the beginning; and that there has been no marked rise in the prices of imported commodities since the beginning of 1876.

(2) That the following exports show a more or less considerable rise in price since the beginning of 1873: *jute, rice, silk, tea, coffee;* and the following since January 1876: *indigo, rice, silk, tea, wheat.*

(3) That *cotton, wool, hides, lac, saltpetre* and *wheat* show a decrease of price as compared with the beginning of 1873; but that the prices of *wool, wheat, lac* and *saltpetre* have materially recovered since the beginning of 1877.

There are special causes for the improvement of the prices of most of the articles which show improvement; and, upon the whole these tables do not appear to indicate any decrease in the value of silver; the prices of all articles of export have however, doubtless, been stimulated by the low rate of exchange.

II.—Applications made to the Government of India for measures in remedy of the effects of the fall in the gold-price of silver; and the action taken thereon.

On the 17th July 1876, the Secretary to the Bengal Chamber of Commerce transmitted, for the consideration of His Excellency the Governor General in Council, the following two Resolutions adopted at a Special General Meeting of the Chamber held on Saturday, the 15th July:—

RESOLUTIONS.

1st.—"That the continued depreciation in the value of silver is a question most seriously affecting the political and financial interests of the country, and that in view to its very great importance the Committee be requested to address the Government in order to obtain such information as they may be able to give, in regard to the policy which they propose to pursue under the circumstances."

2nd.—"That the Chamber approves of the suggestion of the Committee that it is expedient, in view of any ultimate measures that the Government may adopt, that clause 19 of Act XXIII of 1870, making it obligatory on the Mints in India to receive all silver tendered for coinage, and also section 11, clause (*b*), of Act III of 1871, making it obligatory on the Currency Department to issue Notes against silver bullion sent in, be temporarily suspended, at the discretion of Government; and that during such suspension, or till further notice, it be not lawful to import coined rupees from any foreign port."

On the 22nd July the Secretary to the same Chamber forwarded, for the consideration of the Governor General in Council, copy of the Proceedings of the Chamber at the Special General Meeting aforesaid.

In this letter, the Committee of the Chamber, while recognising the difficulty of the position of the Government of India, remarked that the uncertainty that had hitherto shrouded the action of Government had been attended with serious consequences to merchants and bankers, and would so continue to attend their transactions so long as they were kept in ignorance of the course of action the Government propose to take. The Committee, therefore, expressed a hope that His Excellency the Viceroy would, in the interests of commerce and of the country generally, accede to the prayer of the first Resolution of the meeting, and make public the intention of the Government.

As to the second Resolution, the Committee pointed out that its object was not to prohibit coinage altogether, for that would be likely to bring about a collapse of credit; but to place all coinage in the hands of the Government to be exercised at their discretion. It appeared to the Committee suicidal for the Secretary of State to allow the competition of bar silver with the rupees which he has to offer to those requiring money in India, and that to suspend the free conversion of silver bullion into legal tender coin was not only a wise and reasonable, but a necessary precaution for the Government of India to take for the preservation of their own currency, and to support the credit of their own loans, as well as to prevent the country from being swamped by silver sent in by foreign nations.

The Committee argued that the fact that the Government of India was compelled "to put their Mint Stamp to all silver" sent to India "had given an artificial and fictitious value to silver," which would cease as soon as the law was suspended. Bar silver would then, gradually, fall to its own intrinsic value; and the extent to which it was depreciated would be soon gauged; whereas, as things were, it was impossible to say how much its value was appreciated by our "open coinage system."

When all Europe was closing its door against the import of silver with the avowed object of having as little of the metal as possible, should the depreciation be found permanent, it seemed most impolitic, the Committee thought, "to keep ours wide open for the reception of an unlimited quantity, costing the country, through our coinage laws, far more than its real intrinsic value." The Committee could see no valid reason against the immediate adoption by the Government of the second Resolution of the meeting, and considered that the objections brought against it were based either on a misconception of its real scope, or on abstract principles (ignored by other States); whereas the position of affairs was altogether exceptional, and ordinary rules did not apply. The Committee represented that the measures recommended in the Resolution were not more stringent than (in fact, scarcely so stringent as) the first financiers in Europe had found it necessary to adopt.

Lastly, the Committee pointed out that there was a third proposition put before the Meeting, recommending the adoption of a gold standard, which, in deference to the feeling apparent among members present, was temporarily withdrawn; and they referred the Government to the debate at the Meeting upon this proposal.

On the 31st July the Government of India published a Resolution inviting attention to the immediately probable financial consequences of the fall in the gold-value of silver, and insisting upon the necessity for the utmost economy of the public resources.

On the 1st August the Secretary to the Calcutta Trades' Association forwarded a Memorial from the Master, Wardens, and Committee of the Association to His Excellency the Viceroy and Governor General of India in Council.

In this document the memorialists represented that they had, for many months past, been suffering great loss from the low rate of exchange which bid fair to paralyse trade. The memorialists joined earnestly with the Bengal Chamber of Commerce in urging on the Government the importance of declaring the policy it intended to pursue for the remedy of this evil, and prayed that the policy of a temporary suspension of the compulsory coinage of silver might receive the early consideration of Government.

The memorialists further expressed great satisfaction at the desire manifested by the Government to encourage local manufactures, and suggested a relaxation of the rules against the purchase of imported stores for the Government in India.

On the 22nd September 1876, after considering the "Report by the Select Committee of the House of Commons on depreciation of silver, with the Proceedings of the Committee, ordered by the House of Commons to be printed on the 5th July 1876," the Government of India published a Resolution (No. 3044) upon the suggestions of the Bengal Chamber of Commerce and the Calcutta Trades' Association, in which the following arguments and conclusions were stated :—

1. The recent change in the value of silver measured in gold may be due to changes in the value of one metal or the other, or of both. Before a fit remedy can be applied, it is essential to ascertain what exactly has happened, whether gold has risen or silver fallen, and how much the value of each metal has changed. It cannot be assumed, without decisive proof, that the divergence of the two metals is due wholly, or even chiefly, to the fall in the value of silver.

2. The prices of commodities and of the precious metals, in London and in India, witness to a considerable rise in the value of gold since March 1873, and especially since December 1875, and do not show any fall in the value of silver measured in commodities other than gold. Using these prices with all reserve, it must still be said that they afford evidence of this fact, at least, that a rise in the value of gold is one of the causes which has disturbed the equilibrium of the two metals.

3. The divergence of the values of the two metals seems due to three principal causes, of which the first appears to be the most efficient :—

(1) The substitution of gold as the standard of value, in Germany, the Netherlands, and the Scandinavian Kingdoms, for silver, and, in the Countries of the Latin Convention, for their customary alternative or compensatory standard of silver and gold.

(2) The increased production of silver in the United States of America.

(3) The decreased demand for silver in India.

4. The value of gold and silver, like that of any other commodity, depends on the one hand upon their supply, on the other upon the demand for them, which again depends upon the uses made of them. The long-continued equilibrium between the value of gold and that of silver is due to the two metals having shared, without material change of conditions, the only great field for the employment of either of them (*i.e.*, the supply of legal tender metallic money). This equilibrium has been disturbed by the rapid supersession of silver by gold in Europe and America as the standard of value, and therefore as the material of legal tender metallic money. This supersession is calculated *à priori* to raise the value of gold no less than to lower the value of silver.

5. Excessive importance is not, *per se*, attached to the increased production of silver in the United States of America.

6. When India is in a normal condition, *i.e.*, when there is no abnormal demand for any of her staples, and she is not borrowing large sums from abroad, the amount of treasure required to settle her accounts with the world is not considerable, and of the treasure received a substantial proportion has always been gold. The large imports of treasure into India since 1850 are due to abnormal circumstances, as follows :—

(1) The Crimean War transferred to India large demands for produce theretofore obtained from Russia.

(2) The American Civil War exaggerated temporarily the value of Indian cotton.

(3) Great sums of money have been borrowed for—

(a) the suppression of the mutiny;

(b) the construction of railroads (Guaranteed and State) and canals;

(c) the Bengal famine.

It would be altogether misleading to treat the great imports of treasure in the last 25 years as normal, or to expect that they will or can continue. There is, therefore, no reason to expect that silver will be poured into India, although, of course, if it falls in value, a greater weight of it must come to represent the same value.

7. To suspend the free coinage of legal tender metallic money, as advocated by the Bengal Chamber of Commerce, would give a monopoly value to the existing stock of rupees, and so reduce prices; whereas prices are not yet risen.

8. The value of no substance can serve as a standard-measure of value unless its use as the material of legal tender currency is freely admitted. If, therefore, the free coinage of silver on fixed conditions were disallowed in India, silver would no longer be the standard of value of India, but another standard would be substituted, *viz.*, the monopoly value of the existing stock of rupees, tempered by any additions made to it by the Government, or illicitly. If no such additions were made, the value of the rupee would gradually, but surely, rise, owing to the supply being cut off.

9. The stamp of a properly regulated mint, such as the Indian mints, adds nothing, except the cost of manufacture and seignorage, to the value of the metal on which it is impressed, but only certifies to its weight and purity.

10. A sound system of currency must be automatic or self-regulating. No civilized Government can undertake to determine from time to time by how much the legal-tender currency should be increased or decreased; nor would it be justified in leaving the community without a fixed metallic standard of value even for a short time. It is a mistake to suppose that any European nation has rejected silver as a standard of value without substituting gold.

11. For all these reasons, the Government of India rejected as inadmissible the proposal that the mints should be closed to the free coinage of silver for the public on fixed conditions, without at the same time opening them to the free coinage of gold as legal tender money on fixed conditions.

12. The Government of India further concluded that there was nothing as yet demanding recourse to a measure so costly, and of which all the conditions were so uncertain as the adoption of a gold standard. Thus the conclusions stated in the Resolution were:—

1stly—That the divergence of the values of gold and silver is not necessarily attributed 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.

The only other representations received upon the subject by the Government of India have been complaints by various European officers in its service of the loss which they are suffering from the fall of the sterling value of the rupee, and prayers for assistance from the State.

These memorials are still under consideration, either by the Government of India or the Secretary of State.

TABLE A.

Net imports of gold and silver into India; Bills drawn in London upon the Government of India; and debt incurred by the Government of India.

In crores and lakhs of rupees.

Years.	Number of years.	Net Imports. Gold.	Net Imports. Silver.	Net Imports. Total.	Average Yearly Net Imports. Gold.	Average Yearly Net Imports. Silver.	Average Yearly Net Imports. Total.	Proportion of net gold to total net imports.	Bills drawn in London upon Government of India.	Average rate of exchange at which bills were sold.	Borrowed by Government of India, including Guaranteed Railway Capital. England.	Borrowed by Government of India, including Guaranteed Railway Capital. India.	Borrowed by Government of India, including Guaranteed Railway Capital. Total.	Average price of standard silver in London per Oz. Troy.
	Y. M.									Pence.				Pence.
1800-35	35 0	...	...	75·11	...	...	2·15	...	...	...	2·41	22·76	25·17	...
1835-50	15 0	8·19	23·94	32·13	·55	1·59	2·14	25·49	34·47	22·55	·78	11·04	11·82	59·65
1850-55	5 0	5·39	11·92	17·31	1·03	2·38	3·46	31·12	16·94	23·88	5·27	—2·04	3·23	61·40
1855-66	11 0	56·82	118·87	175·69	5·16	10·81	15·97	32·34	35·58	24·66	76·93	20·86	97·79	61·54
1866-72	5 11	25·05	35·93	60·98	4·23	6·07	10·30	41·07	40·79	23·95	46·34	5·15	51·49	60·83
1872-73	1 0	2·54	·71	3·25	2·54	·71	3·25	78·15	15·06	22·81	·16	—1·47	—1·31	60·16
1873-74	1 0	1·38	2·45	3·83	1·38	2·45	3·83	36·03	14·26	22·35	1·08	—·04	1·04	59·16
1874-75	1 0	1·87	4·64	6·51	1·87	4·64	6·51	28·72	12·00	22·22	5·84	3·40	9·24	58·16
1875-76	1 0	1·54	1·56	3·10	1·54	1·56	3·10	49·68	14·50	21·64	1·86	2·93	4·79	56·20
1876, April to December	0 9	Exports. ·54	4·62	4·08	Exports. ·54	4·62	4·08	...	12·17	30·22	5·07	·36	5·43	52·62
Total	76 8	102·24*	204·61*	381·99	17·81*	34·83*	54·79	33·32*	195·77*	22·64*	145·74	62·95	208·69	...
Yearly average	...	1·45	4·91*	4·98	1·98*	3·87*	5·48	...	4·70*	...	1·90	·82	2·72	58·86

* These totals and averages are for years from 1835-36 onwards.

TABLE B.

Variations in the wholesale prices of certain Staple Commodities at Bombay; taking the prices of January 1873=100.

