State, for the prosecution of Extraordinary Works, it must be borrowed in India, and in the currency of India.

26. With such facts before them, the Government of India apprehend that if loans be no longer raised in England, the excess of the export over the import trade of India will not more than suffice to meet the obligations arising from the Secretary of State's demands and those of private remitters; and there consequently appears no reason to expect that India (as the Chamber anticipate) will be flooded with depreciated silver.

27. On a review of all that has been advanced, the Governor General in Council, while deeply sympathising with the losses of individuals, and the disturbance of trade caused by the fall in the exchange value of the Indian currency, is still unable to recognise any of the proposals which have been put forth as calculated to afford relief without inflicting on the country losses greater than those under which it at present labours. Nevertheless, the anxious solicitude of the Government of India will continue to be directed to the subject, and to the consideration of any suggestions designed to ameliorate the existing evil.

28. The investigations prosecuted up to the present moment, have led the Government to the following conclusions:—

1st.—That the divergence of the values of gold and silver is not necessarily attributable only to a diminution in the value of silver; that there are strong reasons for believing that gold may have increased, as well as that silver has decreased, in value; and that this consideration must have an important bearing on the action of Government, in reference to the present disorder.

2ndly.—That, although it is most desirable in the interests of trade, that the standard of value in India should be the same as the standard of value in the chief countries with which India interchanges commodities, yet trade will not be permanently injured by a fall in the value of the rupee measured in gold, provided only that a fresh stable equilibrium of the precious metals be attained.

3rdly.—That, up to the present moment, there is no sufficient ground for interfering with the standard of value.

29. The Governor General in Council has, consequently, by the Resolution No. 1967, dated 31st July 1876, and now read again, already taken other steps for endeavouring to bring the revenue and expenditure of the current year into equilibrium. Nothing has occurred, since the issue of that Resolution, materially to lessen the apprehensions, or alter the opinions, therein expressed by His Excellency in Council.

30. Meanwhile, it is important that the Government should continue to use the resources at the disposal of the State for the development of the trade and productions of India. The Governor General in Council does not, therefore, intend to discontinue borrowing, for the construction of public works the remunerative character of which is thoroughly established, as much money as can be judiciously expended on them; provided always that money can be raised for the purpose on advantageous terms in the country itself. There are, in the judgment of the Governor General in Council, grave objections to any present increase of the liabilities of India fixed in gold.

31. The suggestion in the memorial from the Calcutta Trades Association, as to the purchase of stores for Government use in India, rather than in England, has already received, and will continue to receive, the attention of

the Government, both in England and in India. But, whatever the condition of the exchanges, there are various other circumstances which must, in the opinion of the Government of India, be taken into consideration in the determination of this question.

32. In conclusion, the Government desires to correct an important misapprehension manifested in the letter from the Chamber of Commerce, dated 22nd June 1876. The R2,33,20,000 provided in the estimates of the current year under the adjusting head, *Loss by Exchange*, was covered by the estimated Revenue of the year; credit was not taken for any borrowed money as if it were revenue: nor will the excess amount, borrowed during the year by the Secretary of State, be treated as Revenue, or set against the ordinary Expenditure of the year.

ORDERED, that this Resolution be communicated to the Bengal Chamber of Commerce and the Calcutta Trades Association, and to the Bombay and Madras Chambers of Commerce;

that copy be sent to each Department of the Government of India, and each Local Government and Administration;

and that it be published in a *Gazette of India Extraordinary*.

XXIX.

DESPATCH TO THE SECRETARY OF STATE FOR INDIA, No. 368, DATED 13TH OCTOBER 1876.

In continuation of our despatch No. 263, dated 31st July 1876, and with reference to the 71st paragraph of Your Lordship's review of our estimates for 1875-76, No. 305, dated 10th August 1876, and to the telegraphic correspondence of which we append copy, we have the honour to invite the attention of Your Lordship in Council to our Resolution published in the *Gazette of India Extraordinary*, dated the 22nd September 1876, upon the subject of the consequences to British India of the present depreciation of silver in relation to gold.

2. While it seemed to us that the people of India were entitled to know the results of our deliberations upon a subject of such vital importance to them, so far as these results could be conveniently made known, we were restrained by obvious considerations from publishing our views and expectations without much caution and reserve. But difficult and complex as are the questions demanding our attention in consequence of the disturbance of what had, for so long a time, been the normal equilibrium of the precious metals, and diffident, as we cannot but be, of the soundness and permanence of our conclusions, we feel it our duty, in addressing Her Majesty's Government, to discuss the subject with freedom, and to communicate to Your Lordship our present convictions and suggestions, undeterred by the apprehension that they may be modified by the course of events.

3. We have pointed out in our Resolution that the present divergence of the values of gold and silver may be caused either by a relative increase in the value of gold or a relative decrease in the value of silver, and indicated our opinion that it is, in fact, probably due partly to one cause and partly to the other. The effect upon our finances, whatever the origin of the disorder, is such as to cause us grave anxiety. Judging from past experience, we hope that if the rupee should prove to be permanently worth 1*s.* 8½*d.*, our existing revenues would be found, on an average, quite sufficient to support our existing ordinary expenditure. But we could expect no material margin to cover the many contingencies which the Government of so extensive an Empire must be prepared to meet, nor any surplus to reduce, in years of peace and prosperity, our debt incurred in past times of war and of seasonal calamity.

4. Moreover, it is our established practice—a practice enjoined upon us by Her Majesty's Government, and which is indeed plainly dictated by prudence—to frame our estimates so cautiously as, in effect, to reserve for unforeseen contingencies during the year some margin of revenue in excess of the surplus shown by the estimates. Unless this policy be abandoned, our accounts will continue to be, as they have for some time been, and as in our judgment they ought to be, somewhat more favourable than the estimates. In other words, if, with the exchange at 1*s.* 8½*d.*, we can expect only a bare equilibrium of revenue and ordinary expenditure upon the accounts, we could not (without changing the principles on which our estimates are framed) shew the desired surplus upon the estimates, with a less favourable exchange, probably, than 1*s.* 9*d.* the rupee.

5. Should the value of the rupee fall permanently below 1*s.* 8½*d.*, a contingency which certainly at the present time cannot be regarded as impossible,

then, in order to maintain financial equilibrium, it would become necessary for us to adopt measures either for raising the value of our standard, or for reducing our ordinary expenditure or increasing our revenues. We calculate roughly that for every 1*d.* by which the sterling equivalent of a rupee may fall below 1*s.* 3½*d.*, we shall be compelled to improve by one crore of rupees the balance of our account excluding the extraordinary expenditure.

6. To whatever extent the decrease in the sterling value of the rupee is caused by an increase in the value of gold, there is a direct addition to the burden of the liabilities of India to Great Britain, the main item of which is the great sum disbursed yearly, under fixed conditions, from our Home Treasury. An addition to the liabilities of India arising from an increase in the value of gold, so far as it affects the State, can be legitimately met only by an equivalent improvement of the account of revenue and ordinary expenditure, *i.e.*, either by an increase in the revenue or a decrease in the ordinary expenditure; there is no way of avoiding this necessity. To meet any obligation thus caused by raising the value of our standard unit of value would, we conceive, be an especially vicious form of class-taxation; for the burden of it (while virtually raising the demand of Government on those who reap the products of the soil) would fall exclusively upon the poor and indebted, the rich and creditor class benefitting, like the State, at the expense of the rest. We should consider this expedient quite inadmissible.

7. On the other hand, to whatever extent the decrease in the sterling value of the rupee may be due to a decrease in the value of silver, there is (apart from the increased charge necessary to meet our obligations at Home in gold) no real addition to the sum of the liabilities of the country, and what is called for is a re-distribution of these liabilities, not involving, on the whole, any increase of taxation or, directly, any decrease of expenditure. Such re-adjustment could only be made thoroughly by a restoration of the lost value of the standard unit of value; but this would be a costly measure beset with serious obstacles and fraught with difficulties, the formidable character of which must not be underrated.

8. We consider it certain that, if we should find it necessary to make any change in our standard unit of value, it would be incumbent upon us sooner or later, and more or less quickly, to call in our old currency, and, directly or indirectly at the public expense, to substitute a new currency representing the new standard by real value. Our present standard unit of value would, doubtless, immediately cease to exist, if we were simply to cease the manufacture of coins of this standard; and provided only that we did not annex conditions so severe that they could not be profitably accepted, any new standard that we might adopt would be established at once by the mere act of opening our mints to the manufacture of coins of the new standard alone, upon fixed and uniform conditions. Our existing full-legal-tender coinage would, if we authorised the manufacture of no new full-legal-tender money, represent domestically a new standard, the value of which would be the monopoly value of the existing stock of coins. If we introduced a new and more valuable standard, the existing coins would represent domestically the new standard, just as the full-legal-tender silver coins of France, and her associates of the Latin Convention now represent domestically not their own independent value, but that of the coins of equal nominal value in gold, which is, for the time being, the sole monetary standard of those countries.

9. We are thus quite aware that our standard of value might be enhanced without any immediate change in the body of our currency; and that we

might, for a time, enjoy many of the advantages of a gold standard, without undergoing the expense of introducing a gold currency. But we wholly distrust the advice and conclusions of those who think that such a state of things could be tolerated permanently, or even for any considerable length of time; in other words, that we could introduce an enhanced standard, and yet, indefinitely, escape the obligation to introduce an enhanced currency. So long as the currency of a country is out of accord with the standard, the country is exposed to all the evils of an inconvertible paper currency : the value of its money abroad differs from its domestic value, and the community is exposed to the depredations of coiners and forgers. It is not, we conceive, necessary for us to multiply arguments on this point : but we must record our deliberate conviction that, although we could, hardly, under any circumstances, hope to effect an enhancement of our standard of value, without being compelled to endure, for a time, the evils inseparable from a currency not truly representing the standard, it would be our imperative duty to adopt immediate and definite measures to bring this state of things to an end, within a specified time, by the introduction of a sound currency, that is to say, of a currency representing the standard by its own independent value, abroad as well as at home.

10. The cost of an enhancement of the standard of value in any country must depend (1) upon the nature of the particular enhancement made, and (2) upon the volume of the currency to be superseded. A mere addition to the weight of the existing unit of value would enhance its value without any concomitant depreciation of the material of the superseded currency, which would rather gain in value by such a measure. For example, the weight of fine silver in a rupee might be increased from 165 to 181½ or 198 grains (*i.e.*) by 10 or 20 per cent., without any injury to the value of the silver in the present rupees which it would be necessary then to call in ; on the contrary, such a measure would be favourable to the value of silver in every form including the silver in the disused rupees. But the substitution of gold for silver could not but have an unfavourable effect upon the value of the rejected metal in every form, including the metal in the superseded coin. Thus if for 10 rupees containing 1,650 grains of fine silver, we should substitute a gold piece of 10 rupees containing 98·878 * grains of fine gold it is impossible to estimate the extent to which the value of silver, and, therefore, of the superseded silver rupees, would be depressed.

11. The cost of any enhancement of the standard unit of value in a country is the difference between the value of the material of the new currency plus the expense of its coinage (not including seignorage) and that of the material of the old currency which must be withdrawn, after its demonetisation : and, as already said, a mere addition to the weight of the unit without a change of its material would, probably, be much less costly than a change of the metal itself. But whichever method be adopted, the actual cost of the measure must be in proportion to the volume of the disused currency. Upon this point, we observe that as 216 crores of rupees have been coined in India since May 1835, and 166 crores since May 1850, there seems no room for doubting, after all allowances are made for the disappearance of our coined silver through exportation, losses, or domestic conversion to other uses that the volume of the existing silver currency of British India is large, and that the expense of withdrawing it would be great.

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* At this rate Re. 1=1*s*. 9*d*. See *infra*, para. 16.

12. We can hardly estimate the coined rupees now in existence at less than 200 crores. The cost of enhancing the value of this mass of coin by adding to the fine silver in the rupee would depend of course upon the weight added; an addition of 10 per cent. would cost 20 crores, an addition of 20 per cent. would cost 40 crores of rupees; and there would be the further cost of coining the new rupees to the extent to which they might be demanded.

13. The cost of substituting a gold currency for the existing 200 crores of rupees would depend—

(1) upon the weight of the new gold unit of value and the value of gold relatively to silver after the announcement of the measure;

(2) upon the volume of the silver subsidiary or token currency which would be necessary;

(3) upon the value of the rest of the silver in the present coinage which must be called in after its demonetisation.

