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THE SCIENCE OF GOLD AND SILVER

CURRENCY.

by Dinshah

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CHAPTER I.

THE ROOTS OF GOLD AND SILVER LIFE.

It is a pure fallacy to suppose that the world would be ruined if Silver and Gold were not tight with a certain ratio value between them. It is impracticable for any Government to try and permanently fix the value. Any advocacy towards fixing, or, in any other way regulating, the individual or comparative value of Gold, Silver, or Copper, is worse than useless. It would be tantamount to try and run up rain-water in the eaves to the gable of the roof,—a trite native saying well applicable to the powerful efforts now put forward in general despair, but which barely possess any cogency.

An impossibility expected from the Indian Government.

Money has come into use because, far and near, people can part with, or obtain, any article of use to themselves. A wants an edible article from B, but if A wants it by offering his cap to B, the latter may or may not want the cap. But almost every vendor will not object to receive any currency metal in exchange.

The germs of the Currency question.

Again, C wants to sell his wheat in Europe, and wishes to purchase certain machinery from America from the proceeds of his wheat. He cannot do this without obtaining his price in metal, or its faithful equivalent. Even if he desires to purchase cutlery or furniture, in lieu of the article he sells, the prices will have to be fixed through the usual monetary channel.

To the extent that human and monetary capacities exist, will the exchange in money-metals go on. To the extent that one country is dependent upon another, will the Capital move between any two countries. To the extent that the people are capable of rendering the precious metals a dead stock with them, in divers forms, for continuous purposes, all precious metals will be withdrawn from the currency, and rest as hoards, or ornaments, or flourish in utility.

The initial uses of Silver and Gold.

It is chimerical to desire that the inhabitants of any part of the world will use the precious metals in forms of currency coins only. They form the ornament and grace of women and men and of private and public institutions.

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The technics of Depreciation or Appreciation of the Currency metals practically decided upon.

The world seems to have made a very happy choice in selecting Gold, Silver, Copper, etc., as its emblems of Currency. It is a prevailing cant to talk of Silver destroyed in value. If you were to go to Europe, or America, with a lot of the so-called depreciated Silver, you will nevertheless buy and sell and live there as comfortable as you can. You will not think that the particular quantity of Silver with you should, in dispensation, obtain for you all that you may imagine of. It can only assert its true value.

The student will be enabled to complete his dearly desired course of study; the merchant will launch upon a thriving trade if he shows thrift and care; the society man will gain all the regard and respect which he can reasonably aspire after; and the traveller will return with a vivid picture of all the fruits of culture and civilization of a thriving world. Does the much-abused Silver there turn into a heap of mud and attract no notice of the world of Gold?

Paradoxical features of Gold and Silver.

It does not therefore matter in the least if the world to-day yields Gold worth 20 or 40 crores, or Silver 30 or 60 crores. It is all the same if the world now possessed, in the aggregate, a thousand million, or two thousand million sterling of Gold, or equally differing quantities of Silver.

For, the greater the quantities of these metals, either as annual productions, or, in the aggregate, the greater will be their use. Supposing, however, by some, unknown causes, both the aggregate and the annual quantities dwindled into a hundredth part of them, the world will not clad itself in lament, or roll in tears, any more than if the gods rejected their prayers to have the starry firmament imbedded in the crust of our own Planet.

The disappearance of the valuable metals in large quantities will not make a jot's difference in the happiness of mankind. The people will satisfy themselves with other sorts or forms of ornaments, and the tokens employed will be considerably reduced in weight, the means of currency being otherwise augmented by the employment of more paper and other metallic currencies.

Though the wants and resources of the world have been infinitely multiplied in the course of the present century, the product of Gold or Silver has not multiplied in the same ratio. The case is worse in respect of Gold than Silver.

The annual production of Silver has increased to almost four times within half a century. Are the people, then, less hankering after

Silver? Do they not hanker after it more and more? Equally so with Gold. An increase or decrease of it does not make any difference, any more than two thermometers, constructed on two different scales, can differ from each other in recording the same results.

It would be as fruitful to fix the price of rice and wheat for a hundred years to come as to fix the relative value of the two metals. If you can fix the relative value, how would you fix the individual value of each metal? But you can fix neither. If you pretend to fix any, you, in common fairness, ought to say that the Earth shall regularly deliver the quantity fixed by you; that it shall require no more expense for its production as shall be fixed by you from time to time; that the various communities shall employ the metals, in certain quantities as ornaments and certain quantities as currency as shall also be fixed by you from time to time. Such impracticable conditions can alone permit the ratio value to be fixed for any short or long period.

Ratio between Gold and Silver may be fixed if the price of Rice and Wheat can be fixed.

Let the world know all about the most prolific mines of Silver and Gold. Let them know where they could have the utmost value with the least trouble and contrivance. There they will repair to fetch their Gold and Silver. They will partly be brought in the largest quantities where they are in abundance already, and where the people are influenced by genius and industry in increasing their wealth. These human qualities attract the precious metals most. In places where there is poverty of activity and intelligence, there will be but a poor flow of Gold and Silver and therefore of all other articles of value.

Hang the ratio value; get more Gold and Silver.

The countries which retain and engender enormous wealth are prolific in industrial arts, and command enormous amount of Gold and Jewels. The most valuable token of currency becomes, then, their current coin. England, France, Germany, and America are notable instances of this. Sovereigns and Dollars are rampant there.

The why and wherefore of the Gold Determination in Europe.

Since, however, the germs of industry and genius have not been adequately developed in India, we are only mostly prolific in copper coins. Our Sovereigns and Dollars are Rupees, Half-rupees, and four-anna and two-anna bits.

Are we then to curse Silver? O its price continues falling! What will become of us if it still went down? Why, we may be reduced to a further proof of idiocy? Let it go down to the last penny, if it can. It will not all at once kill us like so many heaps of locusts. It will not make any difference in our comfort and progress. If a rupee be reduced to the value of one *pice*, we shall still till the land,

in frenzy. Had Gold and Silver not existed, the world would have had to find out other tokens of value.

Silver and Gold mere tokens to measure the different values throughout the world.

Any tokens of value would thus come in request for the world's local and inter-mutual transactions. It matters not a fig whether these tokens are in sufficient or insufficient quantity. It matters not if one existed in less and the other in larger quantity. It was possible that Silver might have proved as rare a metal as Gold; and we should have held the rarer metal the more valuable of the two.

Nor does the ratio of value between the two metals at all affect national or individual transactions. Nor could the presence or absence of any of the two metals affect such transactions. The bartering is carried on by means of the metal as found in the country. If the predominant metal be Gold, the same would form the medium, and *vice versa*. Only, in the case of Gold, less quantity will have to be given; if Silver, more quantity would be in request.

The Currency has no direct effect on the Export or the Import trade of any country.

If the exporting or the importing country makes the least profit, or no profit, on any articles of trade, such a consequence has no direct relation with the respective merits of the two currencies. If the exporting country can afford to export, and the importing country can afford to import, an article, it will be, not because of the condition of the values of the two metals, but because there is a demand existing for that particular article. If such an article is not wanted, it would not be produced. If it is wanted, it will be produced by the country best able to produce it as other countries too.

Hence no currency ratio or value can have any direct effect on the production or disposal of any trade article. The currency forms only a medium of exchange. For any effect on the production or distribution of the article, a grain or a pound of Gold may become the medium of purchasing a hundred weight of that article. It matters not the least if I gave one rupee, or a handful of rupees, for it.

The sparsity or profusion of any Currency metal does not directly affect any trade.

As long as there is a medium for carrying on commercial, shipping, banking, or private transactions, that is just enough. The size or weight of the medium may be anything according to the extent of its production and absorption. The nation who uses Gold dispenses its quantities in exact proportion to its obtainment. It will give in less quantities if possessed in smaller quantities, but it will give away in larger quantities if it was over-stocked with the metal. As Gold rules Silver, the consumption of Silver will be determined to that extent. As Silver fetches Gold, the consumption of Gold will be to the extent that it

is obtainable in currency. It is a matter purely between Silver and Gold.

But to say that the sparsity or profusion of either metal affects the fate of commodities is simply absurd. All commodities will seek the market where more of the precious metals may be had, but at the same time the commodities also seek the market where the least of the metal may be had. The sparsity or profusion of either of the metals in a particular country is a mere accident, and does not control production or distribution. As long as these metals exist, it matters little whether they existed in fabulous or moderate quantities. The commodities wanted must go to a market, whether any of the precious metals there existed in large or small quantities.

Supposing the precious metals never existed anywhere, or if they existed, they existed only in insignificant quantities, the commodity of one place, when required at the other, must still go there and find itself taken up in some form or another. It is true that, if a country has a larger quantity of the precious metal or of any exchangeable articles in hand, it may be able to do more things. But it will not be able to do anything unless a demand existed for a certain trade. Unless a trade can be sustained, all the Gold and Silver of a country will only lie idle. The value ratio will not be the controlling agency, for they would directly be controlled by the demand for, and supply of, particular articles.

It is not exactly the profusion of Gold or Silver which invites vast imports, or any import whatsoever. And neither does the profusion of money make a country an exporting one. When a country sorely demands an article which is produced in another country, the former must have it, and it finds the means of having it. As it demands upon other countries for certain articles, so it also supplies its own production to another. The wealth thus acquired becomes a medium of exchange for the foreign articles needed by it. The demand for articles will only be for those actually needed.

There will be ordinary as well as luxurious demands, but all these will directly depend, not upon the quantity of Gold or Silver possessed by the country where the demand exists, but will depend on its own physical and intellectual resources which will multiply its products and develop its own tastes and wants. Wealth then drops in, not as a directing, but as a subservient agency.

Gold or Silver
not the direct
prompter of
the luxuries
of civilization
or the prosper-
ity of na-
tions.

Gold or Silver of itself can do nothing direct for the prosperity of individuals or nations. It may directly do much to foster corruption, barbaric extravagance, neutralize sacred principles, or ruin governments.

buy cheap Silver for making ornaments as well as to use it as currency. It would be just the same with Gold. These metals are held sacred in the oldest classical literature of the Aryan nations.

What must happen should Silver and Gold not meet the increasing wants of the world?

It must be borne in mind, however, that neither Silver nor Gold can be augmented unless it is also used in currency. Both have to be used in order that they be multifolded. It is through national enterprise, genius, and intellect that Silver and Gold can be bought in large quantities, and which would compel Governments to increase their currency.

Whether Gold or Silver can always be had in sufficient quantities, in increasing proportions, tallying with increasing populations and increasing commerce and business of every part of the globe, is only a secondary question. If the mines show signs of exhaustion, the most valuable of the metals would be used in lesser bits with higher values attached to them, and copper, bronze, nickel, or platinum may assist as far as the larger and more constant currency is concerned. Each of the half-a-dozen metals would retain its own differing worth according to its own intrinsic merits. And their respective positions will be adjusted of themselves.

The rate of general prosperity is influenced by the increasing rate of Gold-ratio.

If it is right to be frightened out of our wits because Silver is perpetually going down, will it not be just as equitable to expect that, if Gold became much rarer, no commodity in the world will be worth a moment's touch. The public associations and the general people who raise such a hue and cry over the fallen Silver ought to think of the ridiculous conclusions which their contentions and advocacy would lead us to. No industry, trade, or profession can ever truly languish because of cheap Silver, or dear Gold. Gold can to-day fetch more commodities than some years before. Again, many of the productions have infinitely increased, while the Gold value of Silver has been steadily going down. And yet nations and communities flourish as well as all the countries of the world, and most of them, though Silver-using, are on the great path of progress and contentment.

So long as human wants, tastes and imagination are progressing, the value of Silver and Gold will never be able to affect them,—in the way of unduly scorching them. Wants and difficulties of man and woman-kind, and the successful methods of meeting them, are the only real emblems of wealth which are measured by the prevailing currency.

So no ratio of value can ever be fixed. Silver as well as Gold will be drawn out in just the style that suits them according to the microscopic human wants. If you can fix these wants for ever, try and fix the rationing value of Gold and Silver. You could do neither for a day.

What right have you to depreciate the value of Gold possessed by many millions of the Earth by one penny, when you would attempt to raise the price of Silver while it directly lowers the value of Gold? It would be an unheard-of iniquity perpetrated by any civilized Government. Have you so much Gold that you can stand the demand made upon it as soon as you begin to give it in coins at a lowered Silver rate? Who is to be responsible for the loss caused to those who spent 25 rupees on their Gold which you now would bring down to any low figure.

The practical result would be that no one except bankrupts might bring their Gold in the market. The demand for Gold currency would be so enormous that you would wish for new prolific Gold mines, which you are not likely to find. You cannot manufacture tampered Gold coins. No one will have them as permanent stuff, and every one will look upon them with suspicion. All those who wished to buy genuine Gold would therefore have to pay its natural price.

There is only one course left to fix the ratio value. In future the working of Gold and Silver mines might be proclaimed penal. Governments alone to work the mines, and all reserve stocks to be held by them and assessed for circulation as much as may be felt desirable. A *reductio ad absurdum* of course. When Silver is made to buy up Gold in greater proportions than now, when the market is regulated by natural Demand and Supply, and Gold is not coming forth in as large quantities as Silver, the result would be that Gold would become scarce, and therefore much dearer than now, ending in the inevitable lowering of Silver,—the very result which the Silver-denouncers so powerfully exert in stopping.

The fixing of the ratio value was possible in past days when Gold and Silver were not in such request as now. The proportions of the produce of both were not so wide as now. Commerce and trade were then very much restricted. That the fixing of the ratio value was not then felt clearly showed that the demand on Gold was moderate, that on Silver was not so extensive as to-day, and that neither the trade nor the rates of production and consumption of the two metals created any disturbance in human affairs. Many countries have now awakened to the first impulses of civilization. Their first cry has been naturally for more Silver, and its increasing production has met the increased demand on it. It is only in modern times that the new forces of monetary adjustments have appeared. The transitional forces only display passing effects, but need not excite those fears and apprehensions to which I can only apply

No Government can ever claim the right of depreciating any metal by legislation.

The practical results of interfering with the natural value of Silver and Gold.

The general cry reminds one of Seneca's Aphorism.

Seneeca's Aphorism, that "our alarm is more potent than our danger, and we suffer more often in apprehension than in fact."

The flows of Gold and Silver in different countries are thoroughly natural and should not be tampered with.

The first and lowest basis of a country's prosperity is formed of copper and silver. When transactions in Silver are indefinitely multiplied and the Silver volumes overflow, the signs of unpreceded prosperity are reached, and Gold commences to flow in large quantities, and the people take to Gold currency. The streams of Gold currency run in directions where the utmost general prosperity is prevalent. The constancy and bulk of transactions and their costliness are such that the metal of less value must therefrom naturally disappear in a large measure or altogether. Gold takes the place of Silver and is highly assessed by the Silver standard.

It is a mistake to suppose that a Gold-using country has no Silver. The superior metal comprehends the inferior to an extraordinary extent. When the greater element is present, the lesser is present perhaps in larger proportions.

Homes of Gold and Silver.

The country which overflows with Silver gets it from the country which overflows with Gold. The modern wealth of all Oriental countries is derived from the Occidental. I do not mean to say that European wealth in past centuries was all its own. A great bulk of it was taken away from the Asiatic countries. It must gradually return to the latter in increasing volumes. The countries which command, however, the greatest natural resources and the greatest enterprise, skill, and ingenuity, will retain a proportionately larger amount of wealth in due relation to their capacity for progress and their invulnerableness to foreign aggressions. Larger amount of Gold, and therefore of Silver, is retained by the countries which both export and import most, at the same time that they are able to keep aloof from all wasteful ways. They, however, lose their riches to the extent that they become less productive. The world enriches that country most which is able to preserve itself against all dangers, at the same time that it is able to acquire Gold and Silver to a larger extent than it is compelled to send out. It is therefore national intelligence, enterprise, and inventiveness which help to enrich a country more than any other thing, while the gifts of nature must also be possessed by that country in no mean share.

The effort to petition the House of Commons to get Gold cheapened may be

To be able to get Gold for less Silver than natural laws would allow, and then to implore the whole country to secure this end, is an effort which may be placed among the wonders of the world. Those who intend forwarding petitions to the House of Commons might as well

have asked the countries where there may exist superabundance of silver to send some of it to India, so that that the people who have Gold purchased at higher rates could be pacified by being compensated for any loss sustained by them. The fixing of a permanent ratio is equally absurd, robbing one part of the country for the benefit of another.

placed among the wonders of the world.

The people who dread continuous depreciation of Silver forget that it has yet to answer a thousandfold more wants than now. The future demand on Gold is equally great. The incentive to discover Gold and Silver mines ought to become keener; and the easier the Mines could be worked the better. The future stress of general wants and development on various countries will demand a far greater cheapening of Silver. It is quite likely that we may some day come across new Gold Mines which may have the effect of spreading cheap Gold. It is also possible to discover a new metal which in quality and value may surpass either Silver or Gold.

Demand for Silver and Gold unfringed; expected discoveries of further mines and new metals of high value.

My suggestion of 20 years ago to the Kattyawar Chieftains, when I held the post of their inter-political representative, to establish a skilful organization for geological explorations, though not yet completely carried out, has borne some effect here and there. The compendium on the subject of the geological scheme may be sought and studied.

My early suggestion for a practical exploration of the country.

We must look forward to the discovery of further precious mines. It is not cruel to denounce the cheapness of Silver when 90 out of every 100 of the population in India cannot lay claim to 500 rupees a head as reserve fund of their own? Millions upon millions live upon the wages of the day and have to go to work for the next day's wages. But few of these have anything to spare for amusements, or any dearly-prized comfort or object, or the most ordinary pilgrimage. Millions see nothing beyond a dirty rag or black bread for their sustenance.

Find out the voice of the people, which is also the voice of God on the present question.

We should not care directly or exactly if the profits of princely merchants were reduced, or if the Government of India could not make both ends meet from year to year. What we badly want is more plentiful rupees for the millions of the dumb people of India. Their contentment now supplies the place of substantial meals and recuperative comforts. It is not humane that lacs and crores should beg for a piece of bread, and lie and steal and lead the lives of brutes, because people talking of thousands of rupees and hundreds of pounds issue terrible cries that their resources are quickly exhausted since the State permit Silver to become cheaper and cheaper.

I think I may humbly claim the sympathies of all real, great-minded statesmen when I say that Silver still cheaper would be no calamity to

the thousands who now shed the tear of sadness, and be a blessing to the millions whose signs of distress and grief are endless. I would not care if my lot to-morrow took me to a hut and a piece of bread, if by this means I could realise in person the distress of millions of our countrymen, who, indeed, and in all practical ways, desire silver to be cheaper and not so dear as it is now. Such is the potent voice of the people of whom I am an humble exponent. It is this voice which is the voice of God, and which ought to be accepted by the Ruler of all nations.

The monster meetings are deserving only on one account, that they may indirectly be the means of bringing about a further cheapness of Silver by those economic and far-reaching means which urgently need to be deliberated upon.

Set Silver free from the grasp of tyrants and luxurious do-nothing bodies and individuals spread over India, as well as from the bowels of the Earth. The people otherwise slowly die; and because the unscrupulous may feed upon inordinate quantities of Silver, millions of poor must beg and die for want of copper coins. Before some leaders called the recent meetings, did they think of the millions in cities and villages who have no homes, who live upon a handful of the coarsest corn, and whose vitals are destroyed in rank insanitation? Do they know that there are laks in India who resign themselves to slow death, because they have not the ordinary means of maintenance? This is but the direct result of Silver being so dear. Don't talk of any 'ruinous' cheapness.

Both Gold and Silver, as already explained, will go to countries in proportions in which each is required. Either of them will never go to any individual or nation or country at any arbitrary behest, and the fixing of ratio values by a Government must only prove arbitrary and unworkable. There is no such thing as artificially depreciating or even appreciating any of the precious metals in the true interests of any clans or communities. This can never be done unless thousands are incited to bring suits of damages against Government, or the currency coins are adequately alloyed. But the prices of commodities must remain unaffected. The quantity of either of the two currencies will be demanded, as before, any unnatural alloy or artificial ratios being excluded as a factor in the valuation of any commodity, local or foreign.

CHAPTER IV.

THE FALLACIES OF FIXED RATIO VALUES WHICH CAN ONLY PRODUCE
DISEASE IN THE CURRENCY.

It is only because Silver becomes more and more cheap that both the Indian exports and imports are annually on the increase. It may be that the prices of many commodities are not rising, but decreasing. But the prices of articles despatched from Europe and imported into our country are also steadily declining, as the prices of our own country do. It cannot be otherwise.

How prices of commodities are regulated as in relation to the Currency.

Because the rise and fall in the prices of exported or imported articles do not depend upon the value of Silver as in relation with Gold. As I have already explained, the Gold price of Silver, or the Silver price of Gold, is entirely dependent upon those articles alone, and upon the quantity of Silver or Gold existing in the country. In a similar manner the prices of cotton, wheat, or jute, as either an export or local article, depend upon the quantity required, the quantity existing, or the quantity produced by rival countries. The prices of commodities received in Europe either from India or the United States entirely depend upon how cheap the competing country can dispose of them and the demand existing for them.

Whatever the ratio value between the two metals, they contribute equally to the price of each commodity. The prices are, of course, varying. The factors of variation are self-apparent. If the capacity of one country to produce certain articles is greater and costs less capital and labor, and if its facilities for conveyance are perfect and the freights are low, these exports could be disposed of more cheaply and in larger quantities than those of another country whose similar and other circumstances are less favorable. The purchasing country may adopt any token of currency which will be delivered at a self-adjusted ratio existing for the time being between the two metals, while the demands and supply relating to the commodities existing in the market regulate their own price.

There is no doubt that a good deal more Gold may be brought to India were legislation to enforce, wittingly or unwittingly, a reduction in its value by a fixed ratio. We have, however, seen in a preceding chapter the calamities we should thereby impose upon millions along with defeating the very object of such legislation. Were Gold and

All acts of Currency developments establish the impracticability of the ratio fixation and point to

other vents of
Currency
freedom.

Silver used for nothing but currency purposes, and further were the metals the property of the State only, accessible in any quantities at any period of the world's time, an attempt to fix the ratio value may possibly succeed.

To fix the relative values is to go back to the dark ages, or those not much better which succeeded them. As you cannot stereotype any modes of transshipment or communication, so you cannot fix any ratio between the values of Silver and Gold. Monetary science is in as transitional a state as the science of husbandry or chemistry. One cannot say how and what country of the world may revolutionise the broad aspects of the most powerful country as now existing.

It is thus even possible that the Gold value of Silver may some day rise high, and that under certain conditions it may become as dear as Gold. But whether Silver or Gold became cheaper or dearer, it will depend upon the current and stationary bulk of the metals themselves.

Either metal must always be forthcoming in any place to the extent it may be in demand. If Silver overflows in any country, Gold will then be sought and is sure to command its own price. If either Silver or Gold becomes very scarce, nickel, copper, bronze, brass, or other apt metals ought to come into greater request.

It may be hoped the suitability of adding to the metallic forms of our currency may be fully considered. I am not sure if a new metal may not be discovered in future, which could be adopted as a medium between Silver and Gold. Paper currencies should be discouraged as much as possible and to the extent practicable.

Fixation of
any ratio can
never add one
penny to
wealth by the
only method
permissible
by common
consent.

The facts that we legitimately come across in pursuing the currency discussion thus refer to rendering the various modes of currency facile and not deranged and handicapped by any specious legislation. No legislation can bring into either private or government house, in a petty shop or mercantile firm, a penny more of wealth than what your exertions and foreign necessities may of themselves yield on a close competition with the rest of the world.

It is authoritatively contended that great ruin to India may be prevented, commercially and otherwise, by fixing a permanent ratio. The arguments advanced in support of this contention are fallacious. No country of the World can, in these days, set up its credit on such chimerical basis. Every country must pass the severe ordeal of a practical competition with the whole world before it can attain the least prosperity, domestic or foreign. The country which produces

the most, the best, and in the easiest and cheapest manner must win the race, and not the country which endeavours to bolster up its credit by artificially circumscribing the value of the free currency metals.

The people who are not satisfied with the rate of our increase in trade should understand the simple fact of our being placed only now in the process of preparation for carrying on the trade-war with other nations, who already possess their trade equipment in a complete manner. That we have fairly started in our race with them is a bright promise of our future. And so we must only persist in the natural methods of obtaining the goal of our present progress.

It is illusory to suppose that Silver at its low rate of exchange will destroy the commercial prospects of India, because the prices of almost all the chief articles exported from India, such as cotton, indigo, rice, jute, tea, etc., are constantly declining. There is no actual decline in value. What is understood to be a decline is a natural adjustment of the prices of commodities which are increasingly required by the world for the contentment of the many millions whom the few rich had before deprived of the ordinary comforts of life. Some few of the world cannot succeed in raising the prices of commodities so that they may revel in luxuries, and the poor deprived of those appliances of life which before had been confined to a few.

The laws of nature constrain mankind to produce the necessaries of life on a much larger scale and at a much cheaper rate, so that the blessings of the earth may be within the reach of many millions instead of thousands. Human ingenuity and capacity have to be taxed to the utmost limits, so that the wealth and happiness of the world may be more generously divided among all its communities and sections.

No article can be produced which will not yield some profit to the producer. If that profit disappears, the producer will instinctively follow another province of trade where his profits would be renewed. The distribution of wealth can only be managed on principles like this to prevent its undue determination in confined places. Though the price of export articles is lowered—actually it is not so however—and if we thus obtain less Silver from abroad, we also give less Gold for articles of import. At any rate India receives fresh Silver every year by millions and millions of sterling. If we had not been thus enriching ourselves, how is it that, our population increasing at such great strides, the additional millions every year become undoubted possessors of so many additional rupees?

The assumption of full foreign trade is the great promise of our future, and will yield the ratio value now sought.

Movements of Currency and prices all tend to an equable distribution of the Earth's comforts among every section of its inhabitants and are no factor of mischief to trade or individuals.

Our Silver imports are increasing, while Gold imports also continue.

A demand for fixed ratio value is reducible to an intangible theory of protection.

With our export produce multiplying, the prices are lowering, because the Gold-using countries are, so far, able to beat us in the market. If the countries using Gold were actually more fortunate than ourselves, they would not be at the pains of competing with a cheap country. In reality, therefore, their Gold is not more precious than our Silver ; but it is their ingenuity, their skill, and their perseverance which are far ahead of us. I therefore counsel the people and the agitators to apply their own shoulders to the wheel that has stuck in the mud. We need not cast our eyes on other people's Gold without deserving it in a fair and open manner. The countries that have got much of Gold or much of Silver have done nothing of the sort that we now propose to do. A wrong speculation on the cause and effect involved in the question must necessarily lead us to think of some protective theory which the world ere long is sure to condemn.

CHAPTER V.

SOME OF THE DANGERS OF STEREOTYPING THE GOLD AND SILVER VALUES.

It is the fashion to talk of the Silver fall as if the metal itself is being actually depreciated. If the same cant continues, we might as well say that Silver some time hence would become as worthless as dust. Silver, on the contrary, is increasingly produced every year, and the demand for it grows in the same ratio. The more its Gold-value is lowered, the greater is the demand for it, owing to the increasing currency required for the world which Gold cannot adequately meet, while Silver can.

Conditions necessary to warrant the fixing of a ratio value.

When we know that Gold is much scarcer than Silver, that its yield grows less and less every year, and that of Silver, on the contrary, increases, how can we fix its value permanently in relation to Gold? Had the demand on Gold and Silver been equal throughout the World, and had the respective quantities available been also equal, then the ratio of value between them could have been made equal. But the bringing about of such a fixation would not have required the intervention of any Government or international conference. For the ratio would have adjusted of itself. Whoever thinks of fixing the price ratio between a diamond and a ruby, or between an emerald and a sapphire?

The miners at the Silver quarries bring increased quantities of Silver in the Market simply because others would forestal them and rob them of their profits. They undertake no direct action to aggravate the depreciation of Silver. They work at the mines, or the Silver-holders bring more Silver in the Market, because a demand for it is perpetual. No doubt they try to bring it timely and at as less an expense to them as possible. But that is only the essence of competition. They are not early on the field to get Silver depreciated. It is rather to get it appreciated! In twenty years the production has trebled itself, and the world has absorbed it all the same. With such an increasing demand for it, to say that its value should be so much, and no further, reminds us of the mandate of a self-sufficient autocrat who threw chains over the tides that they may not proceed beyond a certain limit.

Why Miners and Silver-holders are quick in bringing Silver to the market.

As long as the choice of governments and peoples is limited in respect of adopting effective forms of currency, it must once for all be

The adaptability of Silver against practi-

cal depreciation and for increasing appreciation.

understood that they cannot be trifled with or changed. The impossibility of any such alteration is enhanced by the intrinsic and universally accepted worth of the money-metals. So long as they could be produced at a profit, however slight, they must be produced. As long as their production lasts, so long will the currency continue to increase.

But the search after Silver, even after its production becomes much more costlier than now, though the profit to miners at present cannot be less than 70 per cent. at an average, will be continued owing to its intrinsic value which cannot be displaced unless a new metal of superior quality is discovered. Even then Silver will not be depreciated to the extent that its disuse would be called for. Except that Silver may be displaced from its intermediate position between Gold and Copper, nothing worse can take place. What will the present decriers of Silver say to such a probable cause of currency improvement on a new metal being discovered?

As it is, we must earnestly endeavour to have more Silver in the world's market. The demand for it has been increasing, and will still increase at a more rapid rate. As articles of use and ornament, Silver will be more and more in request, and every beggar will hanker after its possession. Any demonetisation of Gold or Silver in any of the exchanging countries cannot be attempted without a sad derangement in the transactions of the world and inflicting wanton hardships on those who have paid certain values, and who are sure to be undue losers as already explained in previous chapters.

Any country which has Silver in abundance will succeed in drawing away the Gold of another country, supposing the natural ratio is disturbed, and an illegitimate rise of price is effected in Silver. How an unlimited demand for Gold will be met, when its value is reduced, and that of Silver raised, must pass one's comprehension. Until we have reached the natural limit of the value of Gold as well as Silver, it is impossible to think of a fixed ratio. It is impossible to predict the period when a natural adjustment of ratio values between Gold and Silver may take place. It is apparent that the tendency in future will be throwing a much more extensive service on the Silver currency, when an inferior metal will show the symptoms of occupying partially the position which Silver at present bears towards Gold. When the world in future years would tax Gold and Silver with much more extended currency service, any third metal will have been put to a far greater use than now.

Any attempt to raise the price of Silver

It is very doubtful if any artificial attempt to lower the value of Gold will help the export trade of India, in that India, raising its Silver

price, might end in other competing countries being able to sell their commodities at their own Silver rates, which will be cheaper than India's. Those who hold Gold at a higher price can buy more Gold at a cheaper one. This would mean driving out India from English markets. The countries which possess the largest quantity of Silver will succeed in obtaining the largest quantity of Gold. The effect will only be disastrous to India. Depressions in trade and commerce must necessarily follow. In renouncing the honest and frugal course of seeking wealth in countries from which it could be legitimately drawn, our position must become perfectly anomalous.

artificially
must prove
baneful.

The results of investing English capital in Indian estates and enterprises are often wrongly ascribed to the depreciation of our Silver currency. Supposing any estate founded on English capital is depreciated one-third in its value, as viewed from a sterling price point of view, owing to the increasing rate of exchange, it must not be forgotten that the capital sunk in India becomes Indian capital that constantly pays in howsoever irregular a degree. If the persons who invested the capital were able to keep up the estate and make some profit, that was all that could be expected. If it were sold at sterling price when the owners wished to retire to England, they must have been gratified with what they had enjoyed, and the fact of their not being able to recover their original capital would be ascribable to other causes.

How does
Indian Cur-
rency affect
English capital
sunk in
India.

Silver being in recent centuries as extensively employed in other countries as it has been in India, the increase of export trade has taken place throughout the world in common with our own country. Any lack of improvement in the estates just referred to must also bring depreciation of the capital employed. Every estate, therefore, founded on English capital cannot possibly recover the whole of the capital as originally employed. Similarly, English capital employed in other enterprises will have to encounter endless factors as influenced by the state of things prevailing in other countries, as well as in India, in giving a good or bad account of itself. The price of Silver or Gold only indirectly affects the employment of foreign capital, for such an effect comes only filtered through congenial or uncongenial regions through which Silver and Gold perpetually circulate. The cheap labor and living in India present great advantages to English capital. We must therefore look to several avoidable evils growing from negligence and waste which actually lead to the depreciation of the estates founded on English capital, while the spirit of competition now rules the world.

The effect of raising or artificially impeding the Silver standard would kill local industries and benefit foreign countries.

If we raised our standard of Silver currency, the countries which would not will have been a gainer over us. If we paid every one and every thing at Gold standard, China, which grows with the expenditure of Silver, can easily beat us out in the English markets. Many other industries, including the cotton, jute, wheat, seeds, silk, hides and sugar ones, would fail. The competition of the world already leaves us thin profits which, in reversed circumstances, must still become precarious.

The evil effects of rendering Silver coins scarcer will be measured by the extent of the demonetisation adopted. No impartial Administrators, such as the one who now happily presides over our affairs, will for a moment countenance a crude measure of this sort. If Native States are kept out of this strangling ring, there will be many people in the country who would think of going there to benefit from a free exchange of coins.

CHAPTER VI.

THE FULLER EFFECTS ON TRANSACTIONS OF FIXED RATIO VALUES.

It is satisfactory that the relative prices of Gold and Silver do not much differ throughout the world as they naturally should be. The variations that occur from time to time are nearly common throughout the world and are ascribable to self-apparent causes. No fluctuations in the relative prices can be stopped by any Government or Legislation. No law can define the daily phenomena and quantity of human health or the prices and quantities of the commodities of the world either.

The theory of fixing ratio values considered in relation to exchangeable commodities and monopolies.

If all Governments were united in fixing the ratio values of Gold and Silver, there might be some chance of acquiring a permanent fixity in the values of the currency. But this would be just as possible as the two hypothetical cases just alluded to. No Government can undertake to fix the annual production of the metals, or define the expenditure and skill necessary to bring them out for use. Neither could any nation bind itself to deliver every year so much Gold or Silver to another nation at fixed rates. Any mishap or forbidding contingency might suspend the transactions at any time to the extreme detriment of mutual accommodators.

In demanding a fixed ratio for the currency, the monopoly sought to be created partakes of the authority exercised by the Government in respect of salt and opium. But the conditions existing in respect of the latter find no parallel whatever in respect of the currency which is binding on all the Governments of the world, who thus have been all times corporately responsible for it, the corporate responsibility existing so far as the natural state of things is involved.

It is already a right thing in nature that Gold or Silver is borne to any portion of the globe in nearly the same manner as commodities are exchanged between the different countries of the world. The fluctuations in their prices form the life and soul of the commerce of the world. These fluctuations are as natural as the peculiarities of each country which produce a certain article, which another does not, either entirely, or in a cheap and efficacious manner like the former.

As the production and exchange of commodities depend upon the suitability of certain countries to certain commodities and the suitability of other countries to receive those commodities, the fluctuating rates

If production and exchange do not rule themselves, curious results

may be as-
sumed.

of exchange form only a medium for the exchange of the various commodities. Otherwise, because England is the country of Gold, it ought to have an abundance of cotton or wheat; or, because India is a country containing plenty of Silver, it should fully possess machine labor. All productions are, however, primarily due to the physical conditions of a country and the character and extent of the mental power, ingenuity and moral strength of its inhabitants.

A Gold stand-
ard for India
would come
of itself as it
has done in
other coun-
tries.

If it be possible to adopt a Gold standard for India, resources such as aforesaid will, of course, lead to it. The countries who now have a Gold standard have adopted it since long. But they have not adopted it by injuring their Silver Currency. The bi-metallic currency was adopted by them under favorable conditions. These countries have much more wealth at their disposal than India, though their population and territorial areas are considerably less than those of our own Continent. Their far higher genius and their greater enterprise, however, found Gold for themselves. They had Gold as well as Silver in large quantities. Their money transactions are far more valuable than ours, and necessarily they went in for both systems to facilitate their currency.

To assume
that India can
ever employ
Gold and Sil-
ver in Curren-
cy only is a
blunder.

To force a Gold currency upon India in the present times, unless the ratio became fixed of itself, would end in national ruin. It is a great blunder to suppose for a moment that the people of India could ever be taught to employ Silver and Gold as currency coins only. The national bent is to acquire wealth in Silver, but as soon as a cooly or trader gets sufficient Silver, he prudently thinks of accumulating his reserves, or employing his Silver surplus in ornaments. The native of India considers it almost his religious duty to save a certain portion of his earnings for his day of want and for his family. The method of investing his surplus in Gold or Silver jewels he considers to be the safest. He would think more of burying his treasure than depositing it in a bank or entrusting it to a *Sowcar*. He cannot thus wish to see the surplus wantonly depreciated.

To fix the ratio once for all would be to permanently depreciate the extensive Gold stock of the country. No Government, we may feel sure, will be so infatuated as to coin a fictitious and ruinous legal tender of this sort. The country is not satiated with rupees yet. The introduction of a Gold standard, in such circumstances, would only be premature. No general demand exists for it. To assume and act upon such a demand is to ruin the fixed property of millions.

As soon as a fixed Gold currency is introduced, imagine the endless stream of rupees which will be forthcoming for conversion into Gold. Every man in the Empire will scrape every rupee to convert the artificially-raised metal into Gold, simply because it could be had for a less price than now. The Silver stock in Banks and with *sowcars* and money-lenders must remain depreciated unless it is taken out for conversion into Gold. The private Gold stocks must inevitably depreciate, supposing the new demand for Gold could be practically complied with at all. The Government must cease coining Silver currency if preference is given to Gold. But where is the additional Gold to come from? which is one of the shrewd questions recently put by the *Times of India*, and none of the advocates has been able satisfactorily to answer it.

The grave necessity of the country to possess more rupees strangely misunderstood.

Can the Government obtain Gold even at a fixed standard, say, on their own Silver securities? Of course it cannot. It dare not cease coining Silver. For, when a general lout for Gold has set in, where is the Silver currency to come from while Government stops minting, and how are the endless monetary transactions to be carried on, which a free and unrestricted Silver coinage can alone afford? When the country needs more of cheap Silver and more of Silver coins, to think of in any measure curtailing them is a very unworkable idea indeed.

Any artificial raising of the currency ratio must bring business in India at a dead lock and render the later affairs much worse than the earlier ones. If Silver cannot be had in sufficient quantities, the demand for Gold must become indefinite. Capital will then only become scarcer, than now, which would mean the strangling of all business or trade throughout the country.

Analysis of the inconvenient factors involved in any proposal to fix the bi-metallic value.

Every servant and every other transactor of business will demand Silver at Gold price, and therefore Gold at a high Silver rate. Every one concerned would, of course, prefer remittance of Gold to his home beyond the seas. Importers will demand Silver at Gold price in lieu of their present demand for cheap Silver only. People in charge of landed estates and produce for both local and export purposes will demand Gold prices. The merchant from the coast will simply find his commodities inexchangeable in course of time. As hitherto importing countries were purchasing commodities for less Gold, they will not be willing to give more Gold, *i.e.*, at the reformed Silver price, and will therefore prefer buying from other countries whose standard of currency remained unchanged. The capitalists who used to import less Gold with

a view to have more of Silver will cease importing Gold any more, because he will get less Silver than before. Great Britain and Ireland will not be able to procure more Gold to meet the demands of a fixed ratio.

The Government of India can never expect to get their revenues in Gold. Hence, relief from their present troubles appears very doubtful unless they increased taxation all round. As long as the people can invest their Silver surplus in Gold at a fixed ratio, they will scarcely think of another form of investment. But, supposing the Government resolved to buy up so much of the Silver surplus, which may be felt desirable to withdraw from the country's currency, where are the resources to enable them to do this or pay an adequate interest for the Silver withdrawn? If they could issue loans, will they pay the same rate of interest which they now do when the price of Silver is not artificially raised? Loans so issued will not prove negotiable articles. As all possessors of Silver will try and obtain Gold, there will be more Silver on the hands of the Government which it would be difficult to invest or dispose of unless at a great loss to the State. Silver, after all, would be unsaleable except at a lower price in general harmony with the Silver prices of the World.

CHAPTER VII.

DEMONSTRATION OF THE ABSENCE OF ANY INHERENT EVIL IN
THE CURRENCY.

The theorists on Silver and Gold Currency have always adopted hard-and-fast hypothesis of fixed figures of populations of exchanging countries, and fixed figures of coins denoting circulation among them, keeping in view also an hypothetical increase of population and variations in the cost of production of the two metals.

Smooth hypothetical figures give no clue to complicated currency difficulties.

I observe that one of the most practical authorities who advise the Government of India on financial questions, and for whose ability and judgment I entertain the highest respect, even yields to the fascination of an hypothesis of this character. Even with the proviso clearly laid down by himself, assuming that the two metals do actually circulate side by side at a fixed legal ratio—which assumption is not likely now-a-days to yield in practice,—he thinks that “a fixed ratio between Gold and Silver is possible to command a steadying influence on prices in England tending to keep them at a higher level.”

The currency question is the worst of all questions which can yield practical results in harmony with any stereotyped hypothetical figures. When the assumption is based on two countries, each with its mono-metallic currency and each with a certain number of coins holding a fixed legal ratio with the fixed quantity of the coins of the other country, it is apparent that a factor like this one can have no counterpart in the realities of the currency life of the world. Though the high authority whom I have quoted affords us valuable instruction on the theory of bi-metallism, he properly tells us that his expressions should not be taken as those of the Government of India, he alone being responsible for them.

Since we cannot regulate the metallic currency of the world in the same way that one cannot deal with the movements of the water currents beneath the surface of the globe, we cannot apportion any country a certain currency, in a certain quantity, and for a certain period. It is impossible to fix a practical basis of this character, as it would be futile to regulate the production and distribution of any commodity, with a view to permanently fix its profitableness at a fixed standard of value. Not merely local circumstances, but those of the competing and consuming countries must affect all prices almost every day.

Fixity of ratio values not feasible now as in past days, owing to the infinite complexities of all Currencies and commodities.

The same authority has contended that, since France was able to preserve the ratio value between Gold and Silver for over a century, the same could be done for India and England. It must, however, be remembered that what was easy in past ages, when there was no perfect interchange of commerce between all the countries of the world, and when the disparity between the production of the two metals was not so pronounced as it has subsequently become, cannot be quite practicable now.

Reform in Gold-congested countries needed.

Exceptional opportunities having thrown considerable Gold in one country, helped to render the ratio value stable. Sufficiency of both metals would not render the fall of one metal very appreciable. Any solution for currency facilitation must be brought about by some practical measures by which what I would designate the Gold-congested countries could be relieved of the surfeit.

Suggestion for a comprehensive scheme of steam-tram-roads to connect villages of special note and opening new mines to render currency fully prosperous.

A perfect revolution can be produced in India in a few short years if mining industries could be thickly established and the deficient railway communications rendered more complete. Hardly four out of ten districts in India can fail in giving a full swing to some or other of the mining industries which have filled England with Gold. Much English capital can be employed in giving every group of villages short-gauged steam-trams: there are besides numerous large towns which have not yet been connected by railways.

Village communications of the character just noted have not yet been thought of in India. It is for the Government to judge upon the feasibility of this proposal under which the first step would be to call out for a comprehensive scheme for the country demonstrating the traffic in prospects and the comparatively small expenditure in capital and maintenance that would be involved in laying down a complete system of steam-tramways in no way interfering with arterial railway lines. There are thousands of missing links in the country seriously retarding both passenger and goods traffic, and therefore the productiveness of the soil and the ingenuity of the people of India both in the interior and in the front. Both enterprising capitalists and local administrations should be encouraged in the highest possible degree to conceive cheap tramways with maximum strength and speed which ought to connect every village of note coming within a standard fixed as regards population, trafficable area, etc.

It is undoubted that we have not yet arrived at an era when our railway plant and working could be made much cheaper than now,

while a great export trade could be opened for many valuable mines and non-metallic substances. The Gold and Silver Mines of India are yet an unknown region to us in a large measure.*

I explained several years ago the extreme desirableness of ascertaining the products of each district, its domestic consumption and foreign trade, the indigenous and foreign articles in use and their annual quantity and value, as also the raw articles known or to be known, supplemented by information concerning the countries which are the cheapest producers of affected articles of import, the object being to induce the establishment of new industries, both profitable on the spot as for export or international trades in all central places of India.

The practicability of India commanding a stable value of the two metals cannot but be remote, since, unlike the more advanced countries, it commands a limited export trade mostly in corn and raw articles, while the import trade also has not attained its full development. The countries which have good deal of Gold are the countries which have entered into full rivalry with each other in respect of the world-wide manufactories of commercial articles. They have disturbed the old metallic equilibrium of the world, while Gold and Silver discoveries are far from being complete. The consequence is the concentration of Gold in the much-too-busy countries, and Silver has poured into this cheap country, where the want of it has been excessive. One solution, therefore, to check depreciation in Silver values, and to counteract the effects of trade which has a tendency to spread among larger numbers of countries and peoples, is employment of much greater human energy and genius and establishment of European colonies under Gold capitalists in the interests of both India and England. Artificial rings constructed for any deliberate suppression of natural values must defeat their own object and render the last state worse than the first sought to be improved.

The fault not in the Currency, but due to the absence of English capitalists, European colonies and the infancy of the Export and Import trade of India.

* While this is in print I find in the *Indian Engineer* that very extensive and rich auriferous mines have just been discovered by Mr. Grusbach of the Indian Geological Survey in the vast alluvial flats between Hokat and Watu on the Irrawady.

CHAPTER VIII.

THE THEORY OF GOLD AND BAD MONEY IN ITS ILLUSIONARY ASPECTS.

Sir David Barbour's work on the "Theory of Bi-metallism."

I WOULD here venture to deal with Sir David Barbour as the distinguished author of the Theory of Bi-metallism, for I do not presume to advert upon his policy as Finance Minister to the Viceroy of India. He has published that work, of such sterling value, as an economist, and not as the responsible financial authority with the Governor-General of India. I must confess, therefore, that my dealing with his work becomes easier than if he had spoken with measured responsibility, which would be more difficult to deal with.

Gresham's Law.

Sir David has recourse to Gresham's Law that bad money drives out good, helping the ratio legally fixed to remain stable. Both the theories are, in my judgment, untenable.

Bartering in commodities as infeasible by means of pre-appointed ratios as wheat or barley.

The contention by the same authority that, because a hatter or the Government would not accept wheat or barley except fixed values in Gold or Silver, the former for his hat and the latter for its tax, and that therefore Gold and Silver, which would, on the other hand, be always accepted, can succeed as a legal tender at a certain ratio, is hardly sustainable. The point for decision is, not the eligibility or otherwise of certain articles as objects of currency, but whether it would be possible to always have in a certain country Silver and Gold in constant equi-balancing quantities, so that any of the two metals, and for that matter Gold, could always be obtained in the quantity fixed by law. If I could only be sure for five years to obtain Gold at a stable Silver price, whether in India or England, I might be placed in a position to buy up a little town from the profits that I should make by my Gold-hoardings.