	1873.		1874.		1875.		1876.									
	January.	July.	January.	July.	January.	July.	January.	July.	August 18th.	August 25th.	September 1st.	September 8th.	September 15th.	September 22nd.	October 2nd.	October 9th.
IMPORTS.																
Grey Shirtings ($8\frac{1}{4}$ lbs.)	100	102	94	93	86	89	91	87	89	...	...	...	...	...	...	87
Mule Twist, No. 40	100	94	85	...	83	87	83	79	81	79	...	...	...	...	77	...
„ Turkey red, Nos. 40-80	100	...	...	95	91	98	85	82	64	...	...	...	...	...	...	...
„ Orange dye, Nos. 40-60	100	98	95	90	85	...	...	81	...	...	...	...	...	...	...	...
Copper, Sheathing	100	102	107	100	106	105	...	104	102	101	...	...	...	...	...	...
„ Braziers	100	101	103	99	106	104	103	104	100	98	97	98	...	99	...	...
„ Australian	100	98	100	94	102	...	104	99	95	...	94	95	...	...	...	...
Iron flat, square and bolt	100	120	131	110	93	87	90	79	...	...	...	...	...	...	71	74
Spelter	100	111	109	111	108	123	120	124	119	...	...	118	...	...	...	...
Coffee, Mocha	100	110	126	120	122	118	122	128	...	...	...	...	...	...	...	...
„ Malabar	100	124	138	122	114	123	126	138	...	...	...	...	...	...	...	...
Ivory, large	100	95	89	95	92	...	...	115	110	...	...	...	...	...	...	...
„ middling	100	103	91	100	94	...	...	124	123	...	...	124	...	...	...	...
Silk, China, Nankeen	100	93	87	...	...	...	...	82	...	...	...	...	...	...	...	...
„ „ Canton, No. 5	100	84	89	...	...	...	111	98	...	...	...	...	...	...	...	...
EXPORTS.																
Linseed	100	97	...	93	100	88	92	94	92	95	...	95	...	00	...	...
Cotton, Surat	100	...	94	81	83	85	89	69	...	...	...	...	...	...	...	...
„ Broach	100	84	94	81	83	85	90	69	...	...	..	75	...	72	...	...
„ Amrawati	100	91	89	80	78	..	80	71	72	...	73	78	...	77	...	75
„ Dholera	100	91	84	81	76	81	82	75	78	...	77	...	...	79	...	...
Wool, Mekran	100	90	58	61	77	79	66	55	...	...	60	...	...	...	...	...
„ Khorasan	100	97	70	65	70	69	54	...	49	...	58	...	...	...	...	...
„ Marwar	100	112	78	75	91	105	97	101	..	...	...	...	...	...	..	...
„ Cutch	100	88	78	67	82	79	69	70	71	...	82	...	...	...	...	...
Sugar, Bengal, No. 1	100	96	92	...	98	92	...	88	...	...	...	...	...	...	...	...
„ Mauritius, No. 1	100	97	91	...	87	91	86	...	...	...	...	...	...	...	...	...
Wheat, Sohagpur Pissi	100	...	75	82	79	72	76	81	...	...	...	...	...	...	...	...
„ Khundwah Seoni	100	95	77	76	74	73	77	75	...	...	..	...	...	...	...	...
„ Lasalgaum	100	105	78	75	...	79	76	73	...	...	...	...	...	...	...	...
„ Jubbulpore	100	...	81	87	77	76	85	82	...	...	...	...	...	...	...	...

TABLE B—(*continued*).

Variations in the wholesale prices of certain Staple Commodities at Bombay; taking the prices of January 1873=100—contd.

	1876.									1877.						
	October 16th.	October 23rd.	October 30th.	November 6th.	November 13th.	November 20th.	November 27th.	December 4th.	December 11th.	December 18th.	December 25th.	January 1st.	January 8th.	January 15th.	January 22nd.	January 29th.
IMPORTS.																
Grey Shirtings (8½ lbs.)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	85	...
Mule Twist, No. 40	...	...	...	...	79	...	...	...	...	...	...	77	79	...	...	...
" Turkey red, Nos. 40-60	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
" Orange dye, Nos. 40-60	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Copper, Sheathing	...	...	...	...	...	...	109	...	97	...	...	...	...	...	93	...
" Braziers	...	100	98	...	...	99	99	...	96	95	...	...	...	...	95	94
" Australian	...	...	...	...	...	97	...	...	94	93	...	94	...	...	92	...
Iron, flat, square and bolt	...	...	79	...	...	...	76	...	75	73	...	79	...	...	...	...
Spelter	...	...	...	...	...	...	...	...	115	114	...	...	...	...	110	...
Coffee, Mocha	...	...	...	...	...	...	...	...	...	...	...	117	...	...	...	...
" Malabar	...	...	...	...	...	...	...	...	...	...	...	130	...	...	...	...
Ivory, large	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
" middling	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Silk, China, Nankeen	...	...	112	...	...	...	121	...	...	...	116	...	...	...	...	107
" " Canton, No. 5	...	...	112	...	...	...	107	...	...	...	107	...	...	...	...	104
EXPORTS.																
Linseed	...	...	108	109	...	110	...	111	...	100	...	...	...	96	103	108
Cotton, Surat	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
" Broach	...	...	...	75	79	75	76	...	89	...	76	90	93	...	...	91
" Amrawati	...	...	...	76	80	78	...	...	87	89	87	90	92	91	...	93
" Dholera	...	...	...	81	86	82	84	...	85	86	87	89	91	93	...	94
Wool, Mekran	...	...	...	...	68	...	72	71	81	...	82	...	...	...	...	...
" Khorasan	...	...	77	...	74	...	78	69	76	...	...	...	...	...	...	...
" Marwar	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
" Cutch	...	...	...	...	85	...	...	82	86	...	...	...	...	...	...	...
Sugar, Bengal, No. 1	...	...	85	...	...	...	89	...	...	...	93	...	...	...	...	95
" Mauritius, No. 1	...	...	91	...	...	...	95	...	...	...	99	...	...	...	...	111
Wheat, Sohagpur Pissi	...	...	86	...	...	...	88	...	...	...	88	...	...	...	...	91
" Khundwah Seoni	...	...	81	...	...	...	97	...	...	...	91	...	...	...	...	90
" Lasalgaum	...	...	90	...	...	...	100	...	...	...	100	...	...	...	...	103
" Jubbulpore	...	...	88	...	...	...	93	...	...	...	94	...	...	...	...	98

TABLE C.

Variations in the wholesale prices of certain Staple Commodities at Calcutta; taking the prices of March 1873=100.

	1873. March.	1873. June.	1873. July.	1873. September.	1873. December.	1874. March.	1874. June.	1874. September.	1874. December.	1875. March.	1875. June.	1875. September	1875. December.	1876. January.	1876. February.	1876. March.	1876. April.
IMPORTS.																	
Grey Shirtings (8½ lbs.)	100	99	...	97	93	...	97	87	84	86	85	84	...	85	84	86	84
Mule Twist, white, good, No. 40	100	97	99	90	96	95	92	90	91	92	88	87	...	86	91	90	86
„ Turcky red, No. 40, 13 lbs.	100	104	112	108	115	112	106	104	...	102	...	96	94	92	98	92	...
„ Orange, Nos. 40-60	100	113	...	110	107	102	95	90	93	...	92	88	87	80	87	...	88
Copper Sheathing	100	101	99	97	102	100	95	...	100	103	99	100	102	101	100	99	...
„ Braziers	100	...	97	96	102	98	95	97	100	103	100	...	101	97	101	99	101
„ Australian	100	106	110	110	109	115	103	101	106	108	106	102	108	110	109	107	109
Iron, flat, bolt, bar, and square	100	109	111	112	115	122	103	100	89	93	85	73	78	81	79	...	83
Spelter, hard	100	105	...	...	114	100	105	114	118	148	137	136	148	...	168	151	152
Gold, Australian, 23 carats, fine	100	100·37	100·74	...	101·87	98·88	100·37	100	100·7	100·74	101·12	..	101·87	...	..	104·87	102·99
Gold*	100	100·74	100·63	101·06	103·04	102·79	101·27	103·57	104·37	104·14	107·03	105·4	106·46	108·87	111·91	111·72	...
EXPORTS.																	
Hides, buffalo, slaughtered, Patna	100	97	94	...	92	96	...	92	88	83	...	75	...	79	71	...	60
„ cow, slaughtered	100	...	94	100	...	106	100	...	...	97	84	74	78	...	...	...	...
Indigo, good	100	Nom.	...	...	110	Nom.	...	...	...	...	...	...	90	91	95	Nom.	...
Jute, picked	100	97	...	119	144	137	144	...	137	132	122	119	125	141	137	128	131
„ ordinary	100	81	...	103	129	123	129	...	123	119	100	103	113	123	...	119	...
Lac dye, fine	100	95	...	...	87	Nom.	55	...	60	73	..	55	...	...	...	45	...
„ middling	100	89	...	40	78	Nom.	33	..	...	44	...	22	...	...	...	...	...
Shell lac, fine orange	100	112	115	127	129	149	161	166	183	...	166	149	119	105	97	102	98
„ middling	100	113	116	131	127	149	55	173	187	...	164	127	100	95	82	87	73
Linseed, fine, bold, clean	100	102	105	108	111	123	103	106	110	96	90	...	92	90	88	...	85
Rice, moonghy	100	97	139	108	150	153	161	Nom.	...	...	...	128	117	111	115	114	...
„ ballam	100	101	100	...	165	153	162	...	153	112	126	141	135	118	123	119	115
Saltpetre, 2-4 per cent. refraction	100	94	...	95	91	81	80	86	83	75	73	76	74	72	70	...	69
Silk, raw, Cossimbazar	100	89	93	84	80	89	80	60	58	62	...	53	40	53	58	...	56
„ Gonatea	100	91	95	86	82	91	82	52	59	64	...	55	43	55	59	...	57
„ Jungypoor	100	90	88	81	79	86	81	59	...	62	..	52	43	52	55	...	59
„ Radanagore	100	87	...	78	76	87	76	59	56	59	56	53	39	48	54	...	56
„ Surdahs	100	87	92	83	79	87	83	58	56	60	...	53	42	46	54	...	56
Sugar, Benares	100	...	94		...	87	...	...	...	...	...	...	...	..	...	...	Nom.
„ Date, Gurpatta	100	97	87	82	...	77	...	...	...	...	...	72	..	...	Nom.	...	68
„ Dulloah	100	96	86	100	...	...	96	...	...	...	...	...	...	...	...	86	...
Tea, fine, Pekoe	100	109	126	123	...	119	126	119	123	126	...	129	135	...	...	142	N.
„ good, Souchong	100	114	...	...	...	...	123	118	125	125	114	109	104	95	...	109	N.
„ Congou	100	112	125	...	119	N.	137	...	150	...	125	112	119	106	...	112	N.
Wheat, Doodiah	100	94	...	107	115	107	111	100	96	87	76	78	...	76	...	74	...

* These prices of gold are calculated from the prices in Sterling of Bar Silver in the London Market.

TABLE —C—(*continued*).

Variations in the wholesale prices of certain Staple Commodities at Calcutta ; taking the prices of March 1873=100—contd.