Upon the first point it is important to observe (*a*) that no enhancement of the standard unit of value is admissible beyond the point necessary to regain a value lately and suddenly lost; in other words, the Government might, upon adequate occasion, be justified in taking measures to restore to the standard unit of value, value quite recently lost, or to prevent an anticipated loss of its value, but nothing more; (*b*) that it would be necessary to take into consideration the effect upon the value of the reformed standard unit of value of measure so adopted. The value of gold would be surely enhanced by the substitution of gold for silver as the standard of value, and, so, as the material for the legal tender coin of British India; in fixing the weight of the gold unit of value to be adopted, it would be necessary to bear in mind this certain concomitant enhancement of the value of gold.

14. To raise the standard of value of any country above its actual or very recent value would be a breach of the public faith. Innumerable contracts are made, day by day, upon the basis of the standard unit of value and in the faith that no change will be made in the standard: the parties to such contracts must accept the risks of any natural and fortuitous changes in the value of the standard of value; but although the State might, upon sufficient cause shown, properly and with benefit to all concerned, interfere to prevent, by its own act, future violent changes in the value of the standard, it could not, without injustice to numerous private interests, carry any such adjustment far backwards.

15. It is especially important to observe that the State would have no right to change or enhance the standard unit of value either for the benefit of the public revenues, or of any class or classes of the community, however influential or valuable, or on any ground other than that the relations of the whole community were so disturbed by the alteration of the value of the standard that the common weal required its re-adjustment.

16. Bearing in mind these several considerations, and remembering the consequences, affecting the value of gold, that must follow in other countries upon the introduction of a gold standard into British India, it seems to us out of the question to expect that it would, under any circumstances now conceivable, be proper for the Government to adopt a gold standard unit based upon the common popular assumption that the proper value of the rupee is one-

tenth of a pound sterling; the highest estimate of what might, now, be a proper sterling value for a new gold standard unit of value in British India could hardly exceed 1*s.* 9*d.* For the present, however, it is only necessary to remember that, inasmuch as the country must, eventually, bear the loss of the value of the called-in rupees as compared with that of the new standard unit, the cost of the measure would depend, in one aspect, directly upon the value fixed for this new unit, whatever it might be.

17. The second element which must be calculated before any estimate can be made of the cost of substituting, in any country, a gold for a silver currency, is the amount of silver that would be required for the subsidiary or token silver currency. This amount cannot be ascertained by any general rules, but would depend upon the population, the wealth and the habits of the country and upon the character of its currency. The nominal value of the silver token currency of Great Britain (*estimated population* 33,000,000) is supposed to be about £19,500,000, all coins below the half-sovereign being tokens. In France (*estimated population* 35,000,000) token coins to the nominal value of only £9,167,213 in all were struck from their first introduction in 1864 to the end of 1875, but in France there are full-legal-tender 5 franc pieces (=4*s.*), and the largest token coin is the 2-franc piece. In Germany (*estimated population* 43,000,000), where the lowest full-legal-tender piece is 5-marks (say 5 shillings), silver token coins of the nominal value of £14,148,554 had been struck to the 12th August 1876: the total amount that Germany will require is still matter for conjecture, but the law authorises the issue of 10-marks a head of the population, or, at present, £21,500,000 in all. The Resolution of Congress, dated 24th July 1876, fixed the maximum nominal value of the entire subsidiary currency of the United States of America (*estimated population* 42,000,000), where the smallest full-legal-tender coin is the dollar (=4*s.*) at 50,000,000, or say £10,000,000. Doubtless, however, the volume of the subsidiary coinage of British India with its vast and poor population (*estimated at* 185,000,000), which must in the greater part of the transactions of life make use of a material less costly than gold, would be large and, perhaps, for present purposes, we may estimate it at 30 crores of rupees.

18. If so, upon the assumption already made, that there are now 200 crores of legal-tender rupees in existence, the cost of the measure would be 170 crores of the new rupees less the value of the 52,646,400lb. troy of standard silver contained in the superseded rupees, and plus the expense of manufacturing the new coins. To complete the calculation, it would be essential to estimate what the value of silver measured in gold would become, if gold should be substituted for silver as the legal standard of value in British India; and this can only be subject for speculation. At 2*s.* 6*d.* an oz., the standard silver in 170 crores of rupees would be worth £78,969,600. Upon the whole, it seems impossible to mention any sum under 100 crores of rupees as the estimated cost of substituting gold for silver as the standard of value, and, ultimately, as the material of the full-legal-tender coinage of British India: and, considering the wide-spread demonetisation of silver that would probably ensue in other countries, the cost might, very likely, be much more.

19. The question still remains for discussion, whether the cost of any measure for changing the standard of value and the material of the full-legal-tender coinage of British India should fall upon the public revenues

or upon the holders of the coinage. Regarded broadly as affecting the interests of the country as a whole, it is not of such importance, as might at first sight appear, how this question is decided; for, whether it be defrayed from the public revenues or from the property of individuals, the loss must inevitably be borne by the country. But, in our present judgment, there can be no doubt that if the standard of value and the currency are, for the public weal, changed by an act of the Government, the entire cost of the measure should, in justice, be borne by the State, and should not fall upon the individuals who happen to own the currency when it is called in. If the value of the standard of value is reduced by some accident or some external circumstances over which the Government can exercise no control, there is no reason why the State should hold the possessors of coin harmless from the consequences; but it would be a breach of the public faith if the Government were, by its own act, to reduce the value of the existing currency without indemnifying the holders.

20. If our views are so far correct, the case stands thus: There is much reason to apprehend that, for the present, even if we were to change the standard unit of value, and if there were no further national demonetisations of silver, the rupee would be worth little more than 1*s.* 8*d.* sterling. If we had been obliged to estimate for the entire supply of the Home Treasury this year at this rate, borrowing nothing in sterling money, there would have been a deficit upon our estimates of R78,40,000; and this, although our estimates were, in some respects, fuller than is customary. After a careful examination of the condition and prospects of our existing sources of revenue, we cannot anticipate any considerable or rapid improvement in them. If therefore we are to calculate upon a future exchange of 1*s.* 8*d.*, we must either increase our revenue or decrease our ordinary expenditure by at least half a crore of rupees a year. We fear that it is by no means an excessively desponding forecast, that if, eventually, measures for reforming the standard should take the shape of an increase to the weight of the fine silver in the rupee, they would not cost the State ultimately less than 40 crores, and, if they should take the shape of a substitution of gold as the standard of value, 100 crores of rupees.

21. Briefly, upon a moderate view of the situation, we cannot estimate at less than $5\frac{1}{2}$* crores of rupees the yearly improvement necessary in the relation between our revenue and our ordinary expenditure, to enable us to adopt gold as our standard of value and thus restore our currency to the completely sound condition attainable only by this measure. We might possibly, in case of need, effect a considerable improvement in the standard by adding 20 per cent. to the weight of fine silver contained in our unit if we had $2\frac{1}{2}$† crores at our disposal annually in excess of our existing resources. The sterling value of the rupee must fall to 1*s.* $6\frac{5}{16}$*d.* (standard silver 47·02*d.* the oz.) before our financial state could be as bad as it would be if we were compelled to add 20 per cent. to the weight of fine silver in the rupee; and to 1*s.* $3\frac{7}{8}$*d.* (standard silver 41·02*d.* the oz.) in order to place us in the finan-

	Crores.
* Deficit, apart from the reform of the currency	$\frac{1}{2}$
Interest on 100 crores of rupees .	5
	$5\frac{1}{2}$

	Crores.
† Deficit, apart from the reform of the currency	$\frac{1}{2}$
Interest on 40 crores of rupees .	2
	$2\frac{1}{2}$

cial condition in which we must expect to find ourselves after introducing a gold standard and a gold currency.

22. It may be well, however, to examine further the relative advantages of an addition to the weight of fine silver in the rupee, and of a change to a gold standard and currency. We have shewn that the former alternative, the improvement of the silver standard unit of value, would probably be much the cheaper: but its actual cost would be uncertain, and there would be a want of finality about the measure that would make it, as a currency or monetary device, vastly inferior to the adoption of a gold standard: indeed, in the opinion of our honourable colleague Sir William Muir, this is a remedy which, under no probable contingency, the Government would be justified in adopting.

23. The adoption of a gold standard would be a far more complete remedy; but it would be indefinitely costly, and it would have the grave disadvantage of operating directly to raise the weight of our net foreign obligations. The yearly disbursements in England on behalf of our Government alone cannot be estimated at less than 15 millions sterling, a large part of the component items being more or less permanently fixed. The means for these disbursements are supplied, ultimately, by the export of Indian commodities which are, directly or indirectly, exchanged for gold. Any rise in the value of gold would necessitate a corresponding addition to the quantity of commodities which must be supplied by India for this purpose, and is therefore opposed to the interests of India.

24. Moreover, the condition of the account between India and the external world is such that we cannot but regard any such increased demand upon India with apprehension. In paragraphs 23—26 of our Resolution, we have adduced reasons for thinking that, even in the past, if we had borrowed no money, directly or indirectly, from abroad, there would have been but small balance in favour of India, upon the account between her and the external world. In the last quarter of a century, it appears that, but for the accidental enhancement of the value of our cotton exports, owing to the American Civil War, there would have been no such balance at all. In further illustration of these facts, we present a statement of the principal details of the account between India and the external world for the ten years ending the 31st March last.

25. An abstract of these statistics may be thrown into the form of an equation as follows:—

India and inland Asia trading through India, in account current with the world beyond sea; 1866 to 1876 (in crores of rupees).

Dr.		Cr.	
Net imports of treasure . .	78	Value of exports in excess of value of imports. Commodities other than treasure .	199
Net disbursements from the Home Treasury of the Government of India. . . .	117	Net amount borrowed by the State, directly, in England .	55
Balance, being the net result of all other transactions, private and public, including the rupee debt indirectly incurred abroad	59		
	254		254

26. The average annual disbursements of the Home Treasury, in future, can hardly be calculated at less than 13 millions sterling, besides payments for stores,* being, at 1*s.* 8*d.* the rupee, 15½ crores of rupees. If, therefore, there be no further additions, direct or indirect, to our public foreign debt, the average account of India with the external world, in the future, may be expected to be as follows:—

India and inland Asia trading through India, in account current with the world beyond sea; annual average (in crores of rupees).

Dr.		Cr.	
Net disbursements from the Home Treasury . . .	15½	Excess value of exports, other than treasure exported in settlement of the Account .	20
Net settlement of other transactions, public and private .	6	Balance against India . .	1½
TOTAL .	21½	TOTAL .	21½

27. It is assumed, in this equation, that the net yearly average amount of private remittances to Great Britain is 6 crores of rupees, which is the average deduced from the foregoing decennial account. The amount has been estimated, on other grounds, at a considerably lower sum, *viz.*, 4½ crores; but supposing we were to take it as low as 5 crores, and the rate of exchange as high as 1*s.* 9*d.*, the two sides of the equation would be nearly balanced: in other words there would be no excess of obligations in favour of India, to be met by payments in bullion. It is further assumed that the fall in the sterling equivalent of a rupee to 1*s.* 8*d.* is wholly due to the appreciation of gold; to whatever extent it is actually due to the depreciation of silver, the number of rupees required to exhibit the excess value of exports would be increased, and the balance against India decreased, without any increase of the *quantity* of the net exports. On the other hand, any further appreciation of gold would aggravate the balance against India, which must be redressed either by a reduction of imports or an increase of exports.

28. There is clearly no probability of any large influx of treasure into India in the early future; and, without severe sacrifices, India could not, at present, meet much heavier obligations in gold than she now does. If, indeed, the present disorder in the exchanges is due, as is so widely supposed, only to a fall in the value of silver, the account between India and the external world will eventually not be in any way injuriously affected. It is the value of *gold*, and not of silver, that chiefly affects the interests of India in her account with the rest of the world: she is burdened with a heavy load of obligations fixed in gold, and her interest is, therefore, strongly opposed to any increase in the value of that metal. A large decrease in the value of silver would involve India in painful domestic re-adjustments, and serious, though limited, direct loss in the value of her stock of silver; but, owing to her heavy foreign indebtedness, a fall in the value of silver could hardly be so injurious to her as a corresponding increase in the value of gold. It seems to be of primary importance that this should be thoroughly apprehended in considering the question of a gold standard.

*NOTE.—The value of stores imported on State account is included in the value of imports set off in calculating the value of the net exports, and must not, therefore, be counted again in the disbursements from the Home Treasury.

29. Bound up with the arguments thus adduced, is the question whether, in fact, India could adopt a gold standard, without causing so considerable an increase in the general value of gold; in other words, so large a decrease in general prices, as, apart from its more immediate effects upon the foreign obligations of India, might produce serious economic disturbances not only in India but in the world at large.