Bad money driving out good is more apparent than real.

There can be no such thing as bad money driving out good. In no case what is termed the better money, *i.e.*, Gold, can be driven out of the market.

As long as the Government would offer to make Gold and Silver coins at a fixed ratio, so long will possessors of Silver find it advantageous to obtain Gold coins. If Silver is over-produced and at a less cost than before, people will be benefited by obtaining Gold coins at the fixed ratio, reserving the extra Silver as profit. They will continue to do so as long as Silver is cheap, but the Gold will be withdrawn from the currency as soon as its stock is exhausted. But that would

not mean, as is supposed, that the demand for Gold will cease, or that the "increased production of the one and the diminished demand for the other will be regulated by the fixed ratio." Thus it is presumed that the basis of the bi-metallic system might be formed in acting by means of "the bad money driving out the good." It is only the demand and supply of the two precious metals which will fix the ratio value from time to time ; and none of the two metals can ever be out of the market, for Gold cannot exist without its value being regulated by Silver, while Silver cannot exist without its value being pointed out in Gold.

As soon as the Gold stock is all exhausted, instead of the ratio value becoming fixed, as it never practically has been even when it was at the first stage fast taken up, the ratio must become fluctuating according to the prevailing demand.

It is a misapprehension to suppose that any legally fixed ratio would remain inviolate when the purchaser of Gold can purchase it at the rate of 1 to $15\frac{1}{2}$ at the same time that Silver is really cheaper as to be 1 to 17. The ratio is, therefore, at once illegal and fictitious, especially when Gold will again be brought into circulation by means of a subversion of the fixed ratio of 1 to $15\frac{1}{2}$.

The ratio value considered in relation to the fluctuating inherent values of the metals.

Any attempt, therefore, to legislate upon a fixed ratio would be no better than causing a temporary artificial interchange of Gold and Silver as long as the little artificial stock is in existence, for it is very unlikely that, for the sake of affording a luxury to some and causing ruin to others, the State would any day throw cheap Gold upon the market.

Any extra Gold thrown upon the market by a humanitarian Government will rapidly disappear, and with it the much-vaunted legal ratio value: The demand for Gold, whether for currency, ornamental, or hoarding purposes, will be the same as before, and the Silver price will also go on fluctuating as before.

The artificial interchange of Gold and Silver may paralyse trade in some measure ; for, as long as dear Gold could be bought with cheap Silver, it is not likely that traders would go after a remote and uncertain trade, which everything would be as considered in relation to certain amount of profits that can be immediately secured.

There will, besides, be no justification for the State to cause even a temporary depreciation of the more valuable metal possessed by those who had secured it at heavier rates. To compel those who may be under a pressing necessity to part with their Gold at a time when it

could be had at a fictitious rate would, of course, be monstrous, and might lead to equity compensatory suits.

Silver is not bad money any more than Dukes and Knights are bad emblems of Royalty as they are not all Kings.

The position of Silver in the market indicates bad money much less than an indispensable auxiliary of Gold. The latter is undoubtedly the Queen of all currency coins. It is therefore of the highest worth; but on that account there cannot be any intrinsic evil in Silver which can deserve it to be called bad money any more than that Dukes and Marquesses and Knights could be termed bad emblems of Royalty because they are not all Kings themselves. There can be no King or Queen without the emblems of Royalty. Hence Gold Currency simply by itself cannot possibly act without its patent-auxiliaries.

If Silver is a bad money, there would be no reason why Gold, if produced in large quantities, should not also relatively become bad money when, with its more extensive production, it would, in a certain measure, compete with Silver and displace it for currency purposes to a large extent.

It must not be forgotten that it is only when the so-called bad money is cheap and plentiful that the people would turn their attention to possess themselves of larger quantities of Gold. Any fictitious construction of a ratio between Gold and Silver values is therefore short-lived and would scarcely affect Gold prices abroad, as no Gold could be imported into any country except in a business-like and legitimate manner. No currency metal can suffer from depreciation, or glory in appreciation, in consequence of anything that is unnatural or wanton.

To stop fluctuations in currency prices is to destroy the barometer that would not give equable atmospheric pressures at all times.

I must repeat what I have already demonstrated that all attempts to strike at the root of fluctuations in currency prices is equivalent to destroying a barometer that cannot at all times give equable atmospheric pressures.

CHAPTER IX.

THE VITALITY OF TRADE AND COMMERCE EXISTS IN AN UNFETTERED CIRCULATION OF CURRENCY COINS.

To contend that we should start the currency at a fixed legal ratio and then to presume that "the exchange ratio of two metals is not fixed by law, but would depend on demand and supply," is to bring in the law with a sure apprehension that all legal fixtures in respect of currency must be superseded by the natural laws of demand and supply.

As the ratio value of two metals, in its earliest inception, was not legislated upon by any Government, even though it might have been the most barbarous, the freedom was taken away from all Governments to issue a single authoritative word for permanently fixing the ratio value. No matter what any Government might have done subsequently, it was all an unnatural procedure and cannot possibly be followed.

In past ages when Gold was comparatively cheaper than Silver, both metals were obtained at less labor than now. The ratio value was formed of itself in proportion to the rareness of the more valued metal. It was the voluntary perception of the people and the demand and supply of the time being which fixed the ratio value of the two metals. They were obtainable in much larger quantities and more easily than now—an early element which bore restful contentment for all communities when not dispirited and devoured by unscrupulous, murderous, and plundering tyrants.

It is a fatal blunder to suppose that the original circumstances which brought the metals in use have been in the least changed. All the change is that many more millions are now using them for currency as well as for hoarding and ornamental purposes, as was done in times of yore.

We cannot circumscribe any metal to bring about an equilibrium. The restriction would be as much resented as any equilibrium that is not brought about by itself.

As long as it is profitable to work the Silver Mines, not a single pound of the metal will be left in the mines, and so will it be in respect of Gold. Both metals will, however, be sought at prohibitive prices, supposing these metals became rare by extensive and increasing use when it would be profitable to work the mines even at a greater cost than now.

A ratio cannot be legally fixed at the same time that it is understood as being based on demand and supply.

How ratio values came to be fixed without any intervention.

Silver and Gold in a sense act for themselves since the days of yore, and will go on doing the same.

The precious metals not being adequate for all purposes, no legal fetters can be imposed upon their prices.

I ask those who seek to check the so-called depreciation of Silver whether they will find one man in the world telling them that no more Rupees nor more Gold are wanted in any of the numerous countries of the world. I ask them confidently if every one is not prepared to say that by all means let everybody get more Silver and more Gold. There is no sufficient Silver nor Gold for business and neither for home and reserve purposes. How is it then that you will get more Gold by regulating its price with Silver under legal fetters?

Not even the discovery of all inventions for working the mines more cheaply than now could give the world sufficient quantities of the valuable metals unless they could be discovered in prodigious quantities.

The exchange ratio between any two metals cannot be fixed by any imperative law, as the Hon. Mr. Mackay (the President of the Currency Associations) is insisting upon, nor by any quasi-legal contrivances so lucidly explained by Sir David Barbour. It will fix itself from time to time. No Association or Government, or any assemblages of Nations and Councils, dare fix it.

How Gold prices are evolved out of vital intricacies; a chastening study in itself.

It has always been, and will be, fixed only by many complicated natural laws, to enter upon a perfect analysis of which is no easy task. That Gold in England can only be obtained at an increasing Silver price shows that both the local and foreign demand on Gold has been constantly increasing, while the imports of Gold have not been keeping a full pace with the demand.

Competition in imported articles constantly increasing, their Gold prices must necessarily fall, while the actual prices of commodities bear a direct relation to cost of production and the running demand upon them. It is undoubted that, even if there were a surfeit of Gold in England, the export articles can by no means command a higher Gold price than the one always evolved out of the ever-present competition.

The precarious state of Gold in England.

The Gold prices in England would only run up when there is an over-production of Gold, or when its exports are reduced in consequence of India beginning to manufacture articles for its own consumption and its rivals being in any measure debilitated. The Gold prices in England continually lowering shows the precarious existence there of the said metal. It would in future suffer disastrously in its recuperation processes if the genius and enterprise of Great Britain failed in securing new occupations abroad.

Each of the two precious metals has so strongly taken up its own position in this or that country that it would be impossible to make

one country bi-metallic and another mono-metallic. Any country to be either of the two, or both, must first depend upon that country itself. It is contended that "the bi-metallic system may be completely carried out, although some countries are mono-metallic, provided there is a country, or group of countries, which is prepared to coin both metals freely and to accept them as legal tender at a fixed ratio." I have, however, already shown that an hypothetical condition is the only one condition which on questions of currency must fall flat altogether.

It is only the countries which produce plentiful Gold and Silver, without a predominating or fluctuating cost in any case, which can become bi-metallic, with a fixed legal ratio, which would, however, be fixed only to become unfixed. Gold will exchange with Silver freely where it can draw the most Silver to itself; and this will always be, not in the place which is bi-metallic, but mono-metallic. Silver will always go to the place whence it can obtain the greatest amount of Gold. The very fact that different bi-metallic countries have had different ratios, that one country which has been once mono-metallic in one metal has at another time become mono-metallic in another, and that a country which was bi-metallic once became mono-metallic afterward, conclusively prove the inherent fluctuating characteristic of the currency coins. The one thing that can never be adopted in their connection is the principle of stillness or stagnation. It is just like the spirit of our universality.

The two metals are, and cannot but be, in constant circulation like blood in human body; and that circulation can on no account be stopped, for any stoppage would mean mortification.

What we always have to bear in mind is that this circulation is ceaseless, which is directly caused by the vast commercial system which the world has embarked upon. The circulation must per force enter the high-ways and by-ways of that system which is saturated with it in all the complexities and waywardness of that system. As the absorbing cells of that system expand and multiply, the condition of the circulation must alter and adapt itself to them; and it would be well were legitimate means adopted to accelerate that circulation instead of letting pebbles or blocks of stone thrown across a free-flowing perennial stream.

The perpetual displacement and movement of all Currency coins entirely prohibitive of any fixity.

The alternative of circulation or mortification.

CHAPTER X.

OMNIPRESENCE AND EQUABILITY OF BOTH METALS IN ALL PLACES
IN SPITE OF LEGISLATIVE MEASURES.

The admission that the fixed ratio was destroyed by the legislative measure of 1871.

It is not altogether correct to say, that "in matters of currency the nations of the world have been like men groping in the dark, and their perplexity cannot be better illustrated than by a consideration of the history of coinage in Great Britain, which will have the advantage of leading up to those changes inaugurated in 1871, which have led to the loss of the fixed ratio between Gold and Silver." It would seem then best that a Government should refrain from fixing any ratio which cannot but be lost.

How the continuance of a fixed ratio was once possible in one country when it can never be so in the future.

France was undoubtedly for a long period able to maintain the legal ratio of 1 to 15½. But it was simply due to the enormous amount of Gold and Silver it chanced to possess, so much so that the ratio which it adopted had a steadying effect all over the world. This was however, as explained before, in years past. England and Spain, in their ancient days, used every now and then to fix and alter the ratios, but all along failed and had recourse to subterfuges owing to insufficient or disproportionate supplies of the metals. Very arbitrary changes were often ordered to be made in the quantity as well as quality of the metals; and yet neither Silver nor Gold remained at stable prices, nor were prevented from leaving the countries in quest of exchange.

The apparent anomaly.

It is contended that it is "simply abandoning reason, argument, and experience and taking refuge in assertion" were we to disclaim the excellence of fixing a legal ratio which remained constant for several generations, though the rates of respective productions had been most divergent. We should be supposed to take refuge in the impossible assertion that the legally fixed ratio remained constant because the productions turned out in exactly the same proportions as the actual and varying consumptions of the two metals from time to time.

The actual productions, however, varied throughout the period as much as 8 to 4, 8 to 8, 8 to 28, 8 to 23, and again 8 to 18, and yet the ratio of value remained constant at 15½ to 1.

However startling the discrepancies are, it is possible to reconcile them without seeking refuge in any untenable assertion. It is the

much larger quantity of the controlling metal possessed by the country which enforced the legal ratio for a great length of time which overcame every disparity of the subsequent productions. All the gaps and over-freights did settle down in the varying and increasing demands of the world, while the princely quantities of one place acted as a dead lever against all the rest.

We have it well said that the disappearance of the once fixed legal ratio having resulted in a greater use of Gold than of Silver as money—which is again a mere hypothesis—does not make the supposition sure that “Gold prices must have actually fallen or Silver prices risen.” For, as I have already explained, irrespective of the statements made by any authority, “the influences which affect prices are infinite in number and variety.”

I cannot therefore accept the supposition, that “the lowering of the gold prices and the raising of the silver prices is certainly more probable owing to the once fixed ratio value having disappeared” by the later action of the European nations. It is more probable that the disuse of the ratio 1 to 15½ was automatically brought about in the adjustments of monetary transactions into which the different European communities found themselves involved by the force of circumstances.

The fixing of a legal ratio value could hardly have had a stable effect on prices when we find that even the extraordinary production of Gold from 4 million sterling in 1847 to 32 million sterling in 1856 had no notable effect on prices such as the enormous increase ought to have commanded.

Mr. Giffen, an excellent authority on the question, has strongly deprecated that nowhere should Gold be made to perform any part of the duty which Silver now performs as currency. It is, therefore, clear that the price of Silver can never be justly circumscribed. The increased production of both metals has been rapidly absorbed in the world which in itself points out that their natural prices should in no way be interfered with by legislation.

It is my humble opinion that, both as currency and other uses, the supply of Silver and Gold will always fall short of the increasing demands on them down to the end of the world. The best possible state of things is secured only by letting the flow of both metals go on in their own way. Legislation cannot fix the growth of certain products in certain countries; so it cannot interfere with the existence of the currency of any country without causing many undesirable

Disuse of the fixed ratio has been probably automatically brought about.

The extraordinary production of Gold from 1847 to 1856 had no notable effect on prices.

Mr. Giffen deprecating any interference with the duty of Silver as money.

Quantities of the Currency metals for any country cannot be fixed by legislation.

derangements. We cannot legislate that there should be so much Gold and so much Silver in India ; much less can we demand any stability of prices between them.

The *Economist* and other authorities.

It would be entirely working against the spirit of the modern world to endeavour to keep the prices of commodities at a higher or stable level as Mr. Mackay exerts to have it. The *Economist* has very well pointed out, by quoting the figures of several years, that the price of Silver has gone down while the prices of commodities have decreased. The Right Hon'ble Mr. Goschen, Mr. Hansard, M. Paul Leroy and Mr. Newmarch have all given opinions confirmative of this conclusion.

Neither Bi-metallism nor the opposite affects the prices of commodities.

I am of opinion that any demonetisation of Silver, or the acceptance of a single Gold standard, has had hardly any actual effect on the prices of commodities brought up in the markets. I am conscious that in this opinion I have to differ from the distinguished author of "The Theory of Bi-metallism."

Mono-metallism alleged to oust the alternate metal is a mere illusion.

Among the many points missed by the controversialists on either side, one is that no matter where you oust Silver or Gold, both metals are omnipresent and each asserts its relative value. Though England has a Gold standard only, its transactions in Silver are consistent with Gold.

The mere fact that Silver, in the garb of import commodities, regulates the Gold prices, and that Gold asserts its own value in relation to Silver by yielding to the Silver prices in India, is a convincing argument that no artificial action of mankind will have any permanent effect on the currencies of the world.

Sir David's further stereotyping of the prices of commodities.

When Sir David Barbour further mentions that he sees "no reason to doubt that a bi-metallic system with a fixed ratio between Gold and Silver would have a steadying influence on prices in England, and would tend to keep them at a higher level," he probably must only have its transient effect in view. In his theory one must unavoidably discover interceptions in the free flow of Silver and Gold as they come in hand ; and this would be a thing in bi-metallism which cannot possibly be permitted.

Is the remedy advocated called for at all ?

But is there no remedy for the falling value of Silver ? Is, however, any remedy at all required in the manner so vehemently pressed ? I am clearly of opinion that no remedy in the directions pointed out is necessary. And, notwithstanding all the unrest now exhibited in India, I fear this would ultimately be the basis on which the world will rest as regards its currency.

As far as human hands have officiously dabbled with the currency, so far something may have to be done to restore the natural basis in all directions. Sir David Barbour has made a very pregnant remark, that "to those who call Heaven to witness against such spoliation, I should reply that it was legislation that altered the ratio from 1 to 15½, that what legislation did legislation can undo, and that the spoliation involved in going back to the ratio of 1 to 15½ would not be greater, nay would be very much less, than the spoliation involved in passing from a ratio of 1 to 15½ to 1 to 19." When one injustice is forgotten, the Legislature would rather not do another, for there would then be two instead of the one already committed. So I would rather let the past alone and be extremely solicitous that a fresh injustice—and in the midst of many modern factors—be not done to remedy an injustice that is past already. Any derangement committed in the times past has been forgotten and may have been already remedied by the natural state of things that has since supervened.

One wrong done by legislation cannot be undone by another wrong to be done by the same agency.

The reader must now have detected the illusion as I have done as involved in the supposition that a Gold-using country has no other currency in use but that of Gold. It is indeed visibly so, and yet every transaction with a Silver-using country may practically consist in nothing else but Silver.

Silver and Gold omnipresent in all Currencies ; the one cannot be without the other.

Even if a bank in India imports Gold, instead of Silver, it makes payment in Silver according to the rate of exchange prevalent, or it obtains Silver in exchange with Gold at the exchange rate of the time being.

Both Gold and Silver bullion is imported for such purposes according to the demand existing for these metals. The basis of the ratio value between them is as unchangeable as in the days of William the Conqueror or James I when the metal went to the place where it was better wanted and consequently obtained a better ratio.

The advantages of fixing any ratio cannot but be chimerical, for it would involve nothing short of a reckless reversal of nature's ledger than which nothing could be better in essaying the almost daily relative value of the two metals. All history of the mining productions, and their legitimate influences according to distances and the various congeniality of the places of circulation and deposit has only to be effaced if any Government were ever to attempt to fix the ratio.

CHAPTER XI.

STEREOTYPED RATIO VALUE SWAMPS CONSIDERATIONS OF
REALISTIC VALUES.

Arithmetical tables not always an infallible guide.

ARITHMETICAL Index Tables constructed for pointing out the prices of currency metals for set conclusions are not always an infallible guide. For instance, we cannot admit, as Sir David Barbour does, that, if France had maintained the bi-metallic ratio, that "prices, both gold and silver, " would have lain somewhere between what has been the actual course of " gold prices and of silver prices ; would, in fact, have taken some such " course as that indicated by the arithmetical mean between the two " sets of prices." *A priori* assumption of a theory cannot always give the practical arithmetical mean, for the practical conditions of the market, which would result in a certain course of gold and silver prices in a certain period, would be largely and variously altered at another period, when the former figures would be of no avail.

Mr. Giffen on ratio value vs. commodities.

The dictum which Sir David Barbour quotes from Mr. Giffen's writings, in Chapter XXIII of the work on Bi-metallism, imparts an independent support to the contention which I have already advanced, that it does not matter what metal and of what ratio value is used by one country, as distinguished from the currency of another, there are no injurious effects on exchangeable commodities.

Sir David Barbour advocates a fixed ratio, whatever the supplies of the precious metals.

Sir David Barbour very strongly upholds that certain calamities are involved in the uncertain ratio value, and that it is ridiculous that, because one cannot avert all such calamities, bi-metallism should not be enforced even for their partial mitigation. He maintains that, since Newmarch apprehends that new supplies of gold might fall away or cease, the metals ought to be linked by a fixed ratio.

First importance should be given to exchangeable commodities, and not to tokens of exchange.

We fear Sir David has throughout his work somewhat confounded the currency metals with the commodities of the world, which actually maintain the mutual intercourse of foreign countries and the local and foreign vitality of each of them. Sir David gives the first importance to the tokens of exchange—an importance which belongs to the export and import articles of a country.

The distinguished Author's assumption that everything hangs upon a fixed ratio value of the two metals would cut at the very root of the world's progress. Everything could be done with a naturally adjusting ratio value, but nothing could be done if that were stereotyped.

If Newmarch said that the world ought to rejoice if a new gold field could be discovered every few years, I will go further and say that all silver-using countries ought to be equally happy if their silver wealth likewise increased. You have only to fancy that some silver capitalists from America came down to India and built more Railways and canals and set up a hundred new manufactories and trades throughout the country. The effect will be an extraordinary increase, first in the export, and then the import, trades of the country. A country so fortunately placed as India, and which is now cursed for the falling price of silver, would advance by greater leaps and bounds, and this because for its greater plethora of silver. An action of this sort, based on enterprisë and energy, can alone bring in gold for the additional purposes of a currency.

More silver from America indispensable.

Gold is now scarce in India, and the country cannot afford to purchase sufficient quantities both for domestic and currency purposes.

An unrestricted use of gold and silver throughout the world better needed first than a fixed ratio value.

The over-flooding of the country by silver may help to open up new mines both of silver and gold and many other commercial articles. There is no royal road towards holding silver and gold at conformable rates. The great question involved everywhere is not an unchanging ratio value, but an unrestricted use of silver and gold throughout the world.

The nations who hold a monopoly of gold have never been able to absorb silver so greatly as the other nations who have monopolised silver. We are only waiting for nations like the Americans to colonise certain parts of the globe, as also accepting the protection of British India to wring out a good deal of gold from the countries suffering from its congestion.

A revolution in the respective circulation of gold and silver indispensable.

As soon as it may be found from the results of extraordinary activity in India, Asia, and Africa, that they (the gold-congested nations) were losing a greater part of their gold, they would make haste in bringing up as much of silver as they could get, for then they would wish to pay in silver what they now do in gold.

Who are the people who hold the greatest amount of silver that may be lying idle more or less? We invite you, gentlemen, to India, and to the other countries, the resources of which are yet undeveloped, which are full of practical and romantic interest which would gratify any advanced and energetic nation.

More circulation of silver in non-civilised countries may henceforth be held a crying want.

The question of fixing a permanent ratio value opens up the whole question of Indian politics and administration. The fixing of the ratio

The question of fixing the ratio opens

up the whole question of the present Indian constitution.

could no more affect the business of the Indian administration for the better than that a boat tied up with a rope could stand the onward flood currents of a great river.

One of the practical points that has been altogether missed is involved in the constitution of the Indian Government as handed down a century since.

The present position of the Paramount power is perilous in a certain degree.

We may sympathise deeply with all the noble people who cannot make both ends meet on their silver pays of old. At the same time I cannot but reflect upon the present perilous position of the Government of India. It would do for the present if they would only get more silver.

Elementary cries for the reduction of taxation and military expenditure, or *in re* all realistic as contrasted with stereotyped ratio value.

This is a biting want, while, furthermore, the safety of the country itself unquestionably demands a greatly increased expenditure in silver. No doubt there is a party in India which presses the Government to reduce the military expenditure by one-half or one-third. Another party would do away with the income-tax and duties on salt and opium. The Government of the country must be a lot of juveniles to expect them to reduce our military prowess, instead of enlarging and consolidating it, and hand over the country to Russia and the plundering tribes! The ludicrousness of the demands for destroying the revenues which badly want enhancement in certain directions and reducing the country to impotency is only equalled by the lamentable weakness of the country, in that certain reduction in home charges could not yet be effected.

My work on the 'Indian Empire' having more fully dealt with the merits of the questions on which I am here called upon to touch remotely, I must say that certain elementary cries in this respect now show promising signs of modification and renovation in right directions. The patriots of India will do real good to the country if they would discern the truth in each case and discourage the employment of falsehood, fraud, intrigue and hypocrisy which work incalculable mischief in so many of our national concerns. My efforts have been unflinchingly directed against such traits for thirty years past.

A great want of the country is a well-defined system of taxation on practical or scientific and realistic basis.

I therefore deeply sympathise with the present position of the Government, because, in the absence of a powerfully-speaking, versatile body in its own Councils, many laks of its subjects have evaded taxation worth millions, which they could have well paid towards the expenses of the country. Certain native territories are almost a virgin soil in this respect, where yet the utmost squandering of the country's resources prevail, and none is bound down to any financial constitution. Certain classes of land-holders and chieftains simply subsist—and rankly

subsist—upon the vitals of the poor, much-to-be-pitied country. They have held aloof from being moderately taxed by constantly harping upon ungrounded representations of being exorbitantly taxed.

It is a good deal idle talk that is going on about the taxation per head as compared with that of other countries. No one, however, can say how far taxation is light or heavy, unless a careful classification of populations is made and the profits of each class have been ascertained with some approximity.

An administrative tax, where required to be direct, is assessable on individual profits and cannot be spread promiscuously over aggregate members. Dividing the earnings under all the trades and professions prevailing in the country, totalling up the groups which can be placed under each trade or profession, you obtain the numberless units of profits enabling you to define every class and every individual of that class to represent either individual or collective profits. The direct and indirect taxes, as actually paid, can then be debited to individuals, or groups; and the tax levied *per capita* under each class of profits, and a similar rate for the aggregate, paying both form of taxes, will thus be deducible, the mass of the population paying nothing towards the defrayment of the administrative expenses being then clearly discernible, with reasons.

How a full system of taxation can be organised.

All those, whether individuals, classes, or communities, who escape taxation, or any part of taxation, in the medley of the antiquated and modern state of things, can be thus well singled out. The expenditure of the Government of the country having risen, the taxes, etc., recoverable from the profits of each and all must necessarily rise in some harmony, *pro rata*, for in almost all cases of profits they are more enhanced now-a-days than in the times past.

The Paramount Government cannot do better than comprehend its present situation—all a compact body on the one side, and a constant, chattering, irresponsible opposition on the other. Both these close, but opposed, phalanxes—the one influential and the other its opposite, but much disturbing—should, however, be broken up by creating large popular bodies, of honest scrutinising sympathies and versatile talents, who should be given, in each province, every freedom to fully understand the difficulties of the Government and discern the deficiencies of measures and finances.

The Viceroy and Governors should receive a great accession of strength in detecting fiscal errors and devising fiscal reforms.

A practical training of people's representatives of opposite or conflicting views and sentiments should not be delayed. An auxiliary

administrative force of this sort will enable the Government to handle many questions of economics, which it cannot think of now; nor have before itself from time to time many solutions of difficulties which must come from those who are now hostile to Government. It will thus secure a co-operative element in resisting all sentimental demands for sacrificing the public revenues of the country in the absence of sound alternative measures or retrenchments of doubtless necessity.

Deliberations upon the known and unknown resources of wealth and revenues and the measures of expenditure relating to a large country like India render the employment of many special and popular intellects extremely useful. The basis of responsibility is then widened and well-settled down, none of the sects or communities belonging to British and Native India being able to free themselves from meeting all the imperial and national requirements of India as one continent.

The present prime necessity is not so much in respect of granting any very large executive authority to the representatives of subject nations as to render a widespread and straight and reverse mode of discussions on known and unknown problems feasible by Imperial and Local Governments, admitting large numbers of eligible representatives into their respective Councils. In this manner much of unknown truth would be well exposed to light, and the poverty of comprehension and sentiment, and the crudities of ill-informed antipathies disclosed for correction on all sides.

Unsuitability
of heroic re-
medies.

The reader will find no difficulty in perceiving the reason of digressing from the main currency problem. It ought to be generally considered impracticable—as it is not so yet considered—to hit upon heroic remedies for equalising the value of gold and silver, or in determining upon the merits of the questions, if, on the whole, those of the Indian servants who have to remit a part of their pay to Great Britain expressly suffer from the depreciated coin, or the disadvantages and advantages of the mutually acting currency are nearly well-balanced.

I have already shown in preceding chapters the serious derangements that would result in Government attempting to equalise the ratio value of the two metals and the grave and continuous wrong which would be done both to the Government and the people by forcing a gold currency which cannot come of itself, and intermeddling with the silver currency, the existence and progress of which cannot be forcibly diverted from the natural course for the shortest time, without leaning to the side of all that may be unreasonable and impracticable.

CHAPTER XII.

WORKING OF THE CURRENCY AGITATION IS CROSS-WISE, THE ADOPTION OF CURRENCY METALS BY EACH COUNTRY BEING MORE OR LESS CONFORMABLE TO NATURAL LAWS.

It is apparently hard to admit that if Germany had “not abandoned the bi-metallic system, gold and silver would have continued to divide between them the duty of money in such manner as to preserve the ratio of value at 1 to 15½.” The effects, however, were “a tendency in gold prices to fall, and in silver prices to rise, while Germany was selling her silver, and a stimulus to exports from silver countries due also to the larger supplies of, and reduced demand for, silver.”

No bi-metallic system can help to sustain a permanently fixed legal ratio.

Sir David Barbour then confesses that, after the demonetisation, the old ratio could not possibly be restored unless by legislation and international agreement. And yet the conclusion in the same chapter (XIX) is altogether different:—

The advocacy of a legislative remedy.

“It will also be evident that the future must be darkened and the course of commerce disturbed by the large supplies of silver valued above its market price held by countries that had formerly been bi-metallic, and by essentially provisional nature of the arrangements made by the Bland Bills.”

If an effectual remedy existed in legislation, so dark a prospect would be susceptible of amelioration. As long, however, as silver is produced, and is in circulation concurrently with the gold metal, it would have been perfectly reasonable in Sir David had he altogether renounced every hope in the legislative remedy advocated by him.

How a fixed legal ratio would be destroyed in modern times.

“If the bi-metallic system had not been abandoned,” it was not even then possible that the ratio of value at 1 to 15½ would have been preserved as laid down by Sir David (p. 102). The causes relating to the extent and adverse circulations of the currency, and the liability of all markets to receive new supplies of the precious metal, would not long and always preserve a fixed ratio; and so far the bi-metallic system on which Sir David relies would not fulfil the object assigned to it. What a legal ratio would fail to do is actually done by the unfettered exchange of commodities and the precious metals, the export and import trades being duly nourished in conformity with the increasing competition of all countries that cannot be controlled. A reasonable

exchange of commodities between the different countries of the world can be as fairly intercepted as the self-adjusting prices of the precious metals.

No distress in one country using one metal and the other, other for currency purposes.

It must be understood that the very fact that silver is as much a currency as gold, and that different countries employ different currency metals, clearly imply that there is no actual distress to be borne, whatever the ratio value of the metals may be.

Supposing a distress of this sort ever existed, all silver-using countries could have been drained of its wealth like a dry sponge, while all commerce, trade, and intercourse would have stopped dead between the gold-using and silver-using countries. That nothing of the sort has taken place; that all the results, on the other hand, are the very contrary, clearly point out that the ratio value is an incidental matter, and not far less insignificant than the comparative methods of cleaning, removing, and packing commodities prevailing in the different countries of the world.

No undue fear need be entertained, for the uncertainty of ratio values is not far less inconsequential than the Hindus consuming *dal-bhat* and *ghee* in India, while the Englishmen feed upon the roast beef of old England. The much larger populations of the Asiatic countries could have no metal but what may prove adequate according to their numbers, while gold has very naturally confined itself to smaller and more concentrated groups of populations. The transactions in the former are more extensive in number than in the latter countries. Silver therefore fits in with the former, and gold with latter places. Neither men nor commodities would come to us from gold countries if we were not able to sustain them; nor should men and merchandise from the East visit Europe if its resources did not permit. Let there be once a magic touch of the country where Silver flourishes in unlimited abundance, and you will find that none of it now idle remains in hand, while the danger of the withdrawal of gold from gold-congested countries will confront itself.

The Municipal Commissioner of Bombay adduces his authority for urging a stable ratio value.

In one of the Indian Currency meetings, Mr. H. A. Acworth, Bombay Civil Service, quoted several opinions, particularly of Sir Louis Mallet and Mr. Goschen, the English Finance Minister, indicating that foreign nations were doing a great injury to the Indian Government, and intimating that the English Government would therefore be justified either to introduce a gold standard or a bi-metallic currency. Mr. Acworth stated that the Italian Government had refused to become

what in its opinion was "the monetary India of Europe" and obtained a gold loan. He also, as Chairman of the meeting, strongly held that the supreme power was bound to give a stable value to the currency, which, he said, was an indispensable condition in the political economy of a country.

The radical error committed by all authorities engaged in the controversy is based on the impossible assumption, that any value figure can be made permanent as between the values of two metals of an inherently ever-fluctuating value. It must be borne in mind that neither the value of gold, nor of silver, can ever remain stable under any circumstance and in any clime.

The inherent condition of the currency metals would not permit of a stable ratio.

It is wrong to suppose that the value of gold itself can remain stable. The fluctuating rates at which it is purchasable from time to time show its entire instability in value. If America or Africa ever became a country so powerful that it could feed and clothe England in half the expense that it could do itself, nearly half the quantity of its gold would be absorbed by the former country and the predominant coin in the coffers of Great Britain would be silver, which she would be forced to receive from a country possessed of an unusual quantity of that metal. Where would the theory then be of the retention of a gold standard, or a stable value of the currency, for it is just possible that that exchange of currencies and commodities would drive back some of the gold to its original destination subsequent to its large withdrawal.

It is natural for a country close to a group of gold countries to discard silver and bring in gold. Any country, as already explained in former pages, is at liberty to have a gold currency if it be competent to have it. A small country, and rich in resources, may aspire after it, and yet a gigantic country like India with little comparative wealth, but with incalculably larger calls on its currency, may fail in obtaining gold in such quantities as half of Europe may not be able to provide. It is no partial gold currency which would do good to India, for that would only create enormous evils and derangements.

Countries grouped close together have naturally shown the tendency to have some uniform currency, as observed both in the east and the west.

If abundance of silver would not give a stable value, a partial or thorough demonetization would only upset all the present stability or instability, which is wholesome and natural.

As every ruling nation are at liberty to improve and develop their currency in any direction that they can do it, it is just possible that a time may come when a partial silver currency may be adopted by the

Changes in the Currency system would naturally follow

as the legitimate consequence of any overgrown Currency operations.

mono-metallic countries. This appears to me more possible in countries where the hardships of a single currency and the want of silver have begun to be severely felt. It is also possible that India can have a somewhat better understanding with silver-using countries to have the exchange token coins of equal value to lend facilities to mutual commercial interest.

Where the currency tokens of any two countries are of the same metal, the conditions of its procurement at one place will entertain a differentiating element as applied to another. When such a divergence is marked in the operation of similar metals in different countries, the theory of obtaining a stable ratio of value between silver and gold throughout the world is too weak to be relied upon.

The difficult position taken up by the leaders of the Currency Agitation.

Mr. Acworth has rightly depicted in his speech in the Bombay Town Hall the uncomfortable position of the Indian people and Government. But appeals to other nations will hardly have any effect unless the problem is discussed on grounds other than those with which the Indian mind has hitherto been accustomed.

It will strike many as curious, and yet it is a fact, that the leaders on the Indian currency discussion have been arguing on a very impossible proposition: the currency metals have been taken as a dead mass of unchanging quantities and of a permanent relative value. And taking this impossible condition as their premiss, they struggle hard for the adoption of the conclusion that the currency should have a fixed value. Not all the financial and statesmanlike giants of the world can assure them of so happy a millenium, if such a millenium were even of unqualified excellence.

CHAPTER XIII.

THE INDIAN AGITATION FOR A FORCIBLE SUPPRESSION OF SILVER
AND A FORCIBLE AUGMENTATION OF GOLD IN INDIA.

EVERY one is likely to sympathise with Mr. A. F. Cox, C. S., of Bombay, when he got a recent meeting to declare that the Government should be pressed to give a stable value to the rupee. Undoubtedly, the traders with Europe and America would like to relieve themselves of the worry and bother of constantly making calculations as based upon unstable fluctuations. This is an unavoidable evil however.

Mr. A. F. Cox, C. S., in support of the Hon'ble Mr. Mackay and others.

No trader and no country dealing with trade transactions can be perfectly sure of all their fundamentals; and the best of transactions partake, in a certain measure, a certain amount of the uncertainties of speculation. Many unknown factors are involved in most of the trades, and it is not infrequent that these very factors render all trade worth having.

The fundamentals of a widespread trade always denote speculation in a certain measure.

The Bombay Currency Meeting, however, laid down in unmistakable terms that all trades suffer on account of the fluctuations allowed in silver prices, and that the countries which have a gold standard have no reason to complain of such bad times.

The Currency Associations perceive safety in gold prices only.

This contention has been lately brought forward by very able speakers in different parts of India, in whose opinion the consequent evils are enormous and such as can be easily extinguished by the Government! A public agitation of a widespread character has been consequently set on foot.

They hold that the evil could be extinguished by the Government.

The argument, I fear, is based on very feeble premises, which must in course of time be properly understood and will seriously affect the present general conviction that a gold standard can be introduced into India by the sheer will of the Government, and that the introduction could do away with the evils complained of.

The general conviction must shortly be invalidated.

Mr. Cox admits it to be true that the export trade is stimulated when the exchange is low and that depression ensues when it runs high. And yet he believes that 'the effect is only temporary, that no more rupees are brought into India, and that no industry is increased.'

The admission that trade has been stimulated on account of the plentiful rupee.

As silver prices have been constantly lowering, there should be either of these two results,—the export and import trade ought to go on rising or be diminishing. If statistics show that the trade is being developed, then it cannot be doubted for a moment that it was the good luck

The cheapening of silver producing results which require no remedy.

of India which has placed much silver at her disposal. If, however, the statistics tell a contrary tale, then no human efforts can destroy silver and bring gold in its place, or be able to permanence some ratio value betwixt them.

Mr. Mackay's own figures prove—though other authorities give higher rates—that the aggregate trade of India in 25 years past has increased by 19 per cent. and has also been, in some portions of that period, so much as 25 per cent. Variations on the right or on the wrong side of the highest figure of increase afford reasons for hope and not disappointment for the future, even supposing that any poverty could be due to fluctuations in the relative value of the two metals.

The export trade of several Silver-using and Gold-using countries.

If depreciated silver be an unmitigated evil, it is not clear why in all silver-using countries the rise and fall in export trade should be glaringly unequal. For instance, the Minister of the Board of Trade in England could be cited to prove facts quite hostile against the theory of the alleged national ruin caused by plentiful silver. Mr. Giffen's statistical abstract well shows that, while the export trade of India increased by 80 per cent. in the last twenty years, the Straits Settlements and Ceylon increased by 190 and 30 per cent. respectively, while that of Mauritius declined by 10 per cent. Taking the opposite or the gold-using countries of Australasia and the Cape of Good Hope, the exports for the same period increased by 90 and 180 per cent., respectively.

The progress of the export or import trades of the countries of opposite currencies bear no relation to the currencies as demonstrated by specific figures.

These figures for the export trade of countries widely differing from each other and selected for their so-called appreciated and depreciated currencies prove one thing only, that no such effect as those so vehemently attributed to the depreciated Indian rupee is found in existence.

Indeed, considering the unlimited factors regulating the export trades of different countries, the silver currency seems to be stimulating the trade as much as the other currency.

Quoting the same authority, I find that the imports of the Silver-using countries, *viz.*, India, the Straits Settlements, and Mauritius, increased by 120, 200, and 30 per cent. respectively, while Ceylon remained stationary. Coming to the imports of the gold-using countries, the percentage of increase in Australasia is the same as India! The Cape of Good Hope scored double its rate of imports.

It is observable that the so-called depreciated rupee, or the appreciated sovereign, has as much to do with either the ruin or the prosperity of the countries owning the different standards. There is more or

less increase of all sorts of trade all round ; and these rates of general increase have not been directly influenced by any currency.

It is altogether opposed to all fundamentals of trade-science and economy to bring forward such figures to demonstrate evil effects on the general trade on account of the rupee ; while the rupee has nearly stood as well as the gold sovereign in fulfilling the purposes of currency.

To assert then, as Mr. Cox does, that the depreciated rupee has had no effect on the industries of India is to misunderstand the apparent import of the very figures which he has quoted. They indicate, on the whole, an increasing volume of business for the countries of both styles, though each of them differ in numerous economic conditions. If any other legitimate conclusion can be safely derived from Mr. Giffen's figures, there can be no doubt that, as compared with countries of a higher civilisation, India, with its poor undeveloped resources, has shown more favourable results from the use of a free and copious currency.

It is, however, better to comprehend the above and further figures of percentage from Mr. Giffen's statistics, so much relied upon by Mr. Cox in support of his singularly *à priori* reasoning ; and I must accordingly tabulate these figures as below :—

TABLE OF PERCENTAGE RATES OF INCREASE AS MARKED IN SILVER AND GOLD USING COUNTRIES FROM 1871 TO 1891.

i—Increase in percentage ; *d*—Decrease ; *c*—Crores ; *m*—Millions.

Countries.	Export.	Import.	Revenues.	Railways.
India	<i>i</i> 80 [<i>c</i> 105]	<i>i</i> 120 [<i>c</i> 86½]	<i>i</i> 60 [<i>c</i> 85]	<i>i</i> 230
The Straits Settlements.....	<i>i</i> 190	<i>i</i> 200	<i>i</i> 1000	.....
Ceylon	<i>i</i> 30	Stationary	<i>i</i> 300	<i>i</i> 160
Mauritius	<i>d</i> 10	<i>d</i> 30	<i>i</i> 325	<i>i</i> 50
Australasia	<i>i</i> 90 [<i>m</i> 64½]	<i>i</i> 120	<i>i</i> 180 [<i>m</i> 29½]	<i>i</i> 650
Cape of Good Hope.....	<i>i</i> 180 [<i>m</i> 10¼]	Doubled	<i>i</i> 470	<i>i</i> 2,800

The foregoing figures will of themselves show that it is not cheap silver or dear gold which immediately influence these widely divergent figures. The fact that Mr. Cox, while admitting that one-third of the increase of trade is due to increased population, does not give the same comparison for the other countries, is only one more proof in support of my conviction, that the increase of the general trade of India and of all the other countries noted is, in the first

The trade figures of gold or silver countries all alike demonstrate the fact of a general march onward in reciprocal exchange of the World's

commodities, but by no means answer any *a priori* or fanciful reasoning deduced from the alleged silver depreciation or even gold appreciation.

place, due to the pinching and enhancing wants of mankind, and to the general growth of ingenuity, enterprise, and competition in meeting those wants. All degrees of increase and decrease of the commerce of different countries are primarily due to the mental and intellectual capacity of each country, as stimulated or modified by the physical aptitudes of that country, these characteristics of a country and its population being at the same time subject to the competitive capabilities of other countries.

The fallacy of believing in any banefulness of cheap silver (strictly speaking of the increasing silver-wealth of India), is further apparent from the fact that if the profusion of silver-wealth resulted in an increase of our commerce, say 10 annas in a rupee, the gold countries could not have scored any greater volume of that trade unless they had a far larger silver-wealth in their possession. Inherently and primarily, however, it is neither gold nor silver currency which creates trade and commerce, though either of the two currencies forms a direct agent for local and foreign trade, as much as Railways and Canals are direct agents for the transmission or circulation of national commodities.

Facts can be summarily levelled against the unfounded theory of silver depreciation.

That no Indian trade will increase simply because India may today happen to double up its gold-wealth, unless the country at the same time received an accession of enterprising individuals and companies to discover the directions in which such a windfall could be utilised, at once evidences the utter inapplicability of any currency in itself to place the country on a par with many of the gold-using countries.

The enormous additions made to the tonnage capacity and vast decrease effected in the rates of freight, is one of the many facts proving the remarkable stimulus given to the Indian trade even with our many serious national disabilities. A subtle, but a highly significant error of the *Econo-*

It may as well be argued that the rate of freight is lowered from 62 shillings in 1871 to 20 shillings and even less in last year, because, the trade having gone down, the shipping authorities have lowered their rates to sustain any trade left. The singular lowering of the freight, however, directly testifies to the fact of the enormous increase of trade which has necessitated enormous additions to the country's tonnage as also a continuous reduction in its charges.

One of the most competent English financial authorities, represented by the *London Economist*, has very good naturedly held some time since that silver having vastly multiplied itself—we will not say silver has been lowered in value, for no metal superior to it of equal value has yet made its appearance—the authorities have been induced to believe in the falling off of the Indian exports since 1872, because the English sovereign then fetched 10 rupees, whereas now the cost of the sove-

reign is close upon 15 rupees. The *Economist* therefore advised the London authorities to discover the official value of the rupee and to represent the Indian trade in depreciated figures. mist availed of by the Currency Agitation Meetings.

Mr. S. Burjorji, a mover of one of the resolutions of a recent Currency Meeting held in Bombay and alluded to in the foregoing chapter, followed the track laid down by the *Economist* and urged as one of the strongest grounds of his belief in the wanton mischief perpetrated consequent upon India having increased her silver-wealth, that as the English pound is of the same value to-day as it was in 1872, as compared with the franc in France, the mark in Germany, or the dollar in America, and that as the Indian rupee has, on the contrary, less value to-day than the English coin so equably represented by the gold standard of other countries, the increase in trade cannot be judged by the additional rupees in the pound price of our exports or imports.

The subtlety of the argument adopted against the natural Indian silver course is detectable in the illusion that is revealed when it is asserted, that *the mutual ratio value does not form any computator of the volume of the Indian trade, in that India is compelled to charge more silver on gold prices owing to the continuously enlarging demands on gold and the failure of its production in the same increased quantities that the world stands in need of daily.* The present gold-value of silver does not in the least affect the progress of trade either in England or India. For, supposing it had affected the progress, the legitimate result would have been marked in a complete cessation or falling off of the trade, and not in its well-calculated onward course which we have been observing for years. India giving more and more silver for gold nobly pays the cost of the fast depreciating gold, while at the same time it makes enormous additions to its trade.

Because gold has fallen off in production and has stood in greater request, and because larger quantity of silver is required for its purchase, it cannot be concluded that the Indian trade has been declining instead of rising, as it actually is. It is gold that suffers from the depreciation of almost three-fourths of the world's population, which has consequently to employ silver as its currency, which therefore stands in a far greater appreciation of the world. How the false teaching may be corrected: the practical depreciation of gold has led to the present enormous appreciation of silver.

The universality of gold currency has thus considerably fallen as compared with the rightly-increasing silver currency of the world. Since the former has proved feeble in comparison with the infinitely increasing commodities which the world, in all directions, is throwing upon the market and the ever-increasing competition met in the circulation and sale of commodities, the silver currency has supplied the enormous

deficiencies caused by the sparsity of gold currency. The increased silver currency has served the purposes of the circulation and sale of commodities as well as the vastly increased railway lines have supplied the deficiencies of the original transit agencies.

The higher and indispensable function of silver how further apparent.

Had the quantity of silver not proved so far potent as it has, any other metal would have immediately taken its place. If both the precious metals and gems had been non-existent, the various staple commodities would have served the multifold purposes of exchange as well as consumption.

The value of the commerce of a country which consumes more of the precious metals must near certain annihilatory effects, particularly when the value of gold becomes unsteady day after day.