	1876.															1877.		
	May.	June 12th.	June 26th.	July 10th.	July 24th.	August 7th.	August 21st.	September 4th.	September 18th.	October 12th.	October 26th.	November 9th.	November 25th.	December 7th.	December 21st.	January 4th.	January 17th.	February 1st.
IMPORTS.																		
Grey Shirtings (8¼ lbs.)	83	80	...	...	...	82	80	79	78	...	...	...	...	...	...	...	80	82
Mule Twist, white, good, No. 40	84	86	84	...	86	84	...	...	...	...	83	...	86	...	87	90	91	...
" Turkey red, No. 40, 12 lbs.	88	...	90	...	...	...	...	...	...	88	...	...	...	...	85	...	...	...
" Orange, Nos. 40-60	87	88	...	...	90	...	...	...	...	...	...	...	...	...	...	...	...	...
Copper Sheathing	...	...	...	...	...	...	98	...	...	...	99	99	96	95	93	92	91	88
" Braziers	...	...	...	...	100	99	...	...	...	98	99	99	96	9[illegible]	93	92	91	88
" Australian	108	107	106	...	...	104	102	99	...	104	105	...	...	103	100	...	99	96
Iron, flat, bolt, bar, and square	79	75	73	...	...	71	71	...	72	71	...	71	69	68	...	67	65	...
Spelter, hard	148	...	150	151	153	...	...	152	153	150	158	155	...	148	143	...	139	132
Gold, Australian, 23 carats, fine	103·37	107·86	...	110·86	113·86	110·86	107·86	113·86	110·1	109·36	...	105·62	107·86	103·37	..	101·87	103·37	...
Gold*	114·90	115·46	118·31	127·18	120·71	116·58	115·45	116·02	116·4	114·63	112·4	110·52	109·63	105·62	106·00	104·36	103·02	103·91
EXPORTS.																		
Hides, buffalo, slaughtered, Patna	63	65	...	...	...	...	...	...	...	...	71	88	...	94	104	94	...	...
" cow, slaughtered	...	...	74	...	Nom.	...	...	...	...	...	...	...	...	...	96	...	76	75
Indigo, good	...	...	...	...	...	...	...	...	...	...	...	...	...	115	110	...	108	103
Jute, picked	137	...	...	134	144	...	...	137	136	139	137	137	144	...	150	...	147	144
" ordinary	121	124	123	119	129	127	...	128	121	123	129	126	135	...	142	...	135	132
Lac dye, fine	55	...	...	56	...	...	...	...	...	64	...	...	...	...	69	...	62	91
" middling	33	...	...	27	...	...	...	...	...	40	...	...	...	...	...	...	49	55
Shell lac, fine orange	93	85	...	81	86	76	...	78	81	101	...	95	80	73	68	...	...	...
" middling	76	69	...	65	62	60	...	64	67	85	...	82	64	60	...	...	58	84
Linseed, fine, bold, clean	81	96	87	91	111	91	88	...	90	98	108	100	104	...	102	...	105	...
Rice, moonghy	...	112	...	...	125	119	117	...	...	114	...	133	128	125	156	150	139	...
" ballam	...	...	117	...	...	115	112	...	...	106	112	165	135	...	159	156	138	147
Saltpetre, 2-4 per cent. refraction	68	73	...	79	...	77	...	...	76	78	82	75	80	...	...	...	78	...
Silk, raw, Cossimbazar	...	64	67	84	93	...	107	...	116	133	...	...	...	98	..	...	111	...
" Gonatea	...	61	66	86	95	...	109	...	118	136	...	...	...	95	...	...	114	118
" Jungypoor	...	64	71	79	100	...	...	...	114	133	...	...	...	95	...	...	109	114
" Radanagore	...	58	72	83	96	...	102	...	117	130	...	...	...	96	...	...	103	...
" Surdahs	...	64	71	85	96	...	104	...	117	133	...	...	...	100	...	...	112	...
Sugar, Benares	...	75	83	Nom.	...	..	...	...	...	73	...	77	89	...	88	88	85	...
" Date, Gurpatta	Nom.	68	...	...	72	...	77	...	...	Nom.	...	...	...	...	...	...	...	97
" Dulloah	83	87	...	93	...	...	Nom.	...	...	...	...	...	...	...	...	...	...	127
Tea fine Pekoe	...	...	...	148	...	143	...	145	151	...	155	155	148	...	...	...	...	...
" good Souchong	...	...	127	136	127	145	114	118	123	...	...	...	...	...	...	...	118	...
" Congou	...	...	137	144	137	131	...	...	...	...	125	125	119	...	...	...	131	...
Wheat, Doodiah	70	76	...	79	71	...	79	76	80	81	80	79	76	79	96	87	81	83

* These prices of gold are calculated from the prices in Sterling of Bar Silver in the London Market.

XXXII.

DESPATCH FROM THE GOVERNMENT OF INDIA, TO THE SECRETARY OF STATE FOR INDIA, No. 423, DATED 9TH NOVEMBER 1899.

The Government of India, in its Financial Despatch No. 368, dated the 13th October 1876, addressed the Secretary of State on the subject of the depreciation in the value of silver in relation to gold, which had at that time created considerable anxiety, by the sudden fall which took place in July of that year, when the exchange value of the rupee was hardly above 1*s*. 6*d*.

2. The Government of India then came to the conclusion that the circumstances were not such as to justify any action in relation to the currency of India, though they had been strongly pressed by the Calcutta Chamber of Commerce to suspend the coinage of silver. In the view they thus took, they were supported by Your Lordship's predecessor, who, however, in stating his opinion to this effect, represented to the Government of India the risk of giving pledges on a subject on which it was desirable to leave their action free for the future.

3. The Despatch, above referred to, discussed in some detail the main considerations that presented themselves to the Government at that time in reference to the facts of the case as they then appeared. But the conclusions come to were chiefly of a negative order, and rather indicated the difficulty of finding any satisfactory solution of the questions raised, than gave them any practical answer. The general result, however, was, to point out that the adoption of a gold standard, with a gold currency that should replace the existing silver, would be so costly as to be impracticable, and would otherwise be open to objection; and that the attempt to raise the value of the rupee, by adding to its weight, would be an incomplete and uncertain proceeding, and costly, though far less so than the adoption of a gold currency.

4. The despatch notices also, but only to reject it, the proposal that the Indian standard of value, and, with it, the exchange value of the rupee, might be raised by limiting the coining of silver in the future, and by adopting a gold standard without a gold currency. The possibility of taking this course was not questioned; but the evils which it was thought must attend it, were held to be so great as to preclude its acceptance.

5. It was to have been expected that a subject so encompassed with difficulties, and on which opinion was so hesitatingly expressed, should not receive any early settlement, and it was probably the wisest, as it was certainly the most natural course, to allow further time to elapse before attempting any final solution of the grave financial problem it involved. The improvement that took place in the value of silver in the year 1877 favoured this policy of inaction; and it is only now, when a fresh fall has brought down the rupee to a value hardly greater than that which it had in July 1876, that the serious nature of the risk which our existing currency law entails on us is once more forced on our attention by its practical effects on the Home remittances.

6. We, accordingly, have again had brought under our consideration the previous proceedings and consultations bearing on this extremely important matter, and we proceed to lay before Your Lordship the results of our deliberations upon it.

7. We are disposed to believe that the present great depression of the exchange is to some considerable extent the result of the special position of political and commercial affairs. When thus speaking of exchange, it is necessary to distinguish between those variations in the exchange value of the rupee which arise from variations in the par of exchange, and the fluctuations dependent on trade demand. The latter lie altogether outside of our consideration, and it is to the former only that we refer. Now there can be no doubt that the general low exchange value of the rupee, as thus understood, is the immediate result of the fall in value of silver in relation to gold, operating through our existing currency law, and that the serious fluctuations to which the exchange has been subject during the last two or three years, with the extremely mischievous effects they involve, are essentially due to the same cause, or to the uncertainty of the future relation of the values of the two metals.

8. It has further become plain that the current of all the most trustworthy opinion tends more and more towards the conclusion that, so far as can now be foreseen, there is no prospect of any early or complete recovery in the value of silver, and, on the contrary, that the probabilities are all in favour of a further fall. The constantly increasing wealth of the chief countries of the world leads them more and more to desire a gold standard for their currencies, and the far greater activity of international trade renders more and more inconvenient the retention by them of different standards, and adds to the probability of the general and exclusive adoption of the gold standard which has been accepted by the principal mercantile nations of Europe. The extension of the use of gold in place of silver tends to depreciate silver in relation to gold, and thus each step towards the general introduction of gold makes the maintenance of a silver standard more inconvenient in international transactions, and adds to the probability of the ultimate exclusion of silver altogether, except for token-money.

9. Of all the countries calling for notice in connection with this discussion that have had a silver standard, India is the only one which has not protected itself in some degree from the consequences of the fall in the value of silver that has been going on now for several years. The Latin Union has practically suspended the coining of silver for the last three or four years. Germany has abandoned silver entirely. Russia, Austria, and Italy have only a paper currency. The recent steps of the United States have merely been to permit a limited coinage of silver, and by the Government alone.

10. How serious is the disturbance caused in Indian finance by the fall in the value of silver in relation to gold that has taken place during the last six or seven years, will be appreciated when it is stated that the Home remittances of the present year were estimated, in the Budget, to require a sum of nearly two-and-a-half crores of rupees more than would have been needed in 1871, and that, at the present rate of exchange, say 1*s.* 7*d.*, the excess would be as much as four crores. In other words, the country is now taxed from two to three millions a year more than would have been necessary if the old rates of exchange could have been maintained; and we must look forward to the possibility of this charge rising to four millions, or more.

11. In saying this, it is not intended to imply that India is wholly a loser in consequence of the fall in the value of silver; for there are, no doubt, compensating advantages, to which reference will hereafter be made

which must not be lost sight of in estimating the ultimate effect of these changes.

12. But, so far as the taxation of the country is concerned, measured in the currency of the day, it is obvious that the immediate result is what has been mentioned. And bearing in mind the necessary fixity of much of the existing taxation, the difficulty of finding new sources of revenue, and the dissatisfaction caused by all increases of taxation, even by those for which there is the most urgent necessity, it is indisputable that the political inconvenience of this gradually increasing burden is extremely great, aggravated as it further is by the uncertainty of its amount, and the impossibility of foreseeing its fluctuations, which may at any moment become the cause of the most grave financial embarrassment.

13. In attempting to adjust the new burdens thus required to be met, serious difficulties, moreover, arise. For, it being clear that it is to the general fall in the value of the whole amount of the Indian revenues, measured in gold, that this additional taxation is due, it might be held to be right, in strict equity to the several classes of the community, to readjust the whole of the former taxes, rather than to impose new taxes on any particular class. Other serious questions might also be raised in other directions, and can indeed hardly fail to be raised in a form that may be very embarrassing if matters remain as they are, with reference to the scale of salaries of public servants, fixed in former years when exchange was high, and more especially the salaries of European officers, who, from their position, are practically forced to make considerable remittances to England.

14. We refer to these points, however, not with any view of discussing their respective importance, or how they should be dealt with, but only to indicate the nature of some of the more prominent difficulties which have been caused, and which must continue to arise, if the present state of things is left without remedy. The necessity of frequent increases of taxation, and of having to meet a growing feeling of dissatisfaction among the most influential class of public servants, or to make a general revision and increase of the salaries of all classes, is not a happy prospect for any Government.

15. Though not here proposing, then, any elaborate discussion of the many forms in which the fall in the value of silver, with the uncertain prospects of its value in the future, affects public interests in India, there are two points on which it is necessary to dwell—first, the effect on the value of Government Securities; and second, the effect on the trade of the country.

16. Six years ago, in 1872, the average exchange value of the rupee was 23½*d*. The 4 per cent. rupee securities of the Government of India in Calcutta were then at an average premium of Rs. 18. At the same time, the enfaced 4 per cent. rupee securities in London were at £26. In the present year, the 4 per cents. in Calcutta have ranged for some months from about 94 to 96, and in London the latest quotation is £72. The amount of rupee paper held in London in 1872 was nearly 14 millions sterling in value, so that the depreciation of this property alone has not been less than two millions sterling. In 1872 the average value of the sterling 4 per cent. bonds of the Secretary of State was 104½, and in the present year it has been from 100 to 102. The great comparative steadiness of the Sterling obligations of the Government is at once obvious; and it is needless to dwell on the injury done to our borrowing power by the risk to which the public creditor is exposed by such fluctuations in value as those of the rupee paper above noted.

17. The consequences of a fall in the exchange on the Import trade of India are almost equivalent to those of an Import duty of corresponding

amount. To secure the same profit in Sterling money with a falling rate of exchange, the prices of articles measured in rupees must be raised in the same proportion; sales will therefore be reduced, and the Export trade *pro tanto* checked also. It is, of course, true that the direct effect of the low exchange is to stimulate the Export trade, but the set off caused by the opposite influence on Imports must not be overlooked in estimating the value of this one advantage of cheap silver. It is unfortunately impossible to deduce any positive conclusions from the trade returns as to the real effect of the fall in silver on the Export and Import trade of India; the disturbances due to the seasons of extreme drought, to the commercial depression, and to the political troubles which have characterised the last two or three years, have been of a nature to obscure or obliterate the results that might perhaps have been anticipated. As a matter of fact, no improvement can be traced with any confidence in the Export trade, and it remains doubtful whether the greater cheapness of the rupee (subject to the opposite influence above alluded to operating through the Imports) has had any beneficial effect at all on the trade of India.

18. If we were to enquire whether a return from the present condition of affairs, in respect to exchange, to that which existed six or seven years ago, were desirable or not, if it were possible, we do not think that any differences of opinion could possibly arise among the various classes of the community. The Government and the tax-payer would alike hail the change with the greatest approval. Nor are the merchant or banking classes at all likely to dissent from such a verdict; and it will be remembered that the movement in 1876, in favour of measures supposed to be suitable for meeting or preventing the evils of the falling exchange, originated with them.

19. It is doubtless true that the foregoing observations have been directed mainly to the inconveniences arising from the fall in the exchange, or external value of the rupee, in relation to sterling currency, and to the uncertainty that must prevail as to this value in the future, if the existing Coinage Act is maintained. And we think that a careful examination of the situation will show that it is principally to this aspect of the question that we should look, though, of course, nothing should be done in attempting to remedy evils affecting the exchange value of the rupee, without careful attention to its internal value within British India.

20. The very existence of the British Government in India essentially depends on the regular remittance to England of the large sum which the demands of the public service require there for various purposes. In like manner, the prosperous condition of the commerce of India, and of all enterprise based on British or other foreign Capital, no less essentially depends on the healthy operation of the exchange transactions between the two countries. The enormous magnitude of these combined interests is obvious. The Home remittances of the Government amount to about one-third or one-fourth of the whole of the Revenues, and, in the present year, are about 17 millions sterling. The value of the Export and Import trade with Europe, taken together, has for some years exceeded 100 millions sterling, and the British Capital invested in Railways alone amounts to upwards of 100 millions.