30. It seems highly probable, as we have already remarked, that the rejection of silver by British India as a standard of value and as the material of full-legal-tender money, would cause so great a fall in the value of this metal that it would be impossible for other civilised nations to continue to use it as full-legal-tender money; so that the adoption by India of a gold standard would probably involve its adoption by various other countries. Doubtless, the calculations made by Humboldt, Jacob, and others of the stock of the precious metals in human possession at different periods do not profess to be precisely accurate, and cannot be trusted within wide limits. But there does seem good reason for thinking that, counting silver, as in 1848, equal to one-fifteenth-and-a-half part of its weight in gold, the stock of gold alone now in human possession does not exceed two-thirds of the stock of the two precious metals together in 1848, *i.e.*, before the discovery of gold in California. Prices in 1848, measured in either metal, were unduly low; and, since 1848, there has been a vast expansion of the population and commerce and wealth of the world. After making large allowances for the simultaneous development of various expedients for dispensing with the instrumentality of metallic money and for the much cheaper production of many general commodities, there appears to be ground for grave apprehension that the metallic money of the world could not now, without revolutionary results, be supplied by two-thirds of the stock in human possession in 1848.

31. We should not, perhaps, pass without notice the suggestion that we might raise the value of our standard unit of value by increasing the duty of seignorage, without any alteration in the weight or substance of the unit itself. This is, doubtless, true within limits; though it would be always uncertain how far any increase of seignorage would cause a further fall in the value of silver, and, to whatever extent this result might be produced, the object in view, the enhancement of our standard, would not be attained. Subject to this drawback the expedient might perhaps be entertained as a temporary measure only, preliminary to an addition to the weight of pure silver in the rupee, and pending the ascertainment of the proper addition to be thus made which could not be settled until the true permanent value of silver under its new conditions was known. The objections to this method, as a permanent arrangement, appear to us to be insuperable: they are of the same character as the objections to an inconvertible paper currency, *viz.*, that the currency would be exposed to the depredations of coiners and forgers, and that its domestic value would differ from its foreign value.

32. One other consideration should not be overlooked in relation to all measures affecting our currency, namely, that, as pointed out by our honourable colleague Sir William Muir, in a Minute attached to our Resolution, though not published, it is not easy to foresee the effect of any change of our currency upon the operations of the mints of Native States, whose coins circulate more or less freely in some parts of our territories.

33. We have deemed it our duty thus to examine the arguments for and against the several possible methods of enhancing our standard unit of value,

because serious as is the existing divergence of the value of silver and gold, it is possible to suppose that it has not yet attained its greatest or permanent limits: it behoves us, therefore, to determine, as much as possible, beforehand, what our policy should be in the event of a further considerable fall in the value of silver measured in gold, or even in general commodities.

34. We have announced in our Resolution that it is not our intention, at present, to increase our sterling liabilities, if we can possibly avoid doing so. In this decision we understand that we are carrying out Your Lordship's repeated instructions, and may count upon Your Lordship's cordial support and concurrence; but, in this case, as we have already shown, there is little probability that any considerable amount of the precious metals will be due to India, in settlement of her account with the rest of the world. The consequent anticipated cessation of demand for silver in India will evidently, so far, exercise a disadvantageous effect on the future value of silver relatively to gold.

35. The future production of silver in North America is uncertain. There does not appear to be, as yet, any definite and positive ground for anticipating the discovery of other deposits equal in richness to the Comstock Lode. At the same time, there seems some reason to apprehend that the mineral occurs abundantly, if not profusely, throughout the region between the Missouri River and the North Pacific Ocean; and we fear that it is not an improbable expectation, that, in the hitherto-unexplored parts of this region, further discoveries may be made. In any case we cannot, reasonably, count upon any early diminution of the present rate of the supply of silver.

36. But it appears to us that at present the future value of silver, relatively to gold, chiefly depends upon the course which may be adopted in regard to the metal, by the countries associated under the name of the Latin Convention, and, in a secondary degree, by the United States of America. The volume of the metallic currency of France is exceptionally large; and, so long as the French Monetary Law of 1803 was in force, the value of silver could not fall below one-fifteenth-and-a-half of its weight in gold, without the immediate influx of silver into, and efflux of gold from, France, until the value of silver, relatively to gold, was regained. The provincial closing of this avenue to the employment of silver points to a contingency which, in our judgment, would be more directly injurious to the value of silver than any other recent event.

37. The course which France has up to the present time adopted, leaves her with silver money estimated to be worth, nominally, about 88 millions sterling; and the question which, we think, most immediately concerns us is what will be the future monetary policy of France. If France and her Associates of the Latin Convention should revert to their customary alternative standard, it is conceivable that the United States of America might follow their example, and that we might witness a very considerable recovery of the value of silver; but we can hardly venture to hope that the French people will elect this policy, involving, as it must do, the exportation of gold from France and its replacement by the far less convenient metal. On the other hand, it seems very questionable whether France can stay in the middle course which she is now pursuing, and adopt, permanently, a gold standard with one-third of her full-legal-tender currency silver. It seems probable that, as soon as France resumes specie payments, the operation of the Gresham law upon the present constitution of her currency, must cause the expulsion of the more valuable gold by the less valuable silver, as surely as would the restoration of the Law of 1803 itself. There is, therefore,

ground for apprehending that France must, before long, elect between a reversion to the alternative standard and the demonetisation of her 88 millions sterling worth of silver coin, and we fear that it is more probable that she may adopt the latter than the former alternative.

38. There can be no doubt that the demonetisation by France of 88 millions sterling worth of silver coin would have a disastrous effect upon the value of silver as measured in gold, and, so, upon the interests of British India: it would diminish the probability of the United States of America, or any other civilised country, re-admitting silver to the rank of full-legal-tender money, and would, in its bearing upon the value of silver, be second only in importance to the demonetisation of the metal in British India itself.

39. On the other hand, if we, on our part, should take measures for demonetising silver in British India, the consequences to France would be very serious: but France is a rich country, and India is a poor country; and, heavy as is the debt of France, she could afford to bear the vast loss that must follow upon the sale, under such circumstances, of her 88 millions of silver, much more easily than India could bear the loss upon the 170 crores of rupees which must be sold if the silver standard is given up in India. Nevertheless, it seems to us to deserve anxious consideration whether the circumstances do not point to the expediency of some concerted action between France and India, to which other countries might perhaps become parties.

40. If no such concert is thought possible, we ought still to be ready with some course of action in the event, which we cannot but dread, of France demonetising her 88 millions of silver money. Great and manifold as are the obstacles to our adoption of a gold standard in India, it might possibly be found that we could, then, no longer avoid the transition at all hazards. It deserves consideration whether if, on full deliberation, such a conclusion were admitted, we should not be prepared for prompt measures in case of France demonetising her full-legal-tender silver money, and whether it would not be expedient that an intimation to this effect should be conveyed to the French Government.

41. Meanwhile, Her Majesty's Government has doubtless already perceived that, in any case, there lies before us a time of grave financial anxiety and difficulty, the issue of which cannot, at present, be foreseen. Whatever other measures may be taken hereafter, our immediate duty is plainly, to curtail all avoidable expenditure, and to develope, to the utmost, our existing resources. We are accordingly, engaged upon enquiries in all departments of the administration as to the possibility of organic reductions of expenditure, and, as you are aware, have already taken stringent measures to reduce current expenditure and to increase the productiveness of such branches of our revenues as are susceptible of improvement.

42. We have also, in accordance with Your Lordship's repeated instructions,* resolved to reduce our expenditure upon Public Works classified as Extraordinary within the limit of the amount which we may find ourselves able to borrow in India on adequately advantageous terms. What this amount

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* Secretary of State to Government of India, No. 387, dated 23rd July 1874, paragraphs 53 to 56.

Government of India to Secretary of State, No. 135, dated 7th April 1876, paragraph 15.

Secretary of State to Government of India, No. 306, dated 10th August 1876, paragraph 74.

may be, experience only can decide; but we cannot prudently estimate it, even at the outset, at more than 2 or 2½ crores of rupees a year; and for a permanency, it may prove to be even less than this sum. So far as the currency question is immediately affected, we need not hesitate to borrow the full amount which we find ourselves able thus to raise, and for which interest is payable in silver; but we must not forget that a large portion even of the money thus raised in India will certainly come from England, and that the sum of our net foreign obligations may thereby be inconveniently, though indirectly, increased.

43. Our decision thus to restrict our expenditure on Extraordinary Public Works is in strict accordance with the instructions contained in the 79th paragraph of Your Lordship's despatch No. 305, dated 10th August 1876. Nevertheless, we have not adopted it, without great reluctance or without careful advertence to the motives which, in the past, have dictated a policy of free expenditure on these works, and to the great inconvenience and hardship devolving on our large establishments affected by the partial relinquishment of this policy, as well as to the considerations which still induce many authorities whose opinion is worthy of high respect, to advocate a bold investment of capital in opening out communications, and otherwise developing the resources of India as the chief remedy indicated by the existing disorder of our finances. But it seems to us that we have, in truth, no choice but to restrict our outlay of capital to the amount which we can borrow without endangering our solvency, and that we must, whether we will or no, forego the advantages which might result from a larger expenditure.

44. In considering, upon this principle, the amount which we can safely invest in Extraordinary works, we must bear in mind that the whole of the expenditure classed as Extraordinary in the past was not even intended to be directly remunerative. Till recently, the strict test of direct reproductiveness has been applied only to irrigation works, and we know that many even of these works have not really yielded, and cannot be expected in future to yield, a net revenue sufficient to cover the interest upon all the capital expended upon them. In the 25th paragraph of our despatch No. 135, dated 7th April 1876, we reported that, as yet, none of our State Railways fulfil this condition, and that the Rajputana State Railway alone can, with any confidence, be expected, hereafter, to do so.

45. In the 76th paragraph of your despatch No. 305, dated 10th August 1876, Your Lordship has now deliberately and finally declared "that it would be unjustifiable to undertake, out of money to be obtained by borrowing, any outlay on account of new works, unless their yield will cover the interest of the loan." We take this declaration, with its context, to be an instruction, to which we shall yield careful and willing obedience, not, in future, to propose for admission to the category of Extraordinary works—(the rule already applies to irrigation works)—any Railway, for whatever purpose it is constructed which is not estimated to yield, directly, a net revenue sufficient to cover the interest upon its capital cost, whether the capital be obtained by borrowing or from Surplus Revenue on the Ordinary Account. We think that no sound distinction can be made in favour of any works classified as Extraordinary on the ground that their cost may be partly met from Surplus Revenue on the Ordinary Account, and we do not understand Your Lordship to intend that we should make any such distinction. Not only are our prospects of such surplus in future too uncertain for any course of action to be built upon them, but sound financial principles demand that any surplus so

accruing should be held absolutely hypothecated for the reduction of debt already incurred in the past otherwise than for reproductive works, which class of debt, we may, by uncontrollable circumstances, be yet compelled to increase in the future. Whether the construction of any work leads to an addition to the charge upon our revenue for interest, or prevents the diminution of the existing charge, its effect upon our finances is the same.

46. The conditions upon which alone any work, whatever its character, will, in future, be admitted to the extraordinary category, are thus, at length, clearly settled and will not, we hope, be again disturbed. But, meanwhile, we have ascertained that we are already pledged to spend no less than 6½ crores of rupees upon works which do not fulfil these conditions (chiefly the State Railways in Northern and Western India), in addition to the expenditure already incurred upon them; in other words, we are already pledged to 6½ crores of rupees of further expenditure to be classed as extraordinary, but which cannot be expected to yield any substantial net revenue. We repeat that these circumstances should increase the caution with which we are bound at present to contemplate any fresh expenditure for which provision is not made from revenue under the ordinary fundamental financial rules and restrictions.

47. In the present state of uncertainty as to the future relative values of silver and gold, we heartily concur with Your Lordship in thinking that nothing should induce us to increase our Sterling obligations, if we can by any means avoid doing so.

48. While thus fully aware of the onerous responsibilities which press upon ourselves, we cannot but apprehend that the circumstances may further call for decided action upon the part of Her Majesty's Government also. Any retrenchments which are possible in the Home Expenditure would have a special value in lessening the amount which we have to remit in payment for gold. We do not indeed suppose that any very large savings could be obtained by economy exercised by Your Lordship in Council in the expenditure of Indian revenues from our Home Treasury under your control, although we doubt not that all that is possible in this respect will be done: but we are dependent upon Your Lordship's action in some matters which may have a very important bearing upon our finances.