The dictum of several eminent authorities, that the standard of measuring the inherent value of a country's trade can be safely left to the fitful condition of its gold currency—for the price at which it is purchasable is not steady for a week together—is by no means sustainable. The country which consumes more gold, in either producing the articles of consumption or purchasing them as received from foreign countries, is not the country which at least can plume upon its capacity as against a country which wastes less of the precious metals in a similar traffic. The mere fact of a more extensive consumption of the precious metal, instead of raising the value of a country's commerce, must lower it in proportion to the parallel traffic conducted by another country with less consumption of the circulating metal. It is curious to observe how the world unanimously hits one thing, the so-called depreciation of the rupee, because there is the ever-present cant to speak of its bad behaviour, while it is entirely forgotten that, if the rupee has behaved so badly, the sovereign has done worse by the constant fluctuations which it has directly invited in consequence of the fitful state of its existence, and no one can say how far more fitful it might become any day.

CHAPTER XIV.

THE QUESTION OF ATTAINING A PRACTICAL HARMONY IN THE
CONFLICTING CURRENCY SYSTEMS OF THE WORLD.

THE countries which traffic in conventional silver tokens of depreciated value, as compared with their inherent value, obtain an unfair advantage of gold when free of the requisite proportion of the compensating alloy. It is the reform of all the debased coins which may be current in any country, which ought to be one of the legitimate objects of Currency Associations to work upon.

Every Imperial Government should enforce uniformity of coins both in respect of weight and inherent value, as well as the alloy employed, no digression being allowed in the coinage system of any country to obviate all wanton obstructions in an uninterrupted circulation of the Imperial coins through a country which should be treated as homogeneous for all currency purposes.

All constitutionally and nationally Imperial Governments should consider it a matter, not only of widely practical importance, but as due to their own self-respect and to the wholesome respect and confidence which they should inspire among the principal as well as the subordinate members of their Imperiality, that the whole of the coinage system of each country should be of one careful uniform standard and unit. It is difficult to enforce wholesale reforms in the coinage systems of various Powers unless those in a disorganized plight first reform the eccentricity and anarchy of their own domestic concerns under the same head. In this, as in other matters of the world, which imperatively need homogeneity, in the truest interests of all concerned, it is found from the extensive experience and reflection of several countries, that much of old-world timidity and spurious sentimentality prevails altogether injurious to the interests of whatever communities or clans that are effected thereby,—the pursuance of such timidity likely to result in nothing but consequences of an increasingly grave character.

It would form a very interesting problem before a perfect International Conference of Imperial Powers, whether each power can be trusted, on the basis of locally recognised values and locally warranted alloys, to attain some equableness of values to mint both silver and gold coins which would have some uniform value throughout the world, and whether each of the Imperial countries can be honorably

Reform of the various coinage systems of the world is the real burning question of the day.

Every Imperial country may be promptly made homogeneous in respect to its coinage, no hybrid processes being tolerated.

Problem for solution by International Monetary Conferences.

trusted to have both the currencies in such quantities as it can afford to have for itself. It would, I think, hardly be practicable for all Governments to bind themselves down to distributing among themselves the quantities annually produced in the working mines at as uniform a rate as may be laid down from time to time.

The so-called equal values of the coins of different countries unchanged for years!

Though I must take care, as well as caution others, against plunging into any speculative theories on righting the currency standards, I think I can claim some general sympathy in my condemnation of the perpetuation of all antiquated unequal currencies which do not rest upon some sure footing as to their respective inherent values. I look with distrust upon the statement made the other day that an English pound has been immovable for many years along with its cotemporary value-tokens in France, Germany, United States, etc.

The locking up of unusual quantities of silver anywhere is prejudicial to the interests of the world.

I have some doubts as to the expediency of any silver-nation like the Americans monopolising the possession of silver to any extent that may be termed immoderate. In the interests of the world, I doubt the value of hoarding away silver and not permitting its freer circulation to stimulate the employment of adequate capital in all parts of the world, as well as to counteract the tendency of gold being locked up in defined and confined corners of the earth.

Gold congestion in confined places is as bad as its depletion from other places.

I should think the gold congestion to be as undesirable in all places where it takes the aggravated form of *loco parentis*, as it is prejudicial to the rest of the countries where they are from time to time more denuded of, than replenished with, gold.

The present coagulations in the currency blood due to the absence of a powerful infusion of silver throughout the world.

An unfettered distribution of silver will effectually attack the points of gold concentration, for its freer and wider distribution is an important factor in the currency health of the world. Give every country sufficiency of silver, and the unhealthy Gold-congestion must dissolve in the interests of wide humanity. The blood of the currency circulation being coagulated in confined portions of the world, a deep and widespread infusion of silver is one of the antidotes against currency diseases.

The existing superstition in respect of the importance of gold and inutility of silver as currency.

All abnormal alloys as affecting one set of values against the other set, or all antiquated conventionalities of the coinage systems of the world will be considerably righted as soon as the existing superstition in respect of the value and sanctity of gold, or, on the other hand, as referring to the so-called baseness of silver—which is an unmerited term for any practical application—commenced to disappear.

There is some measure within which the currency values of different denominations can be placed on a not too oscillating standard. But the conditions of attaining such an end should first be understood before people can be said to possess any elementary knowledge of proceeding for reforms in right directions.

It would be more empirical than skilful to restrain, in any degree, the freest possible use of gold and silver as soon as they can be brought out of the mines. There is already an orthodox evil as marked in the widespread system of a stagnant system of hoarding in many forms—an evil impossible to cure wholesale. But all should unite to put down the perfectly heterodox tendency to place further and more frightful and formidable shackles over any of the currencies of the world. Compared with the orthodox usages of hoarding gold and silver in barren forms, the methods by which values of gold and silver are sought to be fixed and wild revolutions are desired to be introduced into the currency are indeed infinitely more prejudicial to the world's progress.

We are just in the midst of a very ridiculous scare set against the only metal which so admirably performs our essential every-day work. We are not now even in a position to fully estimate the permanent deficiencies of our currencies, and we are not likely to know them until each and all nations exert to remove every obstruction from the free and fearless circulation of the precious metals.

It is foolish for any gold-country to believe that what is actually a disease *re* its gold-congestion keeps up some great credit among other nations. On the contrary, it would be facilitating its currency by adding a full silver complement to it, so that the normal health of its monetary condition must return. With that normal condition, widespread depressions of business and trade must be mitigated and an employment for large communities opened out. The countries which have originated mines, machineries, and most of the creations of practical arts and sciences have monopolised the most precious of the metals. But as the tendency of every country in the world will hereafter be to depend as much as possible upon itself for providing it with all its own necessities of life and fashion, it is not possible that the congestion of gold will remain so determined in its present homes only.

The universal multiplication of industries, the bent of which is to do as much for local as for all foreign wants, must inevitably seek to dissolve the too much concentration of gold in a few places. Its more

The present agitation is based on a very imperfect knowledge of currency laws.

The orthodox system of hoarding the precious metals is far less prejudicial than the methods suggested to fix values and create revolutions in the currency.

The untrue scare raised against the admirable function performed by silver.

The disease *re* gold congestion held as a point of credit for Great Britain and other gold countries, whereas it presages an extensive revolution in industries and the currency systems of different countries.

An extensive diffusion of the gold currency possible in respect

of every part
of the globe.

regular diffusion in all countries will sooner or later take place, whatever the falling off in production.

The surfeit of gold in particular places of the earth is due to the owning of overwhelming products of endless industries which have poured fabulous quantities of gold into countries of abnormal activity. The gold-countries and their leaders have become immovable bodies weighed down by enormous quantities of gold which, I believe, have already begun to dissolve, in order to cover a larger area of the globe.

The tempo-
rary distress
coming on for
gold-coun-
tries; but their
tolerable re-
adjustment
hopeful.

Much temporary distress will be felt in all places which would be gradually shorn of their accustomed overflowing volume of gold; but the consequences would be no worse than a correction of reckless productions and a sober confinement of each country to its own needs, which it ultimately could attend to with the least expenditure of its capital.

The specialities which each country will possess, however, attracting other countries, will in themselves be of such a constant character that all countries will rejoice in doing every possible thing for themselves to reduce dependence upon each other to a minimum.

Each coun-
try will ul-
timately possess
currency in
both metals
without ficti-
tious aid, but
as the result
of a greater
development
of all coun-
tries.

And this minimum will bring about a more tolerant system of currency circulation both in silver and gold. I may safely predict that the countries which now rejoice in, or lament with, their abundance in gold will find relief in the introduction of large volumes of silver currency, which cannot, however, beat out the gold currency altogether. In the very nature of things it is impossible that gold can, in any country for any length of time, healthily exercise the chief functions of a very active currency. The prudish invalid who regularly indulged in the essence instead of the infusion of the medicinal ingredients prescribed for him soon found himself in the throes of death.

The gold-countries cannot, therefore, long go on absorbing gold from silver-countries and coining inordinate quantities of gold currency without reducing their own unhealthy surfeit and returning to a more popular and effectual standard, which for the present silver mainly represents.

When a fixed
ratio of value
may appear of
itself.

That will be about the time when every nation can think for itself, whether a fixed ratio of value between the two metals would be possible, and in what proportion, to adjudicate upon the silver and gold currencies that would fairly minister to its local and foreign adaptations.

CHAPTER XV.

OLD WORLD IGNORANCE ON CURRENCY MATTERS SUCCEEDED BY
THEORETIC BIGOTRY AS EVINCED IN THE CURRENCY
AGITATION MEETINGS.

It is assumed by many high authorities in India and Europe that since a stable ratio between Gold and Silver was maintained for more than 200 years, and till 1873, when France did away with the bimetallic currency, a bimetalism revived once more would preserve the ratio fixed by legislation.

Impossibility of maintaining any fixed ratio under a system of Bimetalism.

I have already explained how such a position cannot possibly be maintained, and suggested the extreme desirability of introducing throughout the world a dualistic currency, since Gold is not likely to meet the greater demand for it coming from more and more countries year after year.

An unfettered dualistic system of currency for the whole world desirable.

And yet it is difficult to maintain that if every country was allowed to follow the dualistic currency at an unfettered rate, that any fixed ratio can be maintained between Gold and Silver.

Compared to the pressure that had existed on both currencies in the past ages, their volume was proportionately much larger, and consequently every facility existed for the continuance of a fixed ratio. The present century, however, witnessed several countries which had never before employed Gold in their currency all at once taking in enormous quantities of that metal and discarding Silver; while the more scattered opulence of the world rendered the purchaser of further quantities of Gold for ornamental and hoarding purposes necessary, especially as the demand on precious gems have also increased, and could not be as well met as the demand on Gold for decorative purposes.

A fixed ratio was possible in the infancy of bimetallic currency, and not possible now, because of the increasing and infinite engagement of Gold, both for currency and other purposes, and the greater and unmet demand on precious gems.

After the three great countries became mono-metallic in Gold, viz., England, Germany and France, almost every country in Europe with the United States and some other portions of the world went in for the mono-metallism without much of forethought as to the probable effect on themselves as on the general progress of the world. Since the yield of Gold has been very deficient, and every country would naturally desire to have a currency in that metal, it is apparent that Gold mono-metallic countries must reap, in course of time, the injurious consequences of a currency—which I would term backless—

The countries who first initiated the adoption of a single Gold currency never entertained any forethought as to its future effects on themselves and on the progress of the world in general.

that has been contracting more and more year after year. It is only those who have held Gold values for many years past who are apparently benefited by their so-called increasing appreciation, but the number of persons who may have permanently contracted to discharge a fixed Gold debt cannot but be larger whose loss has been enormous, and must still grow in the absence of the dualistic currency above suggested. The largest classes of a country, who are agriculturists, as well as manufacturers and artizans, are likely to be the sufferers, since they cannot command a copious and easy currency to meet their obligations, whereas the Gold currency becomes more and more contracted every week. It may be easily understood that if the present state of things can give just reasons for complaint, any attempt to place a greater burden on Gold currency, by contracting that of Silver, will certainly aggravate the present disaffection. To expect for a moment that the state of affairs can be bettered by a more thorough adoption of the hasty method once favored by certain countries,—of Gold mono-metallism,—is to ignore the bitter lessons which have resulted from that policy.

When the world's currency was to be divided between several metals, the earliest notion of the nations should have been based on rational mutual agreement.

All that the world has hitherto suffered is from a contraction of its monetary currency rather than by a free-handed, economical and unanimous management of the same. The results have but now commenced to attract the general attention of the world, when at least it would be a very rash act by our following almost the same policy which has no element for its permanent success in the general interests of all countries, which in the long run are also the true interests of each country. As long as more than one precious metal existed in the world's currency, and as long as an inherent difference existed in the respective values of the two metals, vast variations in the demand and supply of the two metals meanwhile remaining in vogue, so long will there exist wide fluctuations in the ratio value. Had one of the two metals been non-existent, all this bother and worry about the fluctuating *ratio* value would never have existed.

The value of Gold or Silver predated the currency area.

It is forgotten by controversialists on both sides, that no earthly power has anything whatsoever to do in fixing the respective prices of the two metals according to individual fancies and imagination. They are regulated by their own volumes of production and circulation. Their respective values towards each other are only indirectly influenced, and, in a subordinate measure, by the quantity and circulation of the various commodities of the world, and are at best an incidental affair in any particular country. That the inherent value of each metal is

independent of the direct influence of commodities may be inferred from one fact, that before Gold and Silver became cognisable articles of currency, their distinguishable values had already been apparent to mankind. So that each holds its value as inherent in itself.

Any forced currency of Gold cannot succeed, as the one of the twenty-eight years past soon disappeared, and was absorbed by the people, though the ratio kept was so low as 1 : 10. Even with the price of a sovereign raised a few years later on, the people could not be induced to avail themselves of the operation of Act XVII of 1835, simply because Gold had attained a higher value.

Even Sir John Strachey's proposal to receive an unlimited Gold coinage in the Government treasuries, and to make it legal tender up to Rs. 200 only, the ratio being lower than the market rate, was found unacceptable.

There were again proposals from very influential quarters to stop free mintage of Silver, and fix its Gold value by imposing a seigniorage, which were also definitely abandoned.

A Gold standard, with an inconvertible token rupee, was also rejected by the Indian Government in 1878, though proposed by the India Council.

The scheme by which an unlimited Gold coinage could be attempted while ceasing the Silver coinage, a fixed ratio being provided in relation to the existing Silver coins would prove futile ; for holders of Gold will never use it for the discharge of their Silver obligations, and would certainly import all such Gold coins to countries with a Gold currency. No value can be imparted to a rupee, and at the same time enforced, which would be in excess of the current market value of the metal. Similarly, if the inherent value in any new Gold coins is not in conformity with the actual value of the exchangeable rupee, no Gold will ever be brought to the mints for coinage.

The Silver currency, under such a scheme, would be so contracted that all industrial and agricultural prospects must suffer, because no one could work without sufficiency of rupees, and every one would refuse to surrender Gold coins for any obligations incurred in Silver.

Nor will any foreign trader accept the Indian rupee, above its own intrinsic value, for the goods which he consigns to India ; and he will require rupees in full numbers, as hitherto, but which, however, some influential people holding the present currency propaganda wish to reduce by shutting our mints against them !

An historical resumé of successive dabbling efforts with the Indian currency that turned futile.

Suspicious elements in the currency agitation proposal.

To lower the Silver standard is to perpetuate both commercial and political dishonesty which would have its rebuff from foreign nations.

While the European trader would not accept any rupee of fictitious value, or over its bullion value, he will not likewise consent to pay Gold price for Indian articles at the higher Silver rate fixed by the Indian Government, for the present accepted basis is the inherent value of both the currency metals.

Any fixation of artificial value for currency metals which have their own natural well-defined value, especially when such forced values would daily controvert the exact prices, cannot but end in widespread mischief. It has been urged that while the Indian Mints were closed against Silver coinage, the Secretary of State could dispose of Council Bills at the rate he would choose to exact from bidders. A temporary inflation of Silver prices might take place, but no sane people would have anything to do with a country which absorbed Gold of higher prices by giving commodities of intrinsically less value. The balance of trade in favor of India, as in relation with the Gold countries, roughly comes to Rx. 6,33,392 as the annual average of the past five years ending 1889-90, it being paid to India in imported treasure. As this is received in Silver and Gold, it is certain that no such treasure will find its way again to India to meet the tampered rupee if at all decided upon. The export trade with Asia and Africa has also brought a balance in our favor, of Rx. 21,300,157, which we partly received in treasure, amounting to Rx. 3,042,556, the balance as well as the amount due by Gold-using countries being appropriated in meeting the Council Bills which amounted to Rx. 19,072,607. As we import—so do we no doubt export—treasure, but the treasure exported to the East and West is insignificant—hardly an average of one-thirtieth of the Gold and Silver bullion received by India every year.

If our export trade, which has enormously increased of recent years, can be continued by increased demands on Gold or Silver in the Silver-using countries and at the same time supply us with Gold and Silver bullion in larger proportions than now, it would be easy enough for the advocates of a Gold standard for India to demonstrate. The export and import commodities, however, will continue to be exchanged on the same actual basis as now. For, as soon as the value of Rupees has been artificially fixed in relation to Gold without being influenced by its market rate of value while the Silver mintage is stopped, a distress in the circulation of Silver will set in, which will impart a ruinous aspect to all Silver debts of millions, and servants and artisans will

demand a larger number of rupees than they earned before. The revenues of the Government will go down in proportion to the increased ratio. In course of time, however, there will be such a scarcity of rupees that industries would languish, while the Government would not be able to collect its revenues.

It may be admitted that if there were an abundance of new Gold coins based on the proposed Silver standard, that popular hardships owing to Silver scarcity might be lessened. It must then come to this. We must expect to have Gold in enormous quantities at our own fictitious and lowered rate which no market in the world would accept. Every Gold-using country will have recourse to other Silver-using countries which have not, and will not, debase their currency; while no other Silver-using countries will have anything to do with India as far as they can help it, simply because it would be guilty of nothing less than *fabricating* its Silver standard. The Indian Silver remittances will therefore cost not a penny less than now, whatever the jumble made of our currency.

One of the many points which controversialists and authorities have hardly perceived relates to the partial Silver currency of the Gold-using countries. I have already explained the peculiarity of the past times which permitted so many arbitrary standards of currency value which latterly have been to some extent improved. What the predominancy of Gold currency and irregulated and illiterate ancient habits have permitted, could not now be attempted in any civilised country, particularly when the whole of its natural volume of currency is sought to be revolutionised. The strongholds of Gold have secured the most of the Gold available, and no piteous Indian cries can displace it to enrich us by means of the most impracticable method that could ever be conceived. And that method being at the same time commercially dishonest and amenable to penal consequences in individuals.

It is a mere difference in the form of currency against which an almost insensate war is raised. Since Gold is not sufficient for all countries, and Silver has been such a facile currency, the countries which happened to have too much of Gold have become Gold Monometallic, however shortsightedly; and the countries having only Silver have necessarily accepted the single Silver standard. The latter having only recently entered the pale of civilization could not of course com-

Earlier civilization, larger trade, and greater portions of Gold monopolies have all gone together, preparing, however, for reversals.

mand the maximum proportions of the world's commerce.

It is impossible for any country which has not developed its resources like the most favorably situated Gold countries, to present its commerce in the stupendous dimensions of the latter. India has, however, shown a hundred per cent increase in quarter of a century, which is as much as can be expected from the operation of any efficient currency. Among the facilities which have effected a wonderful increase in the quantities of Indian commodities, plentiful rupees must reckon themselves as a co-operative factor, whatever the clap-trap arguments useable in a particular line of advocacy.

The mystery of the former and present prices, the question of old and modern prices has never been properly understood.

I find some of the most important economists have failed to acknowledge the fact, that Silver prices in India have considerably increased and not decreased in the course of this century. And yet it must be understood that, unless Silver prices had also fallen in relation to the indefinitely increased quantity of export commodities of the present times, India should not have been able to compete with some of the most active industrial countries of the world. Our trade could never have attained its present highly encouraging dimensions with the singularly low prices which were even prevalent in my own early years—for the commodities then grown were exceedingly limited and could not have built up the trade of to-day. When the fact of Silver prices having risen or fallen from the low level of the past 35 years is understood in this light, an altogether instructive aspect is lent to the germs of our commercial progress. An unrestricted and homely Silver currency has alone enabled us to increase the agricultural resources of India a hundredfold. Either our Gold or Silver resources ought to have been unlimited to attain this great march among the civilized countries of the world ; and it fell to our lot what was in the running for Eastern countries that Silver became our predominant currency. It was impossible that a Gold currency could have been established when the most ancient among the civilized territories could not secure such copious currency in gold as we have had ourselves in Silver. It is primarily not the more and more cheapened Silver by means of which trade is carried on with foreign countries, but it is the useful commodities which our land, or the skill and labor of man, directly encouraged by the benign influences of the foreign and now well-domesticated Government yield that have established an ever and ever increasing commerce with the most distant portions of the globe.

CHAPTER XVI.

THE POSSIBILITY OF ARRIVING AT SOME BASIS TO HARMONISE THROUGHOUT THE WORLD THE INHERENT VALUES AND THEREFORE SOME RECIPROCATIVE STANDARD OF THE CURRENCY METALS.

It is apparently very unjust and unsatisfactory that there should not be one uniform standard of coinage in all countries which exchange commodities with one another. The coinage of one country may differ from that of another, but if the inherent value of the same or other metal be brought into question, no country can be decreed the right to withdraw more quantity of the same metal by means of any coin deficient in its inherent value than that of another country.

Uniform International coinage desirable for all countries trading with each other.

It would be reasonable to make every practicable allowance in regard to alloy, workmanship and the charges incurred by particular countries in purchasing precious metals for coinage. I think, however, it would be in perfect accord with the ordinary principles of international amity to enforce the strictest regulation that no dishonorable or negligent entamperment of any national coinage is even so much as thought of by any Power.

Distinction between honest and dishonest mode of manufacturing coinage.

In the absence of any such understanding any nation can defraud another, or set up vitiated transactions among themselves. It should be once for all understood, what has never yet been brought to the notice of International Conferences, that though all *bona fide* accidents may from time to time result in differences in the inherent price of precious metals in all countries, yet there will be no room for any deliberate or negligent fraud by which one country may apparently or skilfully try to rob another by exchanging coins of less value with those of a higher value when it is an accepted fact that the value of coins, singly, or in the aggregate, is equal to the corresponding coins of another country, singly, or in the aggregate.

Wanton tampering of currency coins detectable and should not be permitted by any nation.

In respect of the coinage of any nation, the natural basis of value cannot be tampered with by any country with any sense of propriety or decency. Any special physical advantages owned by countries which might result in their securing any of the precious metals with remarkably reduced charges is compensated for in the increased currency service of the same metal rendered in other parts of the world.

It is worthy of consideration if nations who are thus favored cannot, as a better measure, place the inherent value of their coinage on basis generally harmonising with the value as may be generally

How bona fide advantages resulting from cheap value of

metals in particular countries are justifiable.

prevalent. It must be borne in mind, however, that any State which is able to circulate its coins in a very cheap, and, therefore, profuse manner, must reap the advantages of their superior position by benefiting its territories in a larger measure. Or, if its subjects became participators, they would undoubtedly acquire greater opulence by using currency coins of less local, but increased foreign, value. It will thus appear that a civilized State, in itself, or as represented by its subjects, will reap the advantages of whatever favorable position nature may have assigned to them. If any country permitted its subjects to share in a larger proportion of profits resulting from mining operations, the same country is benefited, since the miners or their agents would sell the precious metals to those who paid the highest price.

All nations must be expected to make more or less sacrifices in rectifying their coinage systems to induce universal confidence in them.

Should we consider that exchange of commodities between the countries trading in coins of less comparative value with those of an intrinsically superior, though corresponding, coinage of similar, or different metals assayed in equal values, must have afforded a sort of rough compensation to the country unconsciously cheated, what would be more important than to consider would be the problem of correcting deficiencies in the inherent value of their coinage by countries which may have hitherto put inferior coins in circulation. In adopting the suggestion here made to reform the international coinage, some countries will be benefited, as they ought to be, while others must of course suffer according to the sum total of their irregularities. If all nations are agreed upon the necessity of equalising their coinage systems, and there hardly appear any strong reason why they should not be unanimous on this point, the sooner all combined to meet any sacrifices essential for the purpose, the better will it be in the interests of their mutual transactions.

Some of the factors for an assimilation of the different and now conflicting currency systems of the East and West.

It will of course not be possible to effect, as a further measure, any exactly scientific distribution of Silver and Gold according to the wants and population of each country, though a rough estimate of the Silver and Gold wants of each nation, as based upon precedents and considerations of removing every possible currency conflict as experienced by nations, individually, as between one another, must form an essential element in arriving at a practical understanding between the countries engaged in trade and bullion exchanges.

Beyond a full recognition of all currency metals, a fulfilment of the ordinary desire of all mankind to adopt a counterbalancing scale of the inherent values of the currency metals and to carry out all units

and decimals of the currency of each and all countries on such practicable basis as is likely to meet with the concurrence of all nations, there would be little left to be done in securing a general harmony of the currency systems of both the East and West.

It would thus seem that there exist no specious, and no artificial remedies for either increasing or decreasing the volume of currency, or imparting any really fictitious aspect to the currency, of any part of the world ; that no state or nation, unless abounding in the raw wealth of the currency metals, can conjure up the idea of permanently fixing the ratio value of Gold and Silver, thus practically assuming to flood the country with Gold coins, or Silver ones of a fictitiously enhanced Gold value.

It is exceedingly doubtful if any country of the world which recognises Bimetallism, or may hereafter recognise it, may be able permanently to establish a fixed ratio such as has been loudly demanded for some time past. The uncertainty of the constant, or accessory, quantities of either of the two metals must always be held as a permanent factor in the elements regulating the volume of a country's currency. There will always exist the danger of Gold becoming much scarcer than now, or Silver so far absorbed by the world, or its supplies cut off on account of the working expenses becoming prohibitory, or its purchase being altogether stopped, on any future occasion, near or remote, that any fixed ratio value may disappear, while the scarcer, and therefore dearer, metal may also be largely absorbed for hoarding, etc., purposes. Every such contingency must result in extraordinary fluctuations in the individual and relative prices of the precious metals ; and it is not at all unlikely that Silver itself may so rise as to render the re-working of the mines compulsory.

The impossibility of preserving the inherent value of any coin for any continuous time while a legal ratio is enforced, will be a constant temptation for the absorption of any metal losing the counteracting effects of circulation. A demand will thus be constantly created for the currency thus destroyed, or held in abeyance. Unless a state be so far wealthy that it can produce an extra stock everytime that it may be required, the task of keeping any ratio stable will appear to be hopeless.

There is hardly a Government on the earth possessed of such surplus wealth, though I do not say it to be impossible for a country holding invaluable mines, yet unrevealed, to attempt to keep up some fixed ratio of value between Gold and Silver.

Any sound monetary law deducible from the comity of nations cannot bear any element of specious advantages for any nation.

A possibility exists for Gold becoming much scarcer and the production of silver being suspended only to be again attempted to counteract an apprehended rise in its price and meet an ever-growing demand.

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Among the many things which some simple-minded people, striving after a Gold currency in itself, or as based on a fixed, or fictitious Silver value, seem to forget is, that as soon as a country shows the least tendency of panting for and obtaining any artificial currency standard in any metal which is not imported into it by a perfectly natural evolution due to constant warfare of commodities, such a currency, however prized, will be rapidly thrust out of the normal circulation that may have been unwisely tampered with.

In the case where a country is the producer of its own currency metal, the accumulated coinage will as rapidly find its way out as it is thrown on the local market, for either the State must cease minting coins whose metal is found plentiful in its own territory, or continue minting to invite the currency of another metal which may there be found scarce.

Every country will afford some scope for the introduction of one foreign bullion at least to cause an export of the bullion or coinage which may happen there to be plentiful. The country in possession of any superfluous bullion will necessarily invite the counteracting bullion of another country, and must employ it in producing the coins for which a demand may have sprung, but not otherwise. It is impracticable to hold, as the Currency agitation meetings have done, that any State can reasonably cease minting any coin which may be in constant circulation—a circulation which shows every symptom of a continuous and ceaseless increase.

It is impossible to admit that all Gold mono-metallic countries have acted rightly in adopting either a partial or a wholesale demonetization of Silver. The richest of the European countries have of course commanded the Gold currency better for a time than the others which have comparatively suffered on account of their weak circulation in Gold. Their adjacency to the richest Gold countries has no doubt saved them till now; or the incident of certain smaller countries which have only recently developed their commercial and industrial bents on a broad basis, has saved them from a too embarrassing position. Their import trades have lent them certain help which a bi-metallic or a predominant cheap currency might have otherwise lent them.

It is impossible that even the greatest of the Gold-using countries can subsist in respect of its currency ability unless the Silver-using countries helped them, in a very large measure, by casting their Gold into Silver, and thereby providing them with

valuable commodities purchased by means of Silver. I perceive some near possibility of a reform in the Silver currency of Europe and America, for the increasing scarcity must result in a well-regulated Silver currency according to modern wants, wherever it has been debilitated, or is merely conventionally held.

tion of the silver currency.

The unparalleled rate of march of the commercial, intellectual and moral resources of the American nations is as much due to its Silver as to its Gold currency. If America, however, seeks to increase its Gold currency and cease to mint Silver coins altogether, Europe and other Gold-using countries are likely to feel that stress in their currency operations which would bring them to a frame of mind favorable to the reception of a dualistic currency.

The European nations will think of a dualistic currency in case America ceases to purchase and coin silver.

No respectable country can find satisfaction in increasing its paper currency with a nominal Gold-standard without holding adequate bullion in reserve and in support of its paper currency.

No nominal gold standard or paper currency can be maintained without a sufficient reserve in bullion.

An unstinted admission of Silver into all countries where it has been held down will relieve the deplorable straits to which the Gold mono-metallic countries must sooner or later be reduced. The capacity of America to buy up a large portion of the Gold currency of the world cannot be under-estimated. A complete exploitation of India and the East by American traders, economists and scientists will at once open to the American mind the varied capabilities of our continent to minister to the wants and fancies of the young, wealthy, and receptive nations of America.

It seems probable that both America and England may be able in course of time to have a healthy dualistic currency introduced into all mono-metallic countries on some such basis as previously explained.

Temporary Conferences—like the one thought of again in the present times—are of little use. It is, however, essential that each of the chief countries in the East and West should depute a competent Financier and Economist forming into an International Currency Court, where various schemes should be formulated and discussed before arriving at mature conclusions, which would be generally acceptable to all nations. They should be authorised to visit all the countries of the world to evoke local criticism and collect all discordant or uniform data that would be of great help in realising an universal dualistic currency system for the world.

Institution of an International Court of Monetary Conference, a great modern necessity.

It is futile to expect that a few weeks' meeting of a few representatives of several countries can end into a comprehension of endless

difficulties and a knitting together of all countries for the purposes of an united action. Half a dozen Conferences have already proved a dead failure, and if the coming one is not to meet with the same fate, I hope my humble suggestion to render the realisation of a permanent remedy possible may be adopted by the countries which are shortly to be represented in the ever-recurring, but never succeeding, Conference.

CHAPTER XVII.

ESSENTIAL CONSTITUENTS AS THEY SHOULD BE OF THE WORLD'S CURRENCY.

THAT the Currency Agitation movement in the chief cities of India has ended in some temporary mischief by a further fall in silver, there is not the least doubt. A panic is the only result, for the producers of America have become anxious to part with their stock, and the exchange question becomes worse. If the panic continues, the Government of India may have to issue a re-assuring circular that there is no intention to adopt the infeasible proposal of fixing any ratio value.

A practical result of the currency agitation.

It is useless even to discuss the proposal of a gold standard for India, for no gold exists for employment, and even if it existed, the best of authorities are now coming to the same conclusion that I have arrived at, first of all since the agitation, that a gold standard and a stoppage of silver minting will simply do enormous mischief to India and to its general trade. The economists who maintain that a single Gold standard will be a relief to India forget one primary fact, that Gold mono-metallism has been possible in certain countries since it came into vogue in past times when other countries had never thought of such a single standard, when Gold was obtained cheap and abundantly, when the rising wealth of Gold countries enabled them to purchase a large stock, when the circulation of both Gold and Silver had comparatively been so feeble that the fixing of a ratio value was possible, and when local and foreign consumption of silver bore a small proportion to Gold coins, while the people in general were more amenable to State autocracy than now and scarcely paid any heed to the legal ratio.

Conditions of the primary establishment of gold currency should be understood to account for the single gold currency wherever existing.

A certain amount of currency facilities have existed among Gold-using countries, they having been the first to appropriate the major portion of that metal, and the heavier cost of Silver in days gone by, as well as its limited production, having greatly aided the interchange of coins and the permanent establishment of both currencies in countries where Gold has been predominant. The union between the Gold-using countries greatly aided the circulation and enhancement of Gold currency among them, which naturally facilitated the circulation of the secondary currency, that of Silver, as well.

The outcome of this predominant Gold currency, as confined to the most energetic and wealthy countries, is to be found in the still greater

A predominant Gold currency is de-

structure of many primary industries, and should therefore be broken up.

concentration of Gold in still fewer countries, so much so that a portion of the productions of the latter has fallen off simply on account of the higher profits demanded for the use of Gold. It is a singular fact, for instance, that though Great Britain is the richest country of the world, yet its excessive wealth of Gold alone has rendered her dependent on foreign countries for a great bulk of its daily food. And this is not because she has no capacity to grow articles for her own consumption, or that she is in want of land for the purpose, but because she cannot use her fabulous wealth for ordinary purposes and for the benefit of her poorer classes. There are millions in our mother-country who are starving for want of cheap occupations. The foreign countries which do not suffer from this morbid Gold-congestion, which command the necessary solvent for currency stiffness, and are young in energy and invention, have been supplying articles of food to Great Britain, the value of which would very probably come to three times the annual revenues of India. So supposing, hypothetically, that the supplying countries disappeared by an earthquake, millions of Britishers would perish of hunger perhaps in a few months.

Much misunderstanding due to want of ability shown by natives of India in respect of its financial and material concerns.

This state of things in our mother-country is in itself a much greater hardship than any endured by a Silver country, simply because it has an easy all-spreading currency. We have to pay a heavy amount of interest on Gold-debt, and this interest no doubt increases *pari passu* as exchange lowers. At the same time the Gold capital in our possession is of a far greater value than when originally obtained. No doubt we have to pay more Gold in pensions and allowances, but have to remember that the salaries of Indian officials were fixed in those times when Silver was scarcer than to-day. We have to meet charges on account of the Military and Stores for India ; but here, too, I find that Gold prices, in many matters in England, have gone down in proportion to the scarcity of that metal and in proportion to the disappearance of Silver as its auxiliary. It is a gross fault of our own that as yet the leaders of the country have not only no idea of the fundamentals of currency economics, involving a tremendous loss in the revenues of the country, but even do a lot of mischief by a misdirected advocacy in respect of saving India from further taxation. I do not desire for a moment that they should be discouraged, but have always strenuously endeavoured, by labour and example of years, to show them how much more valuable would the exercise of their ability prove supposing they sought only solid truth and fearlessly advocated its adoption by the

country. Both in official and public life I have faced and undergone all sacrifices and scrupulously maintained this standard for many years past ; and I cannot see any valid reason why my fellow-countrymen in India should not seek what is practicable at the same time that it be true and sound.

No one of course would ever desire that the poor should be taxed, but every one ought to try and find out how much of untaxed wealth and profits in India escape taxation, with all our boast in pointing out the average income and the average taxation per head in the country. There cannot be more misleading and hollow arguments than those we have been accustomed to advance in seeking an improvement in the condition of the people of India. Every taxation that bears but a small proportion to the values going into the pockets of the people is perfectly legitimate, especially when the extent of values owned by the tax-paying classes is taken into adequate consideration. With this principle in view no class of people except paupers need escape any taxation, with a view to strengthen the Government for all administrative and defensive purposes.

The principle of universal, but essential taxation: it is best that no class except paupers should be left untaxed.

Such is the deficiency of public leaders in India that none of them have yet demonstrated by figures and statistics what are the specific Home charges which we might fairly succeed in getting abolished, how to approach those influential classes who comparatively even pay much less taxation than the poorer taxation classes, what is the real extent of the hardships borne by official classes having partly to defray expenses in England, or what are the real measures of economy suitable for India, though not calculated to stir up superficial sentiments would command the confidence of all parties.

Genuine impressions which may well be produced in India's interest.

I have dwelt upon some of our own weaknesses, for I have never shown any desire to lay the whole blame at the door of the Government. So far as it is responsible, and that responsibility may not have been met, I have briefly sketched the evil in a former chapter ; and much will also undoubtedly depend upon the Government itself whether it labours much harder and musters much stronger in laying before the public the real evils from which both itself and the people suffer. It is, however, unmitigated folly to have it said that it is cheap Silver which is a nuisance, whereas it has proved an actual blessing.

It were better to have it said that neither a high nor a low rate of exchange has had anything to do with either the rise or decline of our commerce, for all commodities, of foreign or local use, have,

Relation between currency and commodities.

as a direct measure, enormously multiplied for the past twenty or thirty years. Why have these quantities turned out so fabulous and they become larger still? How is it they are all consumed as fast as they are produced? Because the world wants all that and consumes it off. As railways and steamers drag the commodities wherever they are required, so has the Silver currency been found adequate in effecting their thorough circulation. One part of Gold is required to do this, but where there is no Gold, twenty or twenty-five parts of Silver have done the work,—just the respective functions played by the iron horse and the ordinary draught animal. By means of this illustration it may be seen much better what a secondary agent in the matter is either Gold or Silver, though a large proportion of the exchange of commodities could not be effected save through metallic currency.

It is a mere accident in the currency circulation that one country has one form, and another other forms of currency, and it is only where adequate proportions of metals are in circulation, in whatever form, that the free passage of commodities will take place. In reference to certain commodities required in particular countries, it does not matter whether there was Gold or Silver there as long as the requisite degree of a propellent of currency is secured for such commodities, for, if 50 parts of coal were adequate to move a fire-engine, the same service may be rendered by 500 or more parts of ordinary fuel. All that would be necessary is a certain amount of propelling currency which will be needed to put into motion particular commodities, in certain quantities, to certain distances, within certain periods: Whether that currency be in the form of Gold or Silver, it does not matter; just as it mattered but little if coal or firewood moved a locomotive.

A practical diagram for the world's Silver and Gold currency.

If it were possible to indicate a diagram pointing out the course of the currency stream throughout the world, the main current may be formed of Silver streams rushing head-long over heavy undulating grounds and irregular mounds or depressures of Gold, which have to make way for the onward rushing silver streams, breaking up the rough and hard protuberances of Gold, flinging obstructive material aside, cutting asunder gold banks, filling in the banks at one place and displacing them at others. It is not quite possible to give a precise diagram, but herein there are sufficient indications for the same. Deposits of torn-up material may show the degree of

Gold-congestion with which the different Gold-using countries should be afflicted, pointing out situations adverse to a happy and unfettered course of currency circulation. We thus come to the need of arriving at a settled, well-levelled course of circulation, with all the inequalities and frigidities dissolved and settled down in just the same manner as a consummate statesman, towering above a vast multitude of indifferent pigmies, with his over-powering currents of unrivalled attributes and aptitudes, would bring down a seething mass of crudities, mediocrities, and corruption, to a comparatively healthy level.

The main currency strength, in each part of the globe, can only be formed by Silver, till at least we come across a metal in every respect superior to it, and one that would serve the purpose of a world-wide currency more efficaciously. Till such time the silver currency must be understood to stand in the same relation to Gold as the copious rains which descend from the Heavens are in respect of the currents of water within the earth. It would be a folly to be in expectancy of Gold-stocks or Gold-values, in actual or nominal shapes, without the country being first profusely and constantly showered with Silver: such a profusion being naturally productive of Gold, as the rain-currents permeate the earth to form themselves into rarer and more precious streams. The one cannot be without the other, both being necessary, in adequate proportions, to maintain an equable temperature and the otherwise physical formation of the globe. It is in this light that the consistency and harmony of currency laws may be conceived and enforced.

Potentiality
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CHAPTER XVIII.

EXAMINATION OF THE CONCLUSIONS OF THE ROYAL COMMISSION ON SILVER AND GOLD, AND THE CONSTRUCTION OF A REFORMED CURRENCY DISCUSSED.

Mistaken conclusion of the Royal Commission that exchange fluctuations are mischievous and ruin the trade.

THE Royal Commission on Gold and Silver has laid down that the exchange fluctuations tend to a derangement and loss of trade between foreign countries (Part III, p. 74). It would appear, however, that all natural fluctuations in Gold and Silver prices of themselves cannot do damage to any trade, and that therefore the remedy which the Royal Commission recommended on this ground would be uncalled for. A remedy on such a ground is not likely to be a permanent remedy, and it cannot therefore be understood as a real remedy for any evil in existence. If, as suggested in this work, the remedy of introducing a natural dualistic currency is adopted by each and all the countries of the earth, each supplying itself with as much Silver and Gold currency, according to its own wants and in proportions fairly obtainable by all, till no supplies can be had but from the mines, or from countries in need of parting from a portion of their bullion, there will be no more possibility of exchange fluctuations ceasing, as now, or under a system the worst possible to conceive.

Currency fluctuations must last for ever in spite of the theory of the Commission.

I think that the sooner statesmen and economists admit that fluctuations in the values of precious metals are as inseparable from the body of any currency as is life and soul in the body of any living man, the better will it be. An authoritative acceptance of this conclusion will save a world of semi-useless controversy, and fierce, never-ending discussions. If the controversialists in State, in Common-wealth, and in Press can succeed in convincing us that these fluctuations are mischievous and preventible, their next legitimate step should be to strike at the root of fluctuations in prices of every trade commodity in the world.

Laws of progressive currency.

No more absurd error can be perpetrated than to denounce any existing course of trade, because it involves the clerical and speculative labor of manipulating the conflicting figures of an exchange. None of the currency judges have got rid of many material illusions which land them on imaginary regions of almost wild apprehensions and chimerical remedies. The meaning of recent developments in currency transactions, and the world-wide impetus given to the commerce of each and all the countries of the earth—often, it may be, of an apparently paradoxical nature—has not been adequately comprehended.

No country can ever bend the course of commerce, according to its own imagination, by falsifying or revolutionising the course of its currency.

No country can direct the intellect and energy of another country to regulate its commerce in unison with its own whims or interests.

If there were absolutely no metal-value fluctuations to take an account of in launching into a trade, there would be fifty other factors which would influence individual and commercial business, as having reference to the wants, interests, or even idiosyncrasies of other countries. The quickening of the thousand impulses of modern countries will always keep fresh in numerous unknown factors, which may render any given transaction, for a given season or time, lucrative or not, the various degrees of lucrativeness becoming a matter of fine calculation and many a time of speculation.

It may after all be found that the advantages of letting a currency run its own even course commands greater stability, than when it is in any measure sought to be arrested, speciously hampered, or falsified.

It does not matter in the least how much of Gold or Silver you take in for your currency purposes, so long as you discern and meet the want; you are even safe if no country comes to any terms with you in respect of an international currency.

Both Gold and Silver will always have a fixed value, so far as this fixity is attainable in the actuality of affairs: their streams will continue to fertilise according to the quantity and momentum with which these metals shoot abroad from their various sources of production, and are subsequently moved or manipulated in a natural course of affairs. Neither the Gold nor the Silver streams ever get inextricably involved with each other. Each is always retained in a certain volume for a certain volume of the other.

The current of commodities run parallel to and betwixt these streams, and these streams of precious metals are attracted by these currents, according to their integral force, and according to the divergent strength and flow of these streams to meet their parent central currents of commodities.

The only care to be taken is to keep the streams of the currency existing, always adequately replenished, and free moving. The stupidest of all mistakes would be to curtail the volume of a currency, or try to give it any fictitious force, while its own natural flow is the only safeguard against stagnation or desolation.

It is better to feel restrained than being confident in casting about for forcible remedies. A natural conception of a remedy certainly differs from an excited or a forced one.

It would be quite unnatural to expect that any of the mines should be closed when they could be worked with profit.

It would be a silly thing either to curtail or stop a currency in its course of patent activity.

It would be madness to raise the value of any currency metal when any quantity of it could flood the market, particularly as other uses of it would never cease. It would be an act of folly to give any artificial value to the rupee when it, as it stands, has answered so well, and regulated the prices of endless commodities for an extensive period and for local and foreign use.

Whatever quantity of Gold which it fetches for India, and whatever useful commodities it brings to supply India's needs, all that is perfectly understandable. It is only by an accident that our confirmed currency is Silver and that of Great Britain is Gold. The price of every commodity is brought down to one scale—that of Gold, or of Silver. And we can fix no value of either, save that which a demand and supply of both articles must indicate from time to time.

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There would not be much hope left to arrive at a millennium of currency reforms, when all countries have done utilising both metals in their currency, as proposed in this work. I have already explained how any standard could be fixed as mainly based on the inherent value of a currency metal. When the use of both Silver and Gold is universally extended for currency purposes, it is very doubtful if the fluctuations would even then cease.

The act of correcting enormous quantities of token coins will absorb no very mean fraction of the present quantity of currency metals. This must immediately tell on the price of both metals. But for any abiding effect on the exchange rate, in the presence of the contingency that the increasing commerce and wants of the world must indent upon a continuously increasing quantity of Silver and Gold bullion, there will be no appreciable result.

A better and a more universal adjustment of the precious metals is likely to raise the price of Silver, a similar effect being produced on Gold. One of the primary and the strongest factors which seems to have escaped the notice of all, is the individual tendency of every one in the world to be possessed of a larger amount of wealth

represented either by Silver, Gold, or house, land and other property, also represented by precious metals ; whereas the present grave want of the largest majority in the world is for no excessive wealth, as represented in various forms, but only for an extremely small quota of it. Our estimate for a future want of Silver and Gold should not exclude this important element, only if ordinarily viewed.

I therefore do not doubt that in a few years more any quantity available of the precious metals will fall considerably below the increasing needs of the world, when the present troubles will only take another form. The present disparity between the respective supplies of the metals is not likely to cease. It is impossible to arrive at any stability, in the abstract, unless all the nations of the earth were agreed upon a total abolition of Silver and Gold as currency metals, and decided upon another metal or article, the use of which would be for currency alone, and its any other use, or its use by others than Government, entailing the most rigid penalties!

The conclusion which the Royal Commission has arrived at in respect of the hardships caused to the Government of India by the fall in Silver prices is certainly not adequate for so important a Commission to entertain, (Part III, para. 7). It is the fault of the Indian constitution, and not the relative values of the two metals, which calls for a remedy. It is true that the Commission was not asked to point out flaws in the British Indian Constitution; but in my judgment it was bound to state the truth, that the difficulties of the Indian Government were not caused by cheap Silver, but by the inadequate statesmanship displayed in meeting the increasing obligations of the Government of India. As it is, the Commission has placed the world on an inexpedient track for an indefinite length of time by ignoring the needs of imparting an unquestioned capacity to the Indian Government in meeting all necessary calls on account of its transactions with Gold countries. The only course open to the Commission was to discover the true malady and prescribe the true remedy, instead of leading us to an elaboration of the old-world measures based on the short-sightedness and the narrow expediency of old times.

