the native mind would be bad. Mr. Chapman's words are—

"It follows that we shall have to substitute for the use of the masses of our population a token silver currency for the present full value currency. Are we at all certain what the effect of this will be upon the ignorant population? Or how a silver token currency will work alongside of a full value Native State silver currency?"

50. It is quite true that the natives will always look to the intrinsic as well as to the nominal value of the rupee. Though the new rupee, with a less intrinsic value of, say, 6 per cent., may pass in currency for the same value as the old rupee, still the natives will not estimate it so highly as the old rupee, because they use rupees for melting and for boarding, as well as for currency. All this may be admitted to the full. But what then? I fail to perceive what evil would follow. It is said that the natives would prefer the rupees of Native States in which the proportion of alloy might be less than in

the demonetized British rupee. It might not be of much consequence if this were to be the case. But it by no means follows that any such consequence would rise. If natives closely estimate the grains of fine silver in the rupee, they will weigh accurately the British rupee against the Native rupee. And the British rupee will be valued at its weight in fine silver at least. Besides this, it would have the advantage of being legal tender in British territory for small amounts which the Native rupees would not. And this advantage must secure the preference to the British over the Native rupee, as silver to silver.

51. It might be said of course that the British rupee would cease to possess the estimation it now possesses, and this portion of our currency would decline in reputation. Very true no doubt. But, on the other hand, we should have given the country a gold currency, the coins of which would rise rapidly to the highest repute, and to a degree of estimation to which even our silver has never yet risen. I believe that no coins that ever were coined in this country would be so popular as the gold legal tender coinage of the British Government. In other words, while we deprive the people of the old silver standard, we give them, in return, a superior gold standard. And thus the last state of the currency would be far better than the first.

52. Further, it is sometimes urged, as a reason against introducing a gold currency, that there is never likely to be a sufficient quantity of gold available to justify its being declared legal tender. The quantity of specie required for circulation in India was estimated, fifteen years since, at 150 millions sterling, or rather that was the supposed value of the silver coins in circulation. Within this century, the net importation of gold has exceeded 99 millions; but only a small portion of it has been coined. Having regard to the long period that coin lasts, the coinage, gold and silver, may now be estimated at more than 150 millions sterling, and the amount of gold bullion and specie in India is within this amount. These several quantities may not, indeed, be precisely known. But it is quite true that the amount of gold available or obtainable in India, under present circumstances, is small as compared with silver, and is not, as yet, nearly enough for what the requirements of the country would be after gold being declared legal tender. But, though I admit all this to the full as fact, I do not at all admit it as a reason for refraining to declare gold to be legal tender. For manifestly, gold, having been

	£
SILVER COINAGE.	
From 1801 to 1834-35 . . .	63,631,833
„ 1835-36 to 1870-71 . .	196,776,414
	260,408,247
GOLD COINAGE.	
From 1801 to 1834-35 . . .	11,060,148
„ 1835-36 to 1870-71 . .	2,061,972
	13,122,120
TOTAL GOLD AND SILVER COINAGE.	
From 1801 to 1834-35 . . .	74,691,981
„ 1835-36 to 1870-71 . .	198,838,386
	273,530,367
IMPORTS, GOLD.	
From 1801 to 1834-35 . . .	9,455,635
„ 1835-36 to 1870-71 . .	95,030,569
	104,486,204
EXPORTS, GOLD.	
From 1801 to 1834-35 . . .	2,033,442
„ 1835-36 to 1870-71 . .	3,015,342
	5,048,784
NET IMPORTS .	99,437,420

once declared to be legal tender, would become one of the needs of the national existence. Gold would be an article which the country must purchase; and with its large surplus of exported produce over imported goods, and with an ample balance of trade in its favour, the country would have no difficulty in purchasing gold, which metal it could, as has been seen already, obtain direct from Australia on reasonable, perhaps even on favourable terms. If then the need of gold for currency in India were to be anticipated, its influx into the country would be a matter of a few months, perhaps only of a few weeks, and the want would hardly have begun to be felt before it was supplied.

53. Before concluding, I would add that experience does not shake my belief that the relative value of gold and silver is represented according to scientific theory and principle by the present gold coinage of India, that is, 120 grains gold piece to 10 rupees; that the present rate offered by the Government of India in 1869 for the English and Australian sovereign 10¼ rupees (ten rupees and four annas) coincides as nearly as possible with that standard, and that the conclusions arrived at by the Currency Commission in 1867 are sound. It is true that very few sovereigns have been received in the treasuries since 1869, but this circumstance is attributable not to any defect in the rating (10¼ rupees to the sovereign) but to the state of the exchanges which has precluded the importation of gold bullion, silver being the sole legal tender. How can gold compete with silver in India while the latter has a value fixed by law and the former has not? I understand that, as a matter of fact, gold can still be laid down in India at something *less* than Rs. 10¼ for the sovereign; and that, so far, the Rs. 10¼ rate must yield a profit on the importation. If that be so, then this rate would still seem to be the right one. And the non-arrival of gold must apparently be due to artificial causes, which amount to this, that gold is at a disadvantage as compared to silver, which is favoured by law. If this be so, then the fact that gold sovereigns command in the market, at most times, a higher price than Rs. 10¼ and the 120 grains gold piece a higher price than Rs. 10, must be owing to adventitious causes, and to the circumstance that the supply of these coins being very limited, there is a sort of fancy demand for them, which is no criterion of what their value would be under a different status.

54. Those who dissent from the above-named determination of relative value base their argument on the fact that this assumes a proportion of exactly 15 to 1 gold to silver; whereas, at many periods in England, and of late years in India, the market prices show a proportion of something more than 15 to 1. But then the prices are affected in England by the fact that gold has a value determined by law and silver not; while *vice versâ* in India silver has a value determined by law and gold has not. And this consideration renders it impossible to determine relative value precisely by these prices. One cardinal test is this: take the cost at which gold and silver can be laid down, is, and generally has been, laid down in India, counting the charges for bullion, freight, insurance, brokerage, and seignorage, and then the proportion of 15 to 1 would appear correct and proper as regards this question at issue; and it would seem that gold could be profitably imported at the present rating.

On the other hand Mr. John Norman of Calcutta, a gentleman of great knowledge and experience, in a letter which will be found among the appendices of this minute, endeavours to show that 15 to 1 would practically exclude gold; that 15½ would exclude silver, and considers that with 15⅛ or even 15¼ very large amounts of gold would be presented for coinage.

55. I still hold to the opinion that if it were determined to have a gold currency, we should mainly employ our Indian gold coins for that purpose. I would not object to make the sovereign a legal tender for ten rupees and four annas. But the sovereign being worth ten rupees and a fraction over, there might be some slight trouble of calculation in changing it for silver, and this would be a drawback in respect of the use of the sovereign as currency in India. And if this objection were urged, I would not press for the sovereign being declared legal tender. But we should continue, under any circumstances, to receive the sovereign in our treasuries at the present rating or at whatever rating might be fixed.

56. I believe that a repugnance is felt by some to the present determination of the question of a gold currency in India, because of the prospect of some universal coin being adopted internationally. But the prospect seems, practically, to be almost disappearing. At all events the report of the English Commission on international coinage, presided over by Lord Halifax, seems to be quite adverse to any change in the value of the English sovereign.