49. We look for substantial relief to our exchequer from the purchase, under the right reserved to us by our contracts, of the several Railways constructed by Companies with capital raised under a guarantee of a minimum interest from our Revenues. Upon this subject, we ask Your Lordship's attention to our letter in the Public Works Department, No. 195, dated 6th October 1874, and to your answer No. 174, dated 19th November 1874. We have not, hitherto, thought it necessary to make any rejoinder to that despatch, because we felt bound to defer to Your Lordship's opinion that it was, at that time, premature to take any action towards the accomplishment of our intentions. But we now consider it more than ever important that nothing should be allowed to prevent the purchase of the East Indian Railway (Main Line) by the Government in 1879, and that there should be no oversight or neglect in taking all needful preliminary measures as soon as Your Lordship shall think that the time is come for doing so. We shall shortly address Your Lordship again, separately, upon this subject, and trust that you will await our proposals before taking any particular action; but it would be highly satisfactory to us, meanwhile, to be assured that Her Majesty's Government concurs with our opinion as to what should be the

policy of our Government in this matter, and will not fail to do its part towards the attainment of our wishes in due time.

50. Connected with this subject is the suggestion, so often discussed, of the guarantee of our loans by the British Government. We submit, for convenience of reference, a compilation of the utterances upon this question by leading British Statesmen from time to time. We are sensible that weighty objections may be urged against the assumption of such a responsibility by Great Britain on behalf of British India, and that inconvenience to British India might be involved in our acceptance of such help. Under ordinary circumstances, we should have shrunk from inviting Her Majesty's Government even to consider the expediency of assisting our finances in this way. But the prospects before us are now so anxious, and the disorder of our finances may inflict so much injury indirectly upon Great Britain itself, that Her Majesty's Government might possibly see fit to take into consideration the expediency of lightening the burden of our debt in the manner suggested. If there is any reality in our impression that our present troubles arise partly from an increase in the value of gold, there would be a peculiar appropriateness in any measures adopted by Great Britain with a view to reducing the weight of our sterling debt, including our debt to the Railway and other Companies or any other form of obligations that may hereafter take its place.

51. We also think that the opportunity is a suitable one for a further consideration of the matter referred for the orders of Her Majesty's Government in our despatch No. 3, dated 5th January 1872. In that despatch we represented our objections to arrangements by which our receipts in India are consolidated with the receipts at our Home Treasury, and our disbursements in India with the disbursements from our Home Treasury, upon the assumption that R10 are equal to £1, the resultant error being accumulated in the Indian portion of our Accounts under the adjusting head "*Loss by Exchange*"; and we suggested a method of avoiding the error. At that time, the aggregate amount of the errors distributed among the various heads of our Accounts in consequence of this arbitrary system, and counterbalanced by the adjusting entry under "*Loss by Exchange*" was from R50,00,000 to R60,00,000 a year. No reply, in detail, to that despatch was received from His Grace the Duke of Argyll; but our proposals were briefly rejected by a telegram, dated 5th February 1872.

52. The entry under *Loss by Exchange*, which is the measure of the errors thus diffused through our Estimates and Accounts, is now expected to be, this year, not less than R2,80,000, and the inconsistency is becoming daily more inconvenient of continuing a system based upon the assumption that a rupee is, on an average, fairly represented by one-tenth of a pound sterling. Apart from the errors resulting in our Accounts, we believe that serious misunderstanding is fostered by our present system, and by the colour thereby given to the erroneous popular impression that a rupee and two shillings are, by some natural law, always proper equivalents.

53. We have read with great interest the able and searching Report of the Select Committee of the House of Commons on the Depreciation of Silver. As is apparent from this despatch and from our Resolution, we have, for the most part, adopted the conclusions of the Committee. On only one material point have we ventured to differ from their high authority. The Committee appear to us to have overlooked the evidence in favour of the hypothesis that the value of gold is increased at the same time that the value of silver is

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decreased; indeed, there is nothing in their Report or in the evidence of the witnesses whom they examined, to show that their attention was turned to this side of the question. We have given reasons for thinking that it is important that we should carefully distinguish the effects of these two causes in producing the present divergence of the values of gold and silver.

54. We notice an error of some importance in the table printed at page xxxi of the Committee's Report. The re-exports of 1875-76 valued at £1,835,000 seem to us to be omitted from the column of exports, the excess of exports for 1875-76 being understated by this considerable amount.

55 In conclusion, we would ask Your Lordship to keep us promptly informed of all occurrences in Europe and America which may come to your knowledge bearing upon the future value of silver. We would instance a recent remittance of £350,000 worth of silver by the German Government to Calcutta, information of which reached us by a public telegram only. Our own attention will be constantly given to the important matters dealt with in this despatch, and we shall communicate freely to Your Lordship any further suggestions which may occur to us. We rely confidently upon the cordial support of Her Majesty's Government in any measures that we may find it necessary to adopt for the financial security of this Empire

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XXX

Demi-official Correspondence of 1876 between General Strachey and Mr. R. B. Chapman, Secretary to the Government of India, Finance and Commerce Department.

(i) *From* Major-General R. Strachey, R.E., C.S.I., *to* Mr. R. B. Chapman, —*dated 28th September 1876.*

I am much obliged by your papers. The whole question of the effect of the fall in the value of silver on Indian currency and finance, as well as on the trade which is so intimately bound up with the workings of the currency and finance, is so large and difficult to deal with, that I cannot attempt to do more than give you a very brief statement of the conclusions I have come to on the subject.

To begin with, I may say that a letter in the *Pall Mall Gazette* of the 10th August, signed "An Anglo-Indian," was written by me, and fairly represents my general ideas, so far as it goes—subject to the remark that later consideration has led me to doubt, more than is expressed in the letter, the truth of the doctrines of the English economists that the result of doing *nothing* would be to send any considerable quantity of silver to India, or to lead to a natural remedy of the evils now experienced through a lowering of the local value of the rupee in India.

I am at a loss to understand why you think it necessary to *demonetize* silver in India if a gold *standard* is adopted, or why the existing silver coin should not be allowed to go on doing its duty as at present, under a gold standard, just as the 5-franc piece does in France. I can myself see no sort of reason why we should not *regulate* the coining of rupees, just as Monsieur Leon Say has done with the 5-franc piece, in combination with an open gold coinage, the material for which should be left to be supplied by the persons who require it. The only objection that can be made, so far as my apprehension goes, is that suggested in France, *viz.*, that false or illegal true-weight silver coins might be introduced, and so the regulation of the silver coinage prevented. This, however, I regard as a mere chimera. The French authorities derided it; and the present experience of England and France seems to me to dispose of the fear entirely. In India our facilities for preventing the importation of illegal rupees would be far greater than those of England and France to prevent the introduction of illegal silver coin into those countries, and here nobody dreams of it. All that seems necessary is to prohibit the importation of coined rupees, and to require all such bullion to pass through the melting pot. What any one could carry in his pocket or portmanteau would do no harm.

If you retain your existing silver coin and only supplement it by gold, so far as trade-wants call for more specie in payment for exports, the requirement of India for gold and silver in the future will be very moderate, and she can without difficulty supply herself with the gold, while the demand for silver will not, in fact, be very greatly reduced, if the silver coinage is kept up for local Indian use, as it perfectly well might be.

If you have a new gold coin, or the sovereign, made a legal tender at such a rate as would give 1 rupee = 1*s.* 11*d.*, or thereabout, and only coin rupees if you find they become scarce, it seems to me that everything would go on again exactly as though no change had been made, excepting that the exchange would henceforth oscillate about the 1*s.* 11*d.* rate, according to the greater or less urgency of demand for remittances to India or England. In fact, what we want to do is simply to get the same *standard* for India as for England, and to be protected in future from the exchange value of the *rupee* being suddenly changed in relation to the *gold of England* by causes altogether beyond our control in India. Whether the exchange gets better again, or hangs at 1*s.* 8*d.*, this conclusion seems to me equally obvious, though, of course, if we speedily get back to 1*s.* 10*d.*, we can make our change much more easily and with much less disturbance of trade. For, of course, I do not, for a moment, say that suddenly to force the exchange up from 1*s.* 8*d.* to 1*s.* 11*d.* would not produce some shock. But the position is only one of a choice of evils, and I wholly repudiate the idea that the evils caused by doing *nothing* are a bit less due to the Government than such evils as would be caused by its doing *something.* The question is how can you get out of your scrape easiest. If India had been an independent dominion, with reasonable financiers at its head, I do not believe any such hesitation would have been felt as actually exists. We are dominated by English interests: and the English economists merely see out of English eyes, and quite fail to appreciate Indian wants or claims. The whole of the loss to India in the present case is gain to England, and, if it had been the other way, you would have heard of it long ago. What would be thought of having a silver standard in Ireland alongside of the gold in England? The absurdity is really not greater than that we are taught to respect in the case in India.

The action of the so-called "tribute" of India to England in relation to the balance of trade very seriously affects the interchange of merchandise, and quite throws out what would be the results, if the trade was simply balanced without the one-sided burden. That part of the excess of Indian exports which represents the "tribute" has no relation to the exchange value of the rupee, excepting that, in proportion as the exchange is low, the exports must increase. But the 15 or 20 millions *must* go, whatever be the state of things, and it is only the residue of the trade that follows the ordinary law of exchanges. The whole cost of the extra quantity of exports now needed to supply the "tribute," with the bad rate of exchange, has to be made good by India, and diminishes the purchasing power of the community in India to the whole extent of this cost, which, I suppose, will be for the present year somewhere about 1¾ millions at *least*. This is the fine put upon India because we cannot make up our minds to stop the coining of silver.

However I suppose nothing will be done, at least for some time to come in this matter, and my personal feeling is that silver at 46*d.* per ounce for six months would be as good a thing as could happen to us. But it certainly looks as though that great fall was merely the result of panic, and it is not likely that my wicked wish will be gratified.

There is a great deal in your memorandum with which I quite agree, and it is chiefly when you come to apply your principles to practice that I leave you.

I quite discredit your idea that the value of *gold* has seriously changed, or caused the fall of, silver value. Your figures I consider to be quite untrustworthy, and only to show the great fall of prices due to commercial depression following the great iron and coal extravagancies. Iron rails, then at £14 now at £5-17-6, do not in the least indicate change in gold value. The banks, here and at Paris, are overflowing with gold, and there is no one to use it. All trade is as bad as it can be. Under such conditions the comparison of prices is quite fallacious. Nor do I think your Indian prices much better for such a purpose.

Copy of a letter from MAJOR-GENERAL RICHARD STRACHEY, R.E., C.S.I., *to the Editor of the "Pall Mall Budget," dated the 10th August 1876.*

Every one dependent on remittances from India must long ago have become very practically informed of the great inconvenience, to use no stronger term, of the late sudden fall in the exchange value of the rupee. Taking the whole sum that has to be remitted from India to England by the Government and private persons at £20,000,000 sterling yearly, which is, no doubt, within the truth, if the fall which has taken place within the last two years is sustained, the loss will be at the rate of nearly £3,000,000 a year or about one-seventh of the total amount. This signifies that private incomes dependent on such remittances are reduced in that proportion, and that, unless some expedient be found for reducing the public expenditure of India very largely — as the Government loss would be about £2,000,000—additional taxation must be imposed to make good the deficiency. The questions that this condition of things forces on every one interested in these remittances are whether it is likely to continue or to recur; and, if so, whether or not it can be remedied. The coming debate on the Indian Budget will no doubt indicate the opinions of English economists on the subject, and also afford some indication of the intentions of the Government. The discussion will be of unusual interest, and it is to be hoped that such light will be thrown on the question as will facilitate its satisfactory solution. It is disappointing to find how little result has hitherto been obtained in the way of expression of opinion on the best method of dealing with the difficulty. Mr. Goschen's Committee have, on the whole, rather increased than diminished the perplexities of the situation: what is left unsaid so greatly exceeding what is said. The *Economist*, following the tenets of the school it represents, teaches that nothing is to be done. The *Times*, admitting the gravity of the situation, suggests the heroic remedy—if it be a remedy—of leaving private persons to take care of themselves, and of making good the whole loss that falls on the Indian Government from the class that pays land revenue, requiring them to discharge their obligations to the State in gold, at a rate that would increase their burdens by a fifth or a sixth.