21. The uncertainty that has now for some years prevailed with reference to the value of silver, and the consequent disturbances in the exchange, have, we need hardly remind Your Lordship, been causes of continued financial difficulty to the Government both in England and India, and it is not possible to doubt that similar results must have been produced by these disturbances in the trade transactions of the country, or that investments of

foreign Capital in India, either for trading or other purposes, must have been very seriously interfered with by their influence.

22. At the present time, when political events may throw upon India new burdens of unusual magnitude, the position of our Government in relation to this question assumes a character of extreme gravity. Whether, if such demands upon us arise, they would require us to have resort to increased taxation to provide additional resources for the service of the year, or to loans to meet sudden or unusual charges, or, as may be more probable, to a combination of the two, the anxiety that will attend our Financial administration must be very great; and if the holders of silver should, under any combination of circumstances, throw any considerable quantity on the market, as is at all events possible, the consequences to India might be financially disastrous. How a sudden call to supply by taxation a million or more to provide for further loss by exchange, and one or two millions for war charges could be met, we are at a loss to know; yet that such demands might arise, no one can say is so improbable as to remove them from a serious claim on our attention. The prospects of a loan in such a case would not be much more satisfactory. Any temporary relief obtained by borrowing in England would be more than compensated by the increased burdens created in the future, and the necessary tendency of things would be to go from bad to worse.

23. Such we hold to be a true statement of the present difficulties and prospective risks of maintaining the existing currency law, and we feel assured that they have not been in any way overstated. It remains for us to enquire whether any practical remedy could be devised on that should not be open to serious objections, or the risks attending the adoption of which should not be so great as to prohibit it. We feel most fully the heavy responsibility that will rest on us in dealing with the Currency of India; but it is plain that the responsibility for doing nothing is no less great. Whether the law is left as it is, or whether it is changed, the result will be equally due to our action, and we cannot, if we would, avoid facing this grave question.

24. To obtain fixity of exchange by the adoption of a gold standard, and the substitution of a gold for a silver currency, through the direct action of the Government, has, we think, been conclusively shown to be impracticable by the Despatch of the Government of India of October last; and this plan, therefore, calls for no further notice. The increase to the weight of the rupee, also noticed in that Despatch, is equally undeserving of attention, as, in fact, it would give no security for the future, and would entail a heavy charge without accomplishing the essential point to be aimed at. There remains the simpler and first proposed suggestion, the limitation of the coinage of silver, which, though rejected in 1876 by the Government of India, as already stated, appears to us to call now for a closer examination.

25. This suggestion in its main features is, that the Coinage Act shall be so far modified as to withdraw the free right of the public to take silver bullion to the Mint for coinage, and either to suspend it entirely in future, or limit it for a time. The precise manner in which, in conjunction with this change, provision should be made for needful future expansion of the currency, has not been so exactly stated, or with the same concurrence of opinion; and, almost as a necessary consequence, the method by which the standard of value of the rupee should be determined in future, or while the coinage for the public is suspended, has not been exactly defined by many of the advocates of the plan.

26. It is obviously an essential part of any such scheme, if it is to have the effect of fixing the exchange value of the rupee, that the power of obtaining that coin in future shall be regulated in some manner by a gold payment, and that the relation between sterling and rupee currency shall thus be fixed irrespective of the fluctuation in the relative value of the metals of which the coins are formed.

27. It is not, on the other hand, an essential part of such a plan that any particular relation of value should be thus fixed, and, so far as its principle is concerned, it is immaterial whether the rupee should be fixed at two shillings, that is, one-tenth part of a pound sterling, or at any smaller or larger proportion. All that is necessary is that the rate, being once fixed, shall remain for the future unchanged. It will therefore be convenient first to look at the results of the adoption of a gold standard for the India rupee currency in its general features, and irrespective of the precise relation to be fixed between the rupee and the pound sterling.

28. So far as we are aware, the only general objection that has been urged against adopting a gold basis for the Indian Currency, instead of silver, excepting that it would involve a change of long-established custom, is that it would greatly disturb and increase the value of gold throughout the whole world, and would thus create a fresh set of evils, the consequences of which would be worse than those that have been caused by what is commonly spoken of as the fall in the value of silver. It is argued that this fall has, till now, been in fact nothing more than a rise in the value of gold; that, by excluding silver from its place in the currency of India, its value would be really reduced, while the introduction of gold would cause such an additional demand for that metal, that its value would be much raised all over the world; that India, with all other countries, would be made to suffer the evils of a currency of gold much enhanced in value; and that India, in particular, would suffer from having to discharge both its existing silver obligations in India, and its sterling obligations in England, in gold so enhanced in value.

29. We are unable to attach any importance to such arguments. That the diminished use of silver and the increased use of gold, for currency purposes, has added to the value of the latter metal in relation to commodities generally, is, at all events, not impossible, or even improbable, within certain limits. But that there is any sufficient evidence of the value of silver, in relation to commodities generally, having been maintained, we are not prepared to admit. And the argument is so far self-contradictory, that any reduction in the use of silver in currency must have an exactly opposite effect on the value of silver, to that produced on the value of gold by the increase in the use of gold, so that there is the same reason to conclude that there has been a fall in silver as that there would be a rise in gold, in relation to other commodities.

30. Next, we do not think that the adoption of a gold standard for India would necessarily, for a long time at least, lead to any very important reduction in the quantity of silver required for the Indian coinage. Neither, on the other hand, do we think that it would necessarily lead to any very large use of gold. Therefore, we should not anticipate any very important changes in the values of the two metals, as a necessary consequence of the measure spoken of.

31. Further, on this point we will remark that experience has shown how extremely untrustworthy are all speculative opinions as to the rise or fall in

the value of the precious metals, and as to the effect of such changes of value on the currencies of the civilised world. The subject is one which we, therefore, think it useless to pursue, and we prefer to treat the question before us in relation to the actual facts from which there is no appeal.

32. Any objection to the change from a silver to a gold standard could not, in our opinion, be sustained merely on the ground of its being a departure from established custom. The existing Currency Law was framed, and has been maintained, because it was thought that it would give the best practicable protection to the special interests concerned in the money transactions of India. As soon as that character is lost, all justification for maintaining the law ceases, and the necessity for changing it arises.

33. Probably the most important question in connexion with the adoption of a gold standard of value for India, is the rate at which the existing coin shall be valued, and it opens out various complicated and difficult enquiries. But, before dealing with it, another point may conveniently be discussed, namely, whether or not it is practicable to maintain a silver coinage as the principal element in our currency, with a very limited gold coinage, or without a legal tender gold coinage at all. The Government of India, in its Despatch of 1876, expressed an opinion adverse to the possibility of maintaining such a system, and held that a step such as is now under discussion would soon force the adoption of a full gold coinage, leaving the silver as a supplementary part of the currency. On a full re-consideration of this point, we are led to take the opposite view, and to think that such a system would be perfectly practicable, and would lead to no material difficulty. It is true that there is no country in which such a condition of things actually exists. But those countries—and there are many of them—in which an inconvertible paper currency exists or has existed, give proof that the far greater anomaly of a currency devoid of any intrinsic value whatever, is capable of performing the work of a metallic currency satisfactorily, and of maintaining its local exchange value so long as an excessive issue is duly guarded against.

34. The local demand for gold, silver, or notes (when a paper currency exists alongside of a metallic currency), will almost wholly be determined by the habits or prejudices, and the average magnitude of the money transactions, of the people; and we see no reason to think that any theoretical change in the standard of value would operate so as to modify the habits of the people of India in respect to the use of silver coin for the bulk of their transactions, for a long time at least, especially if the coin itself were not changed in any way.

35. The practical issue, however, would plainly be influenced in a great degree by the intrinsic value of the silver coinage which would be current on such a system. In proportion as the intrinsic value of the silver coin approached its nominal gold value, the facility of maintaining the system would be greater, and *vice versâ*, and in the actual position of things in India, the extent to which a silver coinage would remain current, with a partial gold coinage at a nominal value much in excess of its intrinsic gold value, becomes of much importance.

36. First, looking to the British coinage, we find that the shilling as now current would be worth, with silver at 50*d.* per ounce, a small fraction more than 9*d.* At such a rate a rupee intrinsically worth 1*s.* 6*d.* might remain current at a nominal value of 2*s.* The Mint law of France fixes the relation of gold to silver, on which the full legal tender silver money is based, at

15·5 to 1. At 50*d.* per ounce for silver, the actual relative value is about 18·7 to 1, so that, at the present time, the intrinsic value of the 5-franc piece is reduced in the proportion of 18·7 to 15·5, or to about 4·2 francs. This is equivalent to a rupee, at 2 shillings nominal, being intrinsically worth 1*s.* 8*d.*

37. These instances seem to show that neither in the way of the surreptitious coinage, nor of discredit from depreciation of intrinsic value, is it probable that there would be any serious difficulty in keeping the rupee in circulation at its present weight, at a nominal value of two shillings, with a gold standard, and a partial gold coinage.

38. That some difficulties and inconveniences might arise from a silver coinage so current at a rate much above its gold value will, of course, be obvious; and, amongst these, the risk of fabrication of false or illegal coins is often spoken of as likely to be serious. But we believe that experience does not support this view. The offence of coining is not of frequent occurrence, and the mechanical difficulty of imitating, with success, silver coins such as those produced at the Indian Mints, with any appliances likely to be available to fraudulent coiners in India, is so great as to appear to us to remove from this cause of objection almost all its practical importance. It has been urged, and we think with truth, that so far as the general maintenance of the value of the currency, and its character for genuineness, are concerned, a very much larger introduction of false coin would be required, to produce any sensible effect, than could be contemplated in any circumstances that can be conceived.

39. Neither is it to be lost sight of that there is a comparatively easy and certain method open for correcting the evils that arise from a silver currency in such circumstances as those that have now been referred to, namely, the gradual addition to its weight. This could be carried out by degrees, and without cost to the State, to any extent thought expedient, within the practical limits of the coining power of the mints. On the whole, therefore, we consider that objections of this class may be regarded as sufficiently answered.

40. There remains one other point to be noticed. It is frequently said that any interference with the currency which involves the modification of the values of the coins, by which alone debts can be discharged, is unjust, as leading to violations of contracts already made, and the performance of which extends over a considerable time. Such an allegation would no doubt be true if the condition of affairs was such that the values affected by such contracts would have remained constant if the interference in question had not taken place. But, as India is now situated, the truth is quite the reverse of this. The only hope of preserving the values of existing contracts is to exercise some interference. Those who have seen the value of the rupee fall in a few years from 2*s.* to 1*s.* 7*d.* may, without their sense of justice being questioned, ask to have the contracts made at the former rate, protected, if not by a restoration of things to the position in which they were five or six years ago, at all events to the extent of giving security against further loss. And these considerations apply equally to contracts made wholly in India, as to those made between India and other countries.

41. It would be idle to deny that the very essence of all laws relating to the currency is to give fixity to the standard of value so far as it is possible. Nothing was further from the intentions of the framers of any of these laws than to enable persons who entered into engagements ten or twenty years ago to discharge the obligations then incurred by means of greatly reduced payments in consequence of a fundamental change in the value of the metal then

selected as the standard of value because of its supposed fixity of value. When a law not only ceases to produce the effects it was designed to produce, but leads to results wholly opposed to its original intention, the necessity for looking closely into the expediency of its retention can no longer be questioned.

42. The extent to which prices in India itself have been affected by the fall in the value of silver in relation to gold outside of India, to which is due the great fall in the exchange value of the rupee, is extremely difficult of exact determination. As a matter of fact, however, no disturbance of internal value that has attracted any notice has till now followed the fall in silver, if, indeed, it has occurred at all in an appreciable degree; and it is certain that if any change has taken place, it has been altogether insignificant in comparison to that which has occurred in the foreign exchanges. If this be true for the past fall, we see no reason for doubting that it will be true for a future rise, if steps are at once taken to arrest further change of internal prices; and we confidently believe that the restoration of the gold value of the rupee to what it was six or seven years ago would now produce no greater *internal* inconvenience or disturbance than that which followed the recent fall of value; or, in other words, that no such consequences would ensue at all. But to secure such a result the action must be prompt, for the influx of silver is certainly leading to a general depreciation of the rupee currency, at present imperceptible.

43. From these more general considerations, we pass to those that should govern the determination of the precise relation that would best be fixed between gold and silver, on the hypothesis of the adoption of the gold standard for a rupee currency. In the first place, it is obvious that to guard against future variations of the relative value of the two metals favourable to silver it would be expedient to pitch the future nominal value of the rupee *above* its intrinsic value. Indeed, if no change is to be made in the weight of the rupee, this precaution might be considered essential. Further, it would be desirable, for this same reason, to fix the new value of the rupee, measured in gold, at an amount that is not likely to be reached by any fluctuations of the value of the precious metals that can now be anticipated. In this view, it would appear improbable that a lower rate than 1*s.* 10*d.* or 1*s.* 10½*d.* could be accepted.