I do not also agree with the Commission that with the fall in question, India has gained and England has suffered in respect of her trade and commerce with the Silver country. No doubt wheat before the fall obtained 40s., and that it now obtains only 30s. But the Indian cultivator only sends more of that article to Europe.

Inadequate conclusion of the Royal Commission.

That India's gain by lowering exchange is England's loss is proved an untenable conclusion as arrived at by

the Commission. And it is argued in respect of England that she loses in her own trade for the price of her own exports has not increased, though the Gold, which was valued at 2s., and brought, say for instance, Rs. 10,00,000 once, would not now bring Rs. 1,33,333, taking the exchange at 1s. 6d. a rupee. The Commission, however, entirely forgets that India accepts lower prices for all her commodities, and that whilst the Gold-producing countries continue to send us their commodities, they must also certainly sell at lower prices. If India sold at higher prices, she would also buy at higher prices. I cannot therefore justly conclude that "the measure of the loss is the difference between the higher price received before the fall and that of the price now received." To put that down as a loss to complain against and provide a remedy for as the Commission has done, is entirely to miscomprehend every practical and progressive economical principle.

It seems singular that so high an authority as the Royal Commission should only have argued to prove, that the world's commodities should not be multiplied, and that high Gold prices received for them once should be the correct standard for any value for all times to come! If, however, the plain principle that all countries must constantly sacrifice something in proportion to the growth of industries and of individual and aggregate wants from time to time, thus laying the basis of a wider, and therefore a more equitable, prosperity, and of a prosperity increasing *pro rata* with the increase of the world's population and collective enterprise and energy, the Commission would have avoided several pitfalls in its deliberate judgment, thus rendering a true solution of the difficulty easier.

The Royal Commission is divided in its opinion on the cause of the fall in Gold prices. Some members maintain that increased commodities and cheapened production have resulted in the fall, while others have ascribed it to the rupture of the bi-metallic league.

The effects of Silver currency keeping pace with the times, while the Gold one lagging behind owing to its increasing impotency. It is contended that "if Gold prices have fallen owing to increased commodities, Silver prices should have fallen to the same extent." If a fall in Silver prices has been checked in any measure, it must be understood that, with the increased supply of commodities, the Silver circulation, which had been larger already, was so far added to that the increased quantity of Silver required being forthcoming, the amount of Silver coins required for the particular quantity of a commodity could not be appreciably diminished.

The fall in Gold prices is not due mainly to increase in cheapened production, but also to the inability of any increase in the Gold stock to represent the multiplied increase of commodities, and the constant increase in the competition raging in all countries, within themselves as with each other, particularly so as the Silver currency was reduced, while the area of Gold currency has been enlarged infinitely more than a similar quantity of Silver currency could have been expected to serve.

That so many nations should still blindly continue token silver coins of an exaggerated and fictitious Gold value has aggravated the real evil, which is not due to fluctuations, but to the frightful Gold-congestion which needs an absolute dissolution. To the extent that Silver token coins have exchanged with Gold, thus far also the congestion of that currency has been the more aggravated. One important fact has been entirely lost sight of, that every industrial development will meet with a check, unless it finds itself running concurrently with a sufficiently liquified or diluted solution of currency, which metals like silver, copper and bronze can alone provide.

Labor and energy always partly wait upon the banks of a free-rushing, full-bodied stream of currency, and there is no doubt that these primary factors can only be carried with swift sails by the deep, copious, and constant running currents of currency. Though certain solutions indicated in this work may see the light for the first time, yet they are likely to be such as must shortly find a rapid currency in the world. All Gold-using countries must lose no time in correcting their standards as based on inherent values, and buy up as much Silver as can be secured with a view to increase and fortify the volume of its currency as much as possible. The effect of this addition to the currency practice of the world would be marked in the removal of a stiff, unworkable Gold standard levelled against the Silver standard, for a considerable volume of transactions in and out of Silver-using countries will have the generally unified Silver standards to exchange with, thus leaving only that minimum and compact area of Gold and Silver amalgam, the function of which shall be reduced to a point widely departing from an immediate contact with the ever-current course of prices and all the more imminent conflicts with the standard of silver-using countries.

The relative value of currency metals cannot but be left to the resources yielded by Nature to all countries so happily united as to the material of their currency, in much the same way that physical nature

The evil effects of the present Gold and Silver token coins which should be done away with, while every Gold-using country should dissolve its currency in a solution of Silver currency.

How the currency systems of different countries

could be purged of their sins and made faithful, uniform and efficacious.

settles for us the constituents of sweet water with which our planet is periodically drenched. The object, therefore, of my proposal is to eradicate, as far as possible, the constant fluctuations which are caused by a wholesale and unreserved, and yet, in an important sense, partial or unequal, amalgam of the two metals, in the minutest or largest transactions daily transpiring between countries of opposite standards. The uncertain fluctuations between two metals of radically different values may be very largely obviated in the daily commerce of the world, by getting Silver to directly compete with Silver, and not with Gold, while giving effect to commercial transactions of exchanging countries.

The further object of my plan would be gradually to oust Gold as a more prominent or predominant currency of the world, mostly as competing with Silver, and bringing Gold currency in one country, face to face with the Gold currency of another, in so far that its new reserve limits would permit, and not at once, or directly, with the currency of an opposite and a very unconformable character.

The probability of Gold production falling off, and the increasing tendency to make use of Gold for purposes other than those of currency, must render my solution of the difficulty more acceptable to the world. The extreme value of Gold would eventually fit it more for sumptuous than any wholesale business purposes.

Any earnestness of the complaint against the present system of currency is attributable to the daily unreliable character of fluctuations in the relative values of Silver and Gold, alleged to cause loss and inconvenience in trade. And this uncertain contingency would not be obviated by setting up Bi-metallism again, but by the mere extension of a natural system of Silver currency, allied with a naturally limited system of Gold currency, wherever it could be secured, which must preserve that uniformity in standard value which is certainly desirable for all countries, and so far as it would be attainable under best conditions.

If raising Silver prices would indicate any practical object, a wholly unreserved recognition of Silver currency and a divestment of the present disadvantage which adheres to it in its undisguised rivalry with Gold currency, cannot but secure that object, while avoiding the present multiplied uncertainties existing between different metallic values on a given moment, as affecting the exchange of commodities every moment.

The scheme under explanation will always secure some resemblance of value measure which now already exists in all denominations of

weights and measures, to whatever country they belong. An uniform die for Silver currency, essentially and wholly Indian-Imperial, will have to be devised for India, should it not be practicable to have uniform coins for circulation in Great Britain as well as in all its colonies including India. In any case, however, the value of the Silver standard will have to be the same for the British Empire at large.

An unfettered Silver currency will undoubtedly secure a simple form of exchange between any two countries, especially if all countries agreed, which they ought to do, to eliminate every possible falsity from both their Gold and Silver coins. The real point of complaint on the part of merchants and traders will have been met, for the real value of the coins will have been regulated throughout both hemispheres, though the intrinsic value of Gold or Silver can never certainly be made stable.

Unanimity in adopting a truthful value of standard is more emergent than any unanimity tolerating dishonesty in nations giving currency to fictitious values.

If the coins are to be kept and continued over-valued, it is best that all nations should unite in coming to a conclusion as to how this may be uniformly done. Unless all nations agree to follow a prescribed course for all alike, with certain essential and individual reservations, it would always be condemnable for any nations to adopt fictitious values; for those who adopt the honest ones would prove a source of trouble and grievance, while the trade of countries dealing in dishonest coinage is also sure to suffer in the long run.

If, therefore, unanimity is unavoidable even when a wrong entamperment of coins is attempted, it would surely be infinitely better and wiser to have unanimity in adopting an honest standard, making allowance only for the local cost of precious metals. As honest men and honest governments, we should be more unanimous in doing what is integrally correct than what is inherently incorrect. Trade and commerce between different countries will move more freely and briskly by adopting an honest and uniform currency standard, which, if unfaithful and faulty, will keep nations apart from a close-fitting commercial comity.

When every country adopts a Silver currency, traders between Silver and Gold countries will be able to avoid all risks which are strictly not necessary in foreign or local transactions. No parties trading with Silver money need have anything to do with Gold currency unless they desired to have special contracts in Gold currency. But a correct standard in either Gold or Silver is not in itself obstructive in trade, especially when large transactions are carried on, on

Commanding facilities afforded by an easy and copious Silver currency which Gold cannot possibly be.

various credit systems. The present action of all currency, which does not possess its strict value, is so much hampered, that in a reformed currency based on honest value it matters little whether you have your transactions in Gold or Silver, especially when they are extensive and also based on a credit system. Currency in Gold is not indispensable for all countries, as India and many other countries have been perfectly happy without it for centuries! Only if Gold existed in sufficient quantities in any country, a gold standard may easily prevail to that extent. If Gold becomes scarce, no one will care for it, for there would be an ample quantity of Silver to meet the purposes of currency.

Secrecy of meetingpoints between the respective circulations of commodities and currency misunderstood.

Both the course of Gold and Silver currency would seem to be distinct from each other. It is demonstrable by statistics, which I have somewhat closely examined, that whether a Silver or Gold-using country trades with a Gold or Silver-using country, there is no radical injury done to trade. On the contrary, the trade between both styles of countries has always been increasing, and rightly so.

The Royal Commission does not seem to have grasped the secret of this apparently paradoxical state of affairs. Here it is. However constant the fluctuations between the relative values of the two metals, the tenor of all trade transactions is generally unaffected by them, unless when the sense of speculation or deficient comprehension creeps in; for all changes and developments in values of commodities are finally regulated by human desires working out their production and circulation, and eventually unifying their value with the values of Gold and Silver, which command exchangeability and circulation according to the pressures exercised on them, either of the metals never once losing its own special value, which, as a special value, does not, and will *never*, depreciate, as standing in relation to the special value of the other metal. For it is the absurdest supposition to entertain, that Silver suffers in value because Gold becomes more and more scarce. It is true that Silver may purchase less Gold to-morrow than it may do to-day. It is, however, not to be concluded that Silver, by its inability, so far becomes, in any degree, a less capable agent to perform its function as currency metal. If it does not purchase Gold to-day as much as it did yesterday, it might purchase double the amount of any other commodity in the same manner as Gold would do. As Silver, so would Gold, be unable to buy as much commodity to-morrow as it might to-day.

The values of commodities are constant in one sense, whether they

are put into the Silver or the Gold scale, while both these metals form their own respective values in proportion to the pressures they meet in circulation and amalgamation, and in proportion to continuous accessions lent to their volumes held in activity, semi-activity, or abeyance.

The prime mover of all currencies and all commodities is a distinct factor—a king-ruler of all these ; and that is all action emanating from collective human desires, industry, energy and genius, which first produce commodities for circulation and consumption according to the microscopic wishes and wants of the human masses.

Material for trade and commerce will exist in any country, whether it commands Silver, or Gold, or both. The primary question is not that trade would thrive less where there is little Gold or Silver, but what quota of either Silver or Gold will it take for its circulation, that quota, in large or small quantities, being everywhere present to aid the circulation and disposal of commodities on cash or credit system. It is therefore not the fluctuating values of the two metals which either directly injure or benefit any trade; for all countries have more or less prospered according to their respective capacities of sorts and in proportion to their mutual indentures for commodities. It should now appear how unreasonable it would be to tamper with the legitimate values of any of the currencies hoping thereby to serve the cause of trade and commerce.

The greatest mischief has already been done by several nations having maliciously, wittingly, negligently, or unavoidably coined public money based on fraudulent values, and having demonetised Silver. It is curious the Royal Commission should have omitted the consideration of several vital points of reform, or should not have been unanimous on them. One of these is the incalculable injury done to the world by retarding a full circulation of Silver by either locking it up, discouraging all demands for it, or putting it into a tampered or exaggerated form-value, so as to be looked upon with suspicion, locally and abroad. I do not know if the nations who have locked up Silver and Gold in various ways would only liberate them when moved by wars or famines.

It is better, I should think, that this may be done while human intelligence and wants are fast accumulating to put any amount of capital, in either form, into use. It is much better that some part of the reserves in Silver or Gold should be employed in reforming the debased currencies which are certainly a source of great tantalisation to their holders,

The king-mover and regulator of all commodities and currencies is the collective human desire and energy, neither commodities nor currency being the prime factor.

The central fact to which all the present pernicious misunderstandings and teachings are due.

Very easy terms ought to be offered for the use of capital by raising rates of contributions of profits so as to enable reserves to be filled in again from the fruits of capital so freely employed. A prejudiced tendency toward using Gold in the currency systems, and partly, or wholly, discarding Silver from a concurrent and a predominant currency, has curtailed a vast amount of the natural course of currency which needs to be fearlessly exposed, and both boldly acknowledged and remedied, if only to ascertain the exact position of the various currency metals, which seems to be the most advanced point requiring an unanimous settlement in the midst of the present agitation. Some of the revelations in this work may upset many minds, for, instead of the necessity for tampering with the value of Silver, and, therefore, also of Gold, being demonstrated, the very opposite facts and conclusions make themselves apparent, in that the use of Silver has been mischievously crippled, and the present series of elaborate and pernicious misunderstandings and teachings are due to this one central fact.

CHAPTER XIX.

THEORIES PROPOUNDED BY THE ROYAL COMMISSION AS REGARDS THE PHENOMENA OF PRICES AND GENERAL TRADE DEPRESSIONS.

THE Royal Commission and many other authorities believe that prices in India have remained the same as they were before, and that "the English manufacturer is consequently obliged either to take the same silver price as formerly, which means a greatly lowered gold price, or not to sell at all; and in either case he undergoes a loss which must be traced directly to the fall in the gold price of silver."

Gold and silver prices in Great Britain and India.

This is no advantage to Indian producers and consumers, who now-a-days require many more rupees for their use than in days past, when they did without imported European articles, which they have now to buy, paying a fair, if not quite an exorbitant, profit to foreign manufacturers or exporters. It matters little what amount of profit is made; it is certain Indians pay that profit and spend more silver than before in the interests of Europe, while they further have to spend many more rupees in India than before. The people of Great Britain have, therefore, no grievance against India in this respect, as due to a fall in the gold price of silver.

The controversialists seem to forget that, in the course of 30 or 40 years, prices in India, in almost every direction of life, have increased to double, treble, and four-fold rates. I would give the condition of things in the State which I have had the honor to serve indirectly and directly for 30 years past, which is more or less applicable to all parts of India. The statement given in the Appendices mentions many of the articles which are used by the largest majority of an Indian population, the prices given being those which prevailed 50 years ago as standing in contrast with the prices of the present times.

The articles described are mostly the ordinary necessaries of life for the generality of Hindus and others. The wages of both skilled and unskilled laborers have all increased, though the scale for the former is undoubtedly higher than that for the latter, because of the falling off in the number of skilled artisans as compared with the rate of increase in, and enhanced demands of, the population.*

* I would here beg to advise the different Governments in India to adopt a grant-in-aid system for all principal and genuine artisans, who would consent to establish classes on their own account and train up boys in their own crafts, no matter of

What do higher prices of Indian commodities point out, but that the silver currency is needed on a much larger scale?

When a man in 1842 would maintain himself for three or six rupees a month, he has now to spend as much as six or fifteen rupees a month; and this is the case with many millions in India. The prices generally in India have considerably risen in the course of 50 years past, and they are still rising. This is another proof of many more rupees being necessary to purchase almost every commodity in India, while the result is that the present currency in silver needs to be twice and four times larger than it now is, if the miseries of the masses are to be curtailed and works of public importance stimulated more variously and more extensively than now. We have by no means reached any normal level of prices in India, and have certainly not secured the maximum quantity of the currency which India so badly needs.

Price of commodities in India needs to be cheapened, or silver should be made more cheap.

The exports are thus already costly, and there is considerable room left for cheapening the commodities consumed in India. Their prices in Europe cannot be excessive owing to gold price of silver having fallen so much. Nor can it be true that India buys commodities from Europe chiefly because of the high price of gold in relation to silver.

Figures of exchange fluctuations give no clue to reasons for increase or decrease of the general trade, but afford contrary illustrations.

Setting aside the question of fluctuations in exchange, the increasing competition of commodities in all parts of the earth, their cheapened and more extensive production, their concentration in the parts of the world specifically needing them, directly influence the condition of all currencies which are drawn upon by commodities to the extent that every currency offers facilities. We cannot go back to the narrow spirit of past ages and prop up industries which will not stand in the face of modern competition; nor could we try to artificially raise the value of either gold or silver capital by putting on it a monopoly price. Such a remedy would be false, especially as one may gather, from the table of figures which I have worked up and attached to the end of the work, that both the course of export and import trades has generally worked independent of the exchange fluctuations, for, if you formed one conclusion on the strength of a certain exchange figure, a similar or any other near figure would give you, on another occasion, an altogether opposite conclusion. With a large fall, you have had a small trade as

what caste or profession they may be. Specific suggestions should be notified to artisans in towns, etc., and the different schools and universities should adopt a practical system of examination yearly or half-yearly to grant diplomas as basis for grants-in-aid. Special crafts may be specially encouraged. I make this suggestion *en passant* and in a thin outline only, so that it may be developed, and adopted in continuation of my work on "How to introduce National Technical Education into India," which, I am glad to observe, has received much authoritative attention. All such schemes would increase the use of money at the same time that it would also economise it.

also a large one. With a small fall, you either have had a trade larger in much greater proportions, or pointing at a figure which would give clue to no cause having any affinity with fluctuations ; and so on.

And yet the broad fact stands out that there is nothing but progress in the general trade as traversing over large periods. It is not reasonable to deduce inferences from limited operations or periods ; even if a certain year or a number of years imported much less treasure than before, the decrease will only last till a precedent surfeit has disappeared, or the causes producing sufficiency or disinclination have not ceased. If the exports in certain articles have suffered, there would either be a proportionate increase in the production of other articles, or some corresponding competitive articles must have told against our own exports. The concurrent volumes of commodities and currency are every year, and therefore every week, based on an antecedent state of things, as further influenced by new, or reverting, or modified set of influences spread over sections of the world perfectly independent of each other.

It is this more comprehensive grasp of commercial and currency questions which should influence all serious deliberations, no action being based on prejudices created by the increasing and indispensable competitive system of the world. The deliberations of the Commission are unconsciously based much more on a restricted view of things than such as would betoken that toleration which would be needed more and more day after day if all countries were to share alike in the fruits of peace and prosperity.

I can, however, agree with the conclusion of the Royal Commission, that it is a mistake to attribute fall in gold prices entirely to competition and increase of commodities and to less expense and greater facilities in producing them, for it must be remembered that it is the decreasing supply of gold, a continuously larger demand for it, and its ostracism from its auxiliary metal in currency, that almost every month the quota of gold to be obtained, in specie or on credit, is becoming less. But the Commission has failed to recommend, as a mitigation of this grave circumstance, that the foremost thing to be done by all gold-holders is to get sufficient silver coins minted on the general basis of its intrinsic value, and to take up silver in much larger quantities by adopting every possible method by which more silver could be imported into India than now.

I hope I have been able to show with increasing force of argument that the need of the world is for a far larger volume of silver currency,

But the broad fact of an onward march established in foreign commerce is indisputably established, and that is all what was needed for the time being.

No country, in adjusting its currency, should omit consideration of the fact, that the spirit of competition will always be towards increase.

Causes ascribed by Commission to fall in gold prices.

but not its restriction by enhancing its value and curtailing the coinage. Both an increasing want for commodities and capital and an increasing quantity of silver, needed for the same amount of commodity as was obtainable before—if we reflected upon the state of affairs a quarter or half a century ago—unquestionably demonstrate the present pressing need of all countries to be possessed of far larger quantities of silver currency besides the want felt by several countries for an increased gold currency.

The Commission states that it is not explained why gold prices did not fall in England in the previous period, (Part III, para. 10). They could not have fallen simply because the commodities produced were less; the want for them was less, and the precious metals were in comparative abundance within more limited regions and were not drawn into such universal circulation as now, the liberation of silver, as so closely subsidised by gold, not having been effected.

Theory of the Commission stereotyping the phenomena of prices of one period for the succeeding ones.

The Commission thinks that “if industrial progress of the last 15 years has produced this enormous fall of prices, we ought to anticipate a further fall of equal magnitude as a consequence of industrial progress of the next 15 years. Is this a conclusion which we can accept, and, if so, can we contemplate it with equanimity? * * * It is to monetary causes that the larger share of the fall must be ascribed, and a fall of prices from these causes is a serious evil.”

The argument of the Commission unfortunately cuts both ways. Had gold been much more plentiful, gold prices would, of course, have risen. But was there a possibility of the increasing competition and the increasing productiveness of other countries being stopped, because one country might have possessed more gold? Looking from the view of an economist, it cannot be denied that, whether for less silver or less gold, or more silver or more gold, in existence, local and foreign competition must continue to exist and to expand itself even under difficulties.

Theory of popularising gold currency of undue accumulations.

The Commission holds it to be wrong that people “should enjoy the benefit of wealth acquired, while the enterprising members of society must suffer.” We thus find England staggered with enormous quantities of gold which is not able to find a quick and extensive circulation. The best remedy would be to let every country have cheaper and more abundant silver and find a large employment for gold in buying up larger quantities of silver. Gold will thus be brought into a larger area of distribution, for, as soon as the active

diffusion takes place and the consequent reversing concentration on different basis, while the silver streams flow more copiously, the world will find a renewed and larger demand for gold for currency, and also for purposes of ornament and hoarding. Countries situated like Great Britain must come back to simpler styles, give currency to a large measure of honest silver coin and employ its more popularised—not congested as now observed—currency in producing the humble articles which she consumes by importing these of crores of rupees' value.

The Commission urges that the fall of prices have affected all classes of the population, and that "any measure which will re-establish the comparative stability of the standard of value, such as it was before the recent divergence in the relative value of the precious metals," is well called for. I do not believe in this dictum. A grown-up person might as well yearn for a return of the happy days of his babydom and childhood. A kindred idea in currency matters maintained by certain authorities concerned have worked great mischief, in that countries not having a clear idea of their position and responsibilities have been warned off the true path. The days of a stable ratio have gone for ever and cannot possibly return. Every currency must have its own evolution, have its own natural basis, and should work out its own destiny. Let serpents not be disturbed; they will disappear of themselves. Any unnatural entamperment of currency is like disturbing a brood of serpents, only resulting in harm.

As compared to Government servants in England who receive fixed gold salaries, the Commission thinks that those who serve in India suffer a loss of one-third on the sums they send home. The latter are not without our fullest amount of sympathies. Their case should be brought up more clearly in reference to items of expenditure which may have lessened in some instances and increased in others. In estimating their loss, the incident of servants in England drawing less pay than those who elect to come out in India will have to be considered. The state of commonwealth in India will not permit of any large reductions in the numbers of European administrators and officials, whose claims for a requital of the loss borne by them will undoubtedly have to be fully met when established by evidence.

That "Indian producers are losers owing to variations in the prices of the metals" is simply chimerical, because it is not the fluctuating exchange, but the competitive demand and supply for particular com-

Dictum of the Commission *in re* a stable ratio, as of old, is like yearning for a return of childhood.

A primâ facie case is made out for compensatory increase in salaries of European officials by some direct remedy, but not by tampering with the legitimate values of silver and gold coins.

The theory of Commission as to the cause of trade depressions in England.

modities as affecting all countries concerned which fix the prices. A similar view may be held for Indian importers.

It has been pointed out by the Royal Commission that even the decline of the trade of Great Britain, the enormous loss borne by the wage-earning classes, as also the falling-off of the income-tax returns, are, in a large measure, due to the currency changes which have taken place in the years immediately preceding and following 1873, (Part III, paras. 19 to 28). The liberation of silver from Europe and its spread in the Eastern countries is more an accident than a direct cause of the trade depression in England. It cannot be denied that some use would have been found for the enormous quantity of silver when set loose by any country, and that the surplus wealth of the world would certainly be absorbed by those countries which would be in a position to be suppliers of those who had parted with so much of their wealth.

If exchange fluctuations are deemed an evil, the liberation of silver on the basis of a fixed ratio would have proved a far greater evil.

Will it be admitted for a moment, however, that even if Europe had succeeded in transferring its spare silver on the condition that a fixed ratio of exchange would have had to be enforced, that the gold countries would have improved their position or effectually deterred silver countries from sending their commodities to them? The old-world state of things having disappeared so largely, and commercial intercourse having progressed by leaps and bounds, any ratio that was artificially fixed would not only have become inoperative, but a four-fold distress would have visited all countries alike by legislative restrictions in international currencies.

If the present fluctuations as based on natural values are alleged to give so much trouble and cause so much loss, what should have been the state of things when transactions had been further complicated by conflicts between stereotyped standards and the natural cause of values of the precious metals? In one case the fluctuations are clearly known by causes which are pretty evident. As, however, these fluctuations have been objected to, such objections must indeed be only magnified when to the natural fluctuation is added a continuous tendency to falsify the fixed ratio by the operation of natural causes affecting the production and circulation of the precious metals. The surplus silver would not, in the first place, have found a ready circulation with bi-metallic fetters imposed on it, while so far the trade progress of the world must have been impeded.

The world should be unqualifyingly

I fear the prejudice against nations agreeing to have unfettered gold and silver coinage, as assayed in the inherent values of precious metals,

has almost proved undying ; for not merely the Commission, but all subsequent authorities, have all along believed in the old-world theory of bi-metallism, which had already retarded the commerce of the world. Not unless that theory is completely exploded in every country, that any essential reform in the world's currency would be possible at all. It is the fall in gold prices which the Commission has demonstrated as being a very evil thing that should be counteracted even by protective duties ! And the fall in gold prices must really mean that not only gold is found inadequate for the increasing use of the world, but silver too is not found in that abundance which would mitigate the present distress of the common masses throughout the world.

disabused of the need of bi-metallism, which has only prolonged uncertainties and retarded the progress of currency reforms and the unity of all nations on the same account.

In India itself, the common people are unable in the present times to save as much as they used to do half a century ago, simply because they have now to spend four or five times more in maintaining themselves ; and, though no restrictions have been placed on the production of the rupee, the present quantity of rupees in India is found to be much less than the needs of the country demand. It is, therefore, that silver currency cannot possibly be made scarcer, but on the contrary should be immensely increased.

But the Commission has not been able to alight upon any such solution, and the essence of its recommendation would only involve a confusion and obstruction in the present natural flow of the trade and the depriving of many millions of a natural and facile course of currency.

CHAPTER XX.

THEORIES OF RELIANCE OF THE ROYAL COMMISSION ON THE IMMUTABILITY OF THE MONO-GOLD AND BI-METALLIC STANDARDS.

Elementary conceptions as regards the legitimate effects of countries holding wealth in an extremely concentrated essence and of countries claiming only to hold a weak solution thereof.

"It is upon the foreign and internal trade of the United Kingdom, and the industrial condition of the country generally, that we think the recent currency changes have produced the most injurious results"; whereas, as regards India, the Royal Commission maintains that it has only benefited owing to the divergence between the value of gold and silver. It would seem paradoxical at first sight that the richest country in the world should complain of depression in trade and admit its being nonplussed by silver-using countries! None of the present economists seem to have cared to lay down the significant fact, that excess of wealth of a highly concentrated value proves as unwholesome to the country possessing it as a serious deficiency of a cheap and facile coinage, which India yet possesses deficiently as being a certain number of stages behind the possession of a gold currency.

I differ so far, therefore, from the Royal Commission, that I do not think the evil pointed out by it is either wanton or avoidable, such as would fall for correction under legislative action. A continuous use of gold money for more than a century past having led to a rise in cost all round, any popular currency left for an unrestricted course of trade has proved so far deficient that the cause of spontaneous and cheap, yet essential, productions has considerably suffered.

The foreign use of capital in gold has also led to many miseries at home, particularly on account of the absence of the largest portion of the auxiliary silver currency which has ceased for many decades past.

The distress in Great Britain is also partly due to other countries copying its mono-metallic system.

The distress in the gold currency of Great Britain is equally due to the conversion of so many bi-metallic into gold mono-metallic countries. It is undeniable that, especially in the course of a quarter of a century, the volume of a currency in every country has enormously increased. The increase in gold currency has been partly supplied by annual productions, partly by the credit and security systems, and partly by gold hoarded in divers shapes having been drawn out.

Trade depressions have been aggravated by a suspension of silver coinage and

In proportion that the volume of gold currency has been increasing from year to year for many years past, which statistics amply prove, the currency in silver has, of course, fallen back in gold-using countries, in a seriously disproportionate manner, mainly because of the grave

steps taken in largely curtailing the regular annual coinage. One of the many points which have missed the acumen of the Royal Commission relates to this fact, which gains in gravity when it is considered that the silver coins of many of the gold-using countries have been based on old standards when the gold value of silver was higher than at present, and that all such coins therefore have been so much depressed that they cannot command that extensive currency which Eastern countries can afford; even their domestic use cannot but be restricted and qualified since their bullion value has been steadily declining. The countries which hold a limited currency are sufferers in other ways, since either silver or gold bullion cannot be purchased in certain directions without the instrumentality of coins of depressed value, which must considerably retard these desirable sales.

by the antiquated silver standard being the opposite of a legitimate and facile currency.

I believe both gold and silver coins of old countries would have formed a large amount of currency in silver countries had their intrinsic value stood equally with that of silver coins of Eastern countries.

The remarkable absence of European coins from the latter countries is in itself a grave reflection against the currency of many of the European countries. The circumstance clearly indicates that, owing to the tampered value of European coins, they cannot well exchange with Eastern coins, which, value for value, are superior to the former. The illegitimate and antiquated style of currency prevalent in England and Europe has directly obstructed the circulation of the Eastern currency on the Continent. Once the principle which I have indicated is perceived, that no currency of any civilised nation should be so deformed, or in any way be expressly unworthy of credit that it could not find circulation among other civilised nations, succeeding generations will undoubtedly wonder how the different parts of the world could have got on without an international system of currency worthy of the acceptance of all. The modern habit of every country drawing upon another for any convenience or help it could seek from it, is an all-potent principle for the establishment of a currency which I have endeavoured to foreshadow in this work.

The absence of European coins from Eastern countries is a slur against the system of European currency, which therefore first of all needs an imperative reform.

To the depreciated value and entire inadequacy of English coins must be ascribed the wholesale fall in gold prices, while the retail prices have scarcely kept up with that fall and the cost of production has not decreased as greatly deplored by the Commission, (Part III, para. 21). One subtle cause of this has evaded the notice of the Commission, and that is what I have just explained: the unreal basis of

The subtle cause of the present condition of wholesale and retail prices.

the silver and gold standard which lacks the feature of a facile currency.

The natural limits of income-tax profits in Great Britain may once for all be found approximately decided upon.

It is curious how some authorities expect a continuous increase, and an uniform increase, in the income-tax profits of Great Britain. They were 56 per cent. previous to 1870, but hardly 15 per cent. a few years later. There is something, it must be understood, like a limit to the gold prosperity of a country. And I fear that, unless very large economic revolutions take place in England, the income-tax returns are not likely to exhibit any more prosperous results than they now do, *i.e.*, if people in England are prepared to admit that every epoch, and all successive epochs, should generally result in a more and more increase of income-tax profits, that even for prosperity there is no such thing in the world as natural limitations which must be reached in due time! Many authorities must have caused some bewilderment to modest computators and economists, when a volume of trade or rate of profits of certain periods when most favorable, have been taken to mean that that highly favorable volume or rate should necessarily continue from epoch to epoch; otherwise the state of things would betoken a sad and preventible decline. Many followers of the Hon'ble Mr. Mackay, and even the Royal Commission, seem to have been quite unconsciously led away by this singular, but subtle, economic error.

A predominant gold currency results in prosperity as well as penury.

The English nation, it seems to me, has now to buy large quantities of silver and enlarge its currency, and so rectify its value that it may reach the hands of the millions who are now half-starved and deprived of a livelihood, chiefly because they could not grow their own food cheaply and have to buy costly and indifferent articles from foreign countries. The gold congestion which I have fully explained in previous chapters has had its own narrow paths cut out, while much of the healthy currency-bearing region is so far deserted, that as one part of the shield denotes a dismal plenty, the other part represents nothing better than penury.

Increasing poverty of the poorer classes in Great Britain, and decline of general trade.

It is desirable to look more closely into the widespread mischiefs caused by the continuous depreciation of the gold currency in England, by which its volume has steadily contracted to the detriment of the helpless classes of the population. While before 1875 the average number not able to find work was a little over 2,000 and the trades' unions had consequently to spend about £45,000 for their maintenance, the number unemployed in recent years for no fault of theirs increased in a few years to about a lakh and fifty thousand; the cost of maintenance entailed in consequence and met by the trades' unions

amounted nearly to £200,000 per annum. But these figures do not represent deficient wages and numbers holding temporary employments only.

It must now be clear that gold currency has only had a limited region to operate upon; and a more unsympathetic and feeble currency, as far as the masses are concerned, cannot possibly be conceived. That gold currency, which has hitherto reached the congestive point, represents a noxious disease in the currency system. To employ an expressive metaphor, it must be dissolved and largely diluted with solution of silver; and both blood and milk will, side by side, be generated in the currency body for the replenishment of land, etc. The capacity for trade per head has also remarkably decreased in course of the present decade, for, when formerly it was over £21 per head, it is now less than £15.

As I do not believe in the propriety of fixing false relative values for silver and gold, so I would not encourage the institution of protective duties to send up prices. Both are abnormal institutions. It is better to go by the right way to mend matters. If you find that you lose in your export trade, the better course would be to emulate the cheap producing countries and stimulate your wealth by rendering the imports of indispensable articles gradually impossible by a cheaper production of them in your own country. Protective tariffs mean adopting the suicidal step of bleeding the commercial body to get rid of some of its lurking diseases without taking any direct, and therefore effectual, step to cure them.

Protective duties in civilized countries are as suicidal as deranging the values of gold and silver.

Having already explained that the factor relied upon as relating to the generations now past cannot stand true for all times, and such changing times as the present, I must yet pause and ask, how can the supposition, that the legally fixed ratio must have been practically observed by some nations be reconciled with the present circumstances when demands on both metals have infinitely and universally increased since the early and middle parts of the present century? Not only the various uses of the two metals have been infinitely enlarged, but their uses are now being keenly comprehended by the ignorant, in fact as much as by the well-informed. How could any bi-metallism then flourish in the present times when practical and unavoidable fluctuations are so uncertain and so great? The currency currents are now too far advanced like the flood torrents of a river to be kept confined within certain limits.

Modern progress of currency life radically differs from the spirit which produced the antiquated bi-metallie, or mono-metallie systems.

Dictum of the Commission that when Government counterfeits the value of precious metals, the interests of all parties will be not to ignore the legislative fiction, but to blindly adopt it.

The ratio value may be fixed either for practical observance or practical ignorance. If it cannot be practically enforced, there is no earthly use in fixing any ratio. If it can be enforced, then the practical results which are likely to follow I have already explained in previous chapters. The false silver coins will not exchange for any legitimate quantity of commodities; but the ratio value will mostly be set up to produce rival conflicts between gold and silver. Beyond the injustice sure to be done to the many millions holding both metals in bullion, those who have many rupees to spare will do little more than buy up every gold coin available. I therefore entirely disagree from the conclusion of the Royal Commission, (*Vide* p. 103, para. 31 *c*), that "the option conceded to debtors under the bi-metallic system " could rarely have any practical effect, inasmuch as, if that system " were established and maintained in its integrity, there would be no " appreciable inducement to select one metal rather than the other." I cannot understand how the Commission can conclude so in face of the extreme probability of an increasing fall in the value of silver and the equally great possibility of an increase in the value of gold.

Effect of falsified silver and gold coins on the value of commodities.

Even admitting that the gold price of rupees rose under the fixed ratio value, how can a rupee so fettered trade with other silver-using countries which deal only with its natural value? How can such a rupee ever bring a gold coin of increasing value, though its value, even in the first instance, may be sought to be forcibly lowered. I doubt if a humbug 1s. 6d., or 1s. 3d. rupee would fetch more of any article than it now does; the value of commodities will not be affected one whit by raising the value of the rupee unless it rose by its own natural fulcrum. If it cannot buy more of commodities, it cannot certainly buy more of gold. Any act of a Government which seeks to fix the value of a silver rupee, or of a gold sovereign, would be tantamount to an intolerable tyranny, and would barely differ from an effort to fix the prices of commodities. Even all Indian Nirukhs framed by authority are ever changing, and are even then more often disregarded than obeyed.

The theory of "appreciable inducement" is convertible into a strong inducement to make a rush on gold: whereas the

Instead of there being no "appreciable inducement," there will be every strong inducement to select gold, and not silver, in any of the larger transactions. One of the worst of all mischiefs would be a great rush of all silver-holders in all parts of the world to sweep in the lowered gold coins and melt them, strongly influenced by the hope that silver would inevitably fall, and the value of gold would as cer-

tainly rise. Instead of letting gold coins be confounded with the counterfeit silver coins, the former, if available, would be bought up by the aid of silver bullion, or any silver coins which have not been tampered with ; whereas, if a fixed ratio practically lowered the value of gold, all the holders of that enormous value would be simply ruined. If gold-holders found it most suspicious, aye injurious, as their gold depreciated, not because its stock had naturally increased, or because some unexpected chemical change had rendered it spurious, but because a fiat went forth, it must be equally expected that holders of silver would also find their stock ruinously depreciated if the last strain were at all permitted to appear.

a l t e r n a t i v e
would be ruin
of the most
powerful cur-
rency system.

Among the many significant points which a Committee of experts may be able to solve finally would be one relating to the possibility of a practical perversion of a legally fixed ratio, by contracting parties having their transactions, not on the spurious value of silver, as gauged by gold, but on its natural value. The compensation thus afforded to the real value of gold by the observance of agiotage, and other commercial manœuvres, would at once defeat the practicability of the old-world legislation that can hardly be adopted in modern times. The commercial evolutions of only the last quarter of a century and the great universal spirit which is now fast growing in every nook and corner of the globe render such a legislation at once semi-illiterate and ridiculous.

Should we have the misfortune to find, after this popular exposition of the intricacies of this one of the most obscure questions of the day, that advocates were still left upholding the bi-metallism or the mono-gold-standard theory, there would be no other conclusion to form but that the world will always contain advocates of retrogressive policies in the administration of human affairs, which should only be more efficaciously demonstrated in the broad interests of mankind.

Advocacy of
retrogressive
policies.

No one has, however, made sure that what is alleged as a legally fixed ratio had any extended, effective, or even uniform cognisance, or whether the lethargic, confined, and unstrained commercial relations and general ignorance of the past times helped toward its observance, perfect or imperfect, which has not been demonstrated at all. This much is certain that silver currency was restricted, and that gold was employed much too largely, whereas the copiousness of the silver currency of the present days was far too wanting. The circulation of both metals is now becoming too active and too widespread to admit

Operation
of the legally
fixed ratio of
old enveloped
in the mist of
old days.

of the very thought, that the circulation could be rendered dead at a certain point to be more or less fixed for ever.

To gratuitously injure any currency standard will not affect a free use of the precious metals.

The opinion of the Commission that nations could be disabused of their habit of using gold instead of silver by fixing the ratio value can hardly stand the test of facts and experience. The demand for gold being always much larger in most of the countries of the world than the supplies forthcoming from time to time, it is likely to be drawn away by foreign countries, supposing it met with an artificial lowering of its value. The world will constantly demand the metal for various uses, no matter what laws were in force; and the purchase of gold or any other precious metal would simply be impracticable if the standard of purchase be gratuitously injured.

I am unaware of an inheritance by the present generation of any laws of historic, pre-historic, or pre-pre-historic period, which would warrant such basement of a currency as to render the value of it stable by one unvarying gauge, for the simple reason that nothing in this or other planets is known to be so stable.

Theory of the Commission that no inducement will be left under a stable ratio for hoarding up gold; whereas the very opposite would be the result in practice.

“That all inducement to accumulate gold would cease with a return to a stable ratio of value” will, I fear, prove mere moonshine. It stands to reason that the more the value of gold rises—which will be much more than now when silver is made scarcer—the more will there be a hoarding of gold when the bullion value of silver continues lowering, and that of gold continues steadily rising. As both the metals are universally chosen as symbols of wealth and decoration, their use as such is as potent as its use for currency; and it is the intrinsic value which will always command the inclinations of all people, and not the fictitious value imparted to it by legislation. Whether as bullion or coin, both the metals will seek a market where they would be most appreciated, not where their intrinsic value would be tampered with. It is necessary to maintain this explicitly, as statements of the sort above quoted are authoritatively adhered to, and must prevent all possible solution of the currency troubles. It is unpleasant to me to have to admit this, because of my sincere conviction that the extraordinary labors of the Royal Commission and the value of their investigations, close reasonings, and deductions, with those of Sir Louis Mallet and Sir David Barbour, deserve the highest respect and praise of the Crown as well as of the nations at large.

Intrinsic contracts would always

To my mind there is no doubt, though the Commission seems to have, (page 103, para. 31), that the public would repudiate enter-

taining any contracts in which fictitious values would be involved, and that the general tendency would be to appraise the metals for their legitimate value what States would endeavour to upset : all real, unavoidable hindrances, as they appeared under a legal ratio, would be towards injuring the trade of the countries involved and inflicting wanton hardships upon various communities ; whereas the example that would thus be set by us would belie the future course of currency reforms, and only the more complicate it.

be based on practical values of the precious metals and not on any nominal ones.

CHAPTER XXI.

OPERATIVE FEATURES OF THE OLD-WORLD BI-METALLISM.

Investigations into the merits and demerits of Bi-metallism have not been exhaustively made.

AN extension of the Bi-metallic system to all countries, inclusive of the United Kingdom, need not cause any "serious apprehension"—which is the opinion given by the Royal Commission, (Part III, para. 31.)

A *prima facie* consideration may admit the desirableness of having the currency standards based on a fixed ratio of value as between silver and gold. Such a *prima facie* conclusion cannot, however, stand a real test, *per se*. However lucid and exhaustive the Report, the question of the practicability of an universal bi-metallic standard, with legal fetters, has not been fully threshed out.

My own leisure and resources are too limited just now to undertake an investigation of its real character, though I have endeavoured to the utmost to simplify a lucid consideration of this most tangled problem. When an attendant upon one of the most mysterious fable gods was asked by an adventurer if he could be allowed to count his faces, arms, and feet, he was told that he could easily number them if he could estimate the number of years required to finish the desired calculation. The position of the illustrious members of the Commission and of the able Finance Minister of India seems to me equally enviable, considering the most elaborate and numberless points which they have had to investigate in reference to the question of currency standards.

I shall, however, proceed further with matters which have not been yet touched, and which I have partly tried to do in the foregoing chapters.

If the Bi-metallic standard were the salvation of the world, as has been put by so many authorities, why was it given up by the nations who once bound themselves to observe it? Many questions like this have been left unanswered in that broad spirit which would hunt out the truth.

Countries which found gold adequate discarded silver to obviate multiplied fluctuations.

The countries which first attracted very large portions of metallic wealth having possessed themselves of enormous quantities of gold, having perceived that the influence of their gold currency completely overshadowed the silver currency, and having deemed it apparently desirable to let gold have a predominance in the currency, owing to its sufficiency, and the chance it gave to minimise the opportunities of lessening those practical and multiplied fluctuations which the

rivalry with silver were sure to perpetuate, while its quantity in currency continued to increase year by year, the interest of the countries enriched with gold consisted in discarding silver from all increasing volumes of currency.

It is true that every country which became gold mono-metallic did not altogether destroy its existing silver currency; indeed, some continued to add to it in a slightly appreciable degree. The preponderance of gold currency has, however, afforded an ample shelter to the very limited silver currency, and in the increasing appreciation of gold the fixity of silver standard and its depreciating tendencies have been well covered by the potentiality of gold.

The expert Committee of Lord Kimberley, the Secretary of State for India, which the Government of Lord Lansdowne has so un-animously supported, may well ascertain—

(A) To what extent have the gold currencies of different countries interchanged with each other;

- I. As in relation to the quantity of silver currency;
- II. As in relation to interchange of commodities only, without the aid of any of the metallic currencies, and in what nominal proportions of both as affecting commodities;
- III. As in relation only to the respective credit, etc., systems.

Having ascertained the share of each country with others in an interchange of silver and gold coins—the interchange, or a mutual bartering of commodities, being a distinct factor which may merge in the gold or silver currency currents in separate proportions, though nominally,—the Committee will next have to decide—

(B) How far each country has, or has not, sacrificed the integral value of its gold or silver coins in exchanging with those of others;

- 1. As in relation to any subtle cause which may have helped to undo all sacrifices;
- 2. As in relation to what compensatory circumstances may have been due to a satisfactory course of mutual trade as far as these circumstances may have existed.

The sources of toleration of exchange of coins of unequal values and of coins of both metals having been ascertained, the Committee will further have to investigate the character of that portion of the trade of the same countries which they have held with countries of radically different currencies—

(a) With a view to find out how far the character of com-

How the secondary silver currency surrendered to the potentiality of gold.

Points for the consideration of Lord Kimberley's Committee.

Proportions of interchange of gold and silver coins and commodities.

Basis of sacrifices in an interchange of currency coins and commodities of uniform currencies.

modities, and what commodities exchanged, supplied deficiencies in the intrinsic values of the currencies, so that the commerce with the countries having no similitude of currencies was encouraged, thus far, in preference to commerce with neighbouring countries having more or less a homogeneous principle of currency.

The scope and effects of currencies upon each other.

The scope and effects of various currencies, etc., in relation to the circulation of foreign commodities, both between gold and silver-using countries, being thus known, the next desirable thing to know would be the scope and effects of various currencies in local and other spheres—

(a) In relation to the extent to which silver coins actually exchanged with gold coins in domestic transactions of gold mono-metallic countries;

(b) To the extent that both currencies have had any effect on credit, etc., systems;

(c) In what proportions and character of transactions, gold coins refused to exchange with silver, or the loss of exchange in precious metals, when unequalled in intrinsic values, has been tolerated;

(d) The basement of the credit, etc., systems borne in what proportions of gold and silver kept in reserves, and in what proportions on the credit of the State and Banking, etc., institutions;

(e) The nature of the share and relations borne by currencies as well as Export and Import commodities of the countries of past Bimetallic Union, or of latter-day currency affinities in the additions made in the silver and gold specie of each country;

(f) To what extent overvalued currencies have prevented a free use of specie by the people in pursuance of their various needs, to the extent that such currencies may have ministered to the exchange of commodities, other than silver or gold;

(g) To what extent the more favorably situated currencies of non-adjusted countries, supported also by cheap means of production, have disabled the currency-union countries from producing or enhancing the commodities which, under an unfavourable development of currency strength, they may have received from foreign countries.

(h) The receptivity of each country in making accessions to its currency and its hoards in various forms, and in what proportions of the precious metals.