Turning from the closet economists to the class of persons which is most directly interested in the actual facts, we find a very different direction given to opinion. The merchants and bankers of India, viewing the depreciation of silver with extreme anxiety, propose the suspension of the coining of silver in that country, and some authorities add the introduction of a gold currency as a proper supplement to such a course of action. The position, viewed broadly is this:—India has an exclusive silver currency, the standard of value being the rupee containing 165 grains of pure silver. The rupee is the only legal tender. Gold coins are not, in fact, current, the intrinsic value of the pieces being much in excess of their value as currency, and they are only used for hoarding or as ornaments. The relation of India to England requires that a large annual sum of money shall be paid from the earnings of India to England, partly for the purposes of the Government and partly as return on English capital invested in India, or on English industry applied there. It necessarily follows that this payment is made in the form of shipments of merchandise, which, being sold in England furnishes the requisite sum. The merchants, who are the go-betweens in effecting this remittance, of course require Indian money to purchase the goods in India, and they are able to procure this money in two ways: First, they may buy rupees in India by bills of exchange, paying for them in sterling currency here; or, secondly, they may purchase silver here and send it to India where they can have it coined into rupees, no legal limit being placed on the coinage of silver money. The great seller of rupees in India is the Government. The sums received as revenue accumulate in the Indian treasuries, and are available for sale in London by bills of exchange, which are offered to the public fortnightly* by the Secretary of State for India. It necessarily follows that the sale ot these bills for rupees is controlled in an important degree by the price of silver in London, because any one who can supply himself with silver at a price that will enable him, if he ships it to India, to have it converted into rupees at a more favourable rate than that offered by the bills, will ship silver and not take bills. The great fall in the Indian exchange has been, without doubt, essentially due to the fall in the price of silver in Europe. But so far as India is concerned in relation to the exchanges, the causes of this fall of price are immaterial. They are, moreover, evidently, to a very great extent, external to India, and not capable of being controlled by it; and the question at once suggests itself, why, when these external causes of disturbance have been found to arise, should not India endeavour to screen itself from their consequences—if, indeed, it be possible so to do without falling into other greater inconveniences?

It is of course right to enquire whether the recent fall in the value of silver in Europe is likely to be merely transient, or whether it will probably be maintained; and it might so have happened that the reply would have shown that special precautions were not required. But, as a fact, no hesitation of this sort is any longer admissible. The losses and inconveniences to Indian remitters have already been such as to show that a condition of things which may at any moment arise, by reason of circumstances (as before noticed) that lie altogether out of India, should not be continued if it can be remedied. And here it becomes necessary to ask what will be the result of doing nothing, as proposed by the *Economist* and other authorities of the same school. The consequence, no doubt, will be, as taught by them, that silver will be drawn to India in increased quantity; that exports from India will be augmented and imports into India checked; that the quantity of silver in India having increased, its value in relation to commodities will fall, and prices will rise; and at length that an equilibrium will be again established after the relative values of silver in India and Europe shall have been brought into closer proximity. If the present low price of silver is due to temporary causes, such as panic, and not to permanent derangement of the relation of supply and demand, such a course of events would, no doubt, tend to re-establish it; but if there is to be a permanent fall of value there would follow a general depreciation of the rupee in India, and therefore a corresponding disturbance of the standard of value—an evil the serious nature of which it would be difficult to overstate. Moreover, from an Indian point of view (and the necessity for thus regarding the subject cannot be too strongly insisted on) the reduction of the imports, and the increase of exports in exchange for which

* Now weekly.—R. B. C.

will be received a silver currency destined to eventual depreciation, will be an aggravation of the present position, which is already sufficiently strained, considering that the excess of exports from India over imports now amounts in value to more than £20,000,000 sterling, or not far from one-half of the gross revenues. Supposing always that the fall of value of silver is to be permanent, or to be sustained for some years, the result would be that India would in the end find that it had been led to receive payment for its exports in a debased currency, while a corresponding advantage accrued to the owners of silver who had been unable to pass off their silver coin in India at an exchange value much in excess of what it had in Europe. In short, the policy of doing nothing is entirely opposed to the interests of India, and to the advantage of those of the sellers of silver—that is, of interests not Indian. Again, the importance of preventing, if possible, the depreciation of the standard of value in India is very great; and if there were no economic arguments to support this view, political expediency would surely suffice. The heavy payments to be made by our Indian Government in England, and the obligation that rests on all Englishmen resident in India to remit portions of their income to England, and the transfer of trade profits and the like, render it of primary necessity that the system of remittance shall not be liable to such violent disturbances as those that have taken place within the last year. A continuance of the present condition of things would necessarily involve a re-arrangement of all Indian taxation and of all Indian salaries, and would be attended by such extreme difficulties as, if they were thoroughly appreciated, would assuredly lead to the most strenuous efforts being made to guard against the risk of their occurrence. Nor after the recent experience, can it be admitted that a simple return to the conditions of the past would be sufficient. Even if silver should soon quite recover its former value, the risk of being again subjected to evils like those of the last few months, by some future fluctuation of value, should assuredly not be accepted. This danger will necessarily exist so long as the standard of value in India differs from that in England, and so long as the balances of trade transactions can only be settled in silver in the one country, while they require gold in the other.

The problem of solution, therefore, is to introduce in India a standard of value which shall be readily commensurable with that of England, with which country its commercial and other transactions settled by money payments are on so vast a scale; and to place the Indian currency on a secure basis so that the fluctuations in the value of silver, which have become so excessive, shall not endanger the standard of value that has been adopted for that country. It seems probable that the required remedy may be found by adopting generally the course recommended by the Calcutta Chamber of Commerce, but with a few modifications and supplementary precautions. The first step would be to abandon the unlimited coinage of rupees on demand and to place the rupee coinage entirely under the control of the Government for which alone rupees would hereafter be struck. A corresponding restriction of the paper currency would be necessary, and the prohibition of the import of coined rupees. At the same time that the Mint was closed for silver it should be opened for gold, or, as a temporary arrangement, British sovereigns might be admitted as lawful currency at a rate to be fixed for the purpose. The intrinsic gold value of the new gold coin, or the current value of the sovereign in India, would be arranged so as to be equivalent to a gold value of the rupee of about 1*s.* 10½*d.* or 1*s.* 11*d.*, which was the value before the recent great fall in the price of silver. Currency notes would be issued against gold at the fixed rates, as heretofore against silver.

It will be desirable to follow out the consequences of such measures. The closing of the Indian Mints to silver would compel merchants either to buy rupee bills or to send gold to India, and the exchange would at once tend to settle at the rate which had been fixed for the use of gold as money in India—that is, 1*s*. 10*d*. or 1*s*. 11*d*. per rupee. Exactly the same causes that have hitherto led to the transmission of silver to India would, under the new arrangements, send gold there, and only so much would be sent as was requisite to supply the bullion requirements for more currency as transactions increased, or the old coin was lost or deteriorated, or for trade purposes. The rupee would still continue to be a legal tender as before, and would circulate concurrently with the new gold pieces. It would, however, have become a "token" coin, the value of which was regulated on an arbitrary scale in relation to the gold coin, and not by its instrinsic silver value. It might be desirable at first to fix the sum for which gold should be a legal tender rather high, so that the new coins should not be forced too rapidly on the poorer and more ignorant classes; but gold would always be received by the Government for all amounts There could be nothing to cause any excess of silver in the country, and any deficiency would be supplied by the action of the Government as in England. There would be no apparent difficulty in maintaining the silver currency in sufficient quantity, and, as it would have a current value in excess of its bullion value, there would be no risk of its being exported or destroyed in appreciable quantities. The danger in the opposite direction of the introduction from other countries of illegal silver money has been made much of by the *Economist*. But its very small real importance is sufficiently shown by the facts of the existing British and French silver coinage, which are vastly more open to interference of this description, and yet have not sensibly suffered from it. It is the deliberate opinion of the present French Minister of Finance M. Leon Say, as expressed within the last few days, that the point seems to call for no serious discussion. The position of the Indian currency would thus become very similar to that of France (supposing the forced paper currency to be withdrawn) with a free mint for gold, and a limited coinage of silver "token" money (five-franc pieces in the one case and rupees in the other) having full power as legal tender, and a subordinate fractional currency. That such a system is perfectly compatible with public convenience is beyond dispute, and it seems eminently suited for India.

The risk of the rupee becoming over "appreciated," on which the *Economist* dwells, is entirely removed by the adoption of the gold currency in combination with it. The difficulty of finding the gold to take the place of the silver is also imaginary, because there is no necessity for displacing any silver; and all that the gold will be required to do will be to supply that want of additional currency, however it arises. So long as the convenience of the people is best met by a silver currency, it can quite easily be supplied to them without loss to any one; and if gold is required to supplement the silver, India will necessarily enter into competition for it with other gold-using nations, and be neither less nor better able to supply itself than they. Obviously there is no necessity whatever for the State to supply gold for the currency in the future, any more than it has been necessary for it to supply silver in the past. The balance of Indian trade secures a flow of the precious metals to India, and under the contemplated system gold would certainly be drawn thither. Such measures would, it is believed, effect the transition from a silver to a gold standard without shock and without cost to the State or loss to individuals, and would secure, so far as it is possible, the standard of value in India, which, so long as the silver standard is retained, must be regarded as in a very precarious position, though it has not yet been perceptibly affected.

(ii) *From* Mr. R. B. Chapman, *to* Major-General R. Strachey, R.E., C.S.I.,—*No. 414, dated 26th October 1876.*

Many thanks for your letter dated 28th September, in connection with which I have disinterred and read again your letter to the *Pall Mall*, signed "Anglo-Indian," which had attracted my attention before.

As you say, it is almost hopeless to carry on a correspondence on such a subject at this distance, otherwise than officially; I should be very glad indeed of an opportunity of discussing matters with you in person.

You will, since you wrote, have read our Resolution dated 22nd September, and our despatch No. 368, dated 13th October. These documents express on the whole my own conclusions, though less absolutely and more favourably, in some few particulars than I should have done personally.

I am sorry indeed to find that on some essential points I can by no means accept your views—

I.—It seems to me that you ignore, throughout, the domestic consequences of raising the standard of value to 1*s.* 11*d.*, as you propose to do, and that this is by far the most important consideration for this country. In fixing your thoughts exclusively upon the *exchange* question, do you not, in fact, fall into the very sin of considering English and not Indian interests which you charge upon us? I believe that we here have, in truth, anxiously and conscientiously avoided this sin. Of course we know that the trade between England and India is of vast importance to *both* countries; but the domestic interests of India are vaster still. Happily, I believe that the two interests are not conflicting, but in harmony; only I think that we are more likely to find out what these interests demand, by contemplating *more prominently* their domestic side. For my own part, I think that we could not, without monstrous injustice, substitute for our present unit a gold unit worth 1*s.* 11*d.*,—in other words, require every one now under an obligation to deliver 165 grains fine silver to deliver 10·8293 grains fine gold. I believe that the domestic consequences of such a law would be ruinous. Your proposal to represent the proposed new gold standard by a silver currency would not, I think, to any important extent, mitigate the consequences of such a measure. I consider that proposal, for other reasons, terribly heretical.

II.—You seem to me to overlook the effect upon the value of gold, of the substitution of a gold for a silver standard in British India. This effect, again, would not, I think, be materially mitigated by the adoption of the device which Smith and you advocate, and which seems to me so inadmissible. We have shown, in our despatch, though less confidently than I should have put it, that if India adopts gold no other country can retain silver, and that, for years to come, at least, the won gold would not suffice for the world's use, without revolutionary consequences, and without the most disastrous addition to the weight of India's foreign obligations.

III.—I cannot accept your summary rejection of the evidence afforded by our tables of prices of the recent increase in the value of gold indicated, as I have shown, by the *à priori* evidence, almost as strongly as the fall in the value of silver. Prices are simple *facts* and cannot be ignored. To say that *iron* is *fallen* from £14 to £5-17-6 is only to say, conversely, that the value of gold *measured in iron* is risen 240 per cent.; and to say that there has been a fall in the prices of a large proportion of the staple articles is only to say, in other words, that the value of gold measured in a large proportion of the staple articles is risen. It is a simple question of *fact*, not of deduction at all, and cannot be got rid of by any summary means. When you come to draw inferences from the facts, or to build a policy upon them, then, no doubt, it becomes of the highest importance to ascertain whether or no they are permanent, and therefore to examine all their causes and accompaniments. But whatever these causes may be, they do not alter the facts. The Government of India has, very rightly, used the facts with the utmost caution; but surely they are *primâ facie* strong evidence (may I not say *absolute proof?*) that, as yet the value of silver is fallen very little save in relation of gold, and that the value of gold is risen? at least *I* can form no conception of what is meant when I am told that the value of gold is *fallen*, while yet I find that gold will buy *more* than before: the two conditions appear to me to be incompatible. Nor, again, when I find that a given quantity of gold will buy more and more commodities, does the obvious conclusion that gold has risen in value appear to me to be in any degree invalidated by the fact that, by some strange congestion of trade, there are vast and unprecedented accumulations of gold at the great centres of trade, *e.g.*, the Banks of England and France. Are not these acumulations, rather, in fact, an indication of a rise in the value of gold, the owners of which are disinclined to part with it,—a symptom, in short, analogous to that of hoarding?