44. But, having reached this point, it may be asked whether it would not be desirable to go a little further, and take 2*s.* as the new standard value. It must be borne in mind that, the main point to be secured being fixity in relation to gold, to raise the exchange beyond a certain point will be a positive evil, just as much as its recent depression has been so. On the whole, the conclusion that would appear to us least open to objection (every decision being, in the nature of the subject, arbitrary), would be to endeavour to restore to the rupee the value in relation to gold that prevailed before the late serious depression in silver began. We think that this would best meet all the conditions of the problem to be solved. In proportion as the risk of change has increased, it is probable that contracts have been more guarded. All transactions are necessarily subject to the fluctuations of exchange caused by external influences of all sorts; and if the change of standard were introduced, as it might be, in a manner that would spread the rise of exchanges over some time, the extent of the disturbance would, we should think, be reduced to small dimensions.

45. There would doubtless be some practical convenience in bringing the currencies of England and India into a relation that would make the pound

sterling a decimal multiple of the rupee. But the value of this should not be over-estimated. The exchange value of the currencies of the two countries would still necessarily constantly fluctuate, though within very far narrower limits than heretofore. As, however, there would appear to be no very good reason for selecting any one fractional amount between 1*s.* 10½*d.* and 2*s.* 0*d.* for the gold value of the rupee in preference to another, the balance of convenience would seem to rest with the adoption of 2*s.*, which would very closely comply with the condition of approximating to the former value.

46. We are thus led to the general conclusion that it will be practicable, without present injury to the community as a whole, or risk of future difficulties, to adopt a gold standard, while retaining the present silver currency of India, and that we may thereby, in the future, fully protect ourselves from the very real and serious dangers impending over us so long as the present system is maintained. We consequently desire to recommend to Her Majesty's Government the adoption of such a change at the earliest moment possible, and we shall proceed to explain, in all necessary detail, the measures by which we advise that it should be effected.

47. To facilitate the explanation of our views, we have prepared a Draft Bill (a copy of which is annexed, and to which reference is requested) which would, in our opinion, when passed into law, accomplish all that would for the present be necessary.

48. The first point to be guarded in attempting to carry out the proposed change, is to provide for complete freedom for any expansion of the currency which the trade requirements of the country demand. This, we think, could not be properly secured if the Mints were wholly closed for the coining of silver for the public. If this measure were adopted, the responsibility for supplying the silver demand would be thrown on the Government, and in the present position of the market for gold and silver bullion in India, it would not be possible to accept such a duty.

49. What might at first sight appear the simplest, and therefore the best, way of allowing for the expansion of the Indian silver currency, with a gold standard, would be for the Government to undertake to give silver coin in exchange for gold coin to all comers, at the rates fixed by the new system, and to open the Mints for the coinage of gold, while they were closed for silver. But, in the absence of any supply of silver in India from which to obtain the necessary material for coinage, such an obligation could not be accepted, without involving the Government in complicated transactions in the purchase and storing of bullion which it would be very inexpedient to enter on.

50. It has to be borne in mind that it is not the object of our action to force on India a gold currency, or to displace the silver currency; but rather to avoid such a result, or to check the tendency in that direction, so far as it can be done consistently with the adoption of the gold standard. We are consequently led to the conclusion that, while we give certain facilities for the introduction of gold coins into India, we should not yet go so far as to declare them a general legal tender; and that we should, at the same time, make provision for the coining of silver, without limit as to quantity, but on terms that will give no advantage to the introduction of silver in relation to gold.

51. These objects we propose to attain as follows :—We first take power to receive British or British Indian gold coin in payment for any demands of the Government, at rates to be fixed from time to time by the Government, till the exchange has settled itself sufficiently to enable us to fix the rupee

value in relation to the pound sterling, permanently, at 2 shillings. Simultaneously with this, the seignorage on the coining of silver would be raised to such a rate as would virtually make the cost of a rupee, to persons importing bullion, equal in amount to the value given to the rupee in comparison with the gold coins above spoken of. We should thus obtain a self-acting system under which silver would be admitted for coinage at the fixed gold rate, as the wants of the country required; while a certain limited scope would be given for the introduction and use of gold coin, so far as it was found convenient or profitable.

52. The simultaneous modification of the Paper Currency Law will obviously be necessary to relieve the Currency Department from the liability to give notes in exchange for silver bullion, and to provide for the issue of notes for gold. This will involve the grant to the Government of a power to discharge its notes in gold as well as in silver; and to this there can be no objection, even though gold be not now declared a legal tender, as the Government will accept gold in payment of its own demands.

53. No interference will take place with the coinage of silver for Native States, under the Native States' Coinage Act. The amount already allowed to be coined under this Act is small, and will have no practical effect on the currency generally, and the new rate of seignorage will apply to all such coinage authorised in the future.

54. The prohibition of the import of *coined* silver will be requisite, though when melted or defaced, its free admission will not be interfered with.

55. It has also been thought right, in order to provide against any hardship that might arise from the possible exclusion, by the proposed measures, of silver bullion bought or contracted for before the announcement of the intention of the Government to raise the rate of seignorage, and stop the issue of notes in exchange for silver bullion. Arrangements are, therefore, made for admitting such bullion for coinage, or exchange into notes, under suitable conditions to guard against abuse. Such a clause would not be inserted in the Bill when first published, but should be added just before it passes.

56. Lastly, power is given to the Government of India to put an end to the operation of the proposed law by executive order, so that, if any unforeseen mischievous results ensue from the restrictive operation of the new law, of a nature to show that it should not remain in force, the means shall be present of correcting the evil at once, and of reverting to the former state of things.

57. The principal object aimed at by the restriction of the silver coinage might, perhaps, have been secured without legislation by increasing the time that elapses between the receipt of bullion and the delivery of the coin proceeds, which time, under the existing law, is fixed by the Government. Such a course was, in fact, adopted, we believe, in France, with the same object. But we think that it would not be expedient to proceed thus, nor to interfere with the operation of the present Coinage Law, otherwise than under the authority of an Act of the Legislature.

58. We have considered it inexpedient to interfere at all with the British Indian gold coinage, thinking it best to restrict all changes in the law to what is essential for accomplishing the first step towards the change of the standard. We aim, it is true, at the eventual adoption of the British standard, and the extension to India of the use of British gold coins. But the measures now to be taken are preliminary only, and the ultimate position of the currency of India could not be regulated with certainty or advantage, till

the close of the period of transition required to establish the fresh relation of value between the rupee and the pound sterling.

59. We have thought it better to reserve to the Government of India, at the outset, the power of fixing the amount of seignorage on the coining of silver, and the rate at which British gold should be received in payment of rupee debts to the Government (subject to the limitation of the value of the rupee to one-tenth of a pound sterling), in order to allow some means of preventing any sudden rise in the exchange either from panic or other causes; and it will be a matter for careful consideration how the transition from the present rate to the highest rate contemplated may be carried out with the least disturbance of trade. It is not, however, now necessary to discuss this point.

60. We contemplate no change whatever in the manner in which the Home remittances are made, nor any interruption of the system of free tender for the Bills offered for sale by the Secretary of State. We think that the rate of exchange should, as heretofore, be left to be settled by the requirements of the market, only subject, of course, to the new conditions under which alone rupees would henceforth be procurable in India.

61. We consider that the wants of India, in the matter of silver coin, would be fully supplied without any friction under the system we suggest. At the same time, the accumulation of a certain proportion of British gold coin in the currency reserve would give a most useful power to the Government to meet any sudden or unusual pressure on the exchanges; and once more the Indian Currency would have restored to it the power of contraction by the export of coin, which it has practically long lost.

62. The proposed plan would give the Government no power to add to the currency by the coining of silver, and all fear of an inflated token currency would thus be removed.

63. We should, as already stated, not advise the immediate recognition of gold coin as a legal tender. Such a measure would not be necessary for the main object in view; it would be a departure from the existing condition of things which for the present had better be avoided, and it might tend to stimulate the process of transition from a silver to a gold currency which, as we have said, it should rather be our care to check at the outset. The acceptance by the Government of gold coins in payment of its demands would secure needful facilities for the import of gold for the present. At a later period, it would, no doubt, be expedient to throw open the Indian Mints for the coinage of gold. The coins should then be made identical in all respects with those of Great Britain, and the needful authority should be obtained from Parliament to make them a legal tender in Great Britain, as Australian gold already is. With this change, the old British Indian gold coinage should cease. It has at present no legal status, and its disappearance would have no effect whatever on the currency.

64. We may attempt to look forward to the probable result of such measures if they be carried out. The imposition of the increased rate of seignorage on the coinage of silver will have the necessary effect of raising the exchange till it approximates closely to the rate at which the gold coin of Great Britain is declared to be exchangeable into rupee currency. How soon this may occur will mainly depend on the local demand for money and the local supply. As the rise takes place, supposing the general expenditure of the country meanwhile to remain unchanged, the charge to meet what is technically called the "Loss by Exchange" will diminish, and the Govern-

ment will eventually find that the expenditure has been reduced by two or three crores of rupees. To this extent, if meanwhile no fresh cause of charge has arisen, taxation might be reduced, or the surplus of income over expenditure might be applied to the discharge of debt, etc.

65. If it be asked whence this improvement will be obtained, the reply is, that it will be solely by a redistribution of burdens, to the advantage of the tax-payer at large, at the expense of the Export trade of India, and it deserves special consideration how this may operate. To whatever extent the export trade may have been stimulated by the fall in the exchange, it must be checked by the rise of exchange. But the producers of India, while they receive less by reason of any reduction of the exports corresponding to the increased cost of the rupee to the foreign purchaser, will benefit by the simultaneous addition to the power of home consumption due to the reduction of taxation, which will follow the diminished cost of the home remittances. That, on the whole, there would be in the end a net reduction in the exports, or a check on their growth, following a rise in the rate of exchange, as compared to the normal condition established under a lower rate, cannot be questioned. The action, however, both in case of a fall or rise, is temporary only; and the ultimate necessary condition of trade is that any excess of the value of the exports over that of the imports of any country represents the amount which that country has to pay to other countries, which economists technically call a tribute, but which is really a payment for services of various sorts, including interest or profits on the investment of foreign capital.

66. Now it is plain that, so long as the amount of the so-called tribute is not changed, the quantity of merchandise necessary to pay it will not change either, excepting by reason of a change of its value in the foreign country to which it goes. The fall in the value of silver in relation to gold enables the foreign merchant to purchase larger quantities of Indian goods for the same amount of gold, whereby he is enabled to sell this increased quantity at a lower price. The Indian producer is paid in what is really a depreciated currency, though it does not at once lose its local value; the immediate result will be some direct increase of profit to the producer, by reason of increased sales, which will continue, but in a constantly diminishing degree, until the effects of the depreciation of the currency have become generally apparent, and a general rise of prices has been caused with corresponding increase of taxation and of all other burdens fixed in money. The profits of the producer on his sales will, taking the country as a whole, be more apparent than real, as the additional cost of the home remittances will have to be made good from the producing class, partly in the taxation that falls on them directly, and partly through the reduced consumption consequent on the taxation of all other classes.

67. As a fall in the value of silver would for these reasons lead to no eventual benefit or injury to the trade of the country, so neither would a rise of value. It is, indeed, great changes in the relative values of international standards that lead to evil consequences, and not mere differences in those standards. Recent experience has shown that the relation of the value of gold to silver can no longer be expected to remain without great fluctuations. It is therefore, in our opinion, of primary necessity, for the future prosperity of the trade of India with the countries of Europe employing a gold standard, that India, too, should have a standard of value based on gold, and not on silver.

68. The question on which we have now addressed Your Lordship, is one of such complexity, and has so many bearings on other subjects of high fiscal and economical moment to India, that it would not be possible for us, within the practical limits of such a communication as the present, to attempt to exhaust the subject, or to give a complete view of the consequences likely to ensue from the measures we have proposed. There are, however, a few more points to which attention may be drawn.

69. Among the objections that have been taken to the abandonment of the silver standard for India, one that we have heard is that the value of all hoarded silver would thereby be much reduced, and a great injury done to the people. So far as the hoarded silver is in coined rupees, no such effect would be produced, and, as to the rest, we think that no fairer subject of taxation could be found, if that expression rightly describes the effect of the change of standard, than the silver bullion virtually buried without producing any useful return to the country. Bullion so hoarded is in no sense Capital, and adds nothing to the real wealth or productive powers of the community, which are in fact based on the continued consumption and replacing of its Capital. Further, while silver is displaced, gold will be brought forward, and a supply of this metal may be found to be forthcoming in India itself for coinage in reduction of the quantity that might otherwise have been eventually required from outside.