An acquaintance with the results of the inquiries above formulated, and more that may be conceived, can alone enable the Government to comprehend the actual position of the currencies of the affected countries. That knowledge will make clear how the Bimetallic bond was broken up, and what had been the actual extent of its working when in existence. Whether that compact actually never did affect gold by any super-weight of silver brought to bear upon it. Whether the silver currency was not rendered so far weak that gold had the virtual predominance, gilding the little silver with the overpowering halo thrown over it by gold. If silver has had no fair trial; since the diminutive value in which it appeared as in comparison with the overwhelming value of gold, there has been no fair trial whatsoever, and silver was simply tacked on to gold as a very insignificant appanage, which, for any object of existence, it may as well have not been there.

The question has to be decided if the old Bimetallism ever comprehended a fair treatment of silver.

Taking the silver coins as being conventional, as they are taken to be, it is evident that, for large purposes of commerce, they are almost useless, and form an extremely feeble currency for very tiny purposes. But for the prime gold currency it would be nowhere. One of the best proofs that they are not the valuable tokens which they should be—and it looks rather monstrous that any currency of unreal worth, which cannot recover its own value, should be forced to stand as an equal with any commodity of an integral and larger value—appears from the fact that none of the European coins are current in the East.

The impotency of the conventional silver coins indicate a fatal flaw in the old-world Bimetallism.

No country seems to have adopted them either for currency, hoarding, or ornamental purposes, while the silver coins of one Eastern country have occupied a more recognised position in another Eastern country, owing to the better integrity of their value.

Had the silver currency of Great Britain not been in a moribund condition, which its gold currency is alone able to support in a conventional sense, I cannot imagine why silver coins should not have crossed the seas and deluged us side by side with our own rupees.

Is this the sort of Bimetallism which is sought to be reimposed on the world? It does not seem to have ever been fit for living—even if it lived as a relic of dark ages. It seems much less fit to be revived.

Bimetallism is perniciously retrogressive for the present spirit of the age.

What is the use, again, of a gold currency, which will not move freely, and for a useful occupation of which there should be constant anxieties? When both currencies will not circulate quickly and widely, it must be understood that such a system is laded with serious

disease requiring a remedy; bimetallism, and the obstinate traces of it now left, seem to me to be the grave disease to which universal attention should now be drawn.

The system of bimetallism having been conceived in the semi-dark spirit of old, the coins tied up with a hard and fast ratio have never been able to cross the seas. We have, therefore, every year drawn silver and gold bullion to an enormous extent, the practical spirit running after practical values.

The dualistic currency comes therefore as a rightful relief. In the presence of over-valued silver coins, the same currency cannot be amplified, because silver has been made to assume false gold value, which cannot admit of a facile and universal currency. The gold currency has therefore stayed off from taking in silver, which becomes cheaper almost every month. Is it not reasonable, then, that, if silver is falsely made to hold more gold, that the more honest course of getting gold to hold more silver, which is its due, should at once be adopted? So that the gold-congestion may be broken up, and the gold currency may be widely diffused in a liquified form, which is the only practical form of a workable capital which can be sent anywhere for being worked for the increasing progress and welfare of the world.

CHAPTER XXII.

THEORY OF BIMETALLISM CONTRASTED WITH THE AUTHOR'S
THEORY OF A FREE DUALISTIC CURRENCY.

THE Royal Commission has admitted, that the objection taken against Bi-metallism on the ground, that it would set up an unwarrantable interference with the existing rights of creditors and debtors "calls for the most serious consideration, and its importance cannot be underrated." When a Government has a right to impose upon its people a legal standard of value, "it is clearly its duty to provide as far as possible, that such standard shall not be wanting in its most essential attribute; viz., that of the greatest attainable stability." The other views of the Commission may be thus compressed,—the monetary policy of other countries has injured the standard of value in England as well as in India. If Government did this by a change in the standard, and injured existing interests and contracts, it cannot abstain from action and injure the interests of debtors, and let future contracts be affected.

Theory of the Commission as regards creditors and debtors' interests being guarded by legislation on currency.

It strikes me forcibly, that whatever the action of Governments in the past, the people have reconciled themselves to all changes, and that if the Indian Government has been suffering, it has been suffering from want of a masterly action on the part of its people, who are inexpressibly weak in the matter under comment, whereas the Government itself has not yet exhaustively dealt with the matter.

The World has reconciled itself with the changes brought about by the Bimetallic rupture and does not again require the *samenstrum*.

The displacement of silver in Europe has proved beneficial both to East and West. The contraction of gold influences has also proved wholesome, in a certain sense, because it has given that power to civilised countries which they have exerted in the interests of the East. The natural limits of these influences are now being clearly marked; and it would be unreasonable for any of us to ignore them. The waves of material activity and prosperity are now so rapidly spreading over the world, that a change in metallic standards is naturally called for.

The question is whether the change should be on the old basis of Bimetallism, or on a renovated basis. I am humbly of opinion that no Government has any right to dictate the respective values of currency metals, even according to the current ratio, because the

ratio is, and will always be, changing. I am further of opinion that no Government has any other right, but to coin either gold or silver money according to the demands of the people and their administration.

The strange theory that the relations of creditors and debtors can ever be equitably improved under the Bimetallic system, whether reversed or repeated.

I entirely dissent from the Commission, that any Government has a right to look into the relations of creditors and debtors, either for bettering those relations, or making them worse. The matter cannot possibly be viewed from this stand-point—'Well, as Government has done some mischief by changing the standard, it has also the power of averting that mischief by another change in the standard', (Part III., para 31, vii). Nothing of the kind can possibly be done. If Government has done one wrong, it cannot take any action on parallel lines, for it cannot directly amend that wrong, but it will only intensify it, especially as the line of Government intervention has been antecedently wrong, which natural operations alone have rectified. If the theory of Bimetallism was actually experienced as being right and sound, it could never certainly have been abandoned. Its perniciousness was, indeed, felt to a limited extent according to the wants and enlightenment of that period; and it was willingly abandoned, though leaving some mischievous traces behind, in that a lot of semi-fictitious coins have been left behind without any redeeming feature of a free-moving currency. It cannot, therefore, be thought of again with any profound sense of statesmanship, or of that spirit of progress which the world demands. If rank serpent poison has once done harm to a healthy system, the same rank poison cannot be applied over again.

The question of relations between creditors and debtors can only stand singly, and not connectively; when they stand singly, they appertain to the action of Civil Courts, and not to an artificial intervention with the value or volume of currencies.

As to the question of existing and future contracts being vindicated by a change in the standard, it is again more a legitimate matter for Civil Courts than for a reform in currency laws. The commercial transactions of the people are, each and all, based on individual peculiarities and the idiosyncracies of the moment, irrespective of the character of the currency. It is beyond the power of any Government to give effect to any equity in individual transactions and to any ideallic fairness of such transactions, such matters being self-adjustable on circumstances decided upon by individuals for the moment, and practically assumed by themselves for the future.

Any wholesale change in currency laws, of a forced character,

instead of doing good, must subvert the well-understood spirit of all transactions. Neither a gain is righteous, under such a change, nor a loss, both being the source of an immoral subversion of things.

It would of course be out of question to resort to the ratio which prevailed before 1873, for that would involve a monstrous injustice. The cognizance of a ratio, as based on the present market value, being unfair in a somewhat less degree, for the inherent values of metals are influenced by certain realities, no consequence of a transaction based on the strength of an unchangeable legislative ratio, can be pronounced equitable.

If once the subtle and voluntary principle, which influenced the Bimetallic countries to become Mono-metallists, in a large measure, is understood, as involved in the facts that both currency metals are a potent factor in the hands of any country to the extent that it possesses it; that it is best exercised by the country holding it; that no country can annihilate it even if it discarded it; and that howsoever the factor may be cast out that its influence would be felt in other quarters, no country will find reasons to feel aggrieved.

Had the countries, which forsook silver, tolerated it, they would certainly not have attempted the bi-metallic rupture. When unanimity among all nations has not come to pass, nor matured itself for observance, where was the possibility of even arriving at the solution which has been attempted in this work? When there was no common understanding as to a confluential use of the metals, what were the countries which were filled with gold and silver to do with them? They must get rid of one of them, and that of a cheap and ponderous character. That they could not altogether do without silver, that gold singly would not meet the whole purpose of currency, have been testified to by the fact that some portion of silver was actually retained in the currency, and given a par value in gold. If silver was retained, it was on the condition that it assimilated with the gold currency, though foreign countries have generally discredited silver coins of nominal value.

The statement of the Commission, therefore, that Legislation must adopt a reverse action, seem altogether untenable; it is not another tampering with coins which has to be resorted to, to efface any existing effects of the former entamperment, but it is simply the question of an unqualified liberation of both metals that now confronts the whole world. A grave international step of this order has now become unavoidable. If, after this sustained elucidation, it is avoided by any

Reversion to
Bimetallic
is no logical
sequence of
the healthful
action of
Mono-metallic
nations in
transferring
their surplus
wealth to
others which
badly need
it.

make-shifts, the necessity of an universal deliberation and a just and natural dualism of currency will, in near future, return again and again with increased force, till every nation would anxiously coin as much silver and as much gold as it can get, letting them indicate their inherent values as based on the market value of the metals themselves.

While a clear ground for grievance is given by stereotyping the value of currency metals, no grievance is caused by a full movement of the currencies themselves. Whatever change that a free movement effects, it does not constitute an offence against the dealings of society, for it has relations with circumstances over which no one has any control. It is always observed that people contentedly bear what befall them in a natural state of things, but revolt against any evil which is caused by human action.

No one holding gold coins will suffer to part with them when their value is raised in relation to the fixed silver standard; while all would be anxious to convert them into bullion as soon as their value ran high. No one will similarly part with silver rupees for a less value than that fixed by legislation; whereas no one will accept silver rupees unless they were delivered for their well-known and established values. All internal transactions will be carried on in the same manner as before, as people will, first of all, resist being hoodwinked by any fictitious value of the currency. When the mints cease coining, the stock of rupees will of course be sooner exhausted, and the pinch would begin to be felt both in respect of internal and external transactions. Any plentiful copper coins may somewhat delay the effects of exhaustion.

As soon as the pinch begins to be felt, a general reduction of articles imported may begin to appear, the same result attending upon articles of export. For foreign nations, with a sound silver currency, will take the advantage of multiplying their exports to Europe, for they could then do that more cheaply than India, and importers will gradually fall off from purchasing the Council Bills, for they could purchase commodities at a cheaper rate in other places than India, or dispose of their gold for more silver and commodities in other silver and gold-using countries.

Is this the method thought of to repair the wrong once done by legislation, by still another act of legislation? I put this question with some diffidence. I may further ask if the same legislation would bring more silver and gold wealth in India, or considerably lessen it? Who

again will pay for the importation of gold, and for disposing of it at nominal silver value, and for its future enhancement of value caused by the new Indian demand, its decreasing production, and a general increasing demand for it ?

The only practical result of any benefit would turn out in favour of Indian European officials who will be paid in gold by the Secretary of State, whereas their only demand is for more rupees, which the country must undoubtedly give them on their case being fairly made out. Will, however, creditors of the Indian Government consent to receive rupees of the proposed nominal value, instead of the gold coins they would wish to be paid in, or the securities having the basis of gold ?

Too much stress should not be laid on the fact that because a ratio was partially preserved for a century or more, that a similar condition would return with a reimposition of Bimetallism. What was possible in early ages cannot be possible in times so radically changed. When once the bond is broken, it is impossible to resume it again. Having once removed silver from its old and strong associations, which retained a nominal value owing to its close sustention by gold, it would seem very unreasonable that the old bond could be restored, for the stock of silver is immensely increased, the gold currency has been much too contracted, and the commodities which seek bullion have been immensely multiplied. The engine has got off the rail and been shattered into pieces. Bi-metallism once fractured cannot be restored on the old basis, especially when it is known to have been more discredited than respected. Will the mighty nations, to whom their silver coins bear gold value consent to see them depreciated according to the current market value ?

It would apparently seem that Bimetallism would be a success if all nations agreed, first, to observe a certain ratio, and, secondly, to resort to a free coinage. But in this case the world's demand for raw gold and silver will be considerably intensified. Considering the yearly increasing volume of silver and gold currency which the world will unmistakably demand and the growing private necessities of holding gold-wealth in various shapes, gold could not be purchased except by means of silver or commodities; and if overvalued silver coins be employed in purchasing either gold or silver bullion, the power of purchasing commodities will so far be curtailed, which cannot accord with the principle of currency operations.

Will, however, mono-metallic nations agree to a lowering of

The bond of Bimetallism, whatever its actual operation so much doubted, once broken cannot be restored.

Whether any advantage resulting from tying up values of silver and gold outweigh the advantages of leaving their natural values unfettered for all purposes.

the nominal value of their silver as well as gold coins? When all nations agree to take up silver, and go in for an over-valued coinage, silver prices must run high, and injure the cause of a cheap and free currency, which, as I have more than once maintained, must become an imperative need throughout the world. It is not again clear how the interests of nations, who cannot afford to buy silver at a costly rate, could be protected against those who being in possession of cheap silver owing to various facilities, could issue currency in much larger volumes than the former.

It seems desirable in this condition to leave both metals unfettered with any artificial prices to afford all nations an equal opportunity to obtain raw material for the purposes of currency, as well as arts. The only special benefit which some nations may gain would result from no unfair, but fair, conditions, one of which would be adjacency of the mines.

Supposing, however, one feature of Bi-metallism should be unlimited coinage both of silver and gold by Governments, seignorage being imposed to raise the value of the former to the required standard in case of private parties offering bullion for mintage, the demand for silver must become more severe than otherwise. This would merely be a disguised attempt towards a free Dualism of Currency which I advocate. So far as the disguise would appear new evils should arise. If private demand for silver should continue, the value of silver would rise at a scarcity rate. Should that demand grow less—which is much more possible, for private parties would generally use and spend silver coins as would be obtainable without their having to buy the precious metal to be delivered gratis to a certain extent to the Government—all the effects of a contracted currency must appear.

Evils arising from a monopoly of silver bullion must end in gain to some and loss to others both the loss and gain being inequitable in character.

If Government raised the value of rupees, and permitted no one else to present bullion for coinage, there would be an apparent result of certain amount of bullion remaining on its hands without cost. If I suggest that this surplus bullion might be presented by the India Government to British Mints for conversion into gold sovereigns, so as to avoid the present necessity of purchasing dear gold with cheapening silver to defray the expenses incurred by India in England, there must be some who must bear the loss caused by reductions in the general trade of India and the severities which must surely take place in India itself. The dearer rupees must ultimately bring every thing less and would cause embarrassing difficulties in making full purchases.

Even silver bullion will not be available for some crores of people ; gold there will be none for them. The common mass of the people have not the slightest idea of the English science of abstract economies ; they must have silver and gold for domestic use ; they would never dream of sparing bullion for purposes of currency save when they touch the last stage of poverty. Would the British Government desire to drive the people to that end in pursuance of their notions of economical science? This of course it would not do. It would neither condescend to cause hardships to all classes of its Indian subjects by reducing their currency—which I have amply proved as needing to be greatly enlarged—so as to reach the easiest method of meeting deficits and increasing the salaries of European Officials. All these deficits can only be met by the remedies already pointed out in foregoing pages.

CHAPTER XXIII.

INTER-ECONOMIC RELATIONS BETWEEN SILVER AND GOLD AS VIEWED
IN THE LIGHT OF MONO-METALLISM, BI-METALLISM AND THE
AUTHOR'S SCHEME OF A FREE CURRENCY DUALISM.

Adoption of
bi-metallism
must depreciate
old silver
coins of ex-
aggerated
value.

IF there be a general inclination among the nations of the world to adopt bi-metallism, it is apparent that certain sacrifices will have to be undergone by all countries in a more or less measure. The gold countries which possess a silver currency limited will have to bear a certain loss in cheapening their standard to unify it with the newly-fixed ratio, which will of course be lower than the par value prevailing in gold countries. When all nations accept a bi-metallic standard, they will of course bind themselves to coin silver every year to the extent agreed upon. All such Governments will of course reap a certain amount of benefit every year in purchasing cheap silver and issuing coins cheaper than the bullion value.

How gold
would first be
depreciated
under the sys-
tem of dual-
ism in cur-
rency.

On the other hand, a lowering of the old silver standard and the considerable accessions which may be gained by it under bi-metallism, in the form of increasing silver coins, must have a certain effect on gold currency, which is likely to depreciate to the extent that silver currency would be substituted for it. For a very large volume of transactions, both internally and externally, there will be a demand for silver and not gold coins.

Gold will thus
circulate to
greater dis-
tances either
in its own or
converted
form.

This would be one way of forcing a more active circulation of gold which would come to pass either in its own original form, or in a converted form of silver. The gold currency, so far as it may be restrained by silver, must either seek cheap silver bullion for conversion into coins, or foreign field for employment as capital. Much of it must, however, find its way to India, when demonetised, for, at any rate under the scheme I have explained, it is sure to obtain more silver than what it does now, supposing it is now freely exchanged for the present silver currency in Europe.

The reason why much interest on foreign capital is not produced in India is because sufficient silver is not yet circulated in the country. There are extensive works to be undertaken, but the introduction of more capital and energy is necessary. The exclusiveness of those who hold much gold must be broken down; but it would matter little to them to get their gold converted into silver, as much as it matters little to Railway Companies to have their rupees reduced to fractional coins so that their laborers and works may be maintained.

As long as gold-holders could obtain the value of their currency at the market ratio, they need not care how much of silver or gold they hold. It is the gold-congestion which must be broken up, for so much of gold has been acquired that no resources are left to get more, and movement in commerce has become impossible. The very fact that capital can be had cheaper in England than India shows that there is an unhealthy congestion; that gold has been much too monopolised within restricted areas; that the very dangerous loss involved in a perversion of a just balance of the metallic currency powers has quite seriously set in, and that a certain amount of demonetisation of gold, for which there is any amount of distributed employment awaiting is imperatively called for.

Fall in gold prices largely due to gold congestion as unalleviated by a due proportion of silver amalgam.

Supposing, therefore, that joint-stock companies were established which undertook to buy enormous quantities of silver, get them honestly coined and embarked into large ventures in India, they would be in a position to buy up much gold for further enterprises and pay sufficient interest on the strength of the profits acquired. The way towards such a consummation, however, lies through silver, which is the solver of all difficulties.

How gold bonds could be broken up and liberated for a more diffusive and wide spread currency.

It was all very well that in past times, when European nations had any amount of gold with them, they were able to pay, as it were, any amount of bounty for silver, and retain a certain amount of currency in that metal. While, however, gold has brought in more gold, and much of the gold of all backward countries, and all sorts of articles and labor have continued to be purchased in high rates of gold, so much so that the wealth per head in Europe has generally increased to thirty times more than the wealth per head in India, or in many other silver countries, the limits for a facile operation of the gold currency has ceased; and, however paradoxical it would seem, it is none the less true, that distress has set in in gold-using countries. All gold-users being used to gold only, they cannot accept lower profits. All renovated enterprise and energy must therefore suffer. And that is the reason why cheaper countries have to provide much of the food which Britishers want, which they could very well grow for themselves but for the want of a copious and retail currency.

The silver compact under bi-metallism, however, so far as it would be a fraud against gold, must inflict great losses, both present and prospective, and in an increasing rate, keeping pace with the lowering silver value, on all those holding the dear gold. Some remedy may

Bi-metallism must also depreciate the value of gold.

be suggested by increasing the alloy in gold so as to meet, to a certain extent, the disproportionateness of the silver value in bullion. But no possible compensation can be afforded for the loss sustained in the primary value of gold, which, under bi-metallism, must stand for less silver than before, especially if the silver currency be considerably increased in all directions.

Bi-metallism, though tending to counteract the constant decline in the value of silver, may also have the opposite effect on a divergence between its bullion and coinage value.

The outputs from silver mines being continuous and cheap, the metal cannot but be offered in a similarly cheap manner; but if the demand for it grows and becomes universal, the continuous lowering of its value will no doubt be abated. As silver, however, will trench upon the increasing function of gold as currency, the incident will no doubt help towards keeping up its price to a certain extent, whereas, on the other hand, a depreciating effect must set in as far as the demand for silver coinage should decrease on account of decreased inclinations to purchase silver for currency, especially on account of the lowering of its intrinsic value.

As universal demand exist for precious metals for their own sake, a stereotyped ratio value will practically become useless.

The disturbing effects of imparting a fictitious feature to any predominant system of currency can be somewhat counteracted by issuing notes and securities, but they could not go very much beyond metallic reserves. As the world's demand will constantly and very largely increase both for silver and gold for innumerable miscellaneous purposes, the precious metals will only continue to assert their inherent value and continue to evade a practical fulfilment of the stereotyped ratio value.

The loss under bi-metallism will be greater than the loss experienced in cancelling the exaggerated value of silver coins.

If both currencies be adopted, will it be desirable to fictitiously raise the value of silver coins, or will it be much better to reduce the value of all silver coins to bring them in harmony with bullion value as much as may be warrantable? Keeping in view the imperative necessities of the world for an expansion of commerce, the uniformly fair treatment due to all Eastern countries, and the still undeveloped state of their wealth, which the pooriness of their silver and gold currency so indisputably indicates, it seems essential that gold countries should sacrifice the exaggerated value of their silver coins, since they are less valuable than the silver coins of Eastern countries. This loss would be much less than the loss incurable in associating gold currency with an extensive and over-valued silver currency.

Trade will always be attracted to countries dealing in honest money.

One of the greatest practical difficulties in raising the silver standard would seem in the great injury that is likely to be caused to the trade between India and England and other gold countries. There are many silver-using countries, such as Turkey, Persia, Afghanistan, Africa, China,

Japan and others, whose silver currency will remain cheap and copious, and will consequently gain a great increase in the volume of their trade. They will increase their purchase of silver and supply articles to Europe more cheaply than the countries of the hard-and-fast bi-metallic union could do. Gold will certainly be drawn to the former countries, simply on account of their honest coins, and must, as a rule, shun places where the silver volume is decreased and fictitiously raised in value, while any substitute will be entirely wanting.

Whereas if the standard of valuing gold, which is chiefly silver, is not injured by an unnatural exaggeration of its value, but is kept intact as it now is, the same course being observed in reference to gold, which also cannot be fictitiously lowered in value, any addition to the silver currency is not likely to affect gold unduly. A perfectly legitimate marriage is performed between silver and gold in refraining from disturbing the values which are formed under the natural laws of demand and supply.

The Right Hon'ble Mr. Gladstone, the veteran Prime Minister of England, whose great name and achievements are deservedly held in high esteem throughout India, has very rightly (though partially) ruled, that the standard of value should be such as would indicate the least fluctuation, and that therefore gold is the standard which should be preferred, it being liable to the least fluctuation. It cannot, however, be forgotten that all currency troubles are due to a very dear standard of value, the perils of which are in exact proportion to the limits of that metal for currency and other purposes; that the less it is associated with silver of free value the more uncertain and more constant become the fluctuations of the standard, which eventually fall upon gold, and not upon silver. However paradoxical this theory may appear, it is yet true.

It cannot be denied that it is gold which greatly adds to fluctuations in silver value, especially when Europe has committed the folly of putting silver in opposition to gold. There is ample room in the world for both currency metals. There is not the slightest necessity of exaggerating the value of gold either by discarding silver at one time or raising its value at another. No country, or a set of countries, has a right to monopolise gold and extinguish the sister-metal, by which alone the value of the former could be estimated. There is now no other course left but to lighten the gold burden of all gold countries to the extent that any excess of accumulations exist.

Do not disturb either the standard for valuing gold or the standard for valuing silver; the standard in both cases is these very metals.

Opinion of the Right Hon'ble Mr. Gladstone on currency standards.

Decline in gold prices as being equivalent in depreciation of silver, entirely due to the partial act of strengthening one side of the currency shield and damaging the other, the grave fact being forgotten that a healthy

currency system has an obverse as well as reverse side, and that one side of it cannot be unduly protected without injuring the other.

The gold countries could not have adopted a more fatal step than discarding silver, which the world's traditions of thousands of years have preserved in tact as the most powerful element of currency ; and as such it must resume its position, whatever the present unreasonable prejudices against it. With all the enormous discoveries, gold has not been able to displace silver from either currency or other purposes. All the troubles have been simply due, because gold has been made to perform the functions of both metals, for which it is certainly not fit.

The time has, therefore, come when the countries which took the fatal step of ostracising silver have to mend it *volens nolens*. Both silver and gold being the precious constituents of the world's currency for thousands of years past, both must be held equally precious. The adjacency of silver to gold cannot be a loss to the latter simply because gold is likely to get more and more silver, the one being less and the other more obtainable. Such a feature is only too good and promising for the increasing purposes of currency.

How could a gold standard be introduced in an unobjectionable way.

I do not recommend that gold should be cast away in the same manner that silver has been. Each gold country will have to fix how far existing gold coins and annual gold coinage should be demonetised, and silver currency substituted in pursuance of the scheme explained. Every gold country should certainly be able to ship silver coins or their bullion worth to India when the balance of trade is in our favor. The same should be done in respect of gold coins or bullion. The law will undoubtedly carefully fix the limits within which silver currency in Europe may be held legal, of course in much larger proportions than now, and when such limits may admit of gold currency. This would be the only way to bring gold into India and other silver-using countries, so that it may be used as a gold standard. This would be an unobjectionable way of introducing gold standard within reasonable bounds, and not by assuming any extremes.

A nominal gold standard, and a restricted and raised silver standard, would only bring ruin to the country, while it would not bring a pound more of gold to India. On the contrary, both gold and silver supplies of India, as shown in the Table attached to this work, will fall off. And this is the result for which Mr. Mackay seems to be unconsciously working. The people of India, however, undoubtedly require more silver and more gold. Do not ninety-five in a

hundred complain that they have not a rupee to spare, that they are so unfortunate that they cannot satisfy the yearnings of their sisters, wives or children for a single gold bangle or even ear-ring? Do not ninety in a hundred sigh for a fifty-rupee silver ornament? And you want to curtail the silver currency. You want to give it a monopoly, or scarcity value. You want to bring down the value of gold. You think that India has too much gold! You think the people foolish that they do not sell their little stock and buy coins therewith, and forget their thrift, or traditions inviolate!

Assuming that India has gold in proportion to a pound worth per head of its population, it must be remembered that it is in the hands of a fraction of the population to whom what gold there may be in their possession is not equal to their burning desire to have more. That every Hindu home should possess some gold and silver ornaments is held as one of the strongest domestic and religious duties. Many English thinkers believe that as soon as silver currency is curtailed and gold standard established in its place, that the people of India will all go to the mints and cheerfully get their gold coined into sovereigns. We are actually told by one of the ablest Anglo-Indian writers who has for years written on Indian affairs that—

The proposal advocated by so many to free the people of India of their hard-earned and dearly-cherished gold ornaments to supply the gap created by a forcible attenuation and ruin of the silver currency.

"Once the ratio between gold and silver were fixed and the mints opened to the free coinage of gold, it is in the highest degree probable that the bullion now hoarded would be sent to the mints in order to give it an official mark, which would render it a commodity saleable at sight anywhere and everywhere. Once coined, gold would be seldom hoarded; the temptation to turn it to practical use would prove too strong for all but misers. What purpose does the hoarded gold in India subservise? None; it is so much treasure sunk in the sea; so many talents hidden away in a napkin by unprofitable stewards. It is even worse; it is a standing temptation to the budmashes of Asia to repeat the exploit of the Persian freebooter who carried away fifty millions of loot after a six weeks' visit to Delhi. If the gold were in circulation, it would be of use to its actual possessors and would add immensely to the prosperity of the country. The establishment of a gold standard would be a statesman-like and politic act, quite apart from its uses in respect of the present intolerable state of things, owing to our enforced reliance on a prescribed and discredited metal. It should lead ultimately to the utilisation of the gold now lying hidden away, and of no use either to its possessors or to the country."

Those who thoroughly comprehend how strong the popular sentiment about keeping some gold and jewels in possession is, will not for a moment admit that the people—even if they believed that the Pindarees would appear to-morrow and strip them of their gold—would ever take their ornaments to the mint and have them coined for freer transactions of the country. But any compulsion on them to bring out gold would certainly be only a courteous act of spoliation, greater in its actual effects than the act of past plunderers of India. It is a very doubtful dose of the doctor given in vengeance placing the victim at the door of death.

Stop silver mintage, and in sheer despair the people will of course sell their ornaments, daily and hourly cursing the *Sircar*. The gold to be minted for a compulsory exchange with fraudulent silver coins of forced value ! The people will tenaciously adhere to their gold and not consent to be humiliated and impoverished till the starvation point was reached, and may then produce it only to find it disappearing as fast as it may be produced !

Gold and silver ornaments, as already observed, are kept by some as establishing their honor and credit ; others scrupulously preserve them for unlucky days. A native of India will do his best to put off bad days in spending as little as he could ; still he would not part with his ornaments. To deprive all these people and the millionaires of their gold, which they (the latter) also hold in due proportions, and as a matter of more or less equal necessity just stated, would be so unjustifiable an act that it would certainly be very actively resented by the people.

We are supposed to import silver and gold to pay for our balance of trade. But the importation of silver would be interdicted, for private parties could not get it coined. Gold would not be brought into India in even as small a quantity as now, because cheaper countries are sure to oust India in course of time from the market of both gold and silver-using countries. Silver coins of other countries will be unacceptable in India owing to the hostility of the standards ; nor any foreign standards would be exchangeable. Unlike gold-countries, all transactions in India are workable only with a silver currency.

While the country cannot sustain a gold currency, and its every-day transactions would be hampered when silver rupees are made dear, the distress in India will be a hundredfold more than in Great Britain, in that not only would our country lack a gold currency, but also find rupees every day becoming dearer. Productions and all other fruits of labor will be lessened in exact proportion to the tightness of the silver market. The depressing effects will be extended to all incomes and profits, as well as to the revenues of the Government, even if a larger paper currency were issued, which would certainly carry its own depreciation in proportion that the value of silver would be falsely raised and the specie in reserve would be wanting.

In respect to the benefit that is calculated to accrue to Indian remitters, it is hardly possible, as I before remarked, that the Council Bills could long traffic with other people's gold in England. Nor

could India traffic with the currency of other silver countries, which in course of time must cease to trade with India because of the falsification of its silver currency.

When the advocates of a gold standard have found their cause hopeless, they are content—very unwittingly though—to get the people robbed of all their gold for no fault of theirs. Then, in another breath, they are for a nominal gold standard and an artificial standard of scarcity rupees, which would simply be an illustration of the crack physician who eased his patient of all his blood by bleeding him with a view to discover the disease which he suspected to have been lurking in the circulation of his blood. When the country requires to be supported by vast accessions in its silver currency, some currency theorists believe it would do good all round to seek an attenuation of that currency, which is not likely to be accepted by any Committee or Government deliberating upon the problem.

CHAPTER XXIV.

MR. FINLAY THE INDIAN FINANCIAL SECRETARY'S VIEWS *RE* SILVER FLUCTUATIONS AS CONTRASTED WITH A COMMON STANDARD OF VALUE.

The Government of India's reply to the Memorial of the Tea-planters of Darjeeling protesting against any interference with the Silver standard of India.

It was once supposed that the Government of India reserved expressing its views, or passing a Resolution on the currency problem. In answer, however, to the memorial of the Tea-planters of Darjeeling objecting to the proposal of the Currency Association to interfere with the Silver standard in India, Mr. Finlay, Financial Secretary to the Government of India, has made a substantial statement on one part of the question maintaining that a good common standard for India and England would benefit, and not harm, the trade of the exchanging countries.

The conclusions of Mr. Finlay, as representing the Government of India, are as below :—

Government are of opinion (1) that the country as a whole makes no gain in its international trade by the depreciation of its standard, since the extra price received for its exports is balanced by the extra price paid for its imports; (2) that the producer of an article of export may make temporary and unfair gain from the depreciation of standard at the expense of his employes and of other persons to whom he makes fixed payments; (3) but that this gain, while not being permanent, is counter-balanced by the tendency to over-production and consequent re-action and depression by liability to sudden falls in price, as well as to rises and by checks to the general increase of international trade, which necessarily results from the want of a common standard of value between countries which have intimate commercial and financial relations. If they are right in the views expressed—and they entertain no doubt as to the correctness—it will follow that the adoption of the same standard value by England and India, always assuming that standard to be in itself a good standard, it would facilitate the international trade and stimulate the production in both countries and place China at a disadvantage as compared with India in the production of tea as well as of all other commodities for sale in the English market.

The Government offers no opinion on the question of a Gold standard.

The Government of India has declared, however, that no opinion will be offered “at the present time on the expediency of attempting to introduce a gold standard into India.” This is a wise reservation, for a Committee and Conference of Experts will shortly collect material and form definite views, which will probably enable our Government to advise the Home Government on the question.

The *Capital* assumes the Indian rupee to be a token coin only.

The Darjeeling Memorialists express their fears that, if the value of the rupee is raised in relation to gold, China, which will continue to have cheap silver, would destroy the Indian tea-trade by selling their own tea cheaper in London. Mr. Finlay's opinion is, since

fundamental conditions of international trade would remain the same, no change in the standard value would affect exchange of commodities for commodities. The writer in the *Capital*, which has recently offered the public some very valuable contributions on the currency problem, strengthens Mr. Finlay's contention that, no matter what the value of the rupee is, it being a mere exchange token, traders look only to buying up commodities for commodities sold. The conclusion of the *Capital* is:—

As to the power of the Government to raise the local value of the rupee above its actual value at the moment of the closing of the mints, it could not, of course, do that except by correspondingly reducing the circulation. Probably it would attempt nothing of the sort. It is not at all certain however—indeed it is highly improbable—that the actual value of the rupee, as measured by prices all round, corresponds with its present low bullion value. To hold that it does so would be to assume that prices all round adjust themselves instantaneously to every fall in exchange, and it is quite certain that this is not the case.

The able writer seems here to have got into a track which is hardly the right one to adopt. The Table of Prices which I have given in the Appendices conclusively proves—and it may well admit of a rough statement—that when the people had to pay, say, one rupee for a certain amount of commodity 50 years ago, they have to pay two or three or more rupees to-day. The value of silver having fallen in reference to gold, the prices of commodities seem to have followed the course of exchange and are eventually based on the fluctuations in gold value. To say, then, that “it is quite certain that prices all round do not adjust themselves to every fall in exchange” is an inference which cannot be sustained. It is interesting to look into the method observed by the *Capital* in demonstrating how currency coins are mere unmeaning tokens, while it is only the exchange of commodities which, in its opinion, keeps up the international trade:—

The most plausible of the staple objections raised against the fixing of the gold value of the rupee by regulating the coinage is based upon an entirely mistaken notion of the function of the rupee. How, it is asked, can it be expected that merchants will take a depreciated coin at its nominal value in exchange for their goods? It seems to be forgotten that as long as the balance of trade is in favour of India, as it has been times out of mind, and will continue to be, whether rupees are coined gratis for the public or only for sale to the public at a fair price, the function of the rupee is confined entirely to the purposes of internal exchanges. The question raised as to the probability of importers taking rupees in exchange for goods at more than their bullion value is in fact wholly gratuitous. The importer practically does not take rupees in exchange for his goods at all, but other goods. The bullion value of the rupee is a matter of absolute indifference to him. All that concerns him is what he can buy on the spot for the rupee which he has no intention of taking out of the

The fall in exchange is synonymous with an increasing amount of silver as being, in a degree, concurrent with increasing commodities.

country. The whole crux of the matter lies, in short, in the question of the effect of the closing of the mints to free coinage on local prices. Now, to our mind the mere fact of the rupee being locally worth a given price at the present moment is proof that, if the coinage were under State control, it would continue to be worth that price as long as the Government refuse to part with it for less, for, under these circumstances, a subsequent fall in the value of silver bullion would affect it only if privately coined rupees were smuggled into the circulation in quantity, and of this there is very little probability.

The curious theory that precious metals are practically of no use because commodities are actually exchanged for commodities only, which is less than half the truth, while the theory is entirely wrong since every commodity is partly backed up by metallic wealth reserves.

The principle of all our transactions, local or external, is to make profits, or, in other words, to spend little and obtain more, whether in India or from any part of the world. The eventual aim of all traders, or of India, is to be possessed of more silver and more gold than it spends in producing and circulating commodities. The *Capital* conceives a state of things prevailing in primitive countries where you are not required to have any money with you, but with certain articles in your hands you purchase indigenous articles brought by savages or barbarians for the purposes of barter.

It is dangerous to lay down any hard-and-fast rule that a trader should have no concern with rupees or sovereigns or bullion, but that, if he sold any commodity, he should only buy other commodities in exchange.

There are many transactions in which money is demanded, or both gold and silver-using countries have to remit values in specie. But having once interfered with the natural value of currency bullion—the very soul of which is the daily fluctuations—and having legislated to coin money at a fixed ratio only,—which may be fixed to-day and falsified to-morrow,—all straightforward methods of exchanging commodities must undoubtedly be nullified, the precious metals forming a not inconsiderable portion of these commodities. It may not suit one country to buy up the commodities of another in exchange for the commodities which suits the former to accept from the latter, and actual money, or its equivalent in specie, may be demanded. It will be the appreciated specie that will be offered, but which, however, will not be acceptable, simply because the appreciation would no more be due to the natural operation of the currency of precious metals than a natural lustre could be imparted to a human face by painting it with rouge. If we could have a real gold standard in India concurrently with the silver standard, the only way to have it would be by gradual methods of letting both gold and silver flow into India as they have so well commenced to flow, and any further currency laws should be perfectly free.

Even if commodities were taken in exchange in some instances, wholesale, as well as retail, dealers will often require them to be cashed in money, which would be of fictitious appreciation, supposing that the value of the standard were fixed. The importation of bullion cannot but be exceedingly discouraged because it would no longer be presentable to the mints. Nor could they otherwise buy the enormous quantities of money required because of the fictitious raising of its bullion value. If Government are not likely to curtail the silver currency—as even the *Capital* would now wish it should not—it would be expected to offer any quantity of rupees that may be applied for. Who will apply for rupees, the value of which is fictitiously raised? And with what material would they be purchaseable? No sane man will offer his gold for a discredited metal of less value; neither will he offer more specie in silver to receive a reduced quantity of the same. Nor will any one undertake to remit any actual wealth in a discredited market to purchase any commodity as long as it could, elsewhere, be obtained for its normal price. I have already fully explained how the Secretary of State would fail in obtaining gold for a fictitiously and practically lessened price in silver—contrary to the market rate—as any one else would fail. If the demand lessens for the discredited rupee, of what use would the cheap bullion be to the Government if it ever were to purchase it in large quantities?

How the free growth of silver or gold currency would be checked under the principle of unnatural or arbitrary intervention.

For, if Government were to become sole monopolisers of rupee coinage, and should it decide to coin rupees without restriction, it must have customers to purchase the rupees as freely as they now get them coined at the mints. The very fact that this free use would be suddenly withheld, as I have just explained, would create an unnecessary and a grave evil. The contention of the *Capital*, as well as of the Indian Financial Department, involves some such supposition that India and Great Britain have no other countries save themselves to trade with. Such an hypothesis would admit of the inference that, as each had only the other to rely upon, any terms convenient to each other would be accepted if that were possible, which it is not. But there is the whole world to deal with in either case, which at once creates a fundamental change in the argument.

The argument of the *Capital* seems more remarkable yet for its obvious attenuatedness. It bars all the present facilities to replenish existing coinage from time to time. There is no knowing at what moment and in what formidable extent quantities of rupees are arrested

in their course of circulation owing to causes too complex and too numerous to enumerate. The stoppage is not only temporary, but also continuous and permanent throughout the country. A country which almost deals in hard cash cannot afford to find its currency over-valued and intercepted under any monopoly. The effects would be direct, widespread, and mischievous, both in respect of endless local and international transactions. In the exact proportion that the currency is restricted, every business activity and energy must be equally retarded, and all sources of income must thus be contracted, directly telling on the normal prosperity of the country. The actual need of the country is to become more productive, for it wants—and it wants sorely—much more wealth than it possesses, many millions being even in need of copper coins, which they have but little. The general mass of the people not having sufficient copper coins even, the prospect of enhancing the value of, and actually curtailing, their silver currency cannot but be extremely dreaded. It would be to perpetuate, and even greatly to intensify, general poverty.

Unnatural appreciation of silver must be followed by an unnatural appreciation of commodities, the ultimate effect being their extinguishment.

The cost of all productions cannot but rise, and they must fall off, stimulating those countries which would, on the contrary, have a free silver currency to continue their development, as they are now being developed, on free-moving lines that would otherwise be obliterated. As the value of silver is made to appreciate, so the prices of commodities would also appreciate, so much so that the countries which continue to employ depreciated silver would find their trade far better stimulated than our own.

If the theory of the *Capital* is wrong, that prices all round do not adjust themselves to falls in exchange, for these prices do adjust themselves in the same degree that the accumulated fruits of the balance of trade come into operation, the other theory that Government, by stereotyping the value of silver against itself, as well as against all fluctuations inherent in gold, would place all prices on a fixed basis, also seem to be extremely weak. It cannot again be "highly," or even slightly, "improbable that the actual value of the "rupee, as measured by prices all round, corresponds with its present "low bullion value." If it does not, how is it that in the course of half a century past there has been a continuous increase in the number of rupees which we are required to deliver for almost every form of labor and productions of the same quality and quantity? What may not appear in the quality of bullion strikingly appears in the quantity of bullion delivered for almost every commodity.

It should not be forgotten under what extremely fair circumstances the rupee wealth of India has been increasing for a century past. When the extent of productiveness and the increasing rate of population, of their multiplying wants, and the increasing facilities with which they have been met, are considered, the natural rate at which the rupee wealth in India has been multiplied does not seem to be in any way singular. It is to be clearly inferred therefrom,—as one of the many vital inferences recorded in this work,—that the ratio of increase in commodities has, indeed, been less than the ratio of increase in currency circulation; and that, therefore, to equalise the increased ratio of production with that of the currency, the latter require to be increased at the same rate at which prices have increased for the past half a century. It is inconceivable how everybody should have forgotten the correct theory—no matter how little of it could be put into practice—that the ratio of increase in currency should move, *pari passu*, with the increase of all other human wants; whereas the theory now obtaining is that the process should be reversed by debilitating gold and arresting the progress of silver currency! We have therefore to look at once to a considerable increase in our bullion, not to serve the restricted imaginary purposes of legal necessities, but to directly and emphatically meet the enhancing practical necessities of the Indian world.

It cannot be too often repeated that all forms of purchases have—though in an unequal degree—become much dearer than they were years ago, and that the standard of living being still low, the quantity of circulation presents an extreme deficiency. Half the population, again, living in a state of indebtedness paying usurious interest, while many hundreds of millions yet use the minutest decimals of a copper pice, in forms entirely unrecognised by legislation and almost unknown by Government, and large numbers of people still following petty trades, in which articles are given and taken in barter, as even copper coins could not be had, not merely in villages but in large towns, the necessity for increasing silver as well as copper currency cannot but be extremely well felt. The present tendency, however, is towards even increasing the deficiency in currency, but not lessening it. Both in India and abroad the ratio of increase in commodities is remarkably less than the ratio of increase in currency. What is true of India is true of Great Britain and other countries as well, though in differing degrees.

Deficiency of silver currency proved by the decreased rates of its increase as compared with the ratio of increase in commodities.

To the extent that these commodity and currency ratios differ in each country, that is, to the extent that a country can sell its products cheaper than another country, the former must prosper the more. If the labor of one country is cheaper, or the methods of its productions more economic, the more of wealth will it invite for itself, for it must be borne in mind that increase of wealth is caused, not by high prices for limited commodities, but by lower prices for increased quantity of commodities. It is just in the spirit of the prudent shopman, whose charges for profits are low, but whose sales are extensive, which therefore bring in more extensive profits than if he were to carry on limited transactions on the basis of exorbitant profits. The cheaper the commodities, the greater their quantities, and the larger the currency needed to sustain the increasing products of a country. The theory of a dear and scarce currency on the basis of the strangulating gold standard falls therefore entirely to the ground.

No country can be a gainer in commerce merely in consequence of a fluctuating or a common standard; its profit resting on the extent and character of its productions.

In these circumstances, the agencies which undertake the risk of investing a large amount of capital must necessarily reap better fruits than their wage-earning classes, who only stake their limited labor and no capital nor a phenomenal enterprise in their work. The theory, therefore, that the English planters who have invested capital in India profit at the expense of others is hardly sustainable when it is quite open for capital and enterprise to compete. Nor is the other theory able to sustain itself,—that of somebody else having to pay more for the English commodities imported into India for the profit of the capitalists who have sunk capital in the tea farms. It is merely the widespread principle of give-and-take which seems to be the case in this fluctuation business. Had gold not become costlier than before, or, in other words, had Great Britain not to return many more rupees to India than in years past, India should also have had to pay less, or, in other words, to send less commodities to gold and silver-using countries. The employment afforded to India on account of its expanding export trade has been too general and too needful to admit of any strange theory that one class profits at the expense of another. Almost the same theory may be applied to the results that may arise from an uniform standard of value, for even then some must gain and some lose in proportion to the energy, intelligence, and risks undertaken by each class of producers. There is no doubt that, as far as the fluctuating exchange goes, both countries are equally circumstanced, as held by Mr. Finlay, but all the factors involved in the

matter are not represented merely in these fluctuations, the crucial question of a free-moving currency being directly involved in the matter. The margin of profits is not altogether vested in the fluctuating value of the two metals—for in this respect they are only two scales which move coevally with the production and circulation of both metals alike—but in the quantity and variety of commodities which one country forces another to accept in consequence of the defective vitality of the latter's currency, which is no doubt directly caused by the inefficiency or defective universality of its producers; so that, while both the individual and the aggregate traders of both countries are generally profited by their transactions, the country which presents the competency of a more universal supplier naturally becomes a gainer over the other.

If the curious dictum of the *Capital* be accepted that the fluctuating standard, or the rupee of any value or no value, is nothing to the trader, who only looks to commodity as an exchange for his own commodity, a support is directly lent to the propagation of a dangerous theorem that, in matters of international trade, an expungement of the universal motive of rightly comprehending fluctuations in precious metals as stimulating competitive and emulative energy and inventions is permissible. Any such derangement would be unwarranted, especially if we bear in mind the theory explained by Mr. Finlay, that "India, for example, grows tea and exports it to England in exchange for (say) cotton goods, because it is found that by devoting a certain amount of labor and capital to the production of tea and exchanging that tea for cotton goods, a larger quantity of cotton goods is obtained than could be secured by devoting the same amount of labor and capital to the direct production of cotton goods." The commodity in exchange for tea may be cotton goods, or coal, or machinery, or sugar, or woollen piece-goods, or railway plants and tools. The commodity exchanged may either be tea, or hides and skins, or wheat, or rice, or jute, or cotton twist. A reciprocal trade worth hundreds of millions of rupees has been flourishing in an increasing volume between the two countries; one possessed of increasing silver wealth has enabled it to draw an increasing quantity of silver circulation, which has also enabled it to draw towards itself an increasing volume of import trade, both in gold and silver prices, in proportion to the extent that it is being enriched on account of its superior export trade. The changing fluctuations generally leave some

Between exchange fluctuations and prices of competing countries, a wide space exists for commercial movements.

broad space between the fluctuating difference in exchange and the fluctuating prices of countries competing with India in its export as well as the import trade. So the constant fluctuations are not all a commercial evil, but generally provide the basis for large profits. Every fluctuation, whether light or heavy, has resulted in bringing in increased resources of wealth to the increasing population with their increasing occupations, such occupations in industry and enterprise not merely involving new resources for an international trade, but also for the domestic trade.