IV.—But I demur to being called upon to *prove* that silver is not fallen in value, or at least that the whole divergence of the two metals is certainly not due to a fall in the value of silver. I say the *onus probandi* lies absolutely upon those who advocate an *ex-cathedra* operation intended to enhance the value of the standard. Produce the evidence, in the teeth of our price-tables, upon which you depend for establishing the fall in the value of silver, which must be demonstrated beyond question before the Government could call upon debtors to agree to pay their debts by a different standard than that which exists. Whether you raise the fine silver in a rupee from 165 to 198 grains, or change the unit from 165 grains of fine silver to 10·8293 grains of fine gold, the effect, I say, is exactly the same, domestically, as if the Government were to decide that every one who owes R10 should pay R12 or thereabouts. It is important to understand clearly in such transactions what we are doing. I say that if the circumstances would justify the Government in passing a law entitling all creditors to recover R6 as now existing instead of R5, they would justify an enhancement of the standard by 20 per cent., *and not otherwise.*

V.—I am astounded that you should propose such a tremendous heresy as a *permanent* divorce between the standard and the currency. Surely this is nothing in the world but an inconvertible currency, limited, it is true (though I observe that you would not even *limit* it absolutely), but still *inconvertible.* If we are to go in for an inconvertible currency, why should we go to the useless expense of having it in *silver;* surely it would be only common sense to go to *paper* at once? I have seen plainly that we must *go* through a period of inconvertible currency of silver currency with a gold standard; but I have always looked upon this as an evil of the first magnitude from which we should use every exertion to escape at the very earliest opportunity. It startles and staggers me that you should say that such a man as yourself, to say nothing of the rest of the powers that be at the India Office, should have been seduced into thinking otherwise for an instant. You will see what we have said about France in our despatch. If Pace Leon Say has said otherwise, (which I do not think that he has done) I dare to say that it will be quite impossible for France to continue to allow one-third of her full-legal tender currency to be of nominal value only. Why should she? In what respect will her 88 millions of silver be better than paper? Will it not, on the contrary, be a source of constant danger to her, much greater danger than *paper?* Depend upon it, France must demonetise that silver or re-admit the alternative standard. If she does not you will not find a gold-piece circulating in France before long. Have you not altogether underrated the volume of our silver currency too? A true silver subsidiary currency must, I maintain, be treated as a note currency, *i.e.*, it must be issued only in exchange for gold, and the State should be compelled to give gold for it, at convenient centres, on demand, everywhere. Only on these conditions will a silver subsidiary coinage be on a really sound footing; and, upon this footing, even India will not want, I believe, more than 30 crores at the outside, if indeed she wants as much. You cannot seriously think we could *for a permanency* avoid calling in the 170 crores of rupees that we should have in excess of our wants. Nor can I seriously believe that an accurate thinker like yourself would deliberately consent to entrust to any Government on earth the power to issue *token coinage* at its discretion *to pass as full legal tender.* No human Government yet existed who could be trusted with such a power.

VI.—I quite agree with you that under no circumstances is there reason to expect that silver will flow into India, unless indeed we go on *borrowing.* Smith has entirely overlooked that the great balance in our favour in the past (excepting only the temporary exaggeration of the value of our cotton by the American Civil War) was entirely due to our *borrowing;* and so, in the future, unless we *borrow* on a much larger scale than is at all probable, there will be no balance at all to come in treasure. I do not of course mean to say that none will come, because there will always be some demand for the precious metals, I suppose; but what will come will be in substitution for some other commodities or must be paid for by additional exports. Smith's supposition that because we have taken 166 crores in the last quarter of a century, we shall take 166 crores in the next, is *wild* in the extreme. The argument is all the other way. I believe that the 166 crores have *saturated* us with coin, and that there is not the slightest foundation for Mr. Mackenzie's and Colonel Hyde's evidence to the contrary. How absurd, by the way, to examine on such a point a witness (Mr. Mackenzie) who left India in 1851? All the evidence that I am aware of goes to show that there is *now* a superfluity and not a deficiency of silver currency.

VII.—I cannot at all follow your argument that the Government should protect the people of India against the anticipated depreciation of silver by preventing its importation, unless of course we intend to destroy its value by giving up the silver standard. But for this, I fail to see why any one should buy silver for more than it is worth, or why the Government should interfere in the matter at all.

VIII.—Nor do I at all agree with you that England gains and India loses by our present inaction. Surely you trip here? You say "gold is fallen in value and not risen;" and yet you argue that in order to procure the same quantity of gold wherewith to discharge our foreign debt, we have to send *more* commodities than before. Surely your position is wrong one way or the other. *If gold is fallen* in value, surely we have to send, for a given quantity, *fewer* and not *more* commodities? If you are right and gold is falling in value, we shall have no difficulty in getting out of our scrape, for our great foreign debt will be *reduced.* The fact is that, as worked out in our despatch, India is more interested in the value of *gold* than in that of *silver.* If silver falls we have to settle it at home—if one class loses another gains; but if *gold rises,* it is a dead loss to the country; if gold falls, a clear gain. I shall be too thankful to find that you are right and that gold is fallen; in other words, that we can discharge our great debt at home by fewer commodities. I quite believe that this will be so *hereafter,* but I can see no evidence of it at present, and no signs of its near advent.

Pardon this long screed, which you will perhaps not mind showing to Sir L. Mallet, as containing some of my ideas on this vital subject.

(iii) *From* Mr. R. B. Chapman, *to* Major-General R. Strachey, R.E., C.S.I.,—*dated 2nd November 1876.*

I am sensible that my letter, dated 26th October, must have appeared to you too controversial, too much confined to a refutation of your own panacea, and that you may have received the impression that I have no suggestion to make on my own part for our extrication from our present evil case.

2. The position is indeed in my judgment very difficult; because the future depends much more upon what other nations may do, than upon what we can do ourselves, except in so far as we can influence other nations. Still it would be an important point if we could only ascertain with some unanimity what would be the best course for us that events could take,—at what object we should aim. I should be glad if, as the fruit of all the weary hours of study and thought which I have given to this subject, I could contribute in any way to a solution of even this part of the problem.

3. An ideal system of currency would be—

(1) the same standard for the whole world;
(2) the value of this standard invariable, and neither too high nor too low;
(3) and its material suitable.

4. The second of these conditions is, from the nature of the case, impossible; an invariable standard is incompatible with the very conception of value. All that we can look for is a standard that shall keep near to the same point in an imaginary scale of value.

5. Recognising the fact that we cannot attain to a fixed standard, our next conclusion is that, notwithstanding that the appreciation of a standard must add to the whole national property, and its depreciation must diminish it, the depreciation of a standard is less mischievous than its appreciation. This conclusion is the result of the world's experience, and is not, I believe, disputed. The reason of it appears to be, briefly, that by the depreciation of the standard the poor and indebted gain, and the rich and the creditor class lose; while by the appreciation of the standard, the rich and creditor class profit, and the poor and indebted lose. The poor and indebted are much more numerous than the rich and creditor class, and these can bear loss much better than those.

6. This conclusion may require modification in one aspect. The principle of it is true of corporate communities as of individuals. If a nation is rich and has claims upon other nations fixed in its own standard, the depreciation of the standard means a reduction of those claims and a national loss with a corresponding gain to the indebted nations; its appreciation means a national gain and a corresponding loss to the indebted nations. It is evident that the interest of the nation as a corporation may conflict with the interest of the majority of its members.

7. Thus to take the example of Great Britain. Almost all civilised nations are more or less indebted to Great Britain, being in the same case as India, which owes Great Britain perhaps 18 or 20 millions sterling a year. As a vast amount of the debt thus owing to Great Britain is fixed in *gold*, any depreciation of gold must clearly benefit the indebted nations at the expense of Great Britain, and, *vice versâ*, any appreciation of gold must benefit Great Britain at the expense of the indebted nations. I have stated in the 5th paragraph, as a generally accepted conclusion, that the depreciation of a standard is less injurious to a community than its appreciation. It may be open to question, though probably it is not so open, whether this axiom is also true of the whole world when applied to international transactions. If it is true, then it would appear that an appreciation of gold, while benefiting

Great Britain internationally, and adding to the whole national property, might yet be injurious to her domestically and it might be difficult to decide whether the international and corporate benefits compensate the domestic injury.

8. It seems quite clear that the effect upon any community of any change in its own standard of value is quite different from that of any change in any other standard of value according to which it may have fixed obligations.

9. A change in the standard of value of a community may cause painful disturbances of the contract relations between the various classes of the community, and may necessitate difficult, possibly even dangerous, domestic readjustments; but it can hardly cause any serious loss of the national resources as a whole. It seems to me that such loss would be—

I.—In the case of a fall in the standard of value—

(*a*) the diminution of the value of the material of the standard in the possession of the nation;

(*b*) the reduction of the value of debts due by foreigners to the nation as fixed in its own standard;

less (*c*) the reduction of the value of debts so fixed due by the nation to foreigners.

II.—In the case of a rise in the standard of value, the national loss would seem to be, conversely,—

(*c*) the increase of the value of the national debt to foreigners expressed in the national standard;

less (*a*) the addition to the value of the material of the standard in the national possession; and

(*b*) the increase of the value of any debts due by foreigners to the country and fixed by the national standard.

In India (*c*) would probably be always much more than (*a*) and (*b*) together; and it would seem that a depreciation of silver would *primâ facie* cause no loss of the national resources of India as a whole, and that an appreciation of silver would be worse for India than its depreciation.

10. As I have repeatedly argued (I do not know whether I may assume that you agree with me), an appreciation of gold would be an injury to India as increasing the drain upon her resources; its depreciation a gain, as diminishing the drain upon her resources.

11. Thus far it seems to me, as I have already said, that India is more concerned with the value of gold than with the value of silver; that she would certainly suffer greater injury from an appreciation of gold than from a depreciation of silver.

12. I do not mean to press this view so far as to say that it would be better for the interests of India that gold should fall in value than that it should remain steady. Certainly, at least, it would be unjustifiable for India to endeavour, for any selfish purpose of her own, to depreciate the standard in which much of her foreign debt is fixed. But I do distinctly mean to say that India is not only justified in doing, but bound to do, nothing calculated to enhance this standard, and everything that in her lies to prevent such enhancement.

13. It would in my judgment be undoubtedly best for the interest of the whole world that there should be one common standard of value; and as no such standard can be unchangeable, that it should be rather depreciating than appreciating. The first question is whether the establishment of such a standard can be hoped for, and what it should be. I have given reasons elsewhere for the opinion that gold would not prove to be such a standard, at least not for many years to come. If the whole world should adopt gold as a standard the consequences would be, in my opinion, so great an appreciation of this metal, that, apart from all other evils, the indebted nations would become insolvent; in short, the thing is at present impossible. The only objections to this view which I can conceive are—

(1) That in order to have a *gold* standard, a gold *currency* is not necessary, so that the whole world might adopt a gold standard without any more gold than at present.

(2) That the development of expedients for dispensing with the use of a metallic currency is such that the same amount of gold would now do the work of the whole world, as has hitherto *sufficed* for the want of only the few countries whose standard and currency are already gold.

14. The first objection is of the same character as your proposal and Colonel Smith's that we might have permanently a gold standard in India without a gold currency. In my letter of the 26th October I have denounced this view as an outrageous heresy. I need not travel again over the ground which I then took. I would merely say further, now, that the objection proves too much. If a gold *standard* is permanently possible without a *gold currency*, why should Great Britain or any other country endure the needless waste of a gold currency? Why should not the whole world betake itself to paper with a "*cours forcé?*" and what then would become of the value of gold?

15. Gold and silver derive their value altogether from the demand for them for this very use as currency, if there is no occasion so to use them, if, as some wild theorists argue, and as even you seem to argue, there is no occasion for the currency to represent the standard by any value of its own at all, then, as soon as this is perceived, the value of the precious metals will collapse, and they will be no longer fit to serve as standards of value. The argument is curious; it is only because the precious metals must be used for currency that they have that value which qualifies them to serve as standards.

16. As to the second objection, however much expedients for dispensing with the use of metallic money may be developed, there must clearly be a point beyond which such expedients cannot go. The Irishman who thought that, by depriving his horse of an oat a day, he would gradually accustom him to live upon air, discovered by practical experience that there was a fallacy somewhere in his logic; and so with this currency question: it may be difficult to say to what point the stock of standard metallic currency necessary for the want of a country can be reduced without financial collapse; but it cannot be doubted that there is such a point, and indeed that there is not wanting evidence to show that the reduction has in some countries been already carried nearly to, if not below, starving point. It may be that on the whole even Great Britain loses by consequent commercial crises at brief intervals, more by her economy of the standard metallic currency than France does by the vast dead weight that she carries in this form.