57. I have not dealt with the objection which has been sometimes urged to a gold currency, to the effect that the national debt, and the paper currency, are calculated in rupees. For the objection has been disposed of more than once in the papers relating to gold. The sum seems to me to be this—we promised to pay in rupees and we should pay in gold determined by law to be equivalent to rupees.

58. I have hardly, in this paper, undertaken to treat of all the points connected with this important subject, still less to discuss all the collateral matters which might suggest themselves for discussion. But the subject in all its bearings has been dealt with in the report of the Indian Currency Commission of 1867, in the volume of printed papers relating to gold currency in India, in the file of correspondence relating to the revised notification of 1869-70, and in the additional papers now submitted. I am unwilling to add more than I can help to the mass of writing which already exists.

59. In conclusion I would ask early and favourable consideration to the proposals of Mr. Dickson, which I will give in his own words:

"I. To authorize the receipt of English and Australian sovereigns into all the Government Treasuries of India, without restriction, and whether tendered in payment of Government dues or in exchange for silver.

"II. In conformity with the provisions of the Currency Act to authorise the issue of currency notes in exchange for gold bullion tendered at the mint for coinage into Indian gold sovereigns at the rate of 10 rupees for 120 grains of gold of standard fineness, less seignorage."

I believe that these recommendations are safe and practical. They are the first steps towards a gold currency. If they succeeded, their usefulness would be too plain to require description. If they did not succeed, still no harm would be done. If, in consequence, we were to have any quantity of gold on our hands which could not be conveniently disposed of in India, we could use it for the remittances to England without loss, and perhaps even with profit.

60. But if, after the adoption of such measures, gold bullion should not be imported; if sovereigns should not be received at the treasuries; if doubt still existed as to whether the relative value of gold and silver is correctly

determined by our present rating and coinage, then I hope that the matter may not be allowed to drop. If the present rating of $10\frac{1}{4}$ rupees and the present weight of 120 grains are not proper (as hitherto we have affirmed that they are), then what rate and what weight are proper? If the proportion of exactly 15 to 1 be not the proper one, as we have said it is, then what is the proper proportion? Can any one really prove that it ought to be a fraction below, or a fraction above 15 to 1? Nobody supposes that we have offered too much silver for the gold; then, if this offer be not the proper one, is it really too little? Ought we to offer more? These are questions which, as I submit, the Government of India ought to be able to determine. These are questions which have been determined by every civilized nation that has adopted a gold currency. No doubt it is a difficult and important problem, but it cannot be insoluble, and it ought to be solved. If the enquiries which have been made, and the data which are available be not sufficient, then let another Commission be appointed, so that the matter could be brought to an issue one way or the other; and that all the facts and considerations could be brought up to date.

If the Government could now make up its mind that the introduction of a gold currency is among the real needs of the country and ought to be practically taken up, then I recommend immediately the appointment of a commission to investigate once more and, as I should hope, finally the question of the relative valuation of gold and silver.

XXII-A.

FROM GEORGE DICKSON, ESQ., SECY. AND TREASURER, BANK OF BENGAL, TO THE HON'BLE SIR RICHARD TEMPLE,—DATED 10TH AUGUST 1868.

Again apologizing for the delay which has unavoidably taken place in replying to your favour of 2nd July, I now take up the several points adverted to therein, *viz.*,—

1. To get sovereigns into the country in large quantities by raising the rate from Rs. 10 to Rs. 10-4, or even higher.—As the proposed measure offers a direct advantage to the importer, it is decidedly preferable to the indirect method of attaining the same object by the imposition of additional restrictions on the importation of silver. But as it is contemplated to introduce the measure as a tentative and experimental one only, without declaring sovereigns legal tender, I am of opinion that its success will, in consequence, be slower and more doubtful. So long as sovereigns command, as they do at present, a higher price than that which it is proposed to fix, it is quite certain that they will not find their way into the Government treasuries; but the present state of things is, I think, entirely exceptional, and the market will ere long return to its normal condition. The subject must be discussed, therefore, not in relation to the existing state of matters, but with reference to the experience of a series of years. At the same time I do not think that it would be safe to be guided altogether by the price of gold during the few years ending in 1864, when it was imported in increasing quantities to meet the adverse balance of trade caused by high-priced cotton exports to England.

The latest quotation for sovereigns in this market is Rs. 10-11-6, which gives the value of an ounce of silver laid down in Calcutta at 4*s.* 11½·8*d.*, but the average price for the first six months of 1868 is Rs. 10-10-2 only, indicating the price of bar silver at 5*s.* 0½·324*d.* For 1867, the average price of the sovereign is Rs. 10-7-6, and of gold, 24 carats fine, Rs. 16-7-7. Taking the mean average of the last 3½ years ended in June, the price of the sovereign in Calcutta is Rs. 10-2-3, and of bar gold of 24 carats fine Rs. 16-5-0, indicating the value of an ounce of silver at nearly 5*s.* 3*d.*

So long as silver makes a better remittance to India than gold from Australia, the certainty is that India will not receive any considerable quantity of the latter metal.

In his despatch of 20th September 1864, the Secretary of State says:—

"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. 10-8-0, and about Rs. 10-12-0 at the price which prevailed some time before 1850."

His Excellency Sir William Mansfield, in his Minute of 8th March 1864, writes:—

"Thus the British Indian gold mohur being, by Act of 1835, held to be equal to Rs. 15 gives a value of 5*s.* 2½*d.* to the ounce of silver *plus* 0½*d.*, which may be considered the difference of Mint charge between gold and silver. That being so, if the value of the sovereign be calculated on a similar basis, its worth must be taken at Rs. 10-4-4, its intrinsic value at Rs. 10-6-1, the difference between the two sums being that which would represent the Mint charges if the sovereign were coined in India instead of being imported."

Taking, then, these several estimated values, we arrive at the mean average relative value of Rs. 10-4-1.

I would, however, desire to guard myself, by stating that so long as gold is not legal tender in India, it must of necessity be subject to the same fluctuations in value as all ordinary mercantile commodities are, under the universal law of supply and demand.

Is it reasonable, then, to assume that it will pay the importer to part with his gold at the proposed fixed rating of Rs. 10-4-0?

By withholding the declaration of legal tender, and owing to a not improbable apprehension that, on the slightest fall in the value of the metal, Government may be induced to rescind the resolution of rating at Rs. 10-4-0, the importation of gold will not be so free and certain, except under very exceptional circumstances similar to those which occurred during high prices of cotton, when gold was imported in place of general merchandise, the demand for which was at that time unequal to maintain the balance of trade.

The action taken by Government in 1852 of prohibiting the receipt of gold mohurs into the treasuries in payment of public dues, has left an unfavourable impression on the public, and they will hardly be disposed to place greater confidence in similar measures now; and so long as the balance of trade between this country and England can be adjusted with more certainty by the bills of the Secretary of State, Government securities, and bills of exchange, the importer will not subject himself to the risk of loss arising out of the possible action of Government.

To this it may be answered that Government will not alter the proposed rating without giving a few months' public notice in the *Gazette*. Such a modification would doubtless tend to mitigate the evils inherent in the proposed measure, and I do not think that Government could run much risk of loss in the event of large importations and payments being made into the public treasuries, should the price of gold fall below the proposed rating of Rs. 10-4-0. Inconvenience to Government can be averted to a great extent, first, by availing of the clause in the Currency Act which admits of the reserve in coin being held in the proportion of one-fourth of gold to three-fourths of silver; and (secondly) by remittances to England in communication with the Secretary of State, should the gold receipts inconveniently increase.