Many of the contending economists have lost sight of the indefinitely increasing volume of domestic trade, as they have hardly comprehended the corresponding factor causing an increase in the general wealth of India, which, though due hand in hand with the varying fluctuations, cannot but be regulated by the producing and competing capacity of other countries.

Exchange fluctuations have only one decided result, that of gain to the Indian trade as a whole.

The factor of varying fluctuations has very little of actual potency as also remarked in the fact that even countries commanding powerful resources and overwhelming intelligence and energy have been outdone in certain trades by India, though a less civilised country than its close competitors like America. If exchange fluctuations have wrought evil, the actual results would appear inexplicable. If "a change of standard" cannot possibly have any effect on the fundamental conditions which "regulate international trade," it is not clear why the present system "cannot fail to have an injurious effect on the trade as a whole." Two opposite effects cannot be directly attributable to one and the same cause. If "the country, as a whole, in the exchange of commodities which constitutes international trade, neither gains nor loses by the fall in the gold value of silver," how "an injurious effect on the trade as a whole" is also produced, does not appear quite clear. With an increasing population and increasing industries, there has generally ensued either benefit or loss to India. If it were a wholesale benefit—as it very clearly seems to be—there cannot be a wholesale evil, which is presumed in the Reply to the Darjeeling Memorialists.

The trade profits of India how to be correctly estimated; and the distinction between the rate of profits of India and ex-

To establish the theory that, if the planters profit at the expense of their employés, or that, if India gains in one direction, it loses in another, and that therefore the international trade is highly injurious, involves a direct contradiction of the vital principle that the price of every labor and every article directly depends upon demand and supply. That the price has nothing directly to do with the profits of the

tea-planter. The labor would, of course, claim its own price when those profits are so far expanded, and the demand for tea is so far enhanced, that increased capital becomes available for increased production, which also, *pari passu*, enhances the value of all labor and all wages as far as the demand and supply of this particular article render necessary. It is difficult to assume the theory of correlation of the planter who acquires a certain profit, on the basis of his own enterprise *en bloc*, and another man in India who pays the value of gold in the interests of England. There is no reality in such a correlative theory at all. The principle of profit adheres to each article of trade as it happens to be produced and circulated. Every receiver of that profit works on his own basis. He constitutes himself a less or a larger drawer of profit in proportion to the demand on his services, and also in proportion to the standard of living he is induced to adopt on the strength of his means, or the aspirations which may practically influence him. He, or for the matter, of that, any other native of India, is not likely to pay a rupee more on the price of articles imported, if the same articles could be obtained cheaper, but he does so because "international trade is regulated by, and dependent upon, the comparative cost of production of commodities," as rightly laid down by Mr. Finlay. It does not, therefore, "follow that, if the tea industry gains by the fall, such gain must be made at the expense of the other members of the community," and that, "in other words, for every additional rupee which the producer of tea receives owing to the fall in exchange, on account of tea exported, some other person in India has to pay a rupee more on the price of articles imported." This may be a theory of an equalisation of the *rate* of profit, which also proves the absence of all loss to both countries, such as is, however, alleged to be due to varying fluctuations. But this is not the only factor involved in the matter. The more important factor, besides the respective rates, is the respective *quantities* of profit made by India and England. With the absence of any correlation between the export trade and the import consumer, such as has been presumed by Mr. Finlay, there exists every year an enormous annual balance of profits on the side of India.

The figure of loss or gain, as due to varying fluctuations, having proved illusory, as already demonstrated, the net result remains that, in spite of the uncertain exchange, India reaps profit owing to its cheap

changing countries and the quantity of profits reaped on either sides.

labor, its ready productiveness extended over an enormous area as large as Europe, and its cheap, facile and increasing currency. It is not to such a currency that any "over-production and consequent re-action and depression" are due in the sense conveyed to us. That is but the normal phenomena of the world's commerce which exist amidst inherent inequalities continuously prevailing as influenced by the microscopic and constant moving or changing tendencies and actions of mankind. The general inflation and depression of trade have no direct source of influence in exchange fluctuations, but, in a large measure, are due to the strength or weakness of the competitive productions of the various parts of the world. Several past periods are familiar to us when the ratio value was at par and when the country received an unprecedented amount of wealth, or was subject to prolonged depressions. The direct and potent cause of these phenomena are the rise and ebb of competitive tides with alternatives of floods and recessions.

As has been amply demonstrated in this work, all the evil phenomena which have been attributed to exchange fluctuations and the absence of a legally fixed ratio value between silver and gold standards seem to be a different thing altogether, at least not one which a uniform standard of a fixed ratio value can ever alter. Mr. Finlay strongly maintains that the cause of dissatisfaction will disappear "if India possessed the same standard value as England, always assuming that that standard value was in itself good." Mr. Finlay has, however, abstained to explain what such a standard of value would be. The public has no more conception of it to-day than when the Chamber of Commerce held an agitation meeting and declared that, though some remedy was called for, they did not ask either to close the mints, introduce a gold standard, or raise the value of the rupee.

I have gone over the proceedings of that body very carefully, and the impression left on one's mind is very much the same as a fond boy had once produced on the mind of his parent: half a dozen sweets were placed before him, in which connection he had been crying hard. Each of these, one after the other, was offered him, but was refused; and the indulged boy kept on crying. The father, who was perplexed with this attitude, at last gathered that his son had been crying because all the six things were not given him to swallow at one time. And, accordingly, it appears that no one there or in the other agitation meetings throughout India has had any conception of a tangible remedy.

Unless a good common standard is explained as standing for itself in all the scope which may be explained for the same, I cannot but conclude that the ground we are made to tread upon is too slippery to be of much promise. To get rid of any technical inconvenience and hardships, which mainly are the drawbacks of constant fluctuations, and to prevent the frightful derangement and widespread miseries which a currency with the uncalled-for legal fetters are sure to cause, only one course is possible, and that is a qualified demonetisation of gold, a free and uniform currency of silver and gold based on their intrinsic uncontrolled value, the consequent liquification of the congested gold currency, and the liberation of all the obstructed silver stocks to be freely employed by the world in currency as well as in arts unimpeded by any acts of monopoly or ostracism.

CHAPTER XXV.

LATEST PHASE OF THE CURRENCY AGITATION.

How proposals to fix the value of a rupee at a certain rate, close the mints against silver and introduce a gold standard are being gradually given up.

The latest declaration by the Municipal Commissioner of Bombay.

By the time this work is being concluded, and since the publication of the author's letters given in Appendices and further views circulated, the once strong sentiment of fixing the value of a rupee at 1s. 6d., or somewhere between that rate and the one now prevailing, seem to have been more or less abandoned along with the auxiliary propositions to introduce a real gold standard and shut up the Indian mints against silver.

The meetings which have been held under the presidency of the Municipal Commissioner of Bombay seem to be placed between the two horns of a dilemma. In the latest meeting it was stated that—

"It is not the wish of the Association to fix exchange at a high figure at all. That is not one of the objects as set forth in the petition to Parliament. I have had some correspondence recently, through the medium of the press, with Mr. Beaufort on this point. He stated at the Chamber of Commerce meeting that it was the object of the Association to fix exchange at 1s. 6d. I contradicted this at once, and said that in no sentence of the memorial would be found any statement which could possibly bear that construction. We have not asked for exchange at any given value. It is quite true that in some of his speeches Mr. Mackay has made suggestions; but much as we admire Mr. Mackay, his speeches are one thing and the memorial is another. We have committed ourselves only to the statements made in the memorial, and in that memorial there is nothing which could bear the construction put by Mr. Beaufort upon it. What we have asked for is a stable rupee. We have said nothing about the figure at which it is to be fixed. So far we fully agree with the native import merchants. We have no wish to see the rupee suddenly fixed at 1s. 6d. or 2s. as some have remarked. I do not know from what utterances of the Association or its members so monstrous and so absurd an idea has been gathered as fixing it at 2s. Certainly I have not come across such an utterance. The figure at which the rupee is to be fixed is not a matter for us; the point which we insist upon and respectfully press upon Government is that fluctuation in the stability of the standard of value is a national evil, and steps should be taken to put a stop to it. That is the beginning and end of our representation to Government—the fore-front of all our communications."

After this it would seem that however commendable the efforts of Mr. Mackay and his capable friends, who have taken a part in the currency agitation throughout India, appear to be, they have nothing tangible to ask for. It is very important to discover the real evil, so that we may be able to know whether it is a necessary or an avoidable evil. It is stated by certain Bombay Import Trade Memorialists—

"That until some eight or ten years ago your memorialists were generally able to enter into contracts with European agency firms based upon rupee prices, but this system has now gone out of vogue, and the risk of exchange has to be borne by your

memorialists ; and this risk is so materially heightened by the recent heavy fall and violent fluctuations in exchange that your memorialists find it simply impossible to carry on their trade any longer with any degree of safety. That your memorialists are thus much perplexed and uncertain in respect of continuing their business. That they have been in the habit, when placing their orders, of calculating upon a moderate profit of from $\frac{1}{4}$ to $\frac{1}{2}$ per cent., but have found that even a small movement in exchange has been sufficient to convert this expected profit into a loss. That if they seek to avoid the risk by fixing exchange at the time of placing an order, they incur another risk of being undersold by others who have not fixed exchange and have benefited by a rise ; that some among them do one thing and some another, and that thus their business has been changed from legitimate trading into speculation and gambling. That your memorialists understand that further troubles may arise in future, that your Excellency's Government may be forced to impose additional taxation upon this country to meet Government losses by exchange, which taxation your memorialists most humbly urge the country is utterly unable to bear, and would create a most widespread dissatisfaction amongst the masses. That they understand that a conference between America and the nations of Europe is about to take place, which is likely to result in one of two things, both harmful to your memorialists ; that it may lead to the sudden fixing of exchange at so high a figure as to produce widespread ruin in this city, or may cause a sudden fall which would be equally disastrous."

It will have been seen from the foregoing chapters that, if some traders feel the hardship and inconvenience in consequence of uncertain fluctuations, these fluctuations are not directly the cause of any loss or failure, for, if such fluctuations are prejudicial to one country, they must undoubtedly be prejudicial to others at the same time. The actual warfare seems to be against the spirit of the increasing competition exhibited by an increasing aggregate of nations by which those who can sell cheaper at any given moment must oust India in the same manner that India would oust China or America, if, at any time, and in any particular article, they are undersold by the former. India undersells both silver and gold-using countries.

It undersells even Great Britain and France. If the fluctuations are really prejudicial in the sense that Mr. Acworth's meetings indicate, India cannot have the upper hand over both gold and silver using countries. The fluctuations would simply indirectly help the country which can produce things cheaper than another, and discourage the country which cannot exhibit a better competency in any particular commerce. If a difficulty exist in making provisions for fluctuations, do not a hundred other difficulties present themselves in ascertaining what the price of a particular article is, in a particular market, on a particular day, owing either to the changing local wants or inclinations, or the unknown conditions of the supplied, supplying, and competing markets. It would be as practicable to lay an embargo

The theory of fluctuations causing a loss in trade is in reality one of the numerous natural factors which let the cheapest countries to control the markets.

Why does India undersell so many countries in spite of the fluctuations terribly misunderstood ?

on all foreign competition and permanently fix the wants and inclinations of the receiving markets as to produce relief from a suspension of the very natural fluctuations which cannot but exist till doomsday.

The slightest fluctuation upsetting a trade is the trade of the indolent.

The true reason of a rise or fall in a trade is ability or inability to change the course of trade, and not the infinitesimal effects of low or high exchange fluctuations.

That must be a very failing trade which cannot afford to preserve a broad margin of profits, so that the very slightest change in the breeze of fluctuations would upset all calculations. A trade of this sort would be precarious anywhere, and no legislation can ever bolster it up.

One of the subtlest economic facts is entirely forgotten by the Bombay memorialists,—however few or however numerous the trading interests they may be representing, which is a different question altogether,—that the proportion of metallic wealth being many thousand times less than the proportion of the fast increasing commodities of the world, the circulation of the latter is kept up by very small means of actual capital. The proportion, again, of active gold being considerably less than that of active silver, the very least depreciation of gold in practical use must produce the fluctuations complained of by the Bombay meetings. If any trading community, in these circumstances, would desire to place itself beyond these fine workings of the attenuated currency circulation of the world,—which can and must be drawn only by the most powerfully moving of all commodities coming upon the commercial stage of the world,—the only remedy would be to stimulate the production of the commodities most wanted and to devise such remedies as would increase metallic wealth concurrently with the increased working of inventive genius and material and mental capabilities.

The Bombay traders, who so strongly desire to force the hands of the Government of India and the Home Government, are perhaps worse than the victims of gold-congestion, in that, their energy not being adequate, they appeal to Hercules, while they know not how to extricate themselves from their troubles. The economic fact that an extremely small modicum of actual capital moves a much larger amount of commodities of far higher value cannot be forgotten by those who endeavour, as it were, to place a camel on a gnat by proclaiming that the slightest lowering or rising of the fluctuation kills their trade. It does nothing of the kind. If the complaint be true, will any rupee of fixed value—fixed, as demanded contrary to the spirit of all economic laws, in relation to the competing values of the world's commodities—ever remain stable?

What is practically wanted is not merely a permanent fixture of the price of silver, but also of gold, and for the matter of that the price of every commodity on the earth in relation to silver! Should the proposal be ever adopted and the people debarred from having their silver and, for the matter of that, their commodities or gold representing the former, freely cashed into money, the process will be like a gradual operation of chloroform to the vital commercial body. If, however, it would only be the legislative word put forward, that the rupee will henceforward be worth so much in relation to gold, and if there is nothing else put into motion to get that rate practically fulfilled, the Indian world will exactly go on as now, and no revolution will take place in the present just and equitable integrity of any value or property whatsoever.

As far as the wages paid to the different classes of people in India are concerned, it will be for each responsible bureau to consider how far and on what clear grounds they could be raised. The economic conditions which have changed for half a century past must be fully considered if this basis of itself does, or does not, warrant higher charges in the interests of the European employés.

It would be as reasonable to demand a permanent fixture of silver price, because an increase in taxation might otherwise be necessary to meet English charges and the increase of salaries that may justly be provided for English officials in India, as to expect English capitalists to give up investing their capital elsewhere and invest it in India. The reason why more English capital go to foreign States than to the British Empire in India is because, in the former case, the agencies which are dealt with are Europeans, whose faith and energy invite a larger amount of capital than at other places where European life has not become so universal. As far as that capital is concerned, there is a much stronger and an initiative organization to attract it in the former places, which is so sadly wanting in India.

When matters move in conformity with the scheme which I once laid down, whereby permanent European residents would be increased by many thousands in India, we may also expect a large and constant introduction of capital into India. Mr. Symons of the Bombay Bank would therefore seem to have been right in holding that as much English capital has been invested in India as could possibly have been under the unfavourable circumstances, which failed to attract the notice of Mr. Acworth's meetings.

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If price of silver is legally enforced, it will be equivalent to fix the price of gold and commodities which is not possible.

Economic changes of half a century to be considered in adjudging upon the present scale of salaries or wages.

Want of much English capital in India is not due to rupee fluctuations at all.

The theory of value for value and bulk for bulk is negated in fixing the rate of exchange for metallic money.

It has, however, been strongly maintained that capital will come into the country when fixity in the value of a rupee is attained. If much larger quantities of gold are to be imported into India, in the form of capital, for the prosecution of enterprise, one must first expect to see strong organizations formed, the very reverse of a strangulation of the silver currency being put into full force. The gold bulks imported will, of course, be broken up into silver fractions, and if these fractions are expected to fructify into due profits, the silver currency of the country must be in abundance. The bulk of it should be something like equal to the bulk of gold when liquified into silver. It is a mere question of bulk against bulk and is no question of arriving at an equation of values by a possible reduction of value in one concrete instance, and a forcible increase of value in another concrete instance of wealth. The falsification of true values becomes outrageous, for no value—and there are values in millions of forms—suffers in the least, where the bulk of values in one instance is made equal to the bulk of values in another. All actual values it would be as impracticable to change as it would be impossible to force one country to accept the commodities of another in exchange of commodities expressly of a lower value than the former.

Where silver coins theoretically circulate at a fixed ratio, the gold currency having backed them up, the ratio has been practically nullified, the nominal standard being only due to gold predominance, which is entirely absent in Eastern countries.

If any fixation of price of silver be good, it must be equally good for all countries, but it cannot possibly be so; for bi-metallism is generally known to have signally failed; and if its traces are weakly apparent in some countries to a small extent, it is only because the mass of people who have more gold than silver have been interested in giving their silver coins of a lower value the status of gold because they have to a certain extent lowered the value of gold. The practical result is that in certain countries they have made all their silver to assume a par value in gold. If they had not the enormous quantities of gold which they have, their silver would be in the same condition as ours; and they would have regularly sought an increase in the silver currency instead of having endeavoured to obliterate it.

India has not the advantage of gold-using countries, for it has had no gold for its currency at all. On the contrary, the greater portion of gold has been taken away from the East by European countries; whereas the gold left with the people of India, as a whole, is exceedingly small, such as the utmost anxieties of our helpless people to retain some wealth have alone enabled them to retain; and this

some would still have from us by damaging a splendid currency and putting the people to miserable straits.

Were the question of the standard of value, as now raised, legitimate, its *reductio ad absurdum* will have to be sought in a pressure put upon the Government to proclaim the use of precious metals absolutely penal for all purposes of currency, the Government being further asked to issue credit notes for monetary transactions as representing money in copper, silver, or gold, these standards being proclaimed to be merely nominal. It is maintained that—

“ You cannot any longer get the trading interests of Bombay to believe that it is a matter of no importance to them not to know from day to day whether a rupee is worth a shilling or one shilling and six pence. You cannot be persuaded any more than they could be persuaded that it is a matter of indifference to the trading interests not to know at all times whether a yard contains two or four feet, or whether a ton is made up of fifteen or twenty-five cwt. (Laughter.) The standard of value should be as stable as possible in the same way as the standard of measure.”

Well, the onus of proving that the wealth-token can be made as stable as a guz, or yard, or an avoirdupois weight, rests on the leaders of the currency agitation in the same manner that a paper credit note for a pence, a pound, a pice, a rupee, a dollar, or a sovereign can be sustained without the slightest trace of a metallic reserve. Every one will, I hope, admit that such a theory cannot possibly be sustained; and the demand of the agitation leaders goes in the same running, differing only in degree of impracticability.

Among the many material facts which have been completely abandoned in adopting the idea of having a ratio value fixed, in such progressive times as the present, one relates to the universal motive of obtaining an increasing measure of metallic wealth than what may be available in any form. It is unascertainable at all times how much and what bullion would be unfailingly needed in lieu of commodity offered for sale. A forced depreciation of metallic value cannot therefore be possibly sustained, for such an artificial depreciation could not reasonably be tolerated. The more so because in the world's development, on the lines of a free universal trade, the pressure of complicated transactions, or the metallic evolutions in consequence of the run of commodities after metallic wealth—the ultimate volume of the latter probably bearing the proportion of a hundred-thousandth part of the volume of commodities, which (the former) is again placed only in a receding scale—will be rendered in so fine a proportion that there would be no exchange fluctuation, however minute, which would fail

Illusions about the fixity of a money standard.

If no illusion exist, then the world need not have any metallic currency, for only paper tokens would form a stable standard of exchange.

No intercepture in the minute evolutions of the world's currency can ever be permissible for they only relate to the circulation of commodities.

to help in that desirable circulation of commodities, money, and credit, which directly help the progress of the world.

If certain trades be losing ones, the fixing of a legal ratio would only seem breaking one leg of the centiped.

It is undoubtedly a curious phenomenon here presented to view, that the divisions of wealth should be spread far and wide in those extremest decimals observable in the falling price of silver—falling because in relation to gold which every moment becomes scarce ; that the incitement to produce fruits of skill and mechanism, or ever-varying, or ever-repeating commodities should, on the one hand, be directly guided by the extreme decimals and broadening margins of profit, and, on the other, by the multiplying, receding, or changing wants of the different communities of the world. Every product of art, science, or human industry and skill, in each unit of the world, being, again, dependent on physical and other characteristics, is also influenced by the action emanating from a singular and irregular aggregate of fitful human demands at every centre of trade and commerce. Are not the necessary fluctuations of the relative value of silver and gold—the movement of which is also influenced by the quality and quantity of commodities—but only one of the infinite items which rule the trade in each article, and influence its growth, reduction, extinction, transfer, or transformation ?

Supposing, therefore, it might even be possible to practically enforce the value of gold in relation to silver, or *vice versâ*. You will hardly break a single leg of the centiped which influences every commercial transaction. If, however, you succeed in fracturing only one of its legs, it will hardly be a perceptible effect on the whole save the injury that might be done. In this instance of currency, the currency can only be made scarcer, and, therefore, nationally distressful.

Adoption of an isolated standard is entirely inconsistent with the expected indefinite circulation of silver.

To conceive for a moment that either silver or gold coins will ever become a fixed measure, like a yard or foot, is an irrationality of the highest type. The use of silver is yet so limited and is to become so extensive that its value can never be fixed for one single month. Besides India, there are so many portions of the earth where it can extend its more visible influences of a remarkable character.

Thousands of new cities and towns have to be built ; endless railways and tramways have to be laid down ; numberless manufactories and factories have to be established ; hundreds of millions have to be sunk in agriculture ; the two hemispheres have yet to be joined by an underground electric railway ; the earth has not been bored yet from pole to pole ;—but here it would be going beyond the object of

this work. What is desirable to say for the present is, that a decade hence the Indian world will wonder why was it ever said that silver was cheap, for it is not at all cheap in the practical sense it should be. The quantity of our currency may be doubled and trebled at once, and we shall no doubt give good account of it, so much so that a further increase would be essential. There need be no fear of any amount of silver thrown upon India which needs to be utilised in so many manufactures, irrigational schemes, village short-gauged railways, agricultural improvements diffusion of popular and technical education combined with sound general education, acceleration of sanitary and material improvements (such as I have been able to enforce, in some measure, and practically lay down for native Gujerat for years to come), and the establishment of European colonies in cool retreats.

The Government of India may perhaps be fairly expected to seek proprietary rights in the greatest of silver mines. The Government might in turn also compel some rich Native States to utilise their spare wealth in purchasing similar rights. Let the Indian commonwealth thus come in possession of more silver, which in course of time may become fourfold of the miserable quantity now existing in India side by side with tons of despicable money-tokens that have not yet disappeared from the country. The Paramount Government ; and certain Native States which are still steeped in sloth, intrigue, rank and pretentious despotism, aggressive or finely veiled corruption, secret or loathsome machinations, or disreputable and disloyal cabalism, with but a minimum of better influences, notwithstanding the subsidized and rosy reports extant ; and the influential landlords and big bodies of India should all take time by the forelock and secure increasing quantities of silver before much of the extra quantity otherwise disappear, which, it may be anticipated, will be in a few years to come, especially if this work succeed in stirring up the different nations to adopt the measures recommended in respect of their local and international currencies.

CHAPTER XXVI.

THEORIES IN UNISON WITH RICARDO'S EXCHANGE REMEDY.

The countries which understand something about currency intricacies have created difficulties, while those innocent of the knowledge have been comparatively happier in their ignorance.

THERE is no doubt that much of our perplexities is due to the differences existing in the standards of the different countries, and that hardly one among a million people in India understand the relations which exist between a single and a double standard, or the relations which each standard bears with the other, or the character of the bi-metallic system itself. But all silver countries, though they may have little understood the intricacies of the currency science, have at any rate been comparatively happier than the countries which have constantly made a muddle of their currency systems from time to time. These countries have been suffering from the currency intricacies which they have been themselves weaving around them.

Standard *de facto* and Standard *de jure*.

The essence of the contest between many of the currency controversialists is whether currency metals should be held as a fixed or variable money commodity. From the earliest down to the middle of the present century some fixed value was sought to be attached to the precious metals, though the standard which actually operated was more a *de facto* standard than a *de jure*, for in many countries of the double standard, despite the fact that the ratio held by law was 15½ ounces as an equivalent of 1 of gold, whenever the one or the other metal would be scarce, an *agiotage* invariably prevailed. Had there been any complete force in a standard *de jure*, it was never assumed that a debtor was to pay in gold, except under a special contract. When creditors desired to obtain gold, they could only do so if a lower rate of liquidation was permitted, meaning that any standard had practically no fixed value, but was ruled *en evidence* by the market value of the metal.

Ricardo's exchange remedy is a contemptible dwarf compared with the silver efforts of America and the well-known absorbing power of India.

To raise, then, the price of silver would end in raising prices of commodities in just the same manner as natural laws have lowered gold prices, because gold, on account of numerous causes, has become scarcer for circulation as well as for arts. Thus, if the former action be due to law, we can infer nothing less than that a protective theory would be resorted to, of which we are always endeavouring to be free. If America, where the greater portion of silver is produced, has not wisely resorted to this theory—on the contrary, that shrewd and sagacious country actually encourages the State,

under the Allison Bill, not merely to purchase silver, but to put it into currency every year in certain quantities,—it seems unreasonable that one should be led away by the old-world and impracticable remedy of Ricardo, which would arrest the development of currency by direct State measures, and rely, when the currency was scarce, upon an alteration in the Bank of England Act, by which a puny amount of silver reserve could be utilised by the Government of India for the time being only, for that reserve would be liable to be withdrawn at any moment when the market became tight in England, and would be no surety for filling the perpetual void created in the currency of the country. To be deprived of our legitimate gain in silver every year, in the form of ten or fifteen crores per annum, and to rely, once for all, upon a fraction of that amount, which may or may not be doled out by England, has been lately demonstrated by “A. M. L.,” Fellow of the Bankers’ Institute and a disciple of Ricardo, who flourished in the commencement of the century, as a complete and grateful “exchange remedy!” Under Ricardo’s theory, however, the propositions of the currency agitation meetings have been thrown overboard. And “A. M. L.,” who is one of the prominent writers on monetary science, would propose a duty on silver, if imported by private parties, to make up the fixed exchange rate—a nut-shell embodying inexpressible evils for the people of India and a ruin of its commerce with both gold and silver-using countries, as expounded at length in the foregoing chapters. After a careful study of *Ricardo’s Exchange Remedy* by “A. M. L.,” so very able otherwise in dealing with banking questions, I cannot but come to the conclusion that there are influential currency fadists who have entirely failed in comprehending the present state of things as compared with that which prevailed in past centuries. It cannot be denied that Ricardo might have been held as a monetary saviour in his own times, but his theorems are as applicable to the present times as the nostrum prescribed by the physician of an Eastern potentate to keep his horses and servants in full spirit and energy by administering them—not the usual gross bulk of hay and food, but their concentrated essence, with a view to keep them light and gay before their royal master. The exchange remedy of Ricardo would reduce India, in course of time, to the last dregs of poverty: and that by means of what are understood as *currency reforms*, which would first arrest the regular course of the present free happy coinage and then exasperate the people into party-

ing with their much cherished ornaments simply because they would be forcibly brought to the very verge of pauperism, gold or silver coins being precipitated in the sea of currency, freeing them from their centres of trust and contentment. There cannot be any other result due from the introduction of a fixed value, or the transformation of a country's standard from one to another, or as answering each other in a terrible form of emaciated apology than such as must result from an arbitrary interference with the doctrines of an essential, ever-growing currency, and of free trade.

To introduce gold or gold price where the Government has not a scrap of free gold to offer for currency, except by most imprudently and iniquitously forcing the people to disgorge what little they may have, and which they ought to be induced to retain in their own interests, or to produce a dearth of silver wealth where a natural flow of silver exists for centuries, is to produce the greatest national distress, inflict ultimate disasters upon the people, and dislocate and ruin all easy trade and commerce. Any Government may assert, for instance, that 2,034 grains of silver shall be an equivalent of 113 grains of gold ; but as soon as this assertion steps into the province of a Mackay or Ricardo, and silver is arbitrarily raised, and gold is arbitrarily lowered, having the effect of proscribing the most important guiding and nurturing commodity, such a measure would in the long run be as iniquitous as legislating that the natives of India shall, for all good purposes, be converts to Christianity or Mahomedanism, and that, within a certain term of period, all Indians shall become Christians or Mahomedans by religious profession.

Money has never been, and can never be, immutable.

A Government has the right to declare truly what a rupee, dollar, or sovereign is, but it has no right that so much of one metal shall always equal so much of the other metal, or that a country should only take so much of this or that metal, and no more or no less. It is a sort of delusion to suppose that the relative price of silver and gold has any convertibility with money immutable, that the respective values are anything different from the respective values of (say) wheat and iron. It is, therefore, utterly fallacious to suppose that, because 12 inches make 1 foot, 113 grains of gold shall always make (say) 2,034 grains of silver.

The new basis of currency science radically and

With a certain amount of motive power of currency circulation, while silver and gold had both possessed that motive power when the world was still in a more or less undeveloped condition, the

ratio remained apparently constant, though the influence of the market values was concurrently in existence. The disturbances in the system of the double standard, which have taken place variously in various places, merely followed the natural movements of the currency circulation, in that silver has, in a large measure, supplied those great gaps where the precious metals have been absent in varying quantities. Each of the metals simply sought accommodation where the other had been absent; and there always has existed a pact between both as to what rates each would circulate in a faithful proportion to its volume and growth. The currency necessities of many important portions of the world being thus supplied in a large degree by virtue of necessity, the monetary aspects of the world have become radically different from those of the old-world times. The influence of the currency expansion has become too wide and too powerful to yield to any such treatment as that of Ricardo, or that marked in the wake of the conclusions of the Royal Commission of 1887. The motive power of currency has in itself changed, in that the obscure relative value theory of a fixed character of the primitive times has now entirely, emphatically, and irretrievably yielded to the quantitative circulation of currency. The silver countries barter in all commodities, with either comparatively less or more silver than before, according to the quantity available of those commodities and the cost of their production, as also influenced by the amount of the currency wealth in silver circulating in these countries. The circumstances are exactly the same in gold-using countries where you have only to multiply the existing quantity of gold into so many times to reduce it to silver wealth, the varying rates being as essential a factor in valuation of money or wealth as the countries using silver have to make every allowance for an easy or tight condition of their silver market. To endeavour to reduce the tokens of wealth to an arbitrary dead standard, like weights and measures, presents itself as a singular theory quite beyond the pale of the practical concerns of the world. A pice, a rupee, a *rihal*, a dollar, a sovereign, a mark or a frank is a money-token for all manner of weights and measures of commodities. To fix, however, the intrinsic value of radically different coins as being equal with one another for all times to come, would be to predetermine the material weight of a guz or yard, but is no faithful measurement of actual values any more than a guz or yard can be made a faithful measure by adopting only certain material

very wisely
differ from
the old.

The general
interpretations
of currency
standards and
the standard
of weights
and measures.

of certain weight. It seems to be entirely forgotten that whereas weights and measures have all a dead fixed element, from which all rival and vital element is eliminated, the same is not the case with tokens representing the ever-active, ever-moving, and ever-expanding wealth, which again is formed of especially two rival elements, as silver and gold are. The one symbol can afford to be stereotyped for ever as denominations of various coins in a corresponding sense can be. But this theory is entirely inapplicable to the living factors which make up wealth. They move and change with the movements of, and changes in, the commodities produced in the world from day to day. We thus see how completely fallacious is the comparison between a money standard and that for weights and measures, while it has been made clear what is that thoroughly deceptive corresponding element which confounds the world with the utterly chimerical similarity existing between a money standard and the standard for weights and measures. The values to be inferred in both instances are dependent upon the extent of quantity, for admitting that silver and gold are unmis-takeable tokens of money, had the white metal been obtainable only in the limited quantities of the yellow, and the yellow in the much larger quantities of the white metal, the present rates of values between the two would have been reversed. As there is no limit to the number of weights and measures, so there can be no limit to the number of currency coins for the use of the world; the last should be as freely manufactured as the first. That is the true parallelity between the two, not the one that has been deluding so many.

CHAPTER XXVII.

ELASTICITY OF THE SCIENCE OF CURRENCY COMPLETELY FORBIDS
ADOPTION OF THE BI-METALLIC THEORY.

AMONG the many delusions extant in reference to the monetary science, one is in reference to the exactitude which has been applied to it by economists and administrators. The monetary science, or the science of currency, in its very nature has never been, and never will be, an exact science, except somewhat in the involuntary condition of India-rubber elasticity.

The science of currency is not a hard-and-fast science of finally ascertainable exactitude.

It is not demonstrable as any of Euclid's problems, for the meteorology of currency is as fickle as the weather, and any action to control the former has but little more influence than any action set forth to control the latter. At best it is wise to put up with native weather as it may be, for, if that be not agreeable, there would be no other in the world which would better agree. We cannot discard the meteorology of any currency any more than we can discard a weather, or the eternal principles of moral and material sciences. In both instances there would be many palliatives employed; in the present currency difficulty you may unify the monetary standards all over the world in proportion to the quantity of the metals available. The utmost stretch of palliatives must stop when each country has had both metals in their currency and adopted the various credit forms as far as they could be backed up by bullion permanency. The function of these palliatives, however, must necessarily stop at certain points of monetary and commodity circulation. Neither current variations nor an exceptional crisis can be stopped by any palliatives, for all wisdom is exhausted in unseen and unascertainable factors at work when you have to accept money as it comes and commerce as it may direct itself.

Palliatives in currency troubles are inoperative, especially when based on the revision of any immutable principles.

Currency philosophers like Mill and Ricardo have failed in ascertaining to what causes any fixed ratio was due, and whether the natural ratio of value was due to the cost of production or to the quantities of production. When the respective quantities of production most varied, a certain ratio value was kept up; when any remarkable variation was absent, there were fluctuations in the ratio value. At all times even a fixed ratio value was infringed in millions of cases, though the apparent tradition may have pointed at a fixed ratio. As long as there were no great or radical movements of currency circula-

The legal ratio value of old had no intelligible existence in actual metallic fluctuations.

tion, and no vast demands for either metal, the ratio appearance remained decent enough. As vaster fields were fertilised by currency as well as bullion, every semblance of regulation necessarily vanished, and the complicated demands for precious metals and the conflicting operations of the element of cost in producing them inevitably defied all attempts at fixing any artificial value except that which presented of itself.

As silver has not been demonetised throughout the world, the legal ratio, if practicable, ought to have been maintained.

The most favourable condition in which a steadiness of ratio value may be expected has already been experienced, in that the mints of the world have taken up much of the silver produced, and coins of both sorts have been freely minted, though both standards have not been latterly adopted by certain countries. If a legal ratio were attainable, there would be no reason why the mintage of both metals should not have of itself produced that ratio ; but such a fixed ratio would be false and has not therefore come into existence.

That the features of currency cannot be rendered exact may be inferred from one of many facts, and that refers to the quantity of gold produced up to 1850, say, about 700,000,000*l.*, to which about 900 millions were added in a period of 36 or 37 years only ; and yet a demand for fresh currency merely was no less than 280,000,000*l.*, the balance being all taken up for the current uses of the world. If we refer to the production of silver and also to its existence in currency and arts, and its appearance in many forms, by just the same method as applied to the other metal, one may imagine the enormous and conflicting hosts of factors which would have to be dealt with, but which cannot be, in arriving at any correct relative values of the two metals which would in any way be acceptable by the world.

Neither the extension of credit systems nor the artificial raising of silver standard, nor any other so-called economies practised have preserved a fixed ratio between the two metals.

Even the action of enlightened communities, which have largely enforced economies in the use and circulation of currency metals, has had no effect in steadying the relative values, nor the prices of commodities, though the enormous amount of demonetised silver has not been buried in the sea, but has only been displaced in one country and taken to another. As with the world at large, no adjustment of the relative values can ever stand on an artificial basis, though their near contact may serve to hide the actual fluctuations otherwise going on as sure as anything can possibly be. The hopelessness of keeping the ratio value more or less at one point further appears from the fact that the variation was much greater in the early part of the century, when the rate of production of silver was much less than it was about

the time of the famous gold discoveries in 1851, when the out-puts of the former rose from 8,000,000*l.* to 25,000,000*l.* a year, which was as well absorbed by the world as ever, and yet the ratio value could not be sustained.

If the relative values of silver and gold can be fixed on the precedent of the past times, which is the strongest ground urged for the step, it must be taken for granted that for centuries the monetary science has been rendered exact, whereas nothing can be more a speculation and conjecture than any artificial formula that may be prescribed.

We have already seen how impossible it is to create any practical disparity between the price of silver and that of gold, as both would certainly become scarcer in India under a bi-metallic law—whether of actual or nominal gold standard. If such a marked restriction in the circulation of the currency of one country would produce the disasters elsewhere explained, these disasters can only be multiplied under a practical enforcement of the law as many times as the number of the countries in which bi-metallism may be employed. The direct result would be that legal tenders would be discarded in a large measure, and bartering in commodity for commodity, or commodity for silver or gold bullion, would certainly take place. The world would care a fig what currency laws may be in operation so long as they did not fall in with the physical state of things in the world. Conversion of commodities into any of the specie, or the conversion of any of the bullions into commodities, cannot be interfered with by any law, as much as no united law can ever compel exchanging communities either to take less values, or extort more values, for commodities, except such as the natural supply and demand would fix, or to put up with any distressing contraction of any of the currencies.

If no contraction is attempted, and an unrestricted coinage of both metals is kept in force, but with a legal ratio attached, the currency coins would be dealt with on the principle of discount or premium, according to the abundance or scarcity of the metals in each centre of bi-metallic currencies. A supreme disregard of the legal ratio would be the only result, for every motive to dispose of, or purchase commodities is to obtain the largest possible values in a tangible shape, and which are only ultimately reducible in the possession of actual bullion in the largest possible quantities as final margin of profit.

It would not matter if this specie were represented by any credit tokens, for the metallic reserve will always be there for any particular

Universal bi-metallism of legal rigidity would lead the people to the bartering of commodity for commodity, or for any of the specie.

If legal ratio is nominal so far as coinage in either metal would be unrestricted, the principle of discount and premium would come into use and thus render legal ratio inoperative.

As the world will always seek the met-

allic bullions, the bi-metallic system must prove hostile and inoperative.

use which its owners may desire. There would always be a set of non-union countries which would traffic with the bi-metallic union countries, and the value of the specie of the former cannot but have a direct effect on the bi-metallic coinage, or the commodities of the bi-metallic countries. The effect of the measure on the latter would both be curious and disastrous. There is sure to be a dead-lock between these two sets of countries.

All gold mono-metallic countries are tending towards the double standard.

It has to be borne in mind that almost every gold-using country has now arrived at the conclusion that no country can prosper under gold mono-metallism, and that silver currency is an essential accompaniment of gold currency. The increasing scarcity of gold is sure to effect a practical conversion of all such countries, more especially as the world is not yet saturated with gold, which, if coming up even in as great quantities as the famous discoveries of this century have yielded, would be as quickly absorbed as if no further volume to the gold currency had been added.

The fact of any amount of gold or silver will continue to be absorbed by the world is a fatal argument against a bi-metallic theory.

The additional quantity of silver which every one in ten of the world need will render this want of gold, in spite of any additions that can be anticipated, always telling. Not all the banking and clearing-house contrivances will do anything but increase the demand for the precious metals, for from one-fourth to one-half of them will always disappear from active circulation, and with the increasing value of commodities which the world must produce, *pro ratâ*, with the increase in its population and in its various wants fostered by the influences of peace, contentment and civilisation, the cause of the currency, even with the completest appropriation of the precious products, must be held as a most anxious one. The economists and authorities in charge of this question would only exercise their duty impartially and manfully by sternly rejecting all proposals to place any fetters upon the circulation of the currency and adopting every possible hint by which the increase in its volume, in every direction, may be left as free as air.

The best remedy is to fix the value of both gold and silver coins in accordance with their inherent value after adding to them all fair local charges. The result would be so extraordinarily just and good that any country which may happen to have any of the metals cheap, on accounts of its own merits, would reap a greater profit than the country not possessed of that advantage. And yet the latter will always command some different advantages which will ultimately balance the special ones possessed by the contrasted countries. We may plague ourselves with a

hundred thousand questions about the speculated or real rise or fall in various prices of different epochs and of different countries, but such speculations would avail but little. I would rather beg of the Currency Authorities to take heed of the memorable words of John Bright : "I hold my course from head-land to head-land through the great seas." For to go coasting along, turning up every creek and exploring it to its source before one can proceed on his way, is very much to lose one's way amid currency troubles, if the infinite and unascertainable details are made much of by the deliberating authorities. Some one should rise and tell all nations to give up their destructive old-world prejudices about the fixity and singularity of the money standard, both of which theories should now be abandoned with complete international unanimity.

CHAPTER XXVIII.

RESPECTIVE BEARINGS OF SILVER AND GOLD CIRCULATION THROUGH-
OUT THE WORLD AND EXAMINATION OF THE THEORIES OF CURRENCY
AUTHORITIES.

Opinion of
Rice Vaughan
in 1675.

THE quotation of one ancient opinion—that given by Rice Vaughan in 1675—is worth a cart-load of literature now issued on the subject, without aiming at the vital point or the modern spirit existing *re* the money question. I shall here give a brief extract therefrom, to which the attention of the President of the Royal Commission was well drawn. It clearly hits the folly of artificially seeking to raise the value of any standard when it is not in the hands of the State to control the value of money in a spirit of contract, when a contract observed between several nations is liable to be infringed by others who will let the money run as it will, that being the upshot of the following very sensible observations:—

“ Amongst all the remedies propounded against the alteration of moneys there is
“ none more specious than this, nor more frequent in mention, both in provisional
“ edicts, which are made for the reformation of moneys, and in considerations held
“ for the purpose, for it is said to advance it. That if we contract with other nations
“ for a certain and stable standard of moneys which may be equal, then we shall
“ avoid all the inconvenience that do grow by the raising of moneys, because we shall
“ never raise them; and we shall avoid all the inconvenience that do grow by the not
“ raising of moneys, because other nations shall not raise theirs. Besides for this
“ remedy there is alleged the example of former age, wherein it appears that in many
“ treaties with foreign nations our kings did contract for the mutual standard of their
“ moneys. But however the propositions be, specious and frequent, yet of all other
“ remedies, if it be thoroughly examined, it will appear the most difficult, or rather
“ impossible to be effected. * * * But suppose it was possible to draw all
“ those countries to a certain contract, what would be the use of it? I did, in a former
“ chapter, observe that most countries, and particularly France and the Low Countries,
“ do seldom or never raise their moneys; but when people by custom and general use
“ have raised the money beforehand beyond the publick declaration, and the State is
“ forced to follow the people, whom in this case they do not master, to what end is it
“ then to contract with those nations for that which is not in their power to observe?
“ And that which is alleged for the course of contracting, with forreign nations, out of
“ the example of former times, doth clearly convince the vanity of this proposition, for
“ it is manifest, as I have showed in former chapters, that notwithstanding these
“ contracts, the money was continually from time to time raised”?

Mr. H. H.
Gibbs' me-
thod of dis-
crediting Rice
Vaughan's
opinion.

Whether a fixed ratio is now agreed upon, or the coins were made of certain alloys to raise their values in the sixteenth century, there is to be observed the same attempt now, as then, at perverting the genuine course of currency, though a great banking authority (Mr. H. H. Gibbs)

tried hard to persuade the Commission that the principle of bi-metallism had nothing in common with the efforts deprecated by Rice Vaughan in 1675. The "self-interest" of all contracting nations would decidedly lead them to infringe the bi-metallic law on every practical ground that would render it nugatory. The necessity of having an increasing stock of precious metals, of meeting unforeseen and particular deficiency trading with the cheapest market, and the thousand and one circumstances which influence the movement of various currencies and the circulation of bullion and credit must all tend to upset a fixed legal ratio. In a fixed legal ratio one addresses the world in this wise: "Thus far thou shalt proceed and no further." In the words of the sage of 1675—"This if it be thoroughly examined," as attempted to be done here, "will appear the most difficult, or rather impossible"—I say completely impossible—"to be effected."

I have not yet come across any authority which demonstrate, that the self-interest of any or all nations seen about an automatically moving currency which should have a legally fixed ratio value. If there was "badness of coinage" which was aimed at in those days, the fixed rates would be practically indefinitely more damaging in the interests of the modern communities, meaning a good deal more than the ancient "badness of the coinage." That it is hopeless for even a single nation to insist upon bi-metallism is evident from France having had to give it up. Not that the traces of a dying conviction have altogether left us, for the Netherlands is looking forward to have a bi-metallic union as a compromise between right and wrong—a compromise which would only lead to greater disasters. The Government of Chili, on the other hand, takes in an enormous amount of silver to redeem their legal tender notes, and America, which once gave up the double standard, had to resume it in 1875 in consequence of the investigations of a specially appointed Commission, the agitation for a double standard having taken place since the great increase of production of Nevada silver mines, and the necessity of making payments in specie being severely felt. The larger quantities were accepted as a blessing and not a curse.

Why, again, is the general cry in Europe about contraction of the currency? What is the cause of the marvellous development of paper currency, cheque transactions, operations of increasing exchange banks, appropriation of deposits, and a hankering after more metallic reserves? It is the fast progressing contraction of currency. The banks of the

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Conclusion to
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civilised countries, which have become an uncontrollable sink of treasure, have alone swept in silver and gold at an enormously increasing rate since 1876, when the reserves, which amounted to about twenty-five hundred million of marks, have risen over six thousand million marks. It cannot further be denied that silver carries on the function of money in a more extensive manner than gold, and that the currency of silver necessarily commands an area of circulation perhaps ten times more than gold. It is deplorable that, while the monetary supply of gold is about 13,212,000,000 marks, that of silver is only a little more than half that sum, viz., 7,843,000,000 marks. It was desirable that the Royal Commission ought to have alighted upon many broad facts of this character. Can it ever stand to reason that the world can get on with a silver currency which is much weaker than gold, though there is plenty of money run as it is, and uncoined which might as well be buried in the ground? The above figures are not the latest ones, but any differences in them cannot affect my conclusions in the slightest degree. Many authorities have allowed themselves to be confounded with infinite details without touching some of the most pregnant and prominent facts such as this one.

The disparity between the two metals in currency is most striking and suggestive, the more so since the annual demand on gold for arts and ornaments is much larger than on silver, the former amounting to 10,837,799, and the latter to 3,475,413 dollars, in 1885.

The gold produced from 1493 to 1885 was about 31,068 million of marks, and silver for the same period amounted to about nearly the same value notwithstanding the great disparity of the respective productions in certain periods. And yet a plain calculation—one adopted by the best monetary authorities—makes it apparent that the silver currency is half of that of the gold currency. The probability of less gold being extant in currency owing to the preferment given to it for other purposes and so much of it lying idle as savings and reserves, it is easy to assume. On this ground, then, the scope of the silver currency must become much more contracted than the evident proportion of it to the gold currency indicates. But the enormous evil under which we live is displayed by the fact of a greatly more valuable and rarer metal being double of silver in circulation, when silver as a successful and popular currency should be (say) ten and twenty times of greater value than the former. The dearer a currency metal, the less its scope for universal currency, while the degree of gold circulation

furnishes a barometer for silver currency; that is, the former unmistakably indicates how far greater should be the volume of the latter to provide an universal solution of an adequate currency for the whole world.