17. But if gold would not serve for a cosmopolitan standard of value, is

there any other standard possible or conceivable? I believe myself that, strange as it may appear at first sight, silver would be a better cosmopolitan standard than gold, but that even silver would fail by reason of its insufficiency. My own conviction is that the bi-metallurgists are, after all, right, and that the proper cosmopolitan standard would be silver, with gold as an alternative at a fixed rating.

18. The usual objections to such an alternative standard are of great, if not of overwhelming, weight as against its use by a single country. To give to the debtors of a single country liberty to choose whether they will pay their debts in one metal or the other, would be at least unfair in the case of all previous contracts, and might go far to deprive the country for the future of any proper standard at all. But the case would be very different if the system applied to the whole world, for then, clearly, the relative values of the two metals could never vary by more than a hair's breadth. The value of both the metals arising entirely from their use as currency, it follows that, if the whole field of the world were open on fixed relative terms to both, one could never lose or gain value much without immediately causing the same effect upon the other. Such a standard, if applied to the whole world, would in truth be not really an *alternative*, but a *composite* or *compensatory* standard, the value of which would be the value of both metals as a whole, a value obviously less likely to vary than that of either one of them. Moreover, the value of the two metals together is more likely to fall than to rise.

19. Indeed, it is perhaps a somewhat weighty objection to such a compensatory or composite standard, that the material of it may be as much too abundant as either gold or silver alone would be too scanty. I am not prepared to deny that there is some substance in this objection; but I can conceive no standard to which one objection or the other would not apply, and, for reasons already given, this objection is much less important than the other. Speaking generally, there seems good reason to think that if there were but one standard in the world, some considerable appreciation, and a much more considerable depreciation, of it could be borne without attracting any attention or causing any real inconvenience or any substantial injustice.

20. I think, then, that if it were possible to establish silver as the standard of value of the whole world, with gold rated as equal to 15½ times its weight in silver, or at any other suitable relation to silver, the whole currency difficulty would be solved, and I think that India or any other country interested would be well justified in promoting the adoption of such a cosmopolitan standard.

21. But if you ask me whether I think that any such cosmopolitan standard is really practicable, I am obliged to answer that I do not. There is only one country that would be able practically to induce the nations to agree to such a standard, and she could indeed compel such an agreement if she pleased. I speak of course of Great Britain. But I despair of Great Britain understanding that such a cosmopolitan standard would be to her advantage; though I am sure that, all things considered, it would be so, notwithstanding her large claims upon other nations now paid in gold. Of course no nation can be expected to adopt, from mere consideration for other nations, any course that she does not think for her own interest!

22. What, then, is practicable? Next to a cosmopolitan standard, the best thing would be a standard used by as many nations as possible. Even though Great Britain and Germany should hold aloof, the adoption of a silver-gold standard by all the rest of the world would go far towards the accomplishment of the object in view, *viz.*, the establishment of a stable and suitable

standard. If the use of gold as a sole standard were confined to Great Britain and Germany, its value could not rise; and the admission of silver as the standard of the rest of the world, conjointly with gold, would, I believe, secure the value of silver and gold alike against undue depreciation.

23. Is it possible to obtain an alliance of this kind? Doubtless it is a daring scheme and may seem wild, to the limits of insanity, but still there are reasons why it is not altogether beyond hope:

(1) The interests of all the indebted nations in this matter are the same, *viz.*, that the value of gold shall be depreciated rather than appreciated. You will find the list of these nations on the 12th and 13th pages of Seyd's "Fall in the Price of Silver." America, with her usual acuteness, has for some time past begun to perceive *her* interest in this matter, and even gone the length of seriously discussing the idea of adopting a silver standard and currency. She is the only one of them all that, at the moment, could help us much; but the support of the others also would be very important.

(2) France among the wealthy nations has great interests in the same direction. Happily or unhappily for us, she holds 88 millions sterling of silver, and although her debt is held at home, it is heavy. Moreover, a strong party among the French economists still advocates the alternative standard. There is certainly room for negotiations with France.

(3) It seems to me that France, America, and India ought to agree upon a common course of action, and that if they did so, important results would follow to India.

24. I confess that I contemplate with dismay the consequences to India if we are driven to adopt a gold standard and a gold currency. I have said, indeed, that in my judgment we cannot dream of doing permanently without a gold currency if we have a gold standard. But I perceive that we might be long indeed before we could attain to a gold currency, and that the country would be sentenced indefinitely to the intolerable evils of an inconvertible currency, accompanied by the rapid appreciation of the standard in which her great debt is due.

25. Here, then, is the upshot of my investigations so far:

(1) The best thing that could happen for India would be the adoption by the world of what I have called the compensatory or composite silver-gold standard.

(2) The next best thing would be that as large a section of the world as possible should unite in the adoption of this standard.

The first desideratum is, perhaps, absolutely out of our reach. The second is not so absolutely beyond hope; and I think that it is at this that we should aim, and that nothing short of this will really help us out of our difficulty.

26. I know that you will give patient consideration to what I have said, even though you may not find it convincing. I am myself strongly of opinion that there is no sound alternative to the course I have thus recommended.

(iv) *From* Major-General R. Strachey, R.E., C.S.I., *to* Mr. R. B. Chapman,—*dated 28th November 1876.*

I have to thank you for your two letters. I think it doubtful whether I can take on myself to prepare a complete essay on the subject of Indian currency; and without something of the sort it would not be easy to trace out the way in which our divergence of opinion arises in a complete way.

But on one important point the cause of difference is apparent enough; and, as it lies on the surface, I can deal with it by itself. You say it is a pernicious heresy, or something of that sort, to propose a gold *standard* without a gold *currency,* and go on to argue that, if we take the standard we *must* replace the silver with gold also. Now, without going into a theoretical discussion on such a point, I at once refer you to *facts.* In Scotland one-pound notes are universally used in preference to, and in practical exclusion of, gold coin. If dirty, very dirty, pieces of paper can thus become the chief element in the circulation of so highly educated and thoroughly practical people as the Scotch, why may not silver money remain in circulation in India on as favourable terms? The reason that the one-pound note is accepted, as it is, in Scotland, seems to be that the people are accustomed to it; that it has been judiciously limited in its issue to what is really wanted for the convenience of the community, and that, in practice, the persons who use it, find that it will *buy as much as a sovereign in gold in the places where they have to use it.* Any one who takes a Scotch one-pound note to Bristol will find that it has *not* retained its purchasing power, and he will abstain from taking such notes out of Scotland. But, for all this, the Scotch note is a representative of a value based on a gold standard. A somewhat analogous state of things exists in France. The 5-franc silver pieces are received at par with gold coin, though they are intrinsically less valuable, and though no one can demand gold coin in exchange for silver coin. If India had a rupee silver currency based on a gold standard, it would be placed, in respect to such coin, just in the same position as Scotland is as to its one-pound notes, and France to its 5-franc silver pieces. The rupee might be comparatively worthless for *export,* though it should retain its full exchange value for home use.

But Scotch one-pound notes are *exchangeable for gold on demand* at any time: the parallel fails entirely in my opinion.

R. B. C.

I believe the present state of the French coinage *quoad* the silver 5-franc pieces to be absolutely unsound, and that it cannot last. But a coinage consisting only or chiefly of silver 5-franc pieces representing gold would be a very different affair.

R. B. C.

It seems to me that you have adopted your conclusion, that the gold standard *must* be followed by a gold coinage, from omitting to give proper weight to the circumstance that the *export* value of coin is of very secondary importance, and may (as in the case of Scotland) have no effect at all on its *domestic* value. If silver rupees were frequently required by all classes of society for the purpose of making remittances to foreign countries, the position would possibly be one that would be incompatible with a system such as we have proposed, and the public convenience would in such a case demand a larger gold currency by help of which the needful external payments could be made. But we know that there is nothing approaching to such a state of things in India, and that in fact the remittances of bullion from India are very rare

I do not agree. The value of a Scotch one-pound note is real.

R. B. C.

and on a small scale. For my present purpose, the cause of this is immaterial.

In fact, when we talk of changing the standard in India to gold, we mean not that we are going to *alter** the value of the rupee, but simply that we refuse to allow any more rupees to be made with silver at a cost, say, of 1*s*. 8½*d* in gold, and that we require that they shall be made nominally in gold at a cost of, say, 1*s*. 10½*d*. We argue that, from causes which are irrelevent to our discussion, it has suddenly become possible to make for 1*s*. 8½*d*. a rupee which two years ago could only be made for 1*s*. 10½*d*.† and that we find it inconvenient to permit this, and determine to stop it. It is wholly an Indian question how we regulate our rupee, and we shall do it in Indian interests wholly. If we allow rupees costing those who make them (and virtually import them from England) only 1*s*. 8½*d*. to be brought into the country without limit, the result will be that the quantity will soon increase in excess of the wants‡ of the people as measured by the value of rupees, as it was two years ago. Further, we see no reason why we should be *compelled*§ to sell rupees at 1*s*. 8½*d*. for which we could get two years ago 1*s*. 10½*d*. solely because the cost of silver in the London market is less. We do not desire to make it *more* difficult to supply rupees to India than it was before the fall in the value of silver; but we must take steps to prevent the violent changes in the sum we can get for our rupees that arises from great fluctuations in the value of silver,|| and therefore we cannot allow more silver rupees to be made at the present low rate. The whole of the arguments that apply to the Government in relation to its transactions apply equally to that very important class of persons who have to make payments in England from India. These are the persons who supply English capital and intelligence to India, and to subject them to the uncertainties attendant on the present system of coining rupees is to discourage them greatly. To the people of India, as a whole, the process of introducing *cheap* rupees in exceptionally large quantities is simply equivalent to bringing about a general depreciation of the rupee, which is certainly a serious inconvenience, and one that may properly be prevented, if possible.¶

* But you cannot do this without, *ipso facto*, entirely altering the value of the rupee.
R. B. C.

† You omit the important question whether the present 1*s*. 8½*d*. is not really as valuable as the old 1*s*. 10½*d*.
R. B. C.

‡ Why? Who will compel people to take more than they want?
R. B. C.

§ Who compels you?
R. B. C.

|| Why of silver, and not of gold.
R. B. C.

¶ Certainly, if possible.
R. B. C.

There is no reason at all to suppose that the adoption of the gold standard will interrupt the natural and healthy flow of capital to India; on the contrary, it will rather aid it, by removing the financial inconveniences due to the silver standard.

I am unable to see how such measures as these should affect the domestic value of the rupee, or why any one should find it *necessary* to have gold coin on account of such changes who got on without it before unless it be one of the people who wishes to introduce more money into India, and he *ex-hypothesi* gets his gold.

The reason is that you cannot take these measures without *ipso facto* raising the value of every existing rupee to that of the new standard which you introduced.
R. B. C.

So far as I can see, there are only three courses open to the rupee after the gold standard has been adopted: *1st*, it may remain unchanged in *domestic* value; I have no concern with the *export* or *bullion* value: *2nd*, it may become more valuable; *3rd*, it may become less valuable.

It can only become *more* valuable by the supply not being sufficient to meet the demand. This must be remedied by additional coinage. A completely automatic process can be adopted to prevent this *appreciation* of silver. Let it be declared that the Government will always give in exchange for gold coin an equal value of *silver coin*.* Thus if silver coin is wanted, it will be got an equal quantity of *gold* being withdrawn; so that the total quantity of currency is unchanged. The converse of this rule will prevent the depreciation of silver. No silver coin should be issued, excepting in exchange for gold coin. The regulation of the *total* amount of the currency will depend on the introduction or export of gold, and will be left quite free.† The *total* quantity being thus kept at a proper level, that exact quantity of silver and no more will be coined that is required for the public, and, as before said, the simultaneous withdrawal of the gold given in exchange, which will pay for the silver for coinage, will prevent any excess in the total amount of currency arising from the issue of silver.

* At what rate? Obviously this rate will hereafter regulate the value of your silver coin.
R. B. C.

† Quite so, but your unit of value regulating every contract, past as well as future, will, hereafter, be the new gold unit. The vital question is, will this be just to debtors? Will it not revolutionise the relations of society?
R. B. C.

The Secretary of State would sell his bills for gold or silver‡ at the option of the purchaser, the same rule being applied to silver, however, as before stated that *no additional silver coin* shall be issued, not even for the Government, without a corresponding *withdrawal of gold*.