70 We have observed that an immediate consequence of the improvement of the exchange would be the possibility of the reduction of two or three crores of taxation. This would at once give the means of carrying out without further difficulty the removal from the Import and Export trade of India of all the duties which now press upon it, and it is difficult to believe that such relief would not much more than compensate for any temporary pressure that might be caused by the rise in the exchange. The resources that would be set free might, indeed, enable our Government to go far beyond this great step, and to accomplish such a reduction in the Salt duties as would realise what have, till now, been necessarily mere visionary anticipations of an almost impossible future.

71. Another result, not less important, would be the increased facilities obtained for dealing with the public debt. The doubts now surrounding the future value of rupee securities would be removed, and our practical power of borrowing greatly improved, with corresponding reduction in charges for interest. And though no direct pecuniary advantage would be obtained for India in respect to the home remittances, since the diminished "Loss by Exchange," as has been already said, would lead to a transfer and not to a reduction of actual burdens, yet the relief would be great, by reason of the removal of all future anxiety or financial disturbance in relation to these transactions.

72. Further we think that the tentative and preliminary measures which we have proposed, would place the currency of India in a position in which the future possibility of an alternative standard (as distinguished from a double standard which, as commonly understood, we regard as an impossibility) would be left open. This subject, however, lies beyond our present task, and it is obviously one on which it is needless for us now to enter.

73. In conclusion, we desire to express our opinion that, if such a policy as we have advised is to be adopted, no time could be found for giving effect to it so favourable as the present. The extremely large importations of silver bullion last year, and the corresponding coinage amounting to about twelve or thirteen millions sterling in value, have been followed in the present year by

a very small import; and the conditions of the Exchanges and Silver market render it almost certain that forward transactions on a large scale have not been entered into, and that an alteration of the Coinage Law would, at the present time, have unusually small practical effect.

74. To this might further be added, that the political risks of the present time, and the prospects they create of necessary additional taxation, which, if our proposals were adopted, might be avoided wholly or to a great extent, or even be met by reduction of taxation, add force to the argument that, if these changes are to be made, there would be special political advantage in making them now.

75. We feel strongly the heavy responsibility that attaches to us in urging action in this matter. But we feel no less strongly that this responsibility is only apparently greater than that involved in doing nothing. To refrain from interference will be to give our sanction to changes as numerous and as important, as those that would arise from following the course we advise. In the circumstances with which we have to deal, it is not possible to apply the principle of *laissez faire*; every Currency Law is a departure from it; and no real escape can be found from an exercise of our control over the currency, whether we submit to the evils which we have pointed out or adopt the means for avoiding them.

XXXIII.

Despatch from the Secretary of State for India, No. 502, dated the 18th December 1879.

In your letter dated the 9th of November 1878, No. 423, Your Excellency brought to my notice the great difficulties in which India was placed through the fall in the price of silver, and the heavy loss devolving on your Government in effecting the necessary remittances to this country, and you made proposals of a very important character entailing a change in the standard of value and an alteration of the law regulating the currency, by which you were of opinion that the evils would be effectually remedied.

2. While recognising the force of the arguments with which your proposals were laid before me, I yet felt it impossible to deal with the subject from an exclusively Indian point of view, considering the numerous interests involved; and I accordingly lost no time in forwarding your letter to the Chancellor of the Exchequer, in order that the question might be taken into consideration in regard to its bearing on the relations of the United Kingdom with India and on British commerce as well as Indian trade.

3. Your further letter of the 28th January 1879, No. 34, impressed upon me the urgency of a decision before the financial measures of the year 1879-80 were determined on. Feeling it impossible to authorise your Government to proceed in the direction suggested, before time had been allowed for a full investigation of the matter, I communicated to you in two telegrams, dated the 13th of February and the 19th of May last (quoted in the margin), my inability to approve the measures recommended by Your Government.

13th February.—Yours 29th January. By no means insensible to the importance of your proposals for currency legislation, which are under careful consideration.
An immediate decision in the face of strongly conflicting opinions is impossible. Time for collection and verification of facts essential to a sound conclusion.
The question of appreciation of gold as well as depreciation of silver must be dealt with, and occupies the attention of many competent authorities.
Will communicate with you from time to time on progress of enquiry, and possibly we may find some means of strengthening exchange and partially relieving pressure.

19th May.—Departmental Committee has unanimously reported against your Currency proposals and I accept report.*

* Copy enclosed.

4. I did not at that time anticipate so long a delay in replying fully on the subject; but the views of the Lords Commissioners of Her Majesty's Treasury have only been conveyed to me recently, in a letter dated the 24th of November 1879, of which I enclose ten printed copies for your information. It must be understood that the Members of my Council are uncommitted to the facts and arguments of that letter, and that the questions discussed remain open for their consideration in case of need arising.

5. In the meantime circumstances have greatly changed. The price of silver has, for the present at any rate, improved; and it may be hoped that some of the causes which led to the extreme depression are passing away. When the expected deficit appeared to leave to your Government no alternative between the imposition of extra taxation while a large portion of the population was still suffering from the effects of recent famine, and measures which

would, in your opinion, remove for ever the risks attendant on the fluctuating price at which the bills on your Government could be sold in London, you were naturally reluctant to resort to the former course. The country has, however, now been blessed with an adequate and in many places, abundant harvest. The revenue appears to be in a flourishing condition, and your financial arrangements for the ensuing year are being prepared on a different basis from that on which you were forced to act a twelve-month ago.

6. In these circumstances it appears to me that were I to comment in detail on the arguments and proposals contained in your two letters, it would merely lead those engaged in the arduous duties of administration to employ themselves in defending or refuting principles which it has been concluded not to accept, and it is only necessary, therefore, for me to convey to Your Excellency the decision of which you are already aware, that Her Majesty's Government cannot authorise the change which you proposed in the currency system of India.

RESOLUTION.

At a meeting held at the India Office on Wednesday, the thirtieth day of April 1879, the Committee appointed by the Secretary of State for India and the Chancellor of the Exchequer to consider certain proposals of the Indian Government relating to the Currency of India, agreed to the following Resolution :—

(1) That this Committee having examined the proposals contained in the despatch from the Government of India are unanimously of opinion that they cannot recommend them for the sanction of Her Majesty's Government, and desire to report this opinion to the Secretary of State and the Chancellor of the Exchequer, and await further instructions.

(2) Your Committee desire to append various papers prepared for the use of the Committee.

LOUIS MALLET.

EDWARD STANHOPE.

T. L. SECCOMBE.

R. G. WELBY.

T. H. FARRER.

R. GIFFEN.

ARTHUR JAMES BALFOUR.

No. 8630, dated 24th November 1879.

From—SIR H. SELWIN IBBETSON, BART., Treasury Chambers, London,

To—The Under-Secretary of State for India.

I am directed by the Lords Commissioners of the Treasury to request you to inform the Secretary of State for India in Council that they have given their most attentive consideration to the proposals of the Government of India contained in their despatch of the 9th November 1878.

Those proposals have been, as you are aware, referred, by agreement between the Chancellor of the Exchequer and the Secretary of State, for special consideration to certain officers of the Imperial Government, and of the Department of the Secretary of State, who report that they are unanimously of opinion that they cannot recommend them for the sanction of Her Majesty's Government.

My Lords have read with care the papers which accompany this Report, and they proceed to offer their own remarks upon the difficult question submitted for the decision of the Secretary of State. They can assure the Secretary of State that they have endeavoured to study the problem before them with a view to the interests of India alone, irrespectively of any convenience or inconvenience which the adoption of the proposed measure might cause to the United Kingdom as using a single gold standard.

The Indian Government begin by referring to a previous Financial despatch of the 9th November 1876, in which proposals of a nearly similar character were discussed and rejected. It is open to question whether, in the present despatch, they do not understate the positiveness of the opinions expressed in the former one, and, still more, whether they do not underrate the gravity of the objections brought forward in that despatch.

I.—Nature of the evils demanding attention.

They next describe the "present difficulties and prospective risks," or, as my Lords would prefer to term them, the more remote consequences attending the maintenance of the existing currency law.

See paragraph 23 of the despatch, line 1.

They say that the fall in the value of silver which took place in 1878, and which brought down the rupee to a value hardly greater than that which it had in July 1876, forced on their attention the serious nature of the risk which that law entails on India by its practical effects on the Home remittances. They point out embarrassing questions which may be raised if matters remain as they are—such as increase of taxation, readjustment of taxation, and revision of salaries; and they touch briefly on the effects of the depreciation of silver (1) upon the value of Government securities, and (2) upon the trade of the country.

See paragraph 5, line 6.

Paragraphs 12 and 13.

Paragraphs 15, 16, and 17.

My Lords need not point out that a change of the currency laws is one of the most difficult tasks which a Government can undertake, and that it is most unadvisable to legislate hastily and under the influence of the pressure of the moment, or of an apprehension of uncertain consequences, upon a subject so complicated in itself, and so important to every individual of the community in its bearing upon the transactions and obligations of daily life. To justify such a change it should be proved by argument, based upon facts, not only that the actual state of the currency is causing immediate evil or danger, but further, that such evil will not cure itself, and that it is one which cannot be removed or averted by means of less objectionable measures.

My Lords, reserving for the moment the "immediate difficulty" of Home remittances, will endeavour to try by these tests the "prospective risks," as described in the despatch.

It is not proved that increase or readjustment of taxation must necessarily be the consequence of matters remaining as they are; for nothing is said about reduction of expenditure; and equilibrium between income and expenditure may be regained by economy of expenditure as well as by increase of taxation. Further, the cost of increase of salaries may be met, or at least reduced, by a careful revision of establishment.

What is actually occurring confirms this observation, for my Lords are glad to learn the energy and earnestness with which the Government of India are directing their attention to those points; and they trust that success will attend their efforts.

Again, as regards the borrowing power of the Government of India, it may be observed that the present depreciation of silver stocks in England proves nothing with respect to future borrowing in silver; and although the fluctuation in the price of rupee paper may, no doubt, have some effect on the borrowing power of the Government of India, it would not by itself justify a manipulation of the currency laws.

Further, injury to trade, an allegation of a nature admitting of proof, cannot be allowed as an argument in favour of the measure until the facts upon which it is based are produced; and my Lords must point out that there is little or nothing in the despatch to shew the precise nature of the injury which the trade of India, in the opinion of the Government of India, has sustained through the fall of silver.

My Lords, indeed, do not understand that the Government of India rest their case upon these "*prospective risks*" or evils, for they refer to the possible need of increased or readjusted taxation and of revised salaries, "not with any view of discussing the respective importance of these points, or how they should be dealt with, but only to indicate the nature of some of the more prominent difficulties which have been caused, and which must continue to arise if the present state of things is left without a remedy."

Paragraph 14.

They say, further, that they are not "proposing any elaborate discussion of the many forms in which the value of silver, with the uncertain prospects of its value in future, affects public interests in India."

Paragraph 15.

It appears, however, to my Lords that, in dealing with so practical a subject, those arguments only should be stated which have been fully considered, which are intended to be discussed, and which are put forward seriously in support of the measures proposed. They feel sure that Lord Cranbrook will agree with them that legislation of so critical a character could not be justified on a mere indication of possible or probable risks lightly sketched in two or three paragraphs of a despatch. They submit that, so far as the "*prospective risks*" are concerned, the burthen of proof lies with the Government of India, and that, so far, no case is made out by them which can be held to recommend their measure to favourable consideration.

My Lords, therefore, pass on to the consideration of the one remaining argument upon which the despatch relies, *viz.*, the argument based upon the increased cost of the Home remittances.

The Government of India state that India is now taxed, for the purpose of these remittances, from 2,000,000*l.* to 3,000,000*l.*, and it may be 4,000,000*l.*, more than would have been necessary if the old rates of exchange could have been maintained.

Paragraph 10.

They point out the political inconvenience of this gradually increasing burthen, aggravated, as it further is, by the uncertainty of its amount, and the impossibility of foreseeing the fluctuation of the exchange, and they urge that it may at any moment become the cause of the most grave financial embarrassment, especially at the present time, when political events may throw upon India new burthens of unusual magnitude.

Paragraph 22.

They state that they cannot look for a recovery in the value of silver; and they proceed to inquire "whether any practical remedy could be devised that should not be open to serious objections, or the risks attending the adoption of which should not be so great as to prohibit it."

Paragraph 8.

Paragraph 23.

They add that "they feel most fully the heavy responsibility that will rest on them in dealing with the currency of India, but it is plain that the responsibility for doing nothing is no less great. Whether the law is left as it is, or whether it is changed, the result will be equally due to their action, and they cannot, if they would, avoid facing this grave question."

Paragraph 23.

Finally, after weighing various proposals, they are led to the general conclusion that it will be practicable, without injury to the community as a whole or risk of future difficulties, to adopt a gold standard, while retaining the present silver currency of India. For that purpose they would suspend or limit the coinage of silver until they had artificially raised the value of the rupee from 1*s*. 7*d*. to 2*s*. in gold.

Paragraph 46.

The gravity of the conclusion at which the Government of India thus arrive can scarcely be overrated. The Secretary of State will, therefore, not be surprised if my Lords criticize somewhat closely the arguments upon which they found their recommendation.