In September 1865, the Government of India transmitted to England £160,000 in sovereigns, which, after deducting freight and insurance, yielded at the rate of 1*s*. 11¼·06*d*. per rupee against 1*s*. 11⅝*d*., the then average selling rate of the Secretary of State on the general Treasury. But in 1866, when the bills of the Secretary of State were unsaleable at 1*s*. 10*d*. on Calcutta, and at 1*s*. 10½*d*. on Bombay, the Government of India remitted in sovereigns and gold bullion Rs. 22,38,730, which, with freight and insurance added, brought the amount nominally to Rs. 22,92,962, the outturn of which yielded £221,634-2-8, equal to an exchange per rupee of 1*s*. 11·20*d*. In like manner, and including freight and insurance, Rs. 51,87,569-15-1 in silver bars were sent to England in the same year, and the outturn was equal to 1*s*. 10·13*d*.

Although I would prefer the sovereign being made legal tender at the proposed rating of Rs. 10-4-0, along with the concurrent circulation of an Indian coin of 120 grains as the equivalent of Rs. 10, I am of opinion that the proposed rating at Rs. 10-4-0, without making the sovereign legal tender, would be a safe measure on the whole, and a great improvement on the existing state of matters

II. To obtain permission from the Secretary of State to coin 10 rupee gold pieces at or above the standard of 1835.—I have gone over the *Gazette* containing the several notifications connected with the coinage of gold, and I cannot discover that the Act XVII of 1835 (see *Gazette* of 19th August 1835, page 692) which permits the coinage of (1) a gold mohur of Rs. 15, weight 180 grains troy, 11-12 parts fine; (2) a five-rupee piece equal to a third of a mohur; (3) a ten-rupee piece equal to two-thirds of a mohur; (4) a thirty-rupee piece or double gold mohur of the same standard—has been repealed.

In 1841, officers in charge of treasuries were authorised to receive gold coins issued in conformity with Act XVII of 1835 until they shall have passed the limits of lightness allowed for wear. But on 22nd December 1852, it was notified that after 1st January 1853 no gold coins shall be received on account of payments due, or to be made to Government at any public treasury within the territories of the East India Company. It therefore appears to me that the sanction of the Secretary of State is not indispensably necessary, unless it is proposed to alter the existing value, which, I submit, it is not expedient to do.

III. When we get the sovereigns from abroad, to send them to the Mint for re-coinage in 10-rupee gold pieces, to get for coinage as above bar gold and various sorts of gold bullion.—The coinage of an Indian gold sovereign, which will be an exact multiple of the rupee, is highly desirable, even should English sovereigns be rated and received as Rs. 10-4. As the value of all commodities, transactions, obligations, and contracts will continue to be expressed in rupees even should gold become the standard, the facility of conversion from one denomination to another is of the first importance, and gold pieces representing the value of Rs. 10 will be readily preferred to the sovereign valued at Rs. 10-4.

IV. When we shall have succeeded in getting sufficient quantities of 10-rupee gold pieces and sovereigns into circulation, to go up to the Secretary of State with a really strong case for legal tender, the 10-rupee gold pieces at par and the sovereign at Rs. 10-4, or whatever rate may be fixed.—In treating of the first question, I have pointed out the probable difficulty of both obtaining an abundant supply of gold, and putting gold coins into circulation to any great extent, so long as uncertain or optional value attaches to that metal under the proposed fluctuating rating. In other respects, I most fully concur in the expediency of the measure proposed for adoption.

V. To see whether the 10-rupee gold piece will not drive out the sovereign and acquire such a position as to be made not only legal tender, but the sole standard, reducing silver to a token status.—It is very probable that the 10-rupee gold piece will be much more popular and more generally used in the daily transactions of business than the sovereign, and the course indicated, of declaring it legal tender, on a certain contingency happening, will, I venture to think, be hailed by the public generally as a great boon.

Having briefly adverted to the several points raised in your letter, I would respectfully submit—

(1) That it is safer for Government to value the sovereign at Rs. 10-4 than at a higher rating since it is not to be declared legal tender at once. Besides, a higher rating than Rs. 10-4 would render necessary a re-adjustment of the Indian gold piece of 120 grains, inasmuch as it would be worth more than Rs. 10.

(2) That the high prices at which sovereigns and bar gold have been selling for some time past are referable not to an actual rise in the value of gold relative to silver, but to an exceptionably low rate of exchange which practically shuts out gold from our market. Sovereigns have been sought eagerly by persons returning to England, or by those who intend to travel on the continent, and who prefer to pay a smart premium on sovereigns to a heavier loss in exchange on bills on London or on circular notes.

So soon as the rate of exchange returns to its normal condition (see accompanying table with rates of exchange since 1838), I think it probable that advantage will be taken of the facilities proposed to be offered to the importer of gold, and that it will find its way in *considerable* quantities under the rating of Rs. 10-4.

Lastly, I am of opinion that the present is a favourable opportunity for fixing the value of the sovereign relative to the rupee at Rs. 10-4, as it could not be said that it would injuriously affect either public or private creditors, and because it would have the effect of checking the depreciation in the value of gold beyond the point assigned by notification, when a reaction does take place.

Generally, the measure proposed is eminently safe as a tentative and experimental one, and if successful, is calculated to lead to the inauguration of a larger and more important change in our currency. Should it on the other hand, contrary to expectation, prove to be a source of inconvenience, through a redundant supply of gold, thereby indicating a considerable fall in its value relative to silver, the probable loss arising on the remittance of the gold to England with a view to meet home disbursements is not likely to be of great moment when measured against the average rate obtained by the Secretary of State for bills on the Indian treasuries.

Along with this you will receive the following enclosures, *viz.*—

I. Table* showing the actual market price of gold bullion and sovereigns in Calcutta, in continuation of former returns between January 1863 and June 1868.

II. Table* of average rates of exchange between Calcutta and London in the several months of each year from January 1838 to 31st December 1866, with rates of interest charged by the Bank of England and the Bank of Bengal.

III. Minutes* of evidence given before the Select Committee appointed to enquire into the cause of the high price of bullion, 20th March 1810, by the King's Assay Master of the Mint and by Dr. Kelly, setting forth the relative value between gold and silver in England and foreign countries, according to actual assays.

If in any way I can be of further service, you will find me ready at any time to do all I can. Meantime, believe me, etc.

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* Appendices (YY, ZZ, AAA, and BBB).

XXII-B.

Minute by George Dickson, Esq., Secretary and Treasurer, Bank of Bengal, on a Gold Currency for India, —dated 15th January 1872.

The question submitted for consideration is whether it is expedient or inexpedient for the Finance Minister of the Government of India to move further in the attempt of having a gold currency in this Empire.

Since the subject was considered by the Committee in India presided over by Lord Sandhurst, it has undergone considerable discussion both here and in England.

The result, so far as I have read and ascertained, goes to deepen the conviction I have been privileged to express to you in former minutes, that the conclusions arrived at by the Committee which sat in India are eminently sound and unassailable.

Such being the convictions I hold, I reply to your enquiry (1) by saying that, in my judgment, the present is a favourable and opportune time for taking another forward step towards the accomplishment of what every one apparently so much desires.