‡ In omitting to fix the *rate*, you omit the essential point of your proposal.
R. B. C.

It seems probable that no such change of the habits of the people will take place as would lead to any sudden desire to get gold instead of silver coin, such as would cause a depreciation of silver of a fanciful nature. Any collapse of business which affected the country on such a scale as to make the currency generally redundant is not a very likely thing to happen. We know that the additions to the coinage have been going on steadily for many years and it is more than likely that the stoppage of the silver coinage for a time would suffice to meet any tendency to excess.

I have thus written more than I had intended when I began and I will not go on any longer, except to say that I cannot think it worth while to talk of joint action with other nations as long as England holds the sort of opinions commonly received here on these subjects. Even to the limited extent you name, I don't think it in the least possible. Nor am I able to see that it would be particularly useful to India. For domestic purposes we can have a gold-silver currency, such as you speak of, and which does not really differ much from what *we* desire, whenever we like to take it. And for external use it seems to me that it is a matter of indifference what we do; our bullion transactions are so small.

It differs *toto cælo* because I fix a rate and allow free coinage of either metal. But I quite see the extreme difficulty of any international agreement; and that in its absence we may be compelled to go to gold at all hazards.
R. B. C.

What we require is protection against the depreciation of our coin by the action of the world outside of India—protection, I admit, against that which we have unfortunately done ourselves, or have armed others with the power of doing, while we have not been wise enough or courageous enough to deprive them of the power when it began to be exercised to our injury.

That silver is again going up in value is good luck no doubt, if it will go up high enough again; but if it sticks where it is, it will rather be an additional difficulty, I think. However, whatever happens, I am equally satisfied that we have to get a gold standard as soon as possible, *without* a gold coinage* however, other than one that comes into existence by slow degrees.

* This is what I believe to be out of the question. We cannot, ultimately, dispense with a gold coinage, or *avoid withdrawing our existing silver coins.* This loss *must* be borne: whether by the tax-payers or by these who chance to hold the coins, is a subsidiary question, and, looked at broadly, comparatively, of minor importance.

R. B. C.

P.S.—On looking at your letters again, I am led to add a few words. It seems to me an error to suppose that what I have called the *domestic* value of token money is necessarily dependent on its convertibility into standard money. No doubt by making token money convertible, you ensure its retaining its par value with the standard; but the converse does not hold. The criterion in the downward direction is the relation between the *supply* of the token money and the *demand* for it. The evidence of this in fact, is complete. French paper money for the last two or three years has been inconvertible, but has remained at par with gold. The 5-franc silver coins the same. So the limit of depression of value of inconvertible paper is regulated by the degree of excess issue. Quite lately, for instance, Austrian paper money *inconvertible* had a much better exchange value with England than the rupee, the nominal intrinsic value of the rupee and Austrian ideal silver florin being considered. The export value of the rupee was depreciated for a time by reason of the facilities given by our coining law for making rupees with cheap silver. No such facilities existed for making Austrian paper.

But every one knows that the power of converting it is there. The value of the paper depends upon this knowledge.

R. B. C.

I therefore hold that, so long as the total quantity of rupees current in India is not in excess of the wants of the country, there will be no depreciation, whether the standard is silver or gold, and that the standard, in fact, does not affect the question.

Again, I object to your expression, to the effect that the Mint Law will be violated in a *dishonest* way by changing the standard, or that the legal regulation of the *quantity of silver* in the rupee had any other intention than to secure a permanent domestic value to the coin. It certainly was never contemplated that a *fixed quantity* of silver having a constantly *fluctuating value* should be taken as the legal standard coin. Experience shows that silver by its fluctuations in value can bring India into serious financial trouble under the existing Currency Law, in consequence of our large obligations to pay gold in England; and we claim the right to get rid of the inconveniences thus caused by closing the door to the importation of silver rupees, and regulating the cost of the rupee to those who want to import it, in relation to gold, which is the metal used for the standard of value in external transactions of India, on which we are practically dependent. The object in view cannot be attained by altering the *quantity* of silver in

Can you guarantee *gold* against fluctuation? What other standard is possible than a *fixed quantity* of some substance?

R. B. C.

the rupee, because with every fluctuation* of the cost of silver in England the cost of supplying rupees will continue to vary, *in relation to gold,* which is the thing to be stopped.

* Which you cannot stop, nor can you stop fluctuations in the cost of supplying gold *anyhow.*

R. B. C.

India, its Government, trading community and people are in the position of a corporation that owns all the rupees in the country. At present any one can get rupees introduced as bullion, thus forcing down the selling value of the rupee reckoned in gold, which it is to the interest of the *corporation* to maintain, though *individuals* have an interest in the opposite direction.

I own no distinction between rupees and silver in this matter; and, though it is doubtless an evil that the standard unit of value should be depreciated, it would be a much greater evil that it should be appreciated.

R. B. C.

If you can satisfy me that the general *interests* of India are not such as I state, I shall have no ground to stand upon, and shall be prepared to let silver take its own road. But *you* do not argue this.

(v) *Reply from* R. B. CHAPMAN, Esq.

I am sorry to say that I cannot at all agree with your letter of November 28th; but it is impossible for me at present to answer it at length. I will only remark (1) that I can admit no analogy between the convertible and rigidly (arbitrarily) limited Scotch notes and the inconvertible metallic Indian notes which you contemplate; (2) that I consider the existing state of the French *currency* absolutely unsound: the silver 5-franc pieces are, in fact, here also, *inconvertible notes;* I do not believe that they can be maintained unless France reverts to the compensatory standard; (3) that I do not believe in the distinction which you woud draw between *domestic* and *foreign value.* Surely value is cosmopolitan, not local, so long of course as ingress and egress are free. Your domestic value would be entirely *artificial,* and, therefore, most dangerous. The real question of principle, however, remains to be argued,—"What are the objections to a permanently inconvertible currency?"—for this is what you advise. I have no time now to, as you say, write an essay upon it, which, to be complete, must probably be long; but I will just say that, to my mind, your proposals violate the first principle of a sound system of currency, which is that the State shall not interfere at all, except in order to save trouble and promote the public convenience, to certify that the thing is what it professes to be: that, *e.g.*, the disc of gold known as a sovereign does contain 113·001 grains of pure gold. I do not at all believe that our currency troubles are over, though they may not recur this year, and, sooner or later, I expect to have to grapple with you and Sir Louis Mallet and Colonel Smith more closely and completely upon the subject.

XXXI.

(NOTE DATED 9TH FEBRUARY 1877, SENT TO THE SECRETARY OF STATE WITH DESPATCH NO. 49, DATED THE 9TH FEBRUARY 1877).*

I.—*Effect of the fall in the price of silver on trade and remittances and on prices.*

The fall in the value of silver measured in gold dates from November 1872. For 22 years before that date, the price in London of an ounce troy of standard silver had never been below 60*d*., and for 18 years more, it had never been below 59*d*. In the calendar year 1873, the average price was 59·22*d*., the lowest price (13th November) being 57$\frac{14}{16}$*d*. In 1874, the average price was 58·37*d*., the lowest price (31st December) being 57$\frac{1}{4}$*d*. In 1875, the average price was only 56·76*d*., the lowest quotation being (on the 3rd June) 55$\frac{1}{2}$*d*. In 1876, the avarage price fell to 53·08*d*., the lowest quotation being (8th July) 47*d*.; sales were reported even as low as 46*d*. The recovery from that lowest depression, though it may be temporary, has been rapid; the highest point since attained being (18th January 1877) 58$\frac{5}{8}$*d*.

The statistics of the Foreign Trade of India (exclusive of treasure) during this period are as follows (in crores and lakhs of rupees) :—

From 1st March to 30th April.

	1873-74.	1874-75.	1875-76.
Exports	54·96	56·31	58·04
Imports	31·64	34·64	37·07
Net Exports . .	23·32	21·67	20·97

From 1st April to 30th November.

	1873.	1874.	1875.	1876.
Exports	32·28	34·09	35·90	37·93
Imports	20·11	22·23	22·64	22·52
Net Exports . .	12·17	11·86	13·26	15·41

These figures show a slightly accelerated growth of the export trade, and an interruption of the growth of the import trade, the result being, especially in 1876, a considerable increase in the value of the net exports. It is to be remembered, however, that important alterations of the tariff values and of the customs duties were made in the middle of 1875, the effect of which upon trade it is difficult to discriminate. But, probably, the interruption of the growth of the import trade may be attributed, in the main, to the depreciation of silver relatively to gold.

* This was a small despatch forwarding the note.

The silver prices of imported goods in India, as will be seen presently, have not risen; and the circumstances would appear to have been unfavourable to importers. It is understood, however, that on the whole, the import trade has not latterly been unprofitable. The total value of cotton manufactures (the most important of Indian imports) imported into India in the first eight months of 1875-76 shows no decrease as compared with earlier years. The figures are as follows, in rupees, omitting 000 :—

1st March to 30th April.

1873-74.	1874-75.	1875-76.
15,15,57	16,26,36	16,42,89

1st April to 30th November.

1873.	1874.	1875.	1876.
11,84,10	12,96,55	11,89,70	12,18,51

The increase of exports is the more remarkable in that it is contemporaneous with a serious contraction of the value of exports of raw cotton, the most important of Indian exports. The figures are as follows (omitting 000) :—

Value of Raw Cotton exported from India—

From 1st March to 30th April.

	1873-74.	1874-75.	1875-76.
Cwts.	4,500	5,600	5,010
Value in Rupees . . .	13,21,62	15,25,73	13,25,90

1st April to 30th November.

	1873.	1874.	1875.	1876.
Cwts.	2,977	3,652	3,733	3,254
Value in Rupees .	8,89,93	9,98,46	10,09,32	8,16,32

The following table shows the exports the value of which has increased in 1876; the values of the same exports for the last three complete years are prepared. The development of the exports of *cotton goods, wheat, seeds, sugar* and *tea* has been favoured by the fall in sterling exchange. The export trade of the past year is stated to have been very profitable to all concerned, including the producers.

Value of Exports which show improvement in 1876 compared with 1875.

[In Rupees, omitting 000.]

Articles.	During whole year, from 1st April to 31st March.			During eight months, from April to November inclusive.			
	1873-74.	1874-75.	1875-76.	1873.	1874.	1875.	1876.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cotton, Manufactures of .	52,26	50,14	65,90	33,56	32,50	41,04	55,54
Coffee	1,48,75	1,30,53	1,62,70	60,07	63,86	58,68	61,03
Indigo	3,55,53	2,57,63	2,87,92	65,26	33,32	31,73	46,19
Wheat	82,76	49,04	90,10	39,88	33,67	65,58	1,32,65
Hides and Skins (dressed or tanned).	63,47	50,53	1,19,01	44,98	32,24	73,99	95,24
Jute (Raw) and Gunny Bags	3,63,26	3,48,03	3,23,65	2,19,74	2,34,16	1,79,82	2,31,55
Opium	11,34,19	11,95,70	11,14,84	7,20,57	7,85,97	7,31,47	8,38,36
Seeds	2,36,14	3,23,59	5,46,20	1,51,29	1,88,75	3,42,79	4,04,43
Sugar	22,78	31,92	25,38	16,34	25,64	20,76	41,49
Tea	1,74,29	1,93,74	2,16,64	1,17,54	1,22,53	1,42,71	1,85,11
Wool (Raw)	93,83	95,99	1,09,42	58,80	65,47	63,02	72,99
Shawls	19,97	16,70	16,13	14,30	11,83	11,77	13,33

The appended Table A contains the statistics of the net imports of treasure during 1876-77 and in previous years. The amount of Government bills drawn upon India and the amount borrowed by the Government are also shewn in this Table as illustrating the subject. The exports of gold exceeded the imports, for the first time during the nine months April to December 1876. This unusual phenomenon continued during the five months June to October, and must apparently be attributed to the relative values of gold and silver not having varied in the same proportion in India as in other parts of the world.

As to remittances, the rate of exchange has necessarily followed closely the price of silver. There is reason to believe that the alarm felt in the early part of 1876, as to the future value of silver, led to Banks and others making great efforts to withdraw their capital from the East to the West, and that this movement may partly explain the extreme depression in June and July 1876. The retransmission of capital to the East on the partial restoration of confidence, may explain the rapidity of the subsequent recovery in the value of silver and of the exchange with gold.

Two other Tables, B and C, are appended to this Note showing the variations in the prices of the chief staple commodities at Bombay and in Calcutta since the beginning of 1873.

It will be observed—

(1) That with the exception of spelter and gold, the prices of imports are generally lower at the end of this period than they were at