In the first place, they cannot but think it somewhat too hasty a generalisation to decide now once and for all the future of silver.

My Lords are not aware, as stated by the Government of India, that "the current of all the most trustworthy opinion tends more and more towards the conclusion that, so far as can now be foreseen, there is no prospect of any early or complete recovery in the value of silver, and, on the contrary, that the probabilities are all in favour of a further fall."

They cannot accept this as a valid argument in support of such action as the Government of India propose. The rise in the silver market, which has occurred since the despatch was written, is itself an illustration of the danger of sweeping statements, and of the uncertainty of premature prophecy.

In the next place, the Government of India reckon the loss on the Home remittances at from 2,000,000*l*. to 3,000,000*l*., or possibly 4,000,000*l*., a year. This statement of loss by exchange is emphasized and rendered more specific by the Budget for 1879-80, which contains the following paragraphs:—

"The loss caused by the further and great fall which has taken place in the value of silver in relation to gold is a far more real and serious cause of financial embarrassment.

"The loss by exchange on the estimated amount of the Home remittances in the coming year is 3,947,368*l*.; it would have been 4,142,000*l*., if provision were made for remittances to cover the whole of the current Home charges. The latter sum is more by 3,324,000*l*. than would have been required for the remittance of the same amount in 1872-73, the last year before the long-standing equilibrium between gold and silver was violently disturbed. So far as these remittances are required to meet fixed payments, such as interest, pension and the like,- and such fixed payments constitute the bulk of the Home charges—it may be said that this great sum of 3,324,000*l.* represents the yearly taxation now required in addition to what would have been necessary if the old rate of exchange had been maintained.

"In the financial statement published at the beginning of the present year, it was shown that the Government believed that a *bonâ fide* surplus of nearly 2,000,000*l.* of income over expenditure had been secured; and of this sum 1,500,000*l.* was to be annually set aside as a special provision against famine. This apparently very satisfactory result was brought about partly by administrative improvements, but mainly by the imposition of new taxation, estimated to yield, eventually, about 1,100,000*l.* a year (see paragraph 160). The Government then hoped that it saw its way to giving to the country the most complete protection which could be devised against the terrible calamities of famine to which it is periodically exposed. It was also sanguine that many reforms were within our reach which would be in the highest degree beneficial.

"Although the condition of the finances continues in other respects to be favourable, the fresh fall in the value of silver in relation to gold has, as has been shown, virtually swept away the financial improvement arrived at with so much difficulty. It may be considered that the whole of the new taxation has been swallowed up in the additional charges on account of loss by exchange. The net amount yielded by this taxation in the present year was, as has been stated in paragraph 160, about 971,400*l.*, and it is estimated at 1,077,400*l.* for 1879-80. To remit the whole of the amount required to meet the Home charges in the coming year, it has just been shown that the sum of 1,364,362*l.* would be required in excess of the estimate of last year. The insurance provided against future famine has virtually ceased to exist; and the difficulties in the way of fiscal and commercial and administrative reform have been greatly aggravated. Nor can it be in any way assumed that the evil will not continue and go on increasing.

"Under such circumstances it is extremely difficult to follow any settled financial policy; for the Government cannot even approximately tell what income will be required to meet the necessary expenditure of the State."

It does not appear, from the despatch or from the Budget statements, how these figures are arrived at, and it would therefore be desirable to ascertain—

(1) The estimated amount of Home remittances for 1879-80.

(2) The items of which that amount is composed.

(3) The method in which the loss by exchange stated in the paragraph from the Budget quoted above at 3,957,000*l.* is computed; whether it is obtained by comparing the number of rupees at the date of the despatch required to make up the sterling remittances with the number which would be required if the rupee were equal to 2*s.*, and by then converting the difference in the number of rupees into sterling at the rate of 2*s.* the rupee.

There is room for difference of opinion upon this point; but whatever may be the true rate, it certainly is not 2*s.*; and if the computation has been made upon that arbitrary assumption, the real loss must be less than the sum stated in the Budget.

Again, it must be borne in mind that the loss, whatever it may be, does not apply to all Home remittances alike.

It does apply in full force to *permanent* gold contracts, such as for the payment of interest on debt, into which the Government of India have entered, for as to these payments the Government has no discretion; but it does not apply with equal force to purchase of stores and other terminable contracts, as to which the Government retained greater freedom of action.

There is another question which has an important bearing upon the extent of the loss entailed upon the Indian Government, but to which the Indian Government make no reference, and to which my Lords cannot now do more than briefly allude.

It has not yet been established whether the variation in the relation between gold and silver may not have been caused by appreciation of the former metal as well as by depreciation of the latter, or by a combination of both. If appreciation of gold, or a rise of gold in conjunction with a fall of silver, enter into the calculation, the effect on the loss by exchange must evidently differ from that caused by depreciation of silver alone.

The case, in short, is not so simple as the Government of India seem to suppose, and the various points noticed must be much more carefully analyzed and discussed before it can be admitted that India, or even the Government of India, suffers to the extent supposed.

Nor can my Lords admit that the responsibility for doing nothing is as great as that for doing something. The present evils are not (immediately, at all events) the results of any Governmental action, while the responsibility of the proposed scheme would rest wholly with the Government. Of one thing my Lords are sure, that it is better to sit still than to have recourse, under the influence of panic, to crude legislation, the result of which cannot be foretold, and the effect of which cannot be measured.

There is one more remark which my Lords desire to make. A perusal of the despatch leads irresistibly to the conclusion that the Government of India are specially anxious to put an end to the competition of silver against their own bills as a means of remittance to India, and that the main object of their scheme is the establishment of a monopoly of remittance, which would enable them to put their own price upon their bills, and thus avoid the undoubted inconvenience to which they are now exposed by the depression of, and the fluctuations in, the market rate. But my Lords must ask whether this would be more than a transfer of their own burthen to other shoulders; if so, who would eventually bear the loss, and what would be the effect on the credit of the Government and on the commerce of India?

All these are important questions, and they appear to have escaped the attention of the Government of India; but while they are ignored it will be impossible to arrive at a right understanding of the problem, and the problem therefore cannot be solved until they have been discussed and answered.

So far, then, the case of the Government of India is not proven, and my Lords cannot advise the Secretary of State to approve the proposal of that Government, inasmuch as they have not shown that it is rendered necessary, either by the immediate difficulty or the prospective risks attending the maintenance of the law as it is.

II.—Examination of the Proposed Measure.

But though my Lords do not think that the Indian Government have made out their case, they nevertheless readily admit that the difficulty which embarrasses them in the matter of remittances to England is one which naturally attracts attention. In so far as that difficulty exists it undoubtedly affects the means of the Government, and forces upon them the consideration of questions which, whatever their proper solution may be, would not have arisen but for the loss which the fall in the relative value of silver as compared with gold causes to India—a silver-using country, in her remittances to England—a gold-using country.

They observe that the Government of India has contracted to make certain payments in gold, and that in order to do so they must obtain and remit to this country a certain quantity either of gold itself or of commodities equal in value to that quantity. If one of the commodities which they so remit should fall in value, it is obvious that they must remit a larger quantity; and, silver being a commodity, and, in the eyes of England, nothing but a commodity, it follows that the Government of India, if they pay their English debts in silver, must remit more when it is of small value compared to gold than they need do when it is of greater value.

But while England can only regard the silver as a commodity, in India it is also the accepted measure of value, and numerous and important contracts have been entered into in that country, for all of which silver is the standard. More particularly the great bulk of the revenue of India is assessed upon a silver basis. Land-owners are under contract to pay fixed annual amounts of silver; tax-payers are required to pay so much silver upon every taxable article which they consume: and so, when silver falls in value, the revenue will, at least in some of its most important branches, fall in value too, and the Indian Government will have greater difficulty in making its foreign payments to gold-using countries.

If the question of the loss by exchange be reduced to its simplest elements, it will appear that India has to remit to England, in some form or other, as much silver as is equal in value to a certain amount of gold. If at a given time 10,000,000 rupees are equal to that amount, she need only remit those 10,000,000 rupees. If silver should fall 50 per cent. in value, while the amount to be made up in gold remains constant, she must remit 15,000,000 rupees. If, then, she has no power to diminish the amount which she must pay in gold, there are only two kinds of relief conceivably open to her—she must either take measures to procure herself a larger quantity of silver, or she must take measures to promote a rise in its value; by which term my Lords mean its real value as a commodity, since it is only the real value which can be or will be considered by the European creditor to whom it is to be paid.

With regard to the second alternative, my Lords will not now enquire whether it is possible, by any manipulation of the Currency laws of a country, to raise the value of the metal of which that currency consists; but they are distinctly of opinion that the proposal now made by the Indian Government, to limit the use of silver in one of the most important purposes to which it is applied, can have no such effect, but must, on the contrary, have a tendency to reduce the real value still further, and so to aggravate, instead of mitigating, the evil complained of.

On the other hand, adopting the first alternative, it is evident that any plan for bringing into the Treasury an additional quantity of silver by artificial currency regulations ought to be very narrowly scrutinised, and ought not to be adopted without much fuller examination than the Indian Government appear to have given to the measures described in the despatch under reply.

Yet it is clear, as my Lords think, that it is only in this way that the proposals which have been made could possibly be expected to afford relief. They do not purport to call upon the European creditor to forego any part of the gold, or silver at its true value in relation to gold, to which he is now entitled. They are not calculated to enhance, but rather to diminish, the real value of the silver of which the Indian Government has the command. They can, therefore, only be expected to operate by giving that Government the power to command a larger quantity of the metal, and thus enabling it to shift the burden of its present loss to the shoulders of some one else.

The Government of India appear, at one point, if my Lords understand paragraph 39 of the despatch aright, to contemplate, under certain circumstances, an increase in the quantity of silver to be put into the rupee. They state that there is a comparatively easy and certain method open for correcting the evils that arise from a depreciated silver currency, namely, the gradual addition to its weight. This they seem to think could be carried out by degrees, and without cost to the State, to any extent thought expedient, within the practical limits of the coining power of the Mints. It is hardly worth while, however, to pursue this suggestion further, since, in paragraph 24, they say that the increase to the weight of the rupee is undeserving of attention, as, in fact, it would give no security for the future, and would entail a heavy charge without accomplishing the essential point to be aimed at.

But the argument given in paragraphs 40 and 41 in defence of the justice of a change which would materially affect existing and long-standing contracts requires notice. The Government of India say that those who have seen the value of the rupee fall in a few years from 2*s.* to 1*s.* 7*d.* may, without their sense of justice being questioned, ask to have the contracts made at the former rate protected, if not by a restoration of things to the position in which they were five or six years ago, at all events to the extent of giving security against further loss, this restoration being effected by interference with the currency.

The doctrine set forth in these paragraphs appears to my Lords to be both novel and dangerous. It would have justified the creditors of the State if, at the time of the great discoveries of gold in California and Australia, they had claimed a revision of their contracts in order to restore them to the position they occupied before the fall in the price of gold; and it would, if admitted, place the State in a most inconvenient and even perilous position, by assigning to it the duty of from time to time adjusting the currency to what might appear to the Government of the day to be the demands of justice or equity. It can hardly be necessary for my Lords to enlarge upon the consequences which might, or indeed must, result from such an undertaking.

My Lords might stop here, but it will probably be for the convenience of the Secretary of State that they should offer some more particular remarks upon the remedy which the Government of India have devised.

The Government of India propose that the free coinage of silver shall be restricted, so that the rupee shall no longer remain, as at present, simply a piece of silver of a given weight and fineness, but shall, in addition to these qualities, bear a fixed relative value to the English sovereign, and that this relation shall be one-tenth, or, in other words, that the rupee shall be equal to 2*s.* in gold.

The despatch describes in detail the mode in which this change is to be effected, but, in doing so, it suggests important questions of principle, to which it hardly supplies the answers.

1. The proposal appears to be open to those objections to a token currency which have long been recognised by all civilized nations, *viz.*, that instead of being automatic, it must be "managed" by the Government, and that any such management not only fails to keep a token-currency at par, but exposes the Government which undertakes it to very serious difficulties and temptations.

2. It appears to my Lords that the Government of India, in making the present proposal, lay themselves open to the same criticisms as are made upon Governments which have depreciated their currencies. In general, the object of such Governments has been to diminish the amount they have to pay to their creditors. In the present case the object of the Indian Govern-

ment appears to be to increase the amount they have to receive from their tax-payers. My Lords fail to see any real difference in the character of the two transactions.

It will perhaps be stated in reply to this question that the value of the rupee has not fallen in India, and that, consequently, when the rupee is fixed at 2*s*., neither the tax-payer nor the debtor will have more to pay than they now pay. If this reply be made, it may be asked in the first place whether the exchange value of the rupee before the recent fall in silver was not 1*s*. 10½*d*., and not 2*s*., and in the next place how a contraction of the Indian currency, which can have no operation out of India, and which is to have no effect in India, can alter the exchange value of the rupee in business transactions with England?