The chief difficulty is of course the inadequate supply of gold at present in the Indian markets, former supplies having either been absorbed for other purposes than those of currency, or exported to foreign countries. It may be received as a sound axiom that no Government could seriously entertain the idea of changing its standard, or introducing an alternative measure of value, without a *sufficient* supply of the precious metals to fairly initiate the object in view.

This being so, the question naturally arises—"when is India likely to have such a supply of gold at command as may enable the Government of India to change the standard of value, so as to cause the least disturbance in her internal and foreign relations?"

As India is neither a gold nor a silver producing country, the same causes which have operated in securing for her a continuous supply of silver will, in like manner, continue to draw gold to her markets, provided it finds a ready sale at a determined minimum value,—a point more fully adverted to hereinafter. As a rule, India has a large balance of trade in her favour, arising out of her commercial relations with other countries. Although the adjustment of this balance is, in part, effected by the Secretary of State's drawings on the Indian treasuries for home disbursements, and by divers causes more fully adverted to in other minutes, yet, in the long run, a considerable sum must be discharged either in gold or in silver. Further, the business operations of the Exchange Banks, at a time when exchange rules high, will have a very material effect in adding to our supplies of gold. Silver being legal tender in India at a value below which it cannot fall, the bulk of remittances in payment of her surplus claims is, for the most part, made in that metal. It is clear, therefore, that the causes which influence the movement of specie from one country to another affect gold and silver alike. Without an act of Government declaring gold legal tender, it follows that some inducement must be held out to importers to insure them against loss resulting from a sudden fall in the price of gold in the markets of India. For, besides drawing her supplies from England, India may safely look to another source for a fuller supply. To balance her trade with Australia, England has a large amount to be paid to her in gold, and this gold, instead of being sent direct to England, can often be more cheaply and profitably laid down in India for the purchase of claims on England. During several years past owing to a very limited import, and to a continuous adverse state of exchange, Australian and English sovereigns have commended a much higher value than that assigned to them under the Government Notification, *viz.*, ₨10-4.

But, in the present upward tendency of exchange, owing to the unceasing development of the export trade, it is safe to assume that a very considerable influx of gold coin and bullion may again be looked for, and, if so, prices will fall to the level of the Government rating.

There is, however, ground for believing that the too restrictive nature of the notification, authorizing the receipt of gold into the treasuries "only in payment of Government dues, and until further notice given at the option of Government," tends unduly to check that free importation of gold which might reasonably be calculated on under the influence of a high rate of exchange.

During the continuance of the Franco-Prussian war, when heavy amounts of foreign capital were locked up in London, and the Bank's rate fell to 2 per cent., exchange ruled unusually low, as India knows too well to her cost, and though it may not soon again fall to that extreme low point, there is not much reason to suppose that it will touch the extreme high point it reached some years ago.

Having regard, further, to the important changes which the money markets in India have undergone, by the nearer assimilation of the value of money in India and England than formerly characterised the respective markets, and keeping in view the fact that gold has found a new channel of outlet through the change of currency from silver to gold by the German Empire, it is for the Government of India to consider whether some decided action is not needed to pave the way for the introduction of a gold currency, beyond the eminently safe and tentative measures already tried without much effect.

Towards that end I respectfully submit that Government may, with safety, adopt the following resolutions, *viz* :—

I.—To authorize the receipt of English and Australian sovereigns into all the Government Treasuries of India without restriction, and whether tendered in payment of Government dues or in exchange for silver.

II.—In conformity with the provisions of the Currency Act, to authorize the issue of currency notes in exchange for gold bullion, tendered at the Mint for coinage into Indian sovereigns, at the rate of ₨10 for 120 grains of gold of standard fineness, less seignorage.

Both these measures are, I think, competent to, and rest for adoption by, the Government of India alone.

Should these measures be successful, and a sufficient supply of sovereigns and gold be accumulated, with a corresponding reserve of the Indian gold coin, they both, *i.e.*, English and Australian sovereigns and Indian sovereigns, may, after communication with the Secretary of State, be declared legal tender at the respective ratings of ₨10-4 and ₨10. Silver, as the alternative measure of value, must have a concurrent circulation for a time; but its demonetization would be accomplished by a gradual and sure process (see section 13 of my letter of 30th May 1868). I have no doubt public writers and critics who profess to have a complete knowledge of Indian finance, and the requirements of India generally, will find all manner of fault with such "half and half measures and as being wanting in boldness," and will not fail to denounce them as being purely "imaginary * and unsubstantial."

* Discussions by the Indian Association in London.

I am in your recollection when I recall the proposals made by some authorities in 1868 for meeting the difficulty in the way of introducing into India a gold currency, by raising the intrinsic value of the rupee. I ventured to point out in my minute of 9th May of that year, that such a measure, if adopted, would in effect raise all public salaries, increase the amount of the public debt, and render necessary the alteration of the value of Government currency notes. I revert to the proposal so made because, towards the end of the same year, the Royal Commission appointed to report on an international coinage, point out, in very striking language, the evils likely to result from a proposal made to tamper with the value of the British sovereign, so as to make it identical with the French coin of 25 francs. The proposal roused such a very strong feeling in monetary circles in the city, that ultimately it had to be withdrawn.

I wish to demonstrate, as clearly as possible, that, while the proposals which, with much deference, I submit for your consideration, are progressive, and calculated to effect the object in view, they are, at the same time, perfectly practical and safe, and, so far as Government is concerned, no harm is likely to arise, even should they result in complete failure.

The Secretary of State, as you well know, has to draw annually from the Indian treasuries a very large amount. Last year, if I mistake not, the selling rate of his monthly drawings was so low as to entail a loss of £600,000 on the revenues of India. If, owing to an absence of demand, combined with what I venture to call a very defective and injurious system, exchange should fall to 1*s.* 10¼*d.* or 1*s.* 10½*d.*, he must either continue to offer his bills in the London market or call for a specie remittance from this side, which could be made only in the form of silver coin or bullion. I need not enter into the results of such remittances and the prices realized; but I may state generally that, making every allowance for reduced freight and insurance as compared with previous years, the experience we have had in the past, with one exceptional case, shows that the loss is very nearly 7½ per cent., or not better than a sale of the Secretary of State's bills at the rate of 1*s.* 10½*d.* per rupee. I think, these facts being admitted, it follows that, under the existing order of things, the Secretary of State has no means of counteracting the downward tendency of exchange to a point so low as even 1*s.* 10½*d.*, nor can you materially aid him from this side so long as things remain as at present.

Such, however, could not possibly be the case, were the Indian treasuries under the adoption of the measures proposed (and I may here observe—*take all in, but give out none*) in possession of either English or Australian sovereigns rated at R10-4 per pound sterling, or of bar gold purchased at the rates I have indicated.

I submit, in corroboration of my argument, the following illustration. With the gold in possession, the Government of India could remit to the

Secretary of State on the following conditions, taking the sum of £100 by way of example, *viz.* :

	R	a.	p.
Value of 100 sovereigns at R10-4 each	1,025	0	0
Freight and Insurance 10*s.* and 4*s.* 7*d.* per cent., respectively	5	6	8
Add sundry charges, packing, etc.	0	3	4
	1,030	10	0
Equivalent of a Bill on India for £100 at 1*s.* 11½*d.* per rupee	1,032	0	0
Difference	1	10	0

In other words, gold could be exported from India and laid down in London at a cost of R3-1 per cent. (taking the rating of foreign sovereigns at R10-4), or at a difference of 4 per cent. in favour of the Government of India, as compared with the selling rate of the Secretary of State's bills, as we have seen it, at 1*s.* 10½*d.*

Without entering more fully into this part of the subject, it may safely be taken for granted :—

I.—That the introduction of a gold currency into India will in every respect, especially as regards portability, be more convenient and advantageous than the existing silver currency.