The singular weakness of the present currency, which curiously enough is sought to be made weaker still by an artificial and cramped standard, and the unnatural nostrum of bi-metallism, is strikingly demonstrable when the present state of things is compared with that of past centuries, when commodities were much dearer than precious metals, for, in proportion to commodities and the absence of any marked trade, the former were to be had in greater proportionate abundance than the latter. The function of money in those times was assuredly very simple, for the pressure on it was but elementary; its function was therefore barely more than elementary. It is strange that the Royal Commission should have taken the standard of those times strongly recommending that if bi-metallism was suitable then, it would be suitable now. Nothing of the kind. The demand on currency having increased a thousandfold or more, its circulation some infinitely more rapid in consequence of speedy and transactions so greatly facilitated by railways, telegraphs and navigation, as transactions worth millions can be conducted by a flash of lightning, complexity has appeared even in simple forms of monetary exchange which ought not to be interfered with excepting that the world should be allowed to have a free coinage of both metals without cramping them with fixed rates, or a lowered currency. It exercises the patience of everybody to act upon the exact and steady values of the metals simply because both have been placed in an impracticable plight. When they are left entirely free and both metals are thoroughly well liberated, their levels, as far as they could be, will have been attained; and it is extremely desirable that those natural levels should be ascertained as soon as they could be.

These levels can be ascertained only by adopting the true and scientific method of employing silver and gold by each country according to its demands and to refuse free coinage nowhere. So far back as 1843, J. Helferich correctly laid down, that "it is the characteristic of credit that it is able to draw a line between the two functions of money—its function as a measure of value and its function as a medium of exchange. It creates a medium of exchange without touching the measure of value. It can make any commodity the medium of exchange, while metallic money remains the standard of value." It

J. Helferich's theory about money and commodities.

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may be more distinctly stated that, as no one thing was in such universal demand in the old times as money, it well accommodated itself in its simple function. In modern times, when the production and exchange of commodities have infinitely outstripped the old measure of money exchange, a natural standard of value becomes untouchable, but it at the same time leaves the universal measure of value well alone. Money as a medium of exchange, having indefinitely increased as money in its old fixed measure of value, it is not the fixity of an exchange rate, but an elastic increase in the quantitative principle in money that now becomes more and more imperative year after year. J. Helferich has well laid down: "The greater the range of commercial transactions, the less is the influence exercised on the movement of prices by gold as the medium of exchange, and the more independent is the movement of prices." My latter consultation of this authority has borne out one of my contentions which I have endeavoured to demonstrate with an unbiassed mind, that the price of commodities is fixed only by causes inherent in themselves (*nach deren eigener Werthbestimmung*); only I have advanced a little further than Helferich in holding that the prices of commodities are formed, from time to time, in proportion to their production and circulation, and in proportion to the strength they display in attracting such currents of currency as lie within their influence, that amalgam as may be found in the different centres of the world's market producing the particular price of a particular commodity, in a particular place, and in a particular period.

Dr. Arendt maintains that the gold countries monopolise gold to the prejudice of other interests.

Dr. Arendt of Germany maintains, in his publications of the German Society for National Bi-metallism, that the present tendency is not to let gold walk away from the country, the Bank reserves being closely watched. As I have already maintained, the gold congestion in gold-using countries is due to this mischievous jealousy which compel all countries to confine their gold by means of high rates of discount and interest. Consequently, the premium on gold rises everywhere and disables countries with weak circulation from fully availing themselves of English products. It is admitted that over 20 per cent. decline has been effected in prices.

Absorption of gold going on at a much greater rate than the rate of its production.

And why is this? Because the production of gold every year is now about one-half less than what it was in the years before the Indian Mutinies. It is now even less than 19,000,000*l.* sterling per annum, whereas upwards of twenty-five times that amount has been

in late years absorbed for coinage by European countries. The bullion variously used and imported into other countries must be another very heavy item, while the increase in gold circulation has by no means kept pace with the demand for, and supply of, commodities. It is thus quite explainable why trade must be depressed and gold made much scarcer for those who have no gold standard and but little of bullion.

Every one of the European economists seem to have ignored one significant fact that the fall in gold prices, or the rise in silver prices, is not in itself a question of such grave importance as the actual cause of that fall and rise. The fall in gold and the rise in silver prices are to be treated more as *causa latet, vis est notissima* than *causa sine qua non* of the prevailing distress. What Europe and gold countries require, as a first measure, is not so much of more gold as increasing quantities of commodities measured in silver. All gold-using countries now imperatively require much larger quantities of cheap food, clothing, and other articles of an increasingly cheap value. This will be one potent method by which capitalists could cope with the labor question; the scale of wages must run down in proportion to the cheaper mode of living secured. Both agriculture and manufactures must then thrive, and a fair field for competition with silver-using countries will thus usher into existence. In other words the present indissoluble mountains of gold have to be dissolved. European controversialists have barely perceived the fact that it is this gold-congestion which has to be broken up,—that, in the language of a little rhetoric, gold has to be liquified into silver fluidity.

What is the way to attain this fluidity and increase the circulation of silver? Not, again, by tying up silver and gold with Shylock's bond. Never attempt anything of the sort; the advocacy should now be abandoned finally. Set free silver currency; break up silver reserves; buy additional silver while you demonetize your gold to a certain extent; and you will send more silver capital where it is badly wanted to become an eventual basis for some gold. While the agricultural and trade distresses will surely be alleviated, the gold capitalists will find themselves eased a good deal since a freer circulation of gold will set in. Those who have bargained in cheaper gold must find themselves justly relieved, because they could, under law, pay large quantities of silver in no fraudulent, but true, value. The effect directly would be to convert the additional silver into its exact and faithful counterpart of gold. The nominal silver coins must no doubt for some time occupy

The dire want of Europe is much cheaper food and other articles of life which will solve the labor difficulties and mitigate agricultural distress.

Justice to creditors and debtors essentially consist in restoring natural values of precious metals which alone would

soothe and
pacify the
world.

the local and minor calls of the currency till they are gradually recast ; or a limited portion of them could be recognised in large transactions till they are made to disappear. The great point, however, gained is as simple as getting a change for a rupee or dollar, by cashing a good deal of the gold for silver.

Further
scheme for
an effective
rectification of
over-valued
gold and silver
coins to
bring about
their reform
on the lines
of the author's
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universal cur-
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It would be worth while considering if an agreement would be practicable among civilized nations to call for all silver coins of nominal value and issue par silver certificates, while every opportunity was availed of to remint the nominals into actuals in conformity with the reformed silver currency. The additional paper currency will even have a better proportion of metallic reserve than many of the paper currencies already extant. Any nominal gold coins will yield to a similar remedy, which would be instant and efficacious, in support of the more elaborate system of reformed silver and gold currency proposed in this work. When the different countries issue silver and gold coins based on intrinsic values to generally conform with the East, the people will readily bring in all coins of less value, to be possessed of silver certificates of par value, which would everywhere be convertible for coin or bullion.

One of the objects of the elaborated project is to save all Governments an enormous outlay which would be needed for the reform of over-valued coins, for most of them would indeed not be in a position to incur the enormous expenditure that would otherwise be needed. As the proportion of metallic reserves will be less than the total amount of silver certificates, based upon the over-valued coins, much of the over-valued stock could be melted with a view to preserve it in bullion, or convert it into full-valued coins.

The scheme
while obviat-
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actual wealth
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form of actual
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If the currency-union countries, as suggested here, would all agree to wipe off their bad coinage in this wise; the new notes, with the natural metallic standards, will circulate everywhere with certain restrictions which could be easily imposed, or may be produced by the voluntary action of the nations themselves. The self-interest of each nation will prevent it from having any large mass of credit notes of other nations, since the banking institutions of each nation will probably, and mostly, refuse to deliver precious coins for the credit notes of other nations. If, however, the metallic currency is enlarged by every nation to the utmost possible bounds, and if the coinage of all nations is based on a natural uniform standard, an important danger will be obviated of any nation, or group of nations, endeavouring to

absorb the actual wealth of any single or aggregate nations, without an exchange of actual equivalents. The fear of any nation, in respect of being denuded of their metallic wealth, will always act as a deterrent against an exchange of their wealth coins with the paper currency of other nations, while the unity and free unabused passage of metallic standards will protect interests on both sides.

It being well established that the quantity of currency circulation cannot be too much augmented, but that the metallic quantity for circulation being very much less than the quantity of commodities in need of money exchange, not only all specious obstructions like arresting the healthy progress of a free coinage and rendering the values of currency metals unchangeable should be discouraged, but every healthy form of exchange will have to be encouraged. The addition of new stock of silver, converted into currency, and the further demand which will appear for gold for various purposes, when its use must become more universal under the scheme here explained, must greatly strengthen the currency of the world, while all values in wealth having attained their natural level, a freer purchase or sale of bullion will take a more extensive form of exchange, thus adding to the more facile system of commerce that must then prevail. Gold will much more readily change with silver of silver-using countries when the respective values of the two metals are in no degree interfered with. The interchange of both metals in shape of coinage, etc., must take place much more readily between the opposite countries, as an increase in metallic wealth will be effected everywhere on account of the equality of values effected by the natural method explained. The over-valued coins do not at present find a ready passage to foreign countries, which they must do on the basis of the silver certificates proposed to be issued at about par value. The fact that there will be a larger demand for both coinages owing to the justness acquired in their respective values must raise the value of both gold and silver after it has once fallen. As capital in silver, when set free, will certainly pay a fair interest, much of gold will be cashed into silver both for local and foreign use.

CHAPTER XXIX.

THE ECONOMIC TENETS AS DECLARED IN RELATION TO FACTORS
IN CURRENCY AND COMMODITIES.

A Railway Auditor's theory of profit and loss: no Railway Company in India makes a loss by a lowered exchange as long as the traffic it obtains is a full average.

It is not correct to maintain by any adroit manner that the investment of silver in India does not pay, as a very clever Auditor of a large Railway Company in Western India tried to show the other day to back the efforts of Currency Meetings. It was argued that, if the past rate of exchange and the profits then derived were taken into consideration, the Railway Company had lost a certain sum in past years owing to the continuous fall in exchange. But this theory of loss was maintained in spite of the admission that traffic had increased, the very large item on that account being openly omitted, while the former more favorable rate of exchange was sought to be applied to the earnings of the year. This may be a clever method of showing an incidental loss in consequence of a fall in the former exchange rate, but the vital commercial principle of the modern times is entirely lost sight of, that all actual increase in the volume of traffic, despite the falling exchange, is a distinct gain, the more so as the rate of exchange has continuously lowered. Had this lowering created any unfavorable effect, it is forgotten that there should have been no goods to carry at all. The legitimate profit in these days is derived from increasing mass of commodities which involves continuous profit. No one who ascertains the first principles of the science of commerce will ever maintain that two radical forms of profit could exist at one and the same time, that the volume of competitive traffic should increase while the value of silver should run up. These are two impossibilities which do not usually come into existence. It is only when silver is very plentiful, and therefore cheap, that it will attract an increasing volume of traffic; if the silver currency becomes scarce, there must necessarily ensue a depression of productions. Curtail the volume of currency, or arrest the process of a free and natural coinage, and the volume of railway traffic must go on falling to an alarming extent.

The only remedy, therefore, is to give the freest vent to metallic currencies by making unconditional accessions to them wherever they could be made. The world will only thus accede to the reforms needed in its currency. No unwelcome results need be apprehended, for if the results of a clumsy management are admitted to be within the limits of a practical treatment, the results of a naturalised reform ought not to be feared in any measure.

Mr. Herman Schmidt pointed out in 1886 that the causes to which low prices and trade depressions were attributed existed before 1879 when the results now marked were not apparent. He therefore attributes the trouble to "the mistakes in the coinage policy of various countries" which especially resulted in the demonetisation of silver. Unfortunately he advocates a reform involved in international bi-metallism. Half the truth being hitherto apparent, it is natural that he should have fallen into one at least of the great pitfalls of so many of our present economists.

The half truth of Mr. Herman Schmidt.

It is wonderful how these gentlemen persuade themselves and all the world that bi-metallism is the only remedy to be adopted by all nations, when certain European countries are practically bi-metallists already. Though these countries are bi-metallists, they have been very unsuccessful bi-metallists. They have desperately clung to bi-metallism, for its life almost ceases beyond local limits. If bi-metallism is not the evil thing which I have been able to demonstrate without the slightest bias in favor of, or against, any of the numerous parties involved in the controversy, how is it that certain countries have more than half-slaughtered it and have refrained from slaughtering it wholesale because by such an action they would only ruin their gold concerns and the silver ones which they have so wrongly kept at par value. They keep their silver propped up, their gold in tact, and only cause miseries all round. The bi-metallism which would not operate within a limited area, its advocates contend hard to adopt for an universal area. They forget in their over-zeal, and in the absence of a commanding grasp of the situation, that the limited evils of the present would only be rendered indefinite for the future.

It is forgotten bi-metallism is already in existence and it is that alone which causes the mischief for which a remedy is now being sought by all nations.

Universal bi-metallism will not cure these evils but intensify them, *pari passu*, with the extension of the system which would co-ordinate itself with a continuously contracting system of currency and conflicting modes of unworkable valuation of the standards. The overgrown systems of credit have often resulted in monetary crisis despite the fact that these forms have been adopted in the strict interests of currency owing to its inadequate volume. But credit systems, without ample cash, cut both ways, and both the existing metallic currency and the credit systems have not relieved the increasing want for a further volume of metallic currencies. The extension of bi-metallism will only extend this evil in proportion that both metals come into active existence in the form of currency;

Bi-metallism not being shaken off by individual countries is sought to be turned into one universal pit for the world.

whereas the demand for bullion must become unnaturally large in exact proportion to the decreased volume of currency and to obstructions arising in consequence of the artificially raised value of silver and artificially lowered value of gold wealth. What would be foolishly contracted in one way must be relaxed in other directions, as already demonstrated, as much as you cannot force any volume of water into a water-tight reservoir without bursting it. All transactions which are thrust out of the influences of cash and credit currency, and which also do not find room in an exchange of commodity for commodity, must, as a matter of course, seek a bartering with gold and silver bullion wherever it might be had cheap, and where particular commodities would be found in request. If commodities cannot transpose themselves and obtain the desired relief, the trade must decline, and new distresses arising from dearth of trades and occupations must ensue.

Many currency authorities have, however, been mistaken in assuming that two opposite theories could make one whole truth by assuming that the present partial bi-metallism and a certain amount of general demonetisation of silver have produced a widespread mischief, and that this mischief would be alleviated by a fuller bi-metallic system and a certain amount of practical demonetisation of silver involved in contracting both the silver and gold currencies by no elastic but a fixed rate of exchange.

Mr. Hansard's theory of the so-called depressions in trade.

Among the strange monetary theories propounded is one by Mr. Hansard, who, in one of his addresses to the Institute of Bankers, maintained that it was not the scarcity of gold but over-production of commodities which was the cause of all trade and labor distresses. He admitted that the "new supplies were many and composed of important articles," and that the supply of commodities was "effective" owing to great additions made to facilities of production and transport. Mr. Hansard's own statement carries its refutation, for, if gold had not been scarce, what is the meaning of the enormously increased deposits in Savings' Banks and the enormously increased transactions of the London clearing house, but that neither the existing quantity of gold, nor the economical expedients adopted to facilitate the operations of existing currency, could cope with the demand of commodities, which have not sprung up idly, but in perfect conformity with the growing wants of the growing populations. It is fallacious to maintain that there is any over-production, for, were it so, articles would not find the extensive sales that they do, but they must rot, the over-production

disappearing of itself in succeeding years. And "if an increase had not taken place side by side with the great growth of imports and exports, prices would have fallen still lower." I still quote from Mr. Hansard's opinions, which, I fear, are based upon a miscomprehension of actual economic facts. The banking expedients only helped to lower prices to the very last degree, for the rapid circulation of what money and credit existed stimulated all wants and increased supplies to the verge of what Mr. Hansard considers "an over-production." Had the movement of currency not been so, the supplies would have fallen short, and the prices, instead of meeting a greater fall, would have, on the contrary, risen, thus injuring the world's development. The rise would have proved abnormal proceeding on the lines of discouragement, and not encouragement, of productions. The fall in prices must be coincident with an increasing volume of currency till normal conditions on all sides were reached, and that would simply mean the natural process of commercial development. All joint-stock enterprises under this principle must expect only moderate profits, supposing they kept pace with the increasing pressure of commodities in the same manner that Railway Companies can acquire *reasonable* profits only on the basis of an increasing volume of business, for a decreasing one ought to be out of the question. The auditing authority alluded to in the commencement of this chapter forgot the only factor worth remembering, that the growing wants and the occupations of growing numbers can only afford profits in an increasing, and not decreasing, volume of business, in an expanding, and not contracting, area of usefulness, and that all profits would be based on the ultimate value of the monetary standard of the most advanced countries. That standard would be immutable for the time being in its own peculiar situation, and can neither be lowered nor raised by any direct or specious efforts.

The fact that the measure of value in gold coins of Europe has remained nearly the same for a long time past is very often advanced in support of the contention that all standards of value could thus be fixed and rendered, by law, a proof against all fluctuations. One might also support this conclusion in view of the thesis maintained by Professor E. Nasse who says that the fall in prices is not due to any scarcity of gold, but to the increased volume of productions secured at a lessening cost, and that if gold had been scarce, there should have been a run on the Banks sending up the rate of discount.

The contention of Professor E. Nasse that gold is not scarce and that no difficulties are due to its appreciation.

The very fact, however, that much of the purchases could now be made with less of gold than in the period prior to 1873, and that an enormous amount of credit token and credit systems have been employed, clearly prove that the gold currency has not kept up with the abundance of commodities. If it were true that the scarcity of currency is not at the bottom of the prevailing distress in agricultural and manufacturing lines, there is no reason why serious grievances as regards the prevailing trade depressions should exist at all. The real fact is that transactions in gold are a very close monopoly, and that the limits of its operations could not be surpassed owing to the stiffness of the gold standard which has a tenacious retention owing to the volume of gold currency being continuously lessened, viewing it in relation to the demands on it and to the absence of a free co-operative system of a silver currency. The monetary system of Great Britain and gold-using countries cannot but be perilous, for they could not go on adding to their paper currency without bringing on a crash or a crisis that cannot be easily handled.

Delusions as to the fixed character of the gold standard of Europe and the measure of money value.

It is a pure fiction even to suppose that the value of gold standard in Europe has remained steady. That equal gold coins should exchange with the corresponding ones, though of different mints, does not prove that the standard at all remains steady and does not fluctuate. It is not the measure of the same and equal metallic values which can prove the permanency of a fixed standard. It is when that standard is applied to commodities, or to bullion, that you can infer if the measure of value has or has not fluctuated. If a certain quantity and character of coins will not fetch a certain article of the same quality and quantity as of quarter of a century past, where is the fixity of the measure of value, or in what does the efficacy of such a standard exist? No more preposterous and delusive an idea ever got hold of the minds of many nations as in believing for a moment in the permanency of any rateable measure of value, for in the very nature of things, that rateable, and not quantitative, measure of value must fluctuate both for itself and for the purposes of exchange, or it should become entirely inoperative to measure any value whatsoever.

The test of a gold standard cannot again be perfected unless it is always measured by silver, and here too the so-called fixity of the European gold standard is not in existence.

A fluctuation in any currency is no evil since fluctuating pro-

When neither a gold nor silver standard of fixed value is an evil as an exchange agency, it is not clear why a fluctuating standard can ever prejudice trade or commerce. A gold standard of fixed value

cannot keep the value of a silver standard fixed any more than the latter can always buy a fixed quantity of gold, or either of the standards, howsoever fixed, can always buy a fixed quantity of a certain commodity!

If there is no evil involved in the phenomenon that a gold coin of a fixed standard should always and unavoidably buy a commodity in varying quantity each time or at intervals, there surely can be no evil if a gold coin fetched a silver one, or a silver coin a gold one, in an ever-varying quantity. The first essential and fundamental change is made in the value of a commodity each time that the same is dealt with. In the very nature of things the value of similar commodities, but of different countries, will greatly vary in each place, which becomes the leading factor in competition, which is the only practical spirit with which the different countries may be inspired.

The conduct of all transactions primarily rests on this basis, and not on the basis of exchange. If, however, the exchange directly helps to turn the scale in any instance, it must be borne in mind that it is more powerful factors, such as lowered cost and an increased sum of production that would really sustain the trade of one country and defeat that of another, while the fine fluctuations of exchange would only appear as an ostensible cause, however grossly inadequate in itself to turn the scale in favour of, or against, a country. Even then, if the factor of exchange never existed, there would be many other factors to make or unmake the trade of a country. Such being the automatic influences at work in relation to all international trades, it would be worse than useless to set up any artificial remedies for exchange fluctuations, when the remedy itself would prove a grave interference with the action of a free-moving currency, and would moreover be liable to be upset by a hundred other factors which would evidently be beyond the control of any law. There are many factors like that involved in a fluctuating exchange—of which exchangers would not always have an adequate idea. The removal of the latter, and a single, factor, however, would be counterbalanced by the creation of far greater evils compared to which the evils arising from an ignorance of many unknown factors would be but a flea-bite.

The supposition of Professor E. Nasse is almost groundless when he contends that no scarcity of gold could be felt because the "general fall of prices as compared with the times that preceded the speculative period, 1871—74, has been clearly proved only for the more important

portions of commodities or precious metals obtainable for a certain measure of value are also not an evil.

Professor Nasse's theory of low prices and sufficiency of currency.

commodities of wholesale trade, especially for raw materials and articles half-manufactured. No fall has been proved in the wages of ordinary or skilled labor, in retail prices, and especially not in finished commodities. For such change as has taken place a much simpler explanation than a scarcity of gold is to be found Such a decrease in the amount of labour and capital needed for production must have an effect on money prices, if money possesses the qualities of a good measure of value. If the causes directly affecting the value of money undergo no change, a widespread fall of prices must set in. Only if there had been a tendency towards cheaper money as powerful as that for cheaper commodities, would it have been possible that commodities should retain their former prices."

It is an economic heresy to maintain that while prices for wholesale commodities have fallen, the retail ones or wages have not had their share of more gold or silver.

Professor Nasse too readily assumes, and the economical authorities back him up to the effect, that labour, retail prices, and finished commodities have met with no fall in prices. A fall in such prices has undoubtedly taken place. It is not so prominent, and cannot be so, as it is in respect of raw material and wholesale commodities, because of the immense difference of quantitative proportions between the two factors, and the proportionately less influence exercised on the former by a quantitatively reduced cost of carriage. The fall in price in the one case is, however, proportionally as great as in the other, when we recall to mind—as it should be done—another important factor, that the competition in all sorts of labour, skill, and art has risen in its own natural proportions, in that its demand on money has considerably increased since the period in question, though the rates have certainly not been cheapened so greatly as in reference to much larger, and what should be termed elementary, commodities. It is, therefore, a pure fallacy and an economical heresy to suppose that a greater demand on gold has not been in continuous progress since 1870-71. That a much greater amount of gold or of silver, representing the false par value, has not been utilised in skilled labour and wages, is due to the fact that European coinage is much less in quantity than the Eastern, and that part of the increased share of gold, which individual wages might have appropriated, has only been divided between a much larger number of competitors of the present times, which was entirely absent prior to the period of the general fall in prices.

The credit systems are no permanent remedy

If Professor Nasse supposes—as he emphatically does—that credit has a sufficient tendency to counteract an excess or a deficiency of gold, the incident does not any more do away with the necessity that exists

for a large volume of coinage, as it can prevent millions who may not have a single pound individually in their hands to suppress their desire to be supplied with a little more money than they can now scrape together. All credit expedients undoubtedly counteract the distress of every hour, but they all are a temporary palliative, which jealously locks up the limited coinage in bank vaults. It being thus narrowly compressed, the credit rents are only the unseen fissures which eventually explode the weak coinage boiler. Professor Nasse seems to have carefully excluded the element of the financial crisis produced when the gold vaults are exhausted and our uncontrollable demand for more spreads like a wild fire in the commercial world, bringing on the calamities which have been often experienced. Are not, then, the banks on the Continent heavily drawn upon? Have the credit expedients averted commercial disasters and given that permanent stability which is sought in over-valued decrepid coins and in a gross heretical reduction in their indispensable quantitative principle?

Professor E. Nasse further eliminates the element of commodity exchanges, pure and simple. It is not the credit tokens which supply a certain amount of deficiencies in gold—for the Professor maintains it is the credit tokens combined with a very small proportion of full-weight coins which carry out the enormous transactions of most civilised countries, enormous quantities of commodities being exchanged with equal proportionate values in corresponding quantities appearing as a very influential factor in the operation of credit systems, by which debts are wiped off and the rates of discount are lowered. In spite of the powerful factors here revealed which, in a certain measure, alleviate the want of a facileness and sufficiency in the world's currency, there are standing complaints about trade depressions and financial crises. One more subtle fact is ignored that it is naught but scarcity of gold, or any other form of legitimate currency, which affects confinement of English currency within the bounds that it is accustomed to, to which circumstance is also due the lower rates of discount which prevail in certain periods: the gold capital works within narrow bounds of confidence resulting from heavy strains on the currency.

While, on the one hand, gold operates with the aid of a comparatively light rate of discount, it grievously inflates with reference to silver more on account of the appreciation of silver, it being only very partially adopted as a practical token of exchange throughout the world, its quantitative circulation actually standing in enormous dispa-

against the absence of a free coinage.

Elimination of the exchange of commodity for commodity in commercial transactions falsely transfers a great factor in currency operations to the credit system.

In proportion that the rate of discount for gold locally lowers, it inflates with reference to silver, which

thus continues
in deprecia-
tion.

rity in comparison with the quantitative and value-measuring quality of gold. That the lower rate of local discount is only incidental appears from the fact of the increasing drawing power of the East, which runs up the rate of exchange to that height in a somewhat exact compensatory proportion to the lower powers of local absorption. The power of local absorption cannot be enhanced unless the indispensable quantitative circulation of silver currency is introduced in Great Britain and all gold countries, for the gold currency of the world imperatively demands a silver liquification with a view to relieve the starvation of the very arteries and veins of the individual and aggregate currency systems of the world. The bank gold vaults and other gold sinks, which dazzle the vision of so many economists, indicate the congestive disease of the currency, and no sufficiency or universality of the vital exchange-factor of the world. In this wise the starvation of currency power is the starvation of labor and skill, the over-reaching of gold commodities and the downfall of silver commodities in Great Britain and other gold countries. A reform of the industrial system in England has to proceed hand in hand with that of the currency which will also benefit India and other Eastern countries generally.

CHAPTER XXX.

MODERN AGITATION IN EUROPE ON THE QUESTION OF MONEY
STANDARDS AND THEIR FLUCTUATIONS.

IN the transfer to Great Britain of the contest between those advocating a single standard and those who advocate a double standard with a fixed legal rate, the arguments seem yet to be confined not much deeper beyond the upper crust of the great problem. All parties seem to be wedded to the mono-metallic or the bi-metallic theory of the past ages. The speech of Mr. A. F. Balfour, M.P., at Manchester, expressly admitted that he attended the Mayor's call only to substantiate the *a priori* conclusion he had held for years that the relative values of gold and silver should be fixed throughout the world at a rate which by law should be rendered unchangeable. Mr. Balfour was quite unconscious that he directed his crusade, not against mono-metallism or anything else on similar lines, but against employing the precious metals at all as a money standard. His speech is, however, susceptible of one important impression that, in vigorously advocating the bi-metallic theory in the manner he has done, he has most fully admitted that, as gold is becoming scarcer in currency, silver should be employed by all nations to increase its volume, though the practical effect of a fixed ratio value so strenuously advocated by him must mar the effect of a freer use of silver in currency and ultimately drive gold coinage out of all free systems of currency.

Advocacy of
Bi-metallism
by Mr. A. F.
Balfour, M.P.,
at Manchester.

Mr. Balfour has emphatically twitted his opponents for entirely misreading the modern economic spirit in disbelieving in the power of Governments to fix the relative values of gold and silver coins; for, he says, that that dictum is based on a scientific analysis of facts and the principles of modern political economy. I will let the readers fully see how he seeks to bring an unfounded theory within the pale of political economy, or, to use a simpler term, within the province of common sense:—

Advocates of
bi-metallism,
while admit-
ting political
economy to be
a still imper-
fect science,
apply its
known tenets
to old-world
monetary
theories.

"Those three speeches justified him in saying that there was ground for holding that the present position of the currency was not a satisfactory position.—(Applause.) There remained two questions for them to deal with. In the first place, could they change that mono-metallic system for the bi-metallic system, as he hoped they would be pledged to do by the resolution that had been proposed? In the second place, if that change was a practicable and a possible change, was it one that they ought to desire in the interests of the country? There were a great many persons who professed to approach

this question as economists, and who told them that, speaking as economists, the idea of a Government, or any number of Governments, presuming to determine and fix the relative prices of two commodities—be those commodities beef and mutton, or be they silver and gold,—the pretension of Government to fix the relative value of commodities was an absurd pretension, and that those who put it forward were mere speculative schemers worthy to be ranked with the squarers of the circle and the believers in astrology.—(Laughter and applause.) He was far from quarrelling with the general temper of mind which thought that an Act of Parliament could not do everything, and he knew too much of the difficulties of passing Acts of Parliament and the impotence of Acts of Parliament when they were passed in the second place to desire too earnestly to press upon them the opposite view as the general doctrines in politics. Neither did he quarrel with the view which placed the scientific views of political economists in the forefront of political controversy, and which told them that they owed some respect and some consideration to the men who have devoted their time to the scientific analysis of the problems presented by modern society. He thought that each of those two things was very much to be encouraged, and he was glad that at all events in the sphere of currency those principles had not as yet lost the whole of their sway. The question they had to consider was what was the sound economic doctrine on this point. Was it or was it not true that an international agreement could, for all practical purposes, determine the rate at which gold coin should be exchanged for silver coin, and silver coin for gold coin, in all the great markets of the world? Those who doubted that misread and misinterpreted the doctrines of political economy. They had misunderstood them; they had pinned their faith not to the progressive scientific spirit of what was nothing if it were not a science; they had rather pinned their faith to rash doctrines and musty documents which were now abandoned, as he ventured to think by all the best economic thought in this country and in other countries."

Use of old economic principles erroneously made in support of modern monetary questions.

It would greatly simplify the discussion of the problem if partisans on both sides abandoned the employment of the political economy cant, for it must be borne in mind that no tenets of political economy ever came into existence except from a consideration of immediate and practical facts as they stood in relation to correlative forces. There are no foregone conclusions in political economy, and any doctrines deduced from a deliberation of economic facts and circumstances are not always such as may be applied to any new case involved with intricacies which cannot be ascertained beforehand with impunity. Indeed, Mr. Balfour confesses that "we had sometimes forgotten that "economics was a science like other sciences, and that no more than any "other science could it afford to stand still, or dared it refuse to reconsider, in the light of new facts and new arguments, conclusions arrived "at even by the greatest authorities who had written in former times."

If people will not give up preconceived theories of economic science, which is constantly a progressive one, how either a mono-metallic or bi-metallic doctrine could be shown in its true light, it is difficult to conceive. The battle has been fought for years by the side of these two theories which cannot but more or less be connected with "rash doctrines and musty documents." Unless these old-world theories, which have been cherished by opposed parties for many years past, are abandoned, progress in practical economics must be impossible. As long as contenders on both sides do not give up the impracticable idea of fixing the relative values of the two metals, there will be no truce between them.

The 'Times' has uncompromisingly slayed bi-metallism so advocated by Mr. Balfour; and, as a case against it very neatly put, I include that able and weighty leader in the Appendices. But the 'Times,' while discarding one economic heresy, does nothing to shake off the opposite one of mono-metallism. It is not merely that legislation can ever affect the price of bullion, as the London journal urges, but that the many factors which would directly interfere with and violate a stereotyped ratio have been dwelt upon in the preceding chapters.

Mr. Balfour is very sanguine about the success of legislation in fixing the relative values of gold and silver, because he believes his opponents to be wrong in holding that values are fixed by cost of production, whereas, as maintained by him, they are fixed by demand and supply. "And not only might Governments have an effect upon demand and supply, but every day they did affect the demand for the precious metals gold and silver, and by affecting the demand they affected the relative price." There is some want of precision in both the opposing views. It is impossible to state when cost of production would affect the production itself and the quantity of commodities and their circulation. It would be too much to assume that the cost of production in itself would not affect demand and supply; nor can it be safely assumed that sometimes the demand might over-rule cost of production. A demand for other commodities might over-rule the cost of production of precious metals. Demand and supply, on the other hand, might both remain dormant owing to excessive and uncontrollable cost of production. Mr. Balfour believes that "the whole of the existing currency legislation of the world did affect the demand for the precious metals gold and silver." All legislation, however, controlling, as it does, the mint operations merely, has the weakest share

Condemnation of the bi-metallic theory by the *London Times*.

Arbitrary estimates of factors influencing the relative value of gold and silver.

in affecting the demand and supply of precious metals. Were it not for the accident that some recognised form must be given to little bits of metallic wealth, the intervention of Government would disappear even in this attenuated form. Supposing that the Governments withdrew from all legislation, the people would take to buying and selling silver and gold in the same way that they now do. Mr. Balfour's thesis of demand and supply as being regulated by Government legislation—for there is not much to choose between the frank opinion expressed by the *Statist* and the dissent of the *Manchester Guardian* disavowing the rather natural construction put upon Mr. Balfour's speech by the formal statistical authority—is almost apocryphal, in that gold coins are not interchangeable with any appreciable amount of over-valued silver coins. And as long as the more equitable values in commodities are interchangeable even in relation to small quantities of over-valued silver coins so closely backed by gold currency, the demand and supply, as regulated by Government, is not worthy of any significant note, the more so as a free traffic between gold and silver coins has been found impracticable. If it were otherwise, little of gold would be found hoarded in banks and treasuries. Nor would the sale of gold coins in exchange with silver ones be attended with a premium according to the market values of both metals. Had Mr. Balfour's interpretation of the demand and supply of them being regulated by Government been well-founded, the present unconquerable opposition against bi-metallism would lose all its force. We cannot permit our vision to be obscured by economic fictions descending from the past times, in the face of stubborn facts relating to the different values which are indirectly regulated by the volume of metallic currency.

Were successful currencies the simple creation of Governments, the present agitation and difficulties have no meaning.

Were it simply the absolute creation of Government, there is no reason why there should be so much talk and agitation about defective currencies, for the Governments of the world have simply to issue credit tokens of a stereotyped standard, and all the troubles would immediately cease. No amount of gratuitous economic laws would, under that circumstance, raise any doubts or difficulties. It will not require many years for the removal of the so-called superstition against bi-metallism if Government, according to Mr. Balfour, has already succeeded "in affecting the demand and supply of the precious metals." A consensus of the views of all nations should be possible after so long an experiment tried in having recourse to fixed values of coins of both metals. Mr. Balfour makes as singular an error as his opponents when

he asserts that, if the Latin Union were able to preserve a bi-metallic ratio before 1872, when the ratio of production of both metals had been nearly the same as now, it stands to reason that a legal ratio might also be sustained to-day. It was no coincidence, he says, which kept up the ratio of 1 to 15, no matter what the real extent of that successful agreement was. Mr. Balfour has entirely lost sight of the fact that the impetus now given to the circulation of the world's currency is only a modern force, and that, even if the ratio of production were now the same as in the early half of the century, it is the decreasing accumulations of gold and the increasing accumulations of silver that make all the difference escaping the notice of both mono-metallists and bi-metallists. The race which the two metals are now made to run by the ceaseless increase of commodities obliterates all chance of preserving any legally fixed ratio. Sir John Lubbock uttered a very forcible truth when he said that even international agreement would now fail to bring about a par exchange, while the fluctuation of gold as compared with the fluctuation of silver was such as marked in modern times. There were only two things which, in the opinion of Mr. Balfour, were required, so that speculative doctrines might be converted into practice. The first was "a convenient medium of exchange between different countries." The medium, however, which, under any pretence, tried to extort more wealth by surrendering a lesser one is not that happy medium; a recognizance of real inherent or natural values is the only best and safe medium. The second thing desirable was, as Mr. Balfour said, that "obligations for long periods should be made a fair and permanent record." Those who incur obligations for long periods are the best judges of their own interests. It is a wonder how so eminent a politician as Mr. Balfour should suppose immutability possible in any instance of a distant future. To secure a permanent guarantee for a certain Government would perhaps be more possible than to fix for ever any measure of wealth.* Governments and nations can do nothing more than counteract the evils caused by a continuous appreciation of gold by fortifying it with considerable amount of silver in a self-adjusting equivalent value so well converti-

The theory of bi-metallism has been entirely divorced from the modern factors in currency movements.

Opinion of Sir John Lubbock, M.P.

Mr. Balfour explains how his speculation could be put into practice.

Some practical inconsistency in a portion of the doctrine advocated by Sir

* To enter into one of the detailed objections against bi-metallism, Sir John Lubbock truly declared in a meeting of the London Chamber of Commerce on 26th October last as follows:—

"Moreover, the plan which bi-metallists proposed was not really bi-metallism, but mono-metallism at the option of one party to the contract. True bi-metallism would consist in enacting that the legal pound sterling should consist partly of gold and partly of silver; but

John Lubbock in opposition to Mr. Balfour. Bi-metallism would check all increase in the world's wealth. ble into either of the metals and therefore so innocuous, so that the only possible alternative would be provided for as against all fancied losses. Irrespective, however, of the support required by gold currency, any continuous enhancement in the purchasing power of gold is not merely attended by evils grievously obstructing the world's currency, but must very largely obliterate every human motive that works towards augmenting the riches of the world by seriously curtailing the production of both gold and silver.

Suspension of the Latin Union was the death-bed of Bi-metallism. There is not much in the reliance of Mr. Balfour on the bi-metallic compact of the Latin Union, which is the only ground advanced by the honourable gentleman in favour of a permanent bi-metallism. But that argument is as worse as a broken reed, for bi-metallism was once tried and given up as the spirit of modern progress and progressive facts could not have tolerated it. Had it not been an "economic heresy," nor a dismal conventional blunder, that "when an abstract economic law and an abstract law of nature is studied in its naked simplicity" and accepted, while the complexity of the collateral phenomena set at length in this work were disregarded without at the same time perceiving that many actual facts must thus be obscured and removed from our vision, the claims of bi-metallism could not have been lost in Europe where it was already established and has still left traces so imperatively needing to be removed.

A change for change's sake not desirable according to Mr. Balfour. And yet we find Mr. Balfour stating "that the mere fact that a "system which we did not happen to have"—we had it once, and it has already failed and left a great mischief behind,—"seemed better than a "system which we did have, was not necessarily sufficient ground for

what they proposed was that the debtor should be authorized to pay at his own option either in gold or silver. This was a serious consideration for all those whose income was derived from savings, and it was obvious that in all large transactions, especially if spread over a series of years, the lender would contract himself out of the risk, or charge a heavy rate so as to cover it."

It must be remembered, therefore, that, in carrying on commercial and other transactions, the question will always be to part with, or obtain, a certain rough approximation of metal quantities of approximate values; all changes, therefore, which went beyond the strict mintage charges must either become inoperative or disastrous. I therefore do not agree with Sir John Lubbock in the alternate opinion which he has expressed, that the Government of India can successfully increase the minting charges five and ten times the present scale of 2 per cent., while at the same time it should fix any limit to silver mintage. Both these measures would prove absolutely impracticable and dangerous, as already explained; and indirectly denote the spirit of a futile protection.

“altering that to which we were accustomed and under which, on the whole, we had fairly prospered.” The fact being so, it must be admitted, in Mr. Balfour’s words, that “the change of the currency of a great commercial country was a thing which no man would undertake with a light heart.”

Though Mr. Balfour very rightly upheld Mr. Beith as a practical man—he being one of the most distinguished manufacturers of Manchester—the theory of Mr. Beith and his compatriots that exchange rates render business a sort of gambling is hardly logical for reasons which I have already explained in these pages. The present condition of Manchester and Lancashire is not one which can fail to secure Indian sympathies. But when representatives like Mr. Beith desire to secure profits for their country by running down the cheap Eastern industries, they directly attack the law of nature, while they are deterred from discovering practical means of relief for themselves. For cheap and unfettered silver would prove a means of blessing to Great Britain as well as India. Any amount of a difference of value between gold and silver is no evil as long as the volume of currency keeps pace with the demand. Mr. Beith took shelter under the principle of free trade when he urged that both cheap silver and dear gold practically resulted in a bounty in the one instance and a duty on English manufactures in the other. The garb put on is unreal. If the principle of free trade is such a wholesome thing, then it would be wrong to check the industries of India simply because it can produce things cheaper. Nor is there anything to be done for England if it continues to employ dear gold in its occupations, and consequently finds its sale transactions difficult; and yet imports from Great Britain continuously increase. This shows that India goes on buying more and more from gold-using countries. Does India complain of this, or simply treat matters as they come with the operation of natural laws? We have no forced nor abstract principles of political economy or of free trade to offer, for all currencies are impracticable and injurious to public interests which are foisted from abroad and do not grow within. The fact that gold has appreciated thirty per cent. within a decade unmistakeably shows its inability as currency when not supported by an ample volume of silver currency.

Mr. Balfour said, “Give a standard that would remain constant and he asked for no more.” The standard is a wealth-standard, and it is not likely that Nature will open its hands and show whether a wealth-

A natural operation of the one or the other currency is a portion of the inherent principle of free trade.

That imports from Great Britain into India increase show the advantages of the expansion of silver currency.

Mr. Balfour asked for an impossibility when he maintained that all

that he wanted was a standard which remained constant. standard can be or cannot be predefined till we have followed the natural course of operation in pursuance of free international commerce.

But he confessed that he preferred a depreciating rather than an appreciating standard which at once cuts at the root of his recommendation. Mr. Balfour's views are acceptable when he said that "if he were given the unwelcome choice between a standard which appreciated and a standard which depreciated, between a system under which prices were lowered and a system under which prices were raised, then in the interests of every class in the community, not excluding the owners of fixed debts, he would choose the standard which depreciated and the prices which rose." Well said. Mr. Balfour has

slayed his own happy spectre of bi-metallism. He wanted a constant standard, and he chose the standard which depreciated as being the best of the two. Bi-metallism is a standard which would eminently prove appreciative when universally maintained; the contagion would spread from gold to silver, while the demand for currency would be more strained than now. And Mr. Balfour, who advocated bi-metallism with all his might and main, would rightly have the standard which depreciated.

'Dreams of speculative schemers.'

An adoption of the academic and abstract theory of bi-metallism was not attempted simply to fix the value of solid fluctuating wealth—an impracticability in itself—but to expand the grievously contracting currency according to bi-metallists themselves. How on earth a depreciating standard could be expected, while the principle of a constantly expanding currency were yielded, at the same time sought to be rigidly contracted, is a science in economics and numismatics which rivals the dreams of "the speculative schemers," to use Mr. Balfour's words, "worthy to be ranked with the squarers of the circle and the believers in astrology.—(Laughter and Applause)": that was all which the Manchester audience seemed to have offered.

Mr. Balfour's confession of the evil effects of a gold standard associated with an over-valued silver standard as the direct outcome of bi-metallism.

Mr. Balfour's one confession, however, is as important as correct when he stated that:—

"Of all conceivable systems of currency, that system was assuredly the worst which gave us a standard steadily, continuously, and indefinitely appreciating and which, by that very fact, threw a burden upon every man of enterprise, upon every man who desired to promote the agricultural or the industrial welfare of his country, and benefited no human being whatever but the owners of fixed debts in gold.—(Applause.) This question was pressing, because it was impossible that we should remain as we were. If we did not move to a better system, we should assuredly be driven to a worse. Austria would not

go on as she was, America would not go on as she was, and India could not go on as she was. And there was no mono-metallist in this country so hardened as to look with equanimity at a condition of things in which America, Austria, and India should all take a gold standard and a gold currency and should thereby double the strain already placed upon the gold supplies of the world, which could so ill afford to bear it."

What the monetary condition of India would be if we, with America and Austria, also demonetised silver, it cannot be difficult to estimate. Any further demonetisation of silver by the world would be a calamity; but supposing India abstained from falling into this gold pit, it is very probable that we should only be the richer and stronger in the sinews of war. The greater influx of cheap silver is sure to stimulate our trade to a much greater extent and alleviate the pauperism of millions. Considerable additions will be made to our revenues, while we should not be worse off in respect of our payment of gold debts. If, however, the nations of the world discard their crude semi-illiterate prejudice and effect copiousness in their currency by selling off a large portion of their gold and buying up silver, the international distress which would be caused by an excessive demand on gold would be alleviated. When gold under my scheme is not artificially lowered in value, nor silver artificially raised, a convertible currency becomes so copious that all natural demands are supplied in a natural manner and a clear road is opened out toward such goal in currency reforms as would be possible.

The Latin Union was quite wise when it demonetised silver influenced by a similar action taken by Germany. The silver standard in all European countries had been falsely raised. Hence there was no alternative left for the protection of the more precious metal but to suspend the coinage of more silver, for the quantity of false coins already existing of par value rendered it impossible to continue having more of such coins. The phenomena would entirely change when every nation went in for silver and entered into a compact to honour true values in both gold and silver. If intolerable distress would arise by gold becoming scarcer, the distress would certainly be very much mitigated if the strain on gold be removed by amalgamating it with a liberal supply of silver in all countries. As regards the scope of his own recommendation, Mr. Balfour says :

"He firmly believed that the difficulties that were thrown by the present system upon Indian finance were almost overwhelming, and while he held all those convictions, he also believed that the bi-metallic solution was possible

The effects of more copious silver in India would prove most beneficial in all directions.

The reformed currency needed should be convertible as well as copious.

The reason why progress of bi-metallism received a check was the impossibility of augmenting silver coins of fictitious value and getting the market to accept such silver as freely as gold.

and was adequate.—(Applause.) He did not give it them as a cure for every industrial evil. He did not come forward as a quack with a universal remedy. He did not tell them that it would drive bad trade for ever from these shores and give every man who desired to work a chance of working for a good day's wages and every man who desired to invest the certainty of a profitable investment. He put no such dreams before them, but he did say that for a great commercial country a sound instrument of exchange was a matter of the first necessity—(applause), that the instrument of exchange which they actually had was a bad instrument and he offered for their acceptance an instrument which, if not perfect, was at all events practicable, and was incomparably better than any which they were likely to obtain by any other means of which he had any knowledge.—(Applause.)'

The natural law for a sound instrument of exchange not being yet perceived, the Brussels Conference is likely to fail as anticipated by the author.