As a matter of fact, the rupee has, for the last few years, been depreciated for purposes of foreign exchange, whilst, according to the above supposition, it has maintained its value in India. How, then, can a measure which only purports to maintain the value of the rupee in India prevent its being depreciated for purposes of exchange with England?

If, on the other hand, it is the case that the value of the rupee has fallen in India, and that it will be raised in India by the operation of the proposed plan, that plan is open to the objection that it alters every contract and every fixed payment in India.

This proposal is, in fact, contrary to the essential and well-established principle of the currency law of this country, which regards the current standard coin as a piece of a given metal of a certain weight and fineness, and which condemns as futile and mischievous every attempt to go behind this simple definition.

It is perfectly true, as stated in the despatch (paragraph 41), that "the very essence of all laws relating to the currency has been to give fixity to the standard of value as far as it is possible"; but it is no less true that, according to the principles which govern our currency system, the best and surest way, and indeed the only tried and known way, of giving this fixity is to adhere to the above definition of current standard coin. A pound is a given quantity of gold, a rupee is a given quantity of silver; and any attempt to give those terms a different meaning is condemned by experience and authority.

3. If the present state of exchange be due to the depreciation of silver, the Government scheme, if it succeeds, may relieve—

(1)—The Indian Government from the inconvenience of a nominal readjustment of taxation in order to meet the loss by exchange on the Home remittances:

(2)—Civil servants and other Englishmen who are serving or working in India, and who desire to remit money to England:

(3)—Englishmen who have money placed or invested in India which they wish to remit to England.

But this relief will be given at the expense of the Indian tax-payer, and with the effect of increasing every debt or fixed payment in India, including debts due by raiyats to money-lenders; while its effect will be materially qualified, so far as the Government are concerned, by the enhancement of the public obligations in India, which have been contracted on a silver basis.

4. It may be further objected that if there are hoards of silver coin in India, the operation of this plan will draw them into the circulation, and so prevent or retard the operation of the proposed remedy; and as a forged or

smuggled rupee will be physically identical with a legal rupee, there will be unprecedented temptations to forging and smuggling. The operation of these different causes may not improbably bring a number of rupees into circulation and so render the success of the proposed measure extremely doubtful.

5. Finally, the Indian Government propose, apparently in doubt of the manner in which the scheme will operate, to take power to modify or put an end to it by executive action. But my Lords submit that in a matter of such importance, and involving such wide and serious consequences, it would be most unadvisable to take a step of this description in a tentative spirit, and without distinct views concerning its operation and results.

If, then, a case had been made out, which my Lords do not admit, for an alteration of the Currency Law of India, the particular alteration which the Government of India propose could not, in the opinion of the Treasury, be entertained until the doubts and objections which have suggested themselves to my Lords are answered and removed. Those objections are founded on principles which have been long and ably discussed, and which are now generally admitted by statesmen and by writers of accepted authority to lie at the root of the Currency system.

It is no light matter to accept innovations which must sap and undermine that system. And my Lords have therefore felt it their duty plainly—though they hope not inconsistently with the respect due to the Government of India—to express their conviction that the plan which has been referred to them for their observations is one which ought not to be sanctioned by Her Majesty's Government or by the Secretary of State.

XXXIV.

Memorandum by Mr. R. B. Chapman, C.S.I., on an International Bimetallic Standard Measure of Value, dated 2nd June 1880.

Prefatory remarks.

By his despatch No. 502, dated 18th December 1879, Lord Cranbrook formally intimated to the Government of India that the Committee appointed to examine the proposals made by Government of India in despatch No. 423, dated 9th November 1878, for the limitation of the coinage of silver at the Indian Mints, had reported, unanimously, against those proposals, forwarded a letter from the Lords Commissioners of Her Majesty's Treasury reviewing those proposals in detail, and stated that Her Majesty's Government had decided not to authorise the change advocated by the Government of India in the Currency system of India. This decision had been already communicated to the Government of India by telegraph on the 19th May 1879. The Secretary of State has not yet made any comments upon the more elaborate discussions submitted by the Government of India to Her Majesty's Government in despatch No. 368, dated 13th October 1876, of the effects upon the interest of India of the disturbance of the relations between gold and silver, and its possible remedies.

2. In his despatch No. 502, Lord Cranbrook wrote, with reference to the aforesaid letter from the Lords Commissioners of Her Majesty's Treasury (paragraph 4)—

> "It must be understood that the Members of my Council are uncommitted to the facts and arguments of that letter, and that the questions discussed remain open for their consideration in case of need arising";

and in a later despatch, No. 36, dated 5th February 1880, in which he rejected a request made by the Bombay Chamber of Commerce "that an opportunity might be afforded to them of offering their opinion on the measures submitted by the Government of India in connection with the fall in the price of silver in relation to gold," Lord Cranbrook added (paragraph 3)—

> "The question, however, of the Indian exchanges and their position with regard to the supply of silver is one which is continually before me; and I shall, at any time, be ready to give a very careful consideration to any views which the Chamber may desire to present to Her Majesty's Government on the subject."

The importance of the question is, indeed, such that it can seldom be absent from the minds of any one engaged in the financial administration of British India; and the Secretary of State will, doubtless, gladly consider any suggestions which the Government of India may make for its solution, which seem to contain the promise of any useful result.

The question does not, just now, assume so urgent an aspect as it has sometimes done, and as it may do again any day; but, in some respects, this makes the occasion only the more suitable for its discussion.

The Hon'ble the Financial Member has, accordingly, invited me to place on record the views which have, after long study, been forced upon me by an ever-present sense of the danger, to which not only the finances, but all the domestic interests of British India are exposed, so long as the chief national standards of value are in their present isolated and unprotected condition.

In the following remarks, I shall not refer again in detail to the two despatches from the Government of India, Nos. 368 and 423, or to the criticisms by the Lords Commissioners of Her Majesty's Treasury upon the later despatch, excepting only to say that, inasmuch as the earlier despatch expressed generally, and, in the main, still expresses, my convictions, I necessarily sympathise with the preference manifested by the Lords of the Treasury for the conclusions stated in the earlier despatch, in so far as they differ from the recommendations contained in the later despatch.

Distinction between a standard and an instrument of exchange.

3. In dealing with the subject, it is necessary to bear clearly in mind the distinction between the use of any substance as a standard measure of value and its use as money, that is to say, as an instrument for the transfer of value measured by such a standard. Money may be represented by various instruments possessed of no intrinsic value; and value is, for the most part, actually transferred, by means of such representative instruments as bank or currency notes, bills and cheques, or, even, without the intervention of such instruments at all, by entries in bankers' books and at clearing-houses. All such devices are independent of the standard measure of value itself, which is, by the hypothesis, fixed, and can only be altered, by legislation.

Distinction between substantive and representative money.

4. It is, also, important to distinguish clearly between money proper—which must be made of the substance of the standard itself—and the various devices employed for representing money. Money proper, of the substance of the standard, alone possesses an original, inherent, and intrinsic legal tender force, *vis liberatrix*, or, as the French call it, *force libératoire*. The various representative expedients have only a derivative *vis liberatrix*, possessed in virtue, not of any inherent quality of their own, but solely of their convertibility into money proper. Hence, money proper is alone capable of permanently storing value, and of transporting it from one country to another. Bills of exchange cannot do this; they only set off value existing in one country against value existing in another country.

Value of material of standard.

5. A sufficiently general and permanent adoption of any substance as a standard measure of value, by ensuring its employment as money, and, so, for hoarding, greatly enhances its value; but any confusion between the objects and attributes of a standard measure of value, and the objects and attributes of money, whether real or representative, must involve the erroneous treatment of any problem regarding such matters. The object of a standard measure of value is to regulate all contracts subject to the standard, expressed in money; money, and the various devices representing money, are only the instruments by which value is hoarded, transported or exchanged, according to the standard.

Object of a standard and of money.

Instability of existing standards.

6. Every civilised nation, at present, uses, for its standard measure of value, either silver, or gold, or some combination of these metals; and, as the value of these metals themselves depends, immediately, almost wholly upon their employment as standard measures of value, and, therefore as money, the substitution of one for the other by any important community inevitably enhances the value of the adopted metal at the expense of that

of the rejected metal, and thus, by a double effect, disturbs the relations between the two metals. Moreover, apprehensions, that such a substitution by one community may lead to similar substitutions by other communities, are likely to intensify its opposite effects upon both metals.

Causes of their recent disturbance.

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

Conclusions in 1876 that the value of gold and even silver had risen.

8. Appended to the Resolution of the Government of India in the Financial Department, No. 3044, dated 22nd September 1876, are statistics of the course of wholesale prices of certain typical commodities measured in gold and silver, before and after the disturbance of the equilibrium of gold and silver in 1873. In the 19th paragraph of that Resolution the Government of India stated that those prices indicated that gold had, till then, risen in value since the equilibrium of the precious metals had been disturbed; and that there was, at that time, no evidence that silver had fallen in value either in India or, even, in London.

Subsequent phenomena

9. In Table I appended to the present Note, the prices and values of the commodities then quoted for April 1876, are compared with their corresponding prices and values in December 1879, being the latest figures at hand for both India and Great Britain. There has been a re-action in some of the prices quoted in India, which appears to be chiefly due to the recent unfavourable seasons; but in only nine * of the eighteen examples quoted are the values of commodities measured in silver, even now, higher than they were in March 1873. It is unnecessary to examine these phenomena further in detail, because little could be added to Mr. Robert Giffen's able analysis of wider facts of the same character, in his paper read before the Statistical Society on the 21st January 1879, and printed at page 36 of the Society's Journal for that year. Since that date, however, there has been a decided rise in prices; in other words, a decided fall in the value of both metals.

confirm the conclusion of 1876.

10. There appears to be no room, now, to doubt the correctness of the conclusion which the Government of India announced more than three years ago, or that it is still true that the value of gold has rather risen than fallen since 1873, and that, contrary to general expectation and popular belief, the value of silver has also risen, and has not, even yet, fallen; in short, that of the five possible causes, to one or other of which the Government of India said, in the 6th paragraph of the Resolution of September 1876, that the disturbance of the equilibrium of the precious metals must be

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* In *England*, Beef, Sugar, and Saltpetre; and in *India*, Spelter, Hides, Jute, Rice Linseed, and Wheat.

due, the first is as yet still the actual cause, namely, *while the value of both metals has risen, the value of gold has risen more than that of silver.*

This conclusion is confined to the facts apart from their causes.

11. This conclusion is one of fact only. It would, indeed, be folly to base any action upon such facts without first forming a judgment upon the influences which have produced them, in order to an opinion, specially, whether these influences are permanent or only temporary. But it is essential to a profitable and practical discussion of the present problem not to confound the comparatively simple question, whether the value of the precious metals has or has not risen or fallen, with the complex question, what influences may have produced either results. Regarding these influences, there are likely to be almost as many opinions as there are men; and an answer to the question, whether they will operate permanently or only temporarily, may be difficult, and can never be more than a mere opinion. But an answer to the question whether, as a matter of fact, prices have, on the whole, risen or fallen,—in other words, whether the value of gold and silver has increased or decreased,—is comparatively easy; and it is only with the facts, and their consequences, that we are, in the first instance, concerned.

Fall of value of one commodity implies rise of that of its correlative.

12. It is strange that such phenomena should be frequently discussed, even by experts, as if an increase in the value of any commodity relatively to the rest of commodities as a whole, could be attributed to a fall in the value of the body of commodities to the exclusion of the conception of a rise in the value of the excepted commodity. It is surely as inconceivable that the value of one commodity should decrease relatively to that of another without a correlative increase in the value of the commodity compared, as that one scale of the balances should fall without the other rising.

Values of silver and gold still higher than in 1873,

13. Whatever, then, be the influences which have produced the present phenomena, and whether these phenomena may be expected to endure or not, it seems impossible, in the meanwhile, to dispute that the general range of both gold and silver prices are still lower, in other words, that the values of both those metals are still higher than they were in 1873.

but future of silver, still, doubtful.

At the same time, as it is impossible to foresee the extent to which pressure may be further transferred from silver to gold, no one can feel at all confident that silver will keep the value it has hitherto maintained, or, even, that fresh events, such for example, as the final demonetisation of silver by France, may not, as pointed out by the Government of India in paragraphs 36 to 38 of its despatch No. 368, dated 13th October 1876, make the retention by any civilised State of silver as its standard measure of value difficult, if not impossible.

Loss to India from enhancement of her fixed gold obligations.

14. It seems clear, then, that the loss to British India, consequent upon the phenomena under discussion, is to be attributed, as yet, specifically, to the rise in the value of gold, and the concomitant enhancement of the obligations of British India, fixed by the gold standard. The amount entered under the adjusting head Loss by Exchange, in accordance with the present system of the Indian Finance and Revenue Accounts, is not the measure of that enhancement, which cannot be ascertained by a comparison with the conventional par of Re. 1 = 2*s*., and must