II.—That, by the removal of certain existing restrictions, a supply of gold, sufficient to make the attempt to initiate the change, may reasonably be reckoned on in the present state of the money market.

III.—That the proposed gold coin for India, containing 120 grains of standard fineness, will not only be as near as possible to its intrinsic market value relative to silver, but any supposed injustice to the public creditor and any confusion in the mode of keeping accounts will be avoided. All value, as at present, will be expressed in rupees ; all commodities bargained for in rupees; the public accounts kept in rupees, and the currency notes left as they are : only *payments* will be made in the new coin.

IV.—That, by declaring the English and Australian sovereign as legal tender at R10-4 along within the Indian one of R10, a large amount of ready-made coin will always be available for immediate circulation, at a great saving to India.

With regard to this last point, I may mention that an able writer Mr. F. Hendricks, in an excellent paper on the Indian gold coinage, recently read before the Society of Arts in London, takes a great deal of trouble to prove that the proposed rating is not scientifically accurate, or, as he states it, is "unreal, imaginary, and infected with error."

This point was not lost sight of by our local committee ; for although the English and Australian sovereigns have been rated at R10-4 with a view to avoid a more complex decimal proportion, they are in reality intrinsically worth a little more, relatively to the ten-rupee gold coin of India.

The matter was before the Committee in this shape, *viz.*, that if a coin containing 120 grains of gold of standard fineness be worth R10, a coin containing 123·274 of the same fineness ought, by the rule of proportion, to be worth R10-4-4·383; but, to avoid complex calculations, and because it would be more desirable to leave the functions of the currency to the Indian coin alone, should the small difference in the exact rating of the foreign sovereign ultimately drive it out of the circulation of India, the Committee did not deem it necessary to observe strict scientific rating. I may also add that the very slight undervaluing of the English sovereign will not interfere with its *importation*, as the difference is more than counterbalanced by the seignorage to which gold bullion is subjected under our mint regulations, while the mintage in England is free.

The objections of these gentlemen were directed against the proposed coinage for India, in the hope that India might be induced to fall in with the proposed scheme of an international coinage; for, says Mr. Hendricks—

"Fortunately for the prospects of an international coinage for India it may be considered, in conjunction with the proposal of Mr. Lowe, to reduce the British sovereign to the extent of 0·87843 per cent., in order to make it identical with 25 francs of gold."

It would be a mere waste of time to enter on such a *mare magnum* as the advantages or disadvantages of an international coinage. No doubt, if all the nations of the globe were in a position to commence life anew, they would be at liberty, and might arrange, to mould their currency in such a fashion as to establish a uniform standard of value.

It will, however, be more profitable to deal with facts as we find them and turn them to the benefit of India if we can. I have already adverted to the fact of Mr. Lowe's proposal having been abandoned; and I shall now point out that the question of an European international coinage, instead of being nearer solution, has been practically removed further away by the recent action of Germany.

As illustrative of the latent danger to India in relying on help from extraneous sources, I quote the points for discussion submitted to the Royal Commission on International Coinage and signed by Lord Halifax.

Suggestions of points for discussion by the Royal Commissioners on International Coinage.

"In order to establish either—

"I.—A common international coinage, or, if that should be impossible,—

"II.—That, at any rate, one or more coins of universally recognized fineness and weight, should be struck in different countries, forming part of the currency of each country, and being a legal tender and common standard measure of value, in such countries.

"It must be determined—

"1. Of what metal such coin should be made.

"2. What proportion of alloy it should contain.

"3. What weight and dimensions should be assigned to any such coin or coins.

"4. What security could be afforded that the actual value of the coin struck in each country should always correspond with their denominational value.

"5. What deficiency in weight should exclude a coin from circulation.

"6. What authority it is necessary to establish in each country for withdrawing light coins from circulation.

"7. Whether any limit should be imposed on the amount of such coins to be struck in each country.

"8. Whether it would be necessary that in each country some one coin should be struck *identic* (*sic*) in fineness, weight, and dimensions, and, if so, what coin would be the best common coin to adopt for the principal nations of Europe and America, regard being had to the coins already existing in the different countries.

"9. Whether any and what mintage or charge for the manufacture of the coin should be taken.

"10. Whether any and what regulations as to the subsidiary coins in each country are necessary.

"If the above questions can be answered satisfactorily, it will remain to consider with reference to this country—

"1. What change would be necessary in our existing coins.

"2. What effect such change would have—

"*a*. On the public revenue:

"*b*. On existing contracts and engagements, public and private:

"*c*. On current commercial transactions:

"*d*. On the ordinary operations of trade and interchange of commodities:

"*e*. On the general convenience of the public.

"3. In what time a change of the existing standard coin could be effected.

"4. The cost of such change if no mintage is charged.

"5. What provisions should be made as to the existing coins during the change.

"Finally, whether the advantage of a common international coin overbalances the inconvenience of the change."

HALIFAX.

It is enough, for my present purpose, to state that the conclusions of the Royal Commission are dead against the proposal to reduce the value of the pound sterling to 25-francs, on the ground, mainly that it would disturb all existing obligations, and cause many and serious difficulties detailed in their report, and shadowed forth in the note bearing the signature of Lord Halifax.

That the course followed by Germany in having a coin suited to her own wants, usages, and necessities is the safest and most practical course, I will endeavour to prove in as few words as possible. Germany, under a silver standard of value now in process of being changed, has the three following principal coins in circulation, *viz.*:—

The Prussian Thaler . . . . valued @ 2*s*. 11*d*. in sterling.
The Gulden . . . . . . " " 2*s*. "
The Nassau Gulden . . . . " " 1*s*. 8*d*. "

The new gold coins proposed, and being struck now, are—

20-Mark piece (gold) . . . . value 19*s*. 7*d*. in sterling and equal to 6⅔ Thalers.

1-Mark piece (silver) . . . value 11¾*d*. and equal to ⅓ Thaler.

It does not strike one, at first sight, why the ratio of the 20-mark piece to the Thaler had not, under the new arrangement, been made less complex;

but as I am not in possession of the reasons which induced the adoption of this particular proportion, it is probably the best that existing circumstances could admit of, and carried out with the view of changing at an early period the unit of value from Thaler to Mark.

The German Government have thus acted without reference to the relative weight of the sovereign, 25 franc piece, or any other *foreign* coin whatever.

I give the illustration as being the latest, and one that falls under our own observation.

But suppose you were to listen to the theories of those philosophers, who so strongly insist on the adoption of an international scheme as the only one suited to India, I have had the following calculations worked out, and here is the result. Suppose (the 25-francs scheme being abandoned) India were to assimilate her gold coin of 120 grains to the English sovereign of 123·274, which has been valued, as already explained, at R10-4, and suppose we go further and adopt another of the current theories, *viz.*, a decimal system of coinage, the existing rupee of 180 grains would require to be increased in weight to 184·5 grains, so that it may represent the one-tenth part of the sovereign, and, in order to complete the whole process, the copper token, which now denotes one-sixty-fourth part of the rupee, would have to be so altered as to rèpresent one-hundredth of the new rupee. Nothing apparently is more simple than to have in this way both an international coinage and the decimal system; for have we not thereby a gold coin corresponding in every respect to the English sovereign and a silver rupee representing the one-tenth part of the sovereign, and the copper token the one-hundredth part of the rupee?

But, as a matter for practical working (apart from all other objections), let us take the two following examples:

I.—A maund of gram, under the existing currency, sells at R2-2, how much will the buyer have to pay with the proposed new rupee?

II.—You have to pay a balance of wages to your servant of R7-9-6, what sum measured in the new rupee is he entitled to?

They may serve as arithmetical puzzles for the amusement of an expert accountant; and, even, in time, probably, the public might find out that, as the value of the rupee has been increased by one-fortieth part, so has its purchasing power increased in proportion: and that, to pay for the gram in the new coin, one must deduct a one-forty-first part of 2 new rupees and a one-forty-first part of 12·5 cents, the latter being equal to the two annas. I write all this with a full knowledge of my second letter of 9th May 1868, wherein I advert to the process of converting the Sicca into the Company's rupee, to which I would respectfully refer you. I would only venture to repeat that, as I stated in my first letter of 9th May 1868, "any alteration in the standard of value, I do not mean from one measure of value to another, *e.g.*, from silver to gold or gold to silver, but a lowering or raising its established value in relation to other commodities, is calculated to throw everything into confusion. I think the experiment would be a dangerous one; and I have a strong feeling about leaving alone the present measure of value, *viz.*, the rupee. There is no necessity for disturbing it, and any attempt to tamper with it would, in my judgment, be very hazardous. On every consideration it appears more desirable to rate the English and Australian sovereigns at R10-4, and to coin new sovereigns or gold pieces for India containing 120 grains, which will be an exact multiple of our present rupee. Thus you will leave your present measure of value untouched, you will admit the English sovereign of 123·274 *pari passu* with the Indian one of 120 grains, you have, besides, your Mohur of 180 grains, your half sovereign, and your half rupees."

I would not venture to re-call to your mind these sentences, were it not that I know you have a strong desire to give India the benefit of a gold currency, and because I believe that, if successfully carried out, a great question will have been finally settled during your administration of the finances. At any rate, my very humble views as to the real *practical* mode of dealing with such an important question have received a strong confirmation (1) by the rejection, by the first authorities alive, of the proposal for altering the value of the English sovereign, and (2) by the adoption by Germany of a gold coin of her own, unlike that of her neighbours.

One other aspect of this important matter I venture to submit for your consideration. It is an admitted fact that, in the mutual intercourse between two countries, the one having a gold and the other a silver currency, more frequent and wider oscillations in the rate of exchange do occur than between countries where the currency is alike in both. Take the case of England, with a gold currency, having a claim upon India where silver only is current. India must either pay in silver, which has no determined value in England, except as an article of merchandise liable to the fluctuations of the English market, or India must pay her debt in gold, of which she has but a scanty supply, and for which, therefore, she will most likely have to pay a high premium. The same considerations will apply in the reverse case. Either way the rate of exchange will be governed with a due regard to the cost of remittance, and the probable loss on specie shipments. Looking to the present magnitude of England's special claims against India, and the prospective increase thereto by reason of large additional loans being needed for railway extension and irrigation purposes, the interest on which will fall to be added to the already overgrown amount of the Secretary of State's yearly drawings on the Indian treasuries, I have no hesitation in saying that, under the operation of the proposal submitted for adoption, India will, at least, possess a powerful corrective of the rate of exchange ruling in the London market, even should the Secretary of State withhold his sanction to making gold legal tender in India.

I might enlarge on the importance of the question from this point of view to the finances of India, but I will not weary you. It is clear to me that the equilibrium between the revenue and expenditure of India is closely bound up in the rate of exchange between England and India. It is a fallacy to suppose that by raising a loan in England at a fixed rate, say 5 per cent., India pays an annuity on the amount at that rate only and no more. So long as the interest is payable in sterling in London, and the Secretary of State has to sell his bills payable in rupees, which he can seldom do without loss, the rate of interest, so far as the revenues of India are concerned, is much over 5 per cent. If the present system is to be continued during the progress of the works and until they become productive, the revenues must bear not only the loss of interest, but also the loss in exchange, hitherto expressed at 1*s.* 10*d.* per rupee in contracts between Railway Companies and the Secretary of State.

In conclusion, I presume to say that it is a sound maxim for the statesman, as well as the man of business, not to embark in any scheme from which a creditable mode of escape does not exist, in the event of a complete or partial failure. Should the Secretary of State, while the experiment is being made for encouraging the importation of gold into India, decline to sanction its being declared legal tender, then you can request him to hold his hand for a time, send him a remittance in gold which I have shown to be worth 1*s* 11$\frac{1}{4}$*d.* per rupee at the mint of England.

On the other hand, should your action be successful, and should you thereby obtain a sufficiency of gold to initiate the proposed change, with the full sanction of the Secretary of State, then any danger which may possibly arise from an excessive accumulation of gold in the Currency Department, and the Government Treasuries, will at once be removed.

My remarks on the contemplated issue of a 5-rupee legal tender note I reserve in the meantime.

XXII-C.

SECOND MINUTE ON THE INDIAN GOLD CURRENCY BY GEORGE DICKSON, ESQ., SECRETARY AND TREASURER, BANK OF BENGAL,—DATED 7TH FEBRUARY 1872.

Since I wrote the minute of 15th January, the Financial Secretary has been good enough to place in my hands the official minutes of the Council of India, bearing date the 30th January 1869. Mr. Chapman has, at the same time, asked me to consider carefully the objections raised by the Honourable John Strachey as to the soundness of the conclusions arrived at by the majority of the Council.

If I now attempt to do so in a spirit of fairness, I hope it will be clearly understood that I venture to give expression to opinions in aid of those who are much more competent to deal with the subject than I am, solely with a view to the solution of a very difficult and important subject. I must, however, confess that I have been much impressed with the force and ability displayed in Mr. Strachey's paper. Though his reasoning has failed to produce conviction in my mind, that the measures adopted by the majority of the Council were in the least ill-advised, I agree with him, in principle, when he says that it would be extreme infatuation for Government to adopt any measure which deliberately aims at the contraction of that portion of the circulating medium which is most required for the purposes of the commerce of the country. Being fully convinced, however, of the soundness of the views expressed on the other side by His Excellency Lord Sandhurst and yourself, I shall, with much deference, endeavour to prove that fundamental errors underlie the whole of Mr. Strachey's argument. It may, perhaps, be more convenient to state, in this place, that I concur in the opinions expressed by Lord Sandhurst and Mr. Strachey regarding the proposals of the Mint Masters.

Without referring at any great length to the various reasons adduced by Mr. Strachey in support of his objection to the rating of the English and Australian sovereign at R10-4, I take up the main arguments only, to which, in fact, all the others are reducible—

I.—That the rating will not attract sovereigns to the treasuries, because R10-4 is below the average market price.

II.—That if, notwithstanding this low rating, sovereigns do come into the treasuries in large amounts, they will not pass into circulation with silver coins, because the relative values of gold and silver, as fixed by the Indian Act of 1835, and to which valuation the Notification of 28th October 1868 closely adheres, differ, in their respective proportions, from the relative values of the same metals which have prevailed in the markets of Europe.

At first sight, the experience of the few years which we have had since Mr. Strachey's minute was penned, would seem to confirm the conclusion at which he has arrived, *viz.*, that the sovereign has a higher value in the Indian market than R10-4; for it is perfectly true that the average market price has been R10-8. But, bearing in mind the fact that gold has no legal currency in this country, I affirm that the market price is no sound or true criterion of its ultimate value. In discussing this important point, we must go back to first principles. Much of the confusion that envelopes the question, and has led many authorities into error, is, I think, clearly traceable to a non-appreciation of the very point raised in Mr. Strachey's paper.

It is singular enough that although Mr. Strachey supports his own conclusions upon the authority of Mr. Arbuthnot, yet the very passage quoted by him from the Minute of the latter, goes, likewise, to prove what I have here advanced. I quote Mr. Arbuthnot:—"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"

I might cite many authorities in support of the general soundness of Mr. Arbuthnot's argument; but I will content myself by quoting the following from Tooke on Prices, page 13, Volume I:—"All that can be said, therefore, in general terms, is that a deficiency of supply is commonly attended in the case of corn more than in that of most other articles with an advance in price *very much beyond* the degree of the deficiency. The process by which the rise beyond the proportion of defect takes place is the struggle of every one to get his share, of which there is not enough or so much as usual for all." Again page 17, "while the fact, indeed, and the reason of the fact, that, as relates to commodities generally, and to corn more especially, a deficiency of *quantity* produces a great relative advance in price, has been repeatedly noticed, and variously illustrated by several writers, the converse of the proposition, *viz.*, that an excess of quantity operates in depressing the prices of commodities, generally, but of corn more especially, in a ratio much beyond the degree of that excess, was little noticed until the report of 1871."

Lastly, as bearing strictly on my argument, I quote (page 204)—"Silver is as readily obtained and sent to this country (England), if *the exchange* answers, as gold. There is always a market for silver in this country for any quantity, and the utmost variation in the market price is very trifling; but for this variation, trifling as it is, the merchant shipping it obtains a corresponding abatement in the price."

The soundness of the principle first adverted to—supply and demand against the market price—being beyond dispute, it is abundantly clear that the present high market price of sovereigns is due to the supply being unequal to the demand during a period of exclusively low rates of exchange. Let, however, the supply be equal to the demand, and the market price of the sovereign will soon fall to its ultimate value. As illustrative of the fact that the rate of exchange is intimately bound up in the question, I recall to your memory the fact that, in 1864, a high rate of exchange brought us an over-supply of gold, and the market price of the sovereign fell to R10; and that a deficient supply in 1870 and 1871, with low exchanges, caused the price of the sovereign to touch R10-12. These fluctuations in the market price, arising from extraneous causes, are, therefore, not a safe guide for determining the ultimate value of gold measured in silver. His Excellency Lord Sandhurst most forcibly shows that, by following the market price, the Government of India made the mistake, in 1864, of issuing a notification which soon became a dead letter.

It may perhaps be asked what are the causes which operate against the supply of gold being equal to the demand, seeing that the high prices recently obtained in the market are apparently remunerative? I would reply that, as gold has no place in the currency, not being legal tender, any demands which may arise for it are beyond the reach of accurate calculation as to their range; and the fear of an over-supply and consequent fall in the market price deters importers from operating largely. In short, unless the question can be solved on surer grounds, discussion will, I fear, land us in as great a maze as opposing views on the subject of free will or predestination are apt to do.

I come now to the second and more important point already adverted to and put by Mr. Strachey, thus:—"The real question 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 should have a reasonable prospect of remaining current." I would follow the reasoning of Lord Sandhurst in reply, and, to my mind, it meets most effectually the points raised by Mr. Strachey. If I now attempt to put forward similar views in my own way, and from my own point of view, I may perhaps help to throw additional light on the subject.

When treating of the precious metals as articles of merchandize, it is necessary to bear in mind that their importation is not wholly determined by considerations of profit and loss. The importation of gold or silver is resorted to, chiefly, in discharge of obligations which one country owes to another, when Bills of Exchange are not available for the same purpose, or when the premium demanded on such bills is in excess of the charges on specie shipments. This being so, it follows that the same considerations which would lead the British merchant or banker, who has a debt to remit to India, to prefer specie to Bills of Exchange, would also induce him to give the preference to gold or silver just as the one or the other appears to him to be the cheaper remittance.

Before applying this principle to actual facts, I notice that Mr. Strachey (§ 12), when discussing the relative value of gold and silver under Act XVII of 1835, quotes, with perfect accuracy, the appendix to the Blue Block issued by the Indian Commission of 1867, and he fairly points to the fact that the price of silver in London, in the early part of 1864, was 5*s.* 2$\frac{3}{8}$*d.*, and, a few months before the submission of the report in 1867, it stood at 5*s.* 2$\frac{1}{2}$*d.*; he then adds—

"If these had been the prices which have commonly prevailed, the conclusion stated in the passage which I have 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."

He afterwards goes on to shew that the average price of silver had been only 4*s.* 11$\frac{7}{8}$*d.* for 25 years, and the average value of gold to silver 1 to 15·604, and, for a further period from 1844 to 1865, the average price of silver was 5*s.* 0$\frac{3}{4}$*d.*, and the value of gold to silver 1 to 15·358, but that since July 1866 to the date of his minute the price had never gone above 5*s.* 1*d.* This again is followed by a table of reference furnished by the Financial Department, shewing the relative proportions of gold and silver at various fluctuating rates.

I must here admit that, if any error occurs in the tabular statements of the appendix to the Report of the Indian Committee, the blame chiefly rests with me, as I was at no little trouble to aid in their compilation from Parliamentary and Mint Returns, as well as other available sources, and, among others, from Mr. Tooke and the Bankers' Magazine. It comes, after all, to this, that the best sources of information vary in their results when averages are cast. I have, however, at present the advantage of writing at a date considerably later than when Mr. Strachey wrote, and I quote from the appendix to the Blue Book of the Royal Commission on International Coinage the annexed table :—

Statement shewing the price of Silver in London in the years 1856 to 1865.

BULLION OFFICE,

BANK OF ENGLAND;

July 1868.

PRICE OF SILVER PER OUNCE STANDARD.

	Lowest.	Highest.
1856	$60\frac{1}{2}$	$62\frac{1}{4}$
1857	$61\frac{3}{8}$	$62\frac{3}{8}$
1858	$60\frac{3}{4}$	$61\frac{7}{8}$
1859	$61\frac{3}{4}$	$62\frac{3}{8}$
1860	$61\frac{1}{4}$	$62\frac{3}{8}$
1861	$60\frac{1}{8}$	$61\frac{3}{8}$
1862	61	$62\frac{1}{8}$
1863	61	$61\frac{3}{4}$
1864	61	$62\frac{1}{2}$
1865	$60\frac{1}{2}$	$61\frac{7}{8}$
	$609\frac{1}{4}$	$620\frac{7}{8}$

Average medium price $61\frac{1}{2}d.$

I quote it at length to shew the danger of relying on averages *as a sole guide ;* for it clearly appears that, in *every year* between 1856 and 1865, the price of silver per ounce standard in London exceeded 5*s.* $1\frac{3}{8}$*d.*, and that the average medium price was actually 5*s.* $1\frac{1}{2}$*d.*, giving the relative value of gold and silver as 1 to 15·34. Mr. Strachey unquestionably shews, by taking the quotation in London at 5*s.* $0\frac{3}{8}$*d.*, that the actual relative value of gold and silver in London is 1 to 15·52, while, under the Indian Act, it is only 1 to 15, and that, according to the actual rate in London, R10 are equivalent to 106·76 grains of gold, whereas according to the Act they are equivalent to 110 grains; and finally that, according to the market rate, a sovereign is worth in London the quantity of silver contained in R10-10-1 ; but according to the Act it is worth R10-4-4. I respectfully submit, however, that the argument being unsound in its inception, the superstructure raised on it crumbles to pieces, as I shall endeavour to shew hereafter.

What I have ventured to adduce against Mr. Strachey's argument, and his calculations based on the prevailing price of silver at the date of his minute, is forcibly confirmed by Lord Sandhurst in pages 92 and 93 of his minute.

Reverting, however, to the subject of the precious metals as articles of merchandize, I would desire to refer to facts occurring under our own eyes.

The present dearness of money has caused a rise in exchange, and specie remittances have consequently become more profitable than bills. The latest quotation for bar silver in London being 5*s.* 1*d.* per ounce, let us see what rate of exchange it gives when coined into rupees in India.

Former estimates give the charge of laying down silver in India at $3\frac{1}{2}$ per cent. ; but, as more active competition, and the opening of the Suez Canal, have caused considerable reductions in both freight and insurance, the present rate may safely be taken at $1\frac{1}{4}$ per cent. only (*see* afterwards as to cost of sending gold).

The actual result is as follows:—

	£	s.	d.
Cost of an ounce of silver	0	5	1
Freight, insurance, brokerage, and packing charges .	0	0	0¾
Loss of interest during process of coinage, say, 10 days at 6 per cent.	0	0	0·125
Total cost . .	0	5	1¾·125

	₨	a.	p.
Outturn of an ounce of standard silver containing 444 grains fine into rupees containing 165 grains fine	2	11	0
Less seignorage at 2 per cent.	0	0	11
Net outturn .	2	10	1

In other words, £0-5-1¾·125 being equal to ₨2-10-1, the rate of exchange per rupee is 23¼·10*d.* It follows, therefore, that when the exchange on India is above 23½*d.* per rupee, and the price of silver in London is 5*s.* 1*d.* per ounce, a remittance in silver is more profitable than bills. Mr. Strachey's example and illustration of silver at 5*s.* 0¾*d.* is entitled to equal weight with my own; but, after all, it only comes to what I have said over and over again, that the relative values of the two metals, notwithstanding periodical fluctuations, do very soon adjust themselves to each other.

But, to follow out my argument, let us see the result if, instead of silver, sovereigns were remitted to India, and which the Indian Committee have rated at ₨10-4—

	£	s.	d.
Value of 10 sovereigns	10	0	0
Freight, insurance, and packing charges, say, to be safe, ⅞ per cent.	0	1	9
	10	1	9

N.B.—I so far modify former estimate, because in the case of sovereigns there is a saving of brokerage, as well as of the loss of interest incurred in the case of silver during the process of minting, apart from the saving on shipping and landing charges as compared with the more bulky silver remittance of an equivalent amount.

	₨	a.	p.
Value of 10 sovereigns in rupees at the rate of ₨10-4 . .	102	8	0

showing the rate of exchange to be 23½·4*d.* per rupee.

Such is the nicety of calculation which guides the importer, that at the moment I write, we find both gold and silver coming into our markets; for, in comparing the rate of exchange on a remittance of silver bought in London at 5*s.* 1*d.* per ounce and coined into rupees in India, with the rate on a remittance of sovereigns valued at ₨10-4 per £ sterling, we find only three-tenths of a farthing in favour of silver—a difference too minute to affect the importation of the ready-coined sovereign.

I trust I have shown sufficient grounds for establishing the fact, that the rating of the sovereign at ₨10-4 is a sound and scientific rating, when the fact is kept in view that the price of silver per ounce standard in the London market, from 1856 to 1865, a period of 10 years, never fell, at the highest point, below 5*s.* 1½*d.*, and sometimes touched 5*s.* 2¼*d.*, 5*s.* 2⅝*d.*, and 5*s.* 2½*d.* and that the average medium price during that period was 5*s.* 1½*d.*

The rating at ₹10-4 is, moreover, in strict conformity with the provisions of Act XVII of 1835, which declared the relative values of the gold mohur containing 165 grains of fine gold, and the rupee containing 165 grains of fine silver to be as 15 to 1. Mr. Strachey argues that the English and Australian sovereigns proposed to be issued under the authority of Act XVII of 1835 will not remain in circulation, because the relative values of gold and silver have not been fixed in the proportions commonly obtaining in the West. Mr. Strachey, however, has not given or shown what that proportion is, and I may say that, had he attempted to do so, he would have found it no easy matter, for this reason : In London, where gold has a *fixed value*, and silver a marketable price, the relative value of the former to the latter will be less or more just as the price of silver happens to rise or fall. The various tabulated statements clearly bear out my argument, and I have only to illustrate it by a very short example, thus :—

When the price of an ounce of silver in London is 5*s.* 3*d.*, the relative proportion of an ounce of gold to an ounce of silver is 14·96 to 1 ; but when the price is only 5*s.*, the relative proportion is 15·71 to 1.

The same rule will hold good in all countries where gold has a *legal value* and silver the price of an article of merchandize only. But is the currency of India and the conditions under which she obtains her coined money so analogous to those of England that, as a rule, the relative value of gold and silver in the former should be determined by the relative value of gold and silver in the latter? England, we all know, has a gold currency, and the English public obtains the sovereign free of mintage. India has a silver currency, and the Indian public obtains the rupee at a charge of 2 per cent., and then only after a delay of (say) 7 to 10 days.

I may be permitted to mention here that, as a matter of fact, India obtained more silver of late years from China and elsewhere than from England. I do not, however, mean to enforce this as a reason against the London price alone being followed in determining the relative values of gold and silver. But to resume my argument, I am prepared to admit that an ounce of gold, £3-17-10½, and an ounce of silver bought at, say, the average medium rate of 5*s.* 1½*d.* already quoted, and both laid down in India, ought to bear the same relative values as at the port of embarkation, because the cost of transmission will be nearly the same in either case, though, as already shown, the charges for silver are somewhat higher. But at this point, our divergence begins. For, when one of the two metals is manufactured into coins, or when both are manufactured into coins, they do *not* continue to retain the same relative value. In the former case the value of the metal manufactured is increased by the cost of manufacture, and by its assuming the character of money. In the latter case, the silver coin is relatively more valuable than the gold coin, by reason of the additional seignorage, and the comparatively greater time consumed in its manufacture. Upon the same principle a piece of silver containing 165 grains fine, has *not* the same purchasing power as the rupee, simply because new elements of value have been imparted to the latter.

It is perfectly true, as stated by Mr. Strachey, that the relative values of gold and silver in London, when the latter sells 5*s.* 1*d.* per ounce standard, are as 15·45 to 1. But, on the same basis, and by parity of reasoning, it is equally true that the relative values of the 15-rupee gold mohur, which contains 165 grains of fine gold, and the silver coin, which contains 165 grains