It is apparent that there are no marvels awaiting the advent of currency reforms. A common-sense and sagacious change unaniously adopted by all nations will comprise the best of general benefits that may be expected. As long, however, as the skin-deep theory of a stereotyped value of standards, being understood as a "sound instrument of exchange," is not exploded, so long will Conferences meet and disperse without coming to a satisfactory solution. I anticipated the failure of the present Conference, and so it is almost going to be. The only "sound instrument of exchange" is comprised in our being able to obtain a commodity required for such metallic value as may be accessible. No commodity can ever be regulated in value and quantity as may be predetermined. All sound instruments of exchange, therefore, is moved by the same law. No human-made law is possible in these instances, when it is only the nature-made law which perpetually operates. There is no *a priori* tenet of economic science which can be applied to the case, for that would mean that man is the creator of metallic wealth, which is not the case. No law is discernible working beforehand except that the movement of metallic wealth has a priority over all laws; and a law, and an ever-changing law, is discerned in the circulation of metallic wealth.

Definition of a sound instrument of exchange as understood by politicians and economists and as subject to necessary tests.

We should have expected Mr. Balfour to have given us a better definition of what would be a sound instrument of exchange for commodities for the present as well as all times to come. If this sound instrument is taken as being similar to a lineal measure, or a measure in avoirdupois weight, I fear a solution of the currency difficulties is yet far off. If by that instrument the terminal denominations of metallic coins are implied, there hardly would exist any reason to object to such a definition. But while the exigencies of the fast-moving and fast-increasing commerce compel us to measure commodity by quantity of

wealth, a fixed instrument of exchange is only an economic misnomer. The rapid growth of inter-mutual and international commerce, led on by the augmentation and spread of wealth, has rendered fixity of value a myth as great as the synonymous belief, that the measure of value applicable to commodities to-day is the same which existed half a century or even a few years ago. Such a belief is, of course, untenable in the extreme; and yet Mr. Balfour's "sound instrument of exchange" is only in keeping with this fallacious theory. If the instrument of exchange is to be sound according to Mr. Balfour, his theory, of course, presupposes legal arbitrary limits placed over the extent and circulation of the world's wealth, and, by this means, over the values of both coins. The analysis of facts attempted in this work has enabled me to conclude that such a combined action of Governments would only result in creating a calamitous divergence between the increasing volume of the world's commodities, and the concurrent or controlling volume of wealth-circulation which has inevitably to bear an increasing proportion to the former volume, which it must constantly move forward. The instrument of exchange already once proved nugatory when a conflict was set up between its own elements, and when that conflict was sufficiently developed by the increasing and decreasing productions of silver and gold respectively. The futile attempt to permanently estimate silver on a par rate on the basis of gold received a fatal shock by the increasing demonetisation of silver, a partial toleration being unavoidably extended to the limited quantity of silver left in circulation as in unavoidable alliance with gold. The remnant of an improperly-allied bi-metallism, while still demonstrating a small part of the currency evils being very irregularly met, has conclusively proved that nations, from experience of generations, would not allow one element of wealth to depreciate another, nor that by such process they would consent to enhance the currency volume to prevent gold being ousted by a metal arbitrarily set up on an exaggerated, and continuously exaggerating, value. Though Europe has practically revolted against this supreme economic heresy, we have to-day many high authorities like Mr. Balfour insisting upon a return of those very conditions which can only return in a much more aggravated form owing to the enormous additions made to silver and the irrepellable modern necessities of an innocuous enhancement in the world's currency. This sound instrument of exchange, we may now easily observe, appears nothing else than one highly unsound,

The instrument of exchange is as much a measure of wealth as of the denominated coins; hence to neglect the former element is to subvert the basis of every economic doctrine involved.

inefficacious and mischievous. So far and within the little province that it may work, besides the immediate disasters attending upon gold-holders, it cannot but strike at the very root of an economic distribution of gold and silver throughout the world and the basis of that economic law which year after year increasingly comprehends the discovery and utilisation of wealth on a wider basis. The State with such an instrument of exchange would set up a giant intervention, which, *mutatis mutandis*, must assume a direct control over all trade and commerce; or the alternative should be an inevitable closing of the mines. Neither of these two things can be attempted. The fatal attempt of a general interchange of the debased coins with the more valuable ones must so far alienate the commercial mind that, wherever practicable, the interchange must virtually fail, while like metal transactions must be brought more and more face to face. The dominant element of bullion circulation must hopelessly invalidate the operation of artificial value in the same metal, while it must directly protect the unseemly violation of the other metal. The omission of a simple principle involved in the spirit of modern political economy has given rise to a stupendous blunder requiring but a short slaying. As long as the value measure of commodities absolutely and irremediably holds as much the measure of wealth as of denomination, so long must the falsification of the value, the invalidation of the quantity, or the circulating volume of any of the wealth elements be severely reprobated by the increasing intelligence of the world; and the standard of exchange so flimsily constituted or understood must prove but a standard of confusion and sterility.

CHAPTER XXXI.

PRACTICAL DISCUSSIONS IN THE BRUSSELS CONGRESS OF 1892 ON THE ECONOMIC AND MONETARY ASPECTS OF MONO-METALLISM AND BI-METALLISM.

I HOPE it may be permissible to so reflect upon the proceedings of the Brussels Conference that we may discover some decided factors in favor of a practicable system of International Currency should those proceedings be able to give any clue to them. I am, however, humbly of opinion that their deliberations, on the other hand, have distinctly added to my hopes that such a currency system, as I have been able to discover through the means of the present work, is both practicable and desirable.

Do the proceedings of the Brussels Conference give clue to a satisfactory solution?

M. Burnaert, Financial Minister of Belgium, has expressed a keen truth in averring, that "the law of progress compelled ceaseless and "prodigious developments of international relations." I may add that it should supervene the tentative old-world economic doctrines and the teachings of their sophistried disciples. "The horizon of humanity," as very sagaciously put by M. Burnaert, "widens ; nations learn every "day to know each other and deal with each other more intimately, and "the world itself scarcely suffices for our activity. Numerous international agreements have been negotiated and settled, always for promoting the common interests of the civilised world "Why should there not be a universal agreement for money?" . . . "In reality," said M. Burnaert, "gold constitutes the only standard, "prices are regulated by gold, and transactions with foreign countries "are settled in gold. The Latin Union, however, has rendered undoubted services. To it we owe the rare steadiness of exchange, and "its disappearance would lead to a much-to-be-dreaded disturbance."

Declaration of M. Burnaert.

The efficiency of the Latin Union can no longer be considered impregnable.

It may be laid down as a sound commercial law that the value of every commodity, including all precious things, may well be ultimately measured by gold unless gold disappears from coin circulation altogether ; its value even then is likely to be referred to in the absence of duly substituted standard, in assaying the value of other commodities.

"The rare steadiness of exchange" is not due to the understanding of the Latin Union, but to the fact of an over-valued tampering with a modicum of silver and to the general universality of one metal,

"The rare steadiness of exchange" not due to any earnest prac-

tice of a bi-metallic theory, but to the fraudulent gold value imposed on a small fraction of the currency and the universality of gold coinage all within a restricted and localised area.

A rough estimate of the existing silver in the world as viewed in relation to the so-called surplus.

gold, within a restricted area. This rare steadiness of exchange is now bringing on widespread poverty, because both gold and silver require to be known in unadulterated values; and while but a thousandth part of the gold needed is in actual circulation, the silver in circulation is probably not one five-thousandth part of the circulation wanted. Both of course are hypothetical figures, but these figures are supported by modern circumstances.

There are two parties of opposite views as regards the existing quantity of silver. The one thinks it is much more than the quantity required by the world; whereas the other believes that the quantity is just sufficient for its wants. If we took the principal gold-using countries, the silver existing there may be roughly laid down as below:—

Countries forming the Latin Union	...(Crowns)	4,000,000,000
Germany ... ..	...(Francs)	450,000,000
Austria-Hungary ... ..	...( " )	200,000,000
United States ... ..	...( " )	2,500,000,000

The President admitted that this nominal silver coinage of gold countries is all in active use in the shape of both coins and notes. At this rate if we took the most rough figure for the quantity of silver employed by Europe and America, it cannot at any rate be less than of a value amounting to 1,400 crores of rupees. Taking another hypothetical figure for the silver circulated in the rest of the world, it stands to reason that the total value of silver used in currency by the whole world cannot at least be of less value than 5,000 crores of rupees.

The dangerous economic cant that silver is produced in larger quantities than it can find consumption for, the fact being that the world has not enough silver for its wants.

With this figure before us, however roughly calculated, I cannot understand how any authority can lay down that a surplus production of silver, of the value of about five crores, is such an extra production that it cannot but depreciate the existing silver enormously. That the value of silver must thus be lowered is as true as it is a fact that ought to inspire eminent gratification among all parties concerned in the monetary prosperity of the world. It is a dangerous fiction to suppose that there is actually a pound more of silver produced than is needed. If every gold country met the legitimate demands on its metallic quantitative currency, and if every silver country were permitted to have some portion of its increased want of currency satisfied, the present circulation would have to be quadrupled several times before it could be said that something like a normal

circulation was obtained throughout the world. I therefore fully agree with M. Burnaert, that "though the problem is an arduous one"—I hope to have made it a simple one by means of the thorough elucidation attempted in these pages—"we, nevertheless, may approach its examination without being deterred by the prospect of finding masses of unemployed silver, under the weight of which the market would speedily be crushed."

Senator M. Montefione Levy—the honor of whose birthplace may be claimed by India, as the able London correspondent of the "Bombay Gazette" enables me to say—who was elected a President for all subsequent meetings, reminded the delegates, that "their programme was very much the same as of the Conference of 1881," as "the task of that meeting was to submit for the acceptance of Government a plan and a system for the establishment, by an international convention, of the use of gold and silver as bi-metallic money. To-day their programme was pretty much the same; only it was more precise and the time was more ripe for an understanding." The task can only be made more precise if the term "bi-metallism" were dropped for ever, and an unrestricted coinage of both metals on the basis of their respective intrinsic values were adopted. He stated that the Conference was due to the initiation of the United States "to endeavour to create a more general employment of silver, and so do away with the inconvenience from which all civilised nations suffered, and he had no doubt that they would try to do this without selfishness, in view of the superior interests the solution would have for the world at large." . . . "One of the greatest inconveniences of the present state of the market," he said, "was its great instability"—I should state its great impotency, in that it could not hold one-tenth of the quantity of currency which it sorely needs. The impotency of a market is much worse than its "instability."

Senator Alison, of America, declared that it was the depreciation of silver for the last 20 years that has caused national hardships to all, and that the Congress had assembled at the instance of America, which was "singularly unanimous with reference to establishing some fixity of value between gold and silver, and the full use of silver as a coin metal upon a ratio to gold to be fixed by an agreement between the great commercial nations of the world, which would very greatly promote the prosperity of all classes of people. He

Declaration of
Senator M.
Montefione
Levy.

The first fatal
confession at
the Brussels
Conference.

It is not insta-
bility, but im-
potency, of the
market which
is the cause
of the world's
present dis-
tress.

Declaration of
Senator Ali-
son.

The outrage-
ous theory of
"fixity of
value" in the
element of the
ever-shifting
and ever-pro-
gressing
wealth.

Senator Alison's accurate *modus vivendi* expressed only to be little understood and cast to the winds.

"admitted, however, that the government of the United States, while frankly disclosing its own views as to the proper remedy to be applied, did not wish to impose any conditions that would embarrass any Government that might be willing to confer upon the most advantageous relation of silver to the coinage of the world." It is not in the interests even of America to fix the gold value of silver; and so far the worthy Senator shared in the traditional but false prejudice against that metal. The very essence of the American resolution must be strongly demurred to, since a fixed parity between gold and silver and the continued use of both as coined money of full-debt paying power was considered as productive of important benefits to the world." I have already fully demonstrated that such a measure would be premature, of a nugatory character, involving as great an aggravation in the troubles of the world's currency as experienced already,—that aggravation being indefinitely intensified by the hollow exchange theory and the patchwork value principles sought to be put into operation.

What failed in a much smaller quantity and area is expected to succeed in a larger quantity and area.

To expect that "the benefits mentioned can be accomplished by removing the legal restrictions which now exist on the coinage of silver into full legal tender money and restoring the parity of value between the metals which existed prior to 1873 at such a ratio as may be decided upon by this Conference," is to expect that the success and facileness of currency that could not be kept up with a smaller quantity of silver and for a smaller area of the world, before 1873, could be attempted with a larger quantity of silver for a larger area of the world, while the disparity of values between the two metals is a daily growing quantity.

Virtual admission of Mr. Rothschild that after the failure of bi-metallism even the restricted use of bi-metallism has been a failure since it is only the pure gold basis which is acceptable to the world—and that basis

Mr. Rothschild showed the impossibility of largely deviating from the gold standard, because "in reality such a thing as a double standard, except in a very modified form, does not exist even in those countries who profess to pay in either of the two metals, that is, the world, in general, transacts its business on a gold basis;" of course no sane man would admit that, while the value of silver was artificially raised to howsoever slight a degree by the countries of Union, as proposed in the Brussels Conference, that the Bank of England—which holds about 35 crores worth of gold off and on—would be subject to payments in gold while it would have to take up an overwhelming amount of silver. But restore both metals to their

intrinsic basis, and you will find that it did not matter whether it was gold or silver that you sold or purchased. The very least variations in metallic values help on their movement ; and there is no reason to think that interchangeableness between the two coins, when their normal values are generally attained in all countries, would inflict hardship on any country that another would be freed of.

Any unusual demand on particular coins will always be creative of a proportionate premium, be it gold or silver—no matter what difference existed between the respective inherent values of the two metals. Whether it be discount or premium, its operation is sure whether silver is over-valued, under-valued, or intrinsically valued in relation with gold. I agree with Mr. Rothschild that gold alone might be preferred in the final adjustment of international balance, whether it is a large debt or a remittance that is to be effected, but that becomes “the only and the chosen medium” under the condition of bi-metallism in one form or other which that veteran financier advocates.

Remove the fraud proposed to be played on gold, and that precious metal will find as easy a currency as the currency in silver when based on its intrinsic value as much as gold. Not to let silver coins command their own intrinsic value, whether that metal is produced in smaller or larger quantities, while something like intrinsic value is allowed to gold coins, whether that metal is largely produced or otherwise, is an anomaly entirely inconsistent with the practical instincts of commercial morality and a statesmanlike grasp of the business affairs of the world. Do not spoil the real value of either gold or silver coins beyond what geographical and manufacturing difficulties would warrant. Individual instincts, in matters of wealth-elements, are too keen and precise, and would not admit of any arbitrary handling under the mask of any law, or tyrannies or whims of any commercial sect or partizanship. And that forms a sound basis for practical economics.

In spite of the modifications, which my representations have effected in the views held in India and England, the grasp of the quantitative principle in currency, which I have worked out, is yet too reluctantly and remotely acknowledged. Sir Rivers Wilson, “on behalf of Great Britain, was ready to accept the American programme so far as it declared the desirability of increasing the use of silver as currency,”—the representatives of several other

is always fluctuating.

Fixity of exchange rates impossible while values of the precious metals, as far as they may exist in either currency, inevitably depend on demand and supply.

Disability of gold as well as silver is due to the fraud imposed on the real values of both. What forms a sound basis for practical economics ?

How they come close to the quantitative principle expounded in this work but to get off.

powers declining to commit themselves to a vote in favor of even this proposition. And Sir Rivers was personally, however, in favour of bi-metallism. Mr. Rothschild thought that he could extinguish this quantitative principle by describing his difficulties, as would no doubt be shared by many, as below :—

For some cause or other, we, that is to say, our firm, have on several occasions been obliged to send £1,000,000 sterling in sovereigns or in bar gold abroad, which £1,000,000, when packed up, amounts to a weight of about 10 tons. Even if desirable, would it be feasible and practical, supposing a ratio of 20 to 1 were established, to send 200 tons of metal at one and the same time? It seems to me that the operation would be impossible, and the sender would, therefore, naturally elect—or rather be compelled—to send gold, even if it had to be bought at a premium.

Classical
superstitions
vitiating the
production
and distribu-
tion of wealth
and setting
up a mon-
etary egotism.

It would all depend on whether there is gold or silver to be had in the market. If the quantitative principle could be held impracticable, it would be just as reasonable to get rid of silver altogether. Commercial men ought, above all, to be practical. When the whole world requires a much larger volume of currency, it must be unavoidably sought in silver, gold being notoriously found inadequate. The world has continuously employed increasing quantities of metallic wealth, and it will go on absorbing more and more quantities of it. A more absurd objection than the one just cited could not be urged as a plea against the free use of a precious metal. The world, from the beginning up to the present period, has been producing commodities perpetually increasing in weight, and the process of multiplication will remain constant, the means of transmission being multiplied and quickened *pro rata*. If gold is bought in preference to silver even at a premium—because it would be much easier to carry the former—there is no reason why there should not be an abundance of silver coins when gold cannot be had in abundance, and why increased shipments at an increased cost for transmitting silver would not come into existence. There would be as much of banking expedients to save constant transmissions of bulk in the case of silver as in that of gold. If conveyance of weight be any insuperable objection, it would be worth while stopping all productions. If such an objection could be legitimate, there should be scarcely a single silver-using country which has entirely depended on its wealth for its free reception every year of increasing quantities of silver. What should have

been the condition of poor India but for the position it has always commanded to receive silver bullion in increasing quantities almost every year since times immemorial. The Conference was the last place where an objection so flimsy should have been brought forward to render its proceedings futile and comical. We ought to deal with such fallacies with severity, for sophistries only seek to pervert sound doctrines in every branch of human affairs, and have ruined individuals as well as kingdoms. Mr. Rothschild may be given every credit for his desire to be decent and aristocratic in a classical-like management of commercial transactions, though he has hopelessly placed himself out of touch with the world's progress.

Another sophistical notion of Mr. Rothschild consists in his belief that the single gold standard is full of merit and advantage, for the great powers demonetised silver since 1873, and so have greatly depreciated it. The increasing appreciation of the former is adduced as a strong reason why it should be followed and upheld. The idea is good for gold-holders on a very narrow basis indeed. A contracting quantity of metal which depreciates every vital human element (save itself), whether represented by labor, land, fixed incomes, all contracts of mortgage or other forms of indebtedness, cannot but prove—as it has so widely proved and will still further prove if so archaic a monometallism is persisted in—disastrous to more than a major portion of mankind, as now admitted by several authorities, one of whom is a large landlord of Ireland.*

Another sophistical notion of Mr. Rothschild is demonstrated in the striking description given by Sir G. Moulesworth.

* Since the author sought to promulgate the idea that 'gold-congested' countries were bringing ruin upon themselves synchronously with decreasing volume of currency, several authorities like Sir G. Moulesworth, one of the British Delegates at the Brussels Congress, has supported this view with some precision, though he has not been able to discern yet, that the additional volume of currency needed cannot be secured by imposing fraudulent values on gold and silver, which must directly forbid all the best accessions to and exchange in any currency. It gives me, however, great pleasure in fully quoting below Sir Moulesworth's vivid picture of the widespread ruin that is being caused by an inordinate love of gold standard and the crippled silver standard based on fraudulent value, which has proved worse than useless, as a living illustration of the pernicious old-world theory of bi-metallism:—

"I have myself held for many years that the Irish difficulty is due in a very great measure to the appreciation of gold. In my own case I have suffered far more from this cause than from agitation or disaffection among the tenantry. Let me explain in a few words how the monetary question, which this Conference is now discussing,

Mr. Rothschild's admission that cheap productions have proved a blessing even to people living in gold-using countries.

Mr. Rothschild has honestly avowed—as against the bi-metallists as he says—that, though prices of commodities have fallen with the fall in the value of silver, which is only a masked way of describing the important truth that increased production of commodities cannot but be concurrent with increasing accumulations of silver, in a large measure, and of gold, in a smaller measure,—he would consider that circumstance a blessing for the British farmers and not a curse. If the poor British laborers are deprived of cheap productions in their own country, let other countries perform that function; and these other countries are mostly silver-using countries.

affects the Irish farmers, together with the agricultural population of every country. During the last twenty years the population of the world demanding gold for monetary purposes has quadrupled, while international trade demanding gold has trebled. The appreciation of gold and a corresponding fall of prices were necessary consequences of this increased demand for the precious metal, the value of which since 1871 has gone up nearly 50 per cent. Now, look what this means for a country like Ireland, which is essentially agricultural. A farmer has contracted to pay a certain rent—that is, so many sovereigns—per annum; but the purchasing power of sovereigns has enormously increased, consequently he has to produce so much more stock, grain, or potatoes to earn his rent. The landlord suffers also, since mortgage and all other contracts have similarly to be satisfied in an appreciated standard. The expenditure upon the land has been reduced all round. Neither the landlord nor the tenant can afford the cost of substantial improvements. The land, therefore, goes back in cultivation, becomes foul and poor, while poor land goes out of cultivation altogether. Labourers thrown out of employment have nothing but emigration to fall back upon, and this is a great source of discontent."

"Then you hold, Sir Guilford," I observed, "that the substantial reduction in rents made during the past ten years is inadequate?"

"Just so; because these reductions, though involving enormous sacrifices on the part of landlords in many instances, have not kept pace with the appreciation of gold."

"Can you explain in a popular manner how bi-metallism would remedy this state of things?"

"Well, the first and most important result of the re-establishment of bi-metallism would be a large expansion in the volume of the currency, and the whole world's silver would be available to assist gold in performing the duties which the latter now has to perform single-handed in Europe. History and reason alike prove the beneficial results which must inevitably follow an expansion in the volume of the metallic currency. The first result would be a severe fall of interest and a slight rise in prices. These two events, equally favourable to commerce and industry, would excite all over the world an increase in commercial activity. Discontent would vanish, strikes and Nihilistic agitations would cease, crime and pauperism would diminish, wages would rise, agriculture would recover, and its recovery would re-act favourably on other industries."

I should think that the Brussels Congress was the best place where the startling demoralisation brought about by gold-holders should have been mercilessly expressed. They are never tired of getting more and more profits from gold investments, under the rank pretence of appreciation. And here is one of the greatest of them who dreads bulk, and by show of a most incapable measure seeks still further to solidify gold monopoly. Nothing would be more relieving and more charitable than dethroning the Gold-Gods to the extent desirable by placing silver value on a par with gold and demonetising the latter in a certain measure to enable a free-moving silver currency to come into existence, the demonetisation of gold being brought about by the operation of no artificial, but a perfectly natural, measure, which the restoration of natural values to the precious metals must automatically bring about. Mr. Rothschild successfully combated the effeminate theory of so many Economists and Financiers of Europe, that because the increasing necessities of the world have brought increased commodities into existence, and because the same law of nature has simultaneously given effect to increasing cheapness in the price of commodities, that therefore silver should remain demonetised, or at best fixed in value in relation to gold; only the absurdity of that theory was masked under the doctrines of the mystic economics which have defied a practical solution of the currency difficulties for ages.

Mr. Rothschild's preamble to his proposal is here worth quoting with a view to show the general confusion now prevailing as to what solution would be both practicable and desirable in setting currency matters at rest. In introducing his proposal he said :—

"Apart from other considerations, it seems to me impossible to come to a universal arrangement in respect to a general currency question, as no two countries are alike as regards their individual wealth, resources, and expenditure. We have large payments to make ourselves, and large payments to receive from others. We must be perfectly satisfied in our own minds that obligations to us will be equally faithfully fulfilled, and to admit the principle of a theory which would cast any doubt on the subject, since it would leave the debtor the option of paying in whichever currency suited him best, would, in my opinion, render it impossible for the trade of the world to be carried on on a sound and stable basis. But although I venture to hope I have conclusively shown that bi-metallism for England is an absolute impossibility, still the question arises whether it is not possible to extend the use of silver generally, and thereby stop a further fall, the disastrous consequences of which no one can foresee. I, therefore, take the liberty of respectfully submitting a proposal for your kind consideration."

To powerful upholders of gold is due the distress in currency and the poverty of many millions of India and other countries.

How gold-sophists are caught in their own net: admission that leaving option to debtors to pay in over-valued silver would ruin the trade of the world, neither limited nor unlimited bi-metallism being therefore suitable.

The proposer here unsuccessfully tries to grope through the darkness which the deficient teachings of the day have created. He sets his face resolutely against bi-metallism and, singularly enough, considers at the same time the desirableness of extending the use of silver generally, "thereby to stop a further fall, the disastrous consequences of which no one could foresee." After admitting this much, he is strenuously against leaving "the debtor the option of paying in which-ever currency suited him best, for that would, in my opinion, render impossible for the trade of the world to be carried on on a sound and stable basis." Here we get an admission from one of the most practical, and perhaps the most illustrious of all, money-lenders, that the trade of the world would collapse if ever its Governments compelled gold to be exchanged for a fictitious value in silver, whether in the form of that metal or over-valued silver-representing commodity. It is but gold interest which prevents him from making a straightforward statement of this character, though the interpretation that I have put on it is little less than transparent. It is the same interest which has influenced him to propose a restricted use of silver for a restricted price and a restricted period.

Exposure of the color-blindedness of practical monetary controversialists.

It is the same interest which makes him and so many of the controversialists who are either economists or business men (whom I may now term) color-blind in respect of the currency metals. It is all yellow that they want! and there seems to exist a most unreasonable prejudice against the white metal! They would rather wish the silver mines closed, or at least their output considerably reduced, and thus send up the price of that metal. Neither would Mr. Rothschild tolerate its price running up—for more of silver would then be produced—nor would he see its price running down, for, even in this case, it cannot but be largely produced; both probabilities, however, would prove a blessing to the world under my plan of currency reforms as based on a recognition of values, true and genuine. If sending up the value of silver were an advantage on the side of gold, it is surely essential that its production should be encouraged to the utmost by calling upon every nation to have it and to circulate it for its natural value, the same procedure being observed in respect of gold, since the dearth in currency quantities becomes every year more and more alarming. Permit the freest use of silver; do not touch in the slightest degree the market values of the two metals; and you will, while adding

most beneficially to the volume of your currency, place both gold and silver on equal basis of valuation, making allowance for all local differences. You will only virtually add so much more—in fact, as much as the whole quantity of the silver admitted in the currency volume of the world—to the existing quantity of gold in currency circulation. Let me repeat that you will actually add to the quantity of gold in circulation, when based on its real value, by adding to it any quantity of silver also on the basis of its genuine value. All your debased silver, under the scheme here explained, is at once raised to the position of gold; and the color-blindedness of the world in respect of gold as against silver must vanish. Since the radical error of restraining the movement of currency would be thus remedied, the unsound theory of Mr. Rothschild that the option of creditors and debtors should be bound down by antiquated usages as worse as any inexorable law literally crushing down the wealth-standard, cannot but appear in its true light.

It would of course be cruel for Mr. Rothschild to be paid in silver when he has himself lent in gold. It would be much more unjust if the silver offered him were of a depreciated value. He would feel it even more quickly than if he were paid in a bundle of bank-notes, or in other credit forms equal in value to his gold. But the moment both the precious metals are left free to attain their own natural values, which would then fluctuate in a truly automatic manner, it cannot matter in what standard-metal one country pays another, for the naturally allied circulation of the two metals must obliterate all inequalities of value in currency metals which now exist as a grave disability in the world's currency.

It is not true, as Mr. Rothschild urges, that England will have to give up all her gold and take in nothing but silver, for when both metals circulate, under equal conditions, gold will come in as well as silver in each and all countries; and yet the competency of any country to retain any of the two metals will not be interfered with by any faulty or partial human action as long as a country is able naturally to gain in competition with other countries by sheer force of its own superior capacity and production, and as long as the justifiable economic facilities are not iniquitously withheld from any country which is then sure to have sufficient quantities of either the one or the other precious metal or both in equalised value. The great advan-

Obligations of debt in gold are preserved under the author's scheme, in that the values of both metals are placed on a righteous and no dishonourable basis.

To assume that no other metal can supply the deficiency of gold while the counter-metal exists, and then to monopolise gold and neglect silver is a disastrous abnegation of mental and moral intellect.

tage of an equable distribution of gold and silver throughout every part of the globe will have been consummated by the free and equal circulation accorded to them by all nations alike.

Mr. Rothschild's pretended relief to the world's currency.

Mr. Rothschild's proposals to the Brussels Congress seek more to stereotype the enormous void now felt in the world's currency than to grant it any relief worth noting. Though the American Government now singly purchases 54,000,000 ozs. yearly, he would only have all Europe to make an annual purchase worth much less, viz., 5 crores. He would stop the purchase when the price went over 43d. per oz. But if gold is worth having despite any appreciation or fluctuation, if it is to be accessible to any and all nations for currency purposes, and if no period for its purchase has been ever defined, what is the idiosyncrasy which must refuse the same condition or latitude to silver? A more miserable concession to interests in silver cannot possibly be conceived, particularly when we remember that the full legal tender proposed for silver is an enhancement from £2 to £5 only.

Mr. Rothschild takes up such of the false cries from India as serves his patch-work purpose.

It is still supposed in Europe, as the proposer asserts, that "the principal factor in the complaints from India is the instability in the exchange rather than the depreciation in the value of the rupee itself." And he therefore earnestly believes that by the adoption of his proposal, "the merchants and bankers would know that the exchanges had been given a stability which could not be disturbed for a period of five years." The whole scheme is running after a mare's nest. Any fluctuating exchange is no disease whatever in the currency. Whether it be a disease or not—I fully believe it to be no disease, but a mere indispensable and healthy condition of purchasable, vendable, and exchangeable wealth—it will decidedly remain with any reform effected in the currency. There is no tangible complaint from India that the fluctuations in exchange is a preventible evil, and that unwisely it has not been prevented. The Government difficulty is simply and emphatically due to their failure in rendering the revenues more progressive and elastic, and providing an essential increase in the wages of their servants by constitutional means. True, that some dismay in their ranks has set in, but it would be worse than useless for them to alter the currency laws with a view to make up their efficiency that may be needed in a different province.

Mr. Rothschild contra-

reform which the world's currency needs, is clear from his own

action, in that while, on the one hand, he seeks to create a monopoly in silver, he acknowledges, on the other, that India cannot limit the use of silver by any legislative action. Here are his own words :

If I have alluded to India, it is because it is that country which, from its enormous size and population, is able yearly to find use for a very large amount of silver, not only for currency, but likewise for ornamental and other purposes ; and if, suddenly, from some cause or other, a demand from that quarter should cease, or through some specific legislation the actual value of the silver rupee should materially decline, I have no hesitation in saying that I for one should very much indeed regret such an issue, which would not only affect the value of the savings of hundreds of millions in India, but which would also materially affect the value of a commodity which, although it has at the present moment materially depreciated, still represents a gigantic sum.

It would be a folly of the highest description, creative of a general starvation and revolt, if any measure were imposed to cut down the ever-increasing silver currency and give effect to futile and ridiculous alternative of bringing down gold to India as in a barter with falsified silver coins,—an absurd and impracticable expedient to which Mr. Mackay adheres even after his fruitless visit to England. Mr. Rothschild fears great injury to India consequent upon a reduction in its currency. How can he, however, reconcile his silver monopoly theory with his repugnance to any measure which would interfere with the regular flow of silver into India ?

Knowing that “ the stock of silver in the world is estimated at “ some thousands of millions,” how would he prevent “ a depreciation “ in the value of that commodity, which it would be frightful to “ contemplate, and out of which a monetary panic would ensue, the “ far-spreading effects of which it would be impossible to foretell.” And to stave off so great a calamity Mr. Rothschild proposes a very limited use of silver under certain conditions, and strongly resents any curtailment in the silver supplies to India. A very partial employment of silver cannot bring about that enormous depreciation which he fears ; and that such depreciation as he fears would issue from ‘ the failure of the Conference ’ is more apocryphal than real. Any slight purchase of silver would have but little effect on the market, considering its capacity to continuously produce silver. And he has nowhere said what would be the course for Europe to follow if silver continued to depreciate—as it would in spite of the partial purchase. The fact that he has left this riddle

dicts himself in advocating the present free silver currency for India, while he submits a plan for a continuous demonetisation of the metal in Europe under a specious mask of concession,

Mr. Rothschild's practical demonetisation of silver throughout the world.

deliberately unsolved at once points out the obstinacy of the gold-holders' position, besides their inability to solve the problem in a manner that must be acceptable to all interests. Mr. Rothschild's object is to leave all evils practically untouched.

Mr. Rothschild is put forward by gold-holders to play the pantomime and end the drama.

Mr. Rothschild's speech and proposal make it clearer than ever that every honest attempt to reform the world's currency is yet heavily discounted. The fact is that the present European endeavour is merely a disguised contest of gold-holders against the attempts of nature to arrest the course of gold appreciation, the strongest desire of the gold-holders being to profit by this increasing appreciation, and to resist every attempt to stop that appreciation. It may be that they would naturally oppose all half-ignorant efforts to get their gold of intrinsic value exchanged for silver of fictitious value. This is a position which cannot fairly be objected to until the monetary world comes to believe in the legitimate value of gold coins as being a fair bargain for silver coins of an equally true value. Never was a more miserable compromise offered than the one by Mr. Rothschild. The result must be that his proposal will very likely be discredited by every party, save the gold-holders, who have only put him forward as a pantomime enveloped in so many semi-mystic phrases, with a view to render all earnest action nugatory. We must therefore await with great interest to find whether the reins of deliberations are handled with real and fearless energy by those who are now called upon to tear the present disgraceful veil of hypocrisy, and courageously point out the only course left by which to attain the best possible end which I have here placed before the public as already timely submitted to the authorities concerned.

Mr. Rothschild neither siding with bi-metallism nor distinctly declaring himself against mono-metallists, whose interests, however, he is found to protect by flimsy tactics.

The gold-holders of Europe could not have found an abler temporiser than Mr. Rothschild. But his tactics cannot long remain concealed. He does not side with the bi-metallists because gold will be depreciated. He throws a thin veil over gold mono-metallism by contriving for some little circulation of silver and advocating a free silver standard for India, so that America may be kept in good humour with Europe; and by keeping up its silver purchases satisfy the greed of Europe for more gold. There are no more short-sighted people than those who follow the stable ends of a narrow craft.

It is time, however, that America taught a lesson in monetary science to Europe, which may render her name a household word both in West and East. If Europe, or that part of it which strives to raise the value

of gold continuously and refuses to give silver its due position, still persists in the rotten theories of mono-metallism and bi-metallism, America would be right in encouraging the production of silver to the utmost of her ability, and adopt every measure to extend the use of gold in her own Empire.

It is my humble opinion that the more silver that America accumulates, the better for herself and the world. It would be quite worth while her adopting, singly, the plan of restoring to the coins of both metals their intrinsic value, and extending silver currency on the same basis to the utmost possible limits. She has never lacked original genius and energy ; and the present exigency of the world is such that her bold initiation is sure to establish for her a great monument of enterprise and philanthropy. As soon as she largely adds to her silver currency, she will find her trade increasing to the utmost, which will be doing an imperishable service to the poorer countries. I would assure American statesmen that India and other Eastern countries stand in the greatest need of more silver ; and no country can amass it more effectually than America herself. It is an old woman's cry that as silver continues to depreciate, that it is therefore an unfit metal for currency, which should therefore be disused. I maintain, on the contrary, that silver will be our future solution ; that the quantity put out of the mines cannot be too sufficient ; that the more it is obtained and put in use the less will it depreciate,—indeed in the end it must appreciate as well as gold. America must, therefore, occupy a position to prove herself—as she is worthy to be—the currency saviour of the world. No accumulations in her silver vaults will ever be in vain ; for I may safely predict that the eyes of every country must, in coming years, turn towards America for the much needed currency wealth, while the more silver that she collects the greater will be her ability to increase her stock of gold. I cannot understand how more of gold can be produced without an almost unlimited quantity of silver, while the more gold is obtained the greater will be the yield in silver ; and the more silver there is in the world, the larger will be the use of credit tokens which are the marked feature of the modern world. The idiotic craze that is marked against a free use of silver—not with the mischievous and ruinous shackles of bi-metallism, but as expressly influenced by the passport which the true values of the metals themselves

The para-
mount duty of
America in
the present
monetary
epoch.

must always supply—directly works against the growth of the solid wealth of the world, so much so that the narrow interests of gold-holders even prevent them from remedying most calamitous crises which now and then occur in every country, the main reason of which is that money coffers of Banks and Firms are soon exhausted; whereas had they contained their full quota of silver, public credit would not have shattered in less time than they had time to breathe. The silver capitalists of America could therefore do wonders in India; and it would be my duty to heartily support them in their efforts to open trade and public works in this country. They can bring cheap capital to this country, which we all know is sorely needed.

I am sure the greatest use awaits silver in future. America and other countries should never be tired in hoarding it and adding it to their currency, or even idly putting it by. To make it steady in value, and even to seek its appreciation, the best course is to extend its employment to the utmost. A time must come when the utmost supply will fail to meet a demand on it that must always increasingly arise in every quarter of the globe. That would be the only steadiness in exchange fluctuations which it would be desirable to encourage and practicable to enforce. No period of currency progress can be so very fatal than the present one to regulate the exchange factor of the two metals. Unless these are fully put into use—and put into use without that barbarous and destructive superstition the figure head of bi-metallism, but by letting the values of both to assert themselves in the way they would, abolishing those destructive legal and fiscal theories which have hitherto rendered the world's currency scandalous and effeminate—we are not even in a position to declare that the present exchange fluctuations are abnormal, and, as such, fit to be extinguished.

CHAPTER XXXII.

MR. LESLIE C. PROBYN AND PROFESSOR FOXWELL'S REMEDIES.

LET us go back a little into the past history of the monetary systems of the world. In the early part of the present century, almost all countries, excepting England, was silver monometallic, while the latter became gold monometallic. Rightly, in the scale of natural prosperity, England was the first to utilise gold solely in its currency. If there was any charm in gold monometallism, save that it was handier to use and scarcer to obtain, the other countries of Europe, instead of retaining silver, would have gone in for gold as England did.

If gold was the only true currency, there was no meaning in all the countries of Europe, save England, once becoming silver monometallic.

The reason that gold was scarce and too costly compelled the other European countries and the East to have the magnitude of their currency in silver. Or else, according to the lights of those days, the people might have addressed even the genii in the air to pour down gold to obliterate any fancied evils very much similar to the methods suggested in the present times to banish silver and replace it by gold ingots, as Mr. Leslie C. Probyn has elaborately explained in his process of academic laboratory, or Mr. James Mackay has so often raised his magic wand to spread a belief that, as soon as Government declared gold a legal tender in India, people in London and elsewhere will abstain from buying the natural silver rupees in India and bring down their gold in our country at a continuous loss, so that they may be able to buy the artificial rupees! Mr. Probyn, in his plan, contemplates a gradual replacement of silver by gold when Germany and other countries could not attempt it in 1816, when the ratio was under 15 to 1, and when the demand on gold was infinitely less than to-day. What crude credulity sometimes rules the world? When Great Britain has the greatest distress to bear, in that its local and foreign commodities have every day a lessening volume of gold circulation to absorb as concurrent stream of life-blood, here we have a distinguished banking head trying to turn the financial world round the crude theory that gold-holders will consent to part with a larger amount of gold-value than they are accustomed to deliver, and that prosperity will await India on the realisation of the wild theory which would curtail the free silver currency and force other people's gold to India, while the cooly, the agriculturist, the tradesman, the Government, would all prosper. Mr. Probyn, in an early stage of his measure, bears out my proposal to remonetise

Mr. Leslie C. Probyn's plan.

Mr. Probyn's presumption to flood India with gold by academic banking contrivances; the base being the spoliation of high valued gold by fictitiously valued scarce-getting silver.

silver to a legal tender of Rs. 10,000—my proposal being for Rs. 30,000, while Mr. Rothschild suggests £4 only—but all his (Mr. Probyn's) manipulations are thoroughly vitiated when he proposes reduction in gold and enhancement in silver value by forced methods that would not work a day, and draws upon the imagination for the obtainment of his gold ingots. He has had some perception of my theory for demonetising gold to a certain extent, which even had to be improved upon as my scheme in Appendix II shows; but whence people will bring gold sovereigns to exchange for the rupee of raised value, he is unable to say except that he may mean that the people in the long run would sell their gold and all to provide themselves with rupees, the natural production of which he proposes to stop. The practical unwisdom of placing the initiative of producing gold bullion and gold sovereigns to receive a discredited metal of lower value and to enforce reception of gold for every 10,000 Rs. note issued, passes every comprehending power of mankind. It is useless to pursue the analysis of a scheme bordering on such dream-lands. For whimsical fineness it surpasses any yet examined in these pages, though it is a ludicrous combination of a pinch of practicalness with a bushelfull of the comical.

The legal ratio value of non-competitive gold and silver times.

It is, however, true that the nations of the Latin Union once received unlimited quantities of both metals for exchange of coins at a certain ratio in the same period that England had drifted to the gold standard. But the adoption of one or both metals was then perfectly easy, for there existed a certain balance of movements between both, though, as already explained, every unusual demand was met with a reprisal and a good deal of gold was easily had in past times.

Professor H. S. Foxwell reminds us in a recent issue of the *Contemporary Review*, that "silver and gold were always convertible at or near the ratio of $15\frac{1}{2}$ to 1 with slight variations for two centuries." And yet he advocates a distinct tampering with the now infinitely developed values of gold and silver. If the ratio was possible when the balance of movements existed, which, in another sense, meant that a theoretic parity was practically possible while gold was not taken up by all civilised countries and its free use had but few difficulties, why should not the restoration of intrinsic values be even more successful when that balance has been entirely lost? A little thought spent over the true leaf of

nature would at once satisfy us that on its being turned on, we must surely find that a right thing which was right under ancient circumstances must transform itself—as it has—to be right again when the ancient condition is no longer existant. Restore the intrinsic values to gain the ancient balance and the ancient freedom of the monetary movements. The once tentative equivalence was even stimulated by the famous gold discoveries in America and Australia.

The general prejudice against silver was as much due to the legislative vitiation to which it has been subject, as to the fact that the famous gold discoveries led European nations to believe that they were exhaustless, and that therefore a running down of silver would prove beneficial to every country that adopted the gold standard. The expectations that gold would be depreciated have not, however, been fulfilled; and having used so much silver in bringing about a parity of values between the two metals, France led the way by inducing several nations to accept the double legal tender and unify the various international coins. Meanwhile, the countries of Europe as well as the United States had absorbed by far the greatest amount of gold produced,—and that of the value of several hundreds of millions.

Gold monometallism may now be said as existing side by side with a decreasing volume of gold currency, while the silver equivalents have been far more reduced, in fact, short of being almost abolished. With all the banking expedients adopted, the existing stock of gold does not suffice for wages, as for payment of rents and debts, or the realisation of even ordinary profits in a hundred different trades or industries. Undoubtedly, the marvellous increase of populations is also accountable for the sharp distress existing in a portion of them. One dismal fact is, however, indisputable, that metallic wealth has not kept pace with this increase, or to defeat foreign competition, which is much cheaper, not exactly because metallic value is cheaper there, but because metallic wealth circulates there in much larger quantities. This would be easily ascertainable by finding the total weight of metallic wealth in Great Britain and the total weight of the metallic wealth in India, China, or America. The fine thought that centres itself in the rising scale of gold value, if persisted in, will yet bring startling disasters in places so fast clung to gold. That there is so much desire for bimetallism is, in one sense, due to the fact, that the quantity of currency circulation is by far much less than the present

The famous gold discoveries led to a spread of the legal ratio which the subsequent development of the world's commerce has more emphatically nullified.

local and commercial exigencies need. But bimetallism cannot be an adequate remedy, because in proportion that the quantity of fictitiously-valued silver increase, the legitimate value of gold would be obliterated, which gold-holders would certainly not allow, while those who hold spare silver would resent the raising of silver value in one direction and its depreciation in another. The method of economy put into force would simply be vile. The notions held, however, by Professor Foxwell, as ably summarised by the *Pioneer*, one of the most advanced Indian journals of the day, is as replete with serious flaws as those of Mr. Balfour. While he indicates certain sound principles which should govern monetary life, he makes startling omissions in the applying of them. For instance, in the passage below, he says :—

"There is nothing your busy man dislikes so much as to be squarely faced by inconvenient facts, which compel him to reconsider a familiar course of action, perhaps even to grapple with an unfamiliar idea. It has been somewhat unfairly said that it requires a surgical operation to get a joke into a Scotchman ; but any one who has tried both feats will admit that this is child's play compared with the effort required to get a new idea into an Englishman. The Englishman resists ideas à outrance. Hence his general disposition towards *laissez faire* ; which, no doubt, has its healthy side, but is clearly out of place in the region of currency policy, where there is no possibility of escaping the intervention of the State. As Mr. Balfour insisted at Manchester, 'the whole existing currency legislation of the world—be it the currency legislation of mono-metallic England, or the currency legislation of bi-metallic France, or the currency legislation of America which I cannot qualify—any one and of all these different systems of Legislation do affect the demand for the precious metals.' Whether we interfere intelligently or not, we cannot help interfering in some way. Legal tender is a matter of statute law. Nor can we really maintain a monetary insularity. The stability of prices is as truly an international matter as the level of the ocean. English prices are as certainly dependent on foreign currency legislation as the level of water in the four seas is dependent on the level of the Atlantic. We may refuse to have a share in determining the world's monetary policy, but we cannot avoid being vitally affected by it."

The theory of the level of the Atlantic ruling the level of the four seas.

Professor Foxwell is not, however, able to assign any legitimate limits to "State intervention" in matters of currency. The functions of State cease when it has fixed the units and decimals of coins, their weight, fineness, mintage charges, and so on. When it attempts to fix the value of currency metal, pure and simple, it does what is dangerously foolish and empirical. Does Professor Foxwell understand the real meaning of the illustration

that he has cited of the level of the four seas dependent on the level of the Atlantic? The illustration is correct, but he has no touch whatsoever with its adaptation in the present instance. The uniform level of prices of metallic wealth can only be secured by putting the whole of the metallic wealth, as produced, in perfect motion and by stimulating its production by every legitimate means. No matter what the volume of metallic currencies might be from time to time: only if all the available quantities are there and at or nearly their respective normal values as regulated by essential incidents like time, distance, demand, accessibility, etc., it is enough. Professor Foxwell makes all his theories the victim of a perfect illusion since he must know the self-apparent fact that, if any power on earth were able to dabble with the quantity or quality of the waters of the seas, the self-adjusting level which he speaks of would be no more. And this is the condition which he so credulously proposes for the currency. There is a great confusion of ideas in Professor Foxwell's illustration, for, while nature does for the four seas and the Atlantic, the very contrary is insisted upon for the international currency. If currency and prices are severely left alone just as the four seas and the Atlantic, and the different powers only knew how to accept them as we take the seas as they are and do not attempt like Xerxes to rule them by kingly edicts, all the right thing which one might expect to accrue will certainly come to pass. A more inapt and unfortunately entirely suicidal illustration for the Professor's arguments was never put before the world by an economic authority. According to Professor Foxwell there is only the devil and the deep sea:—bi-metallism and the gold standard. He asks what remedy is there but bimetallism, when shortly there will be a scramble for gold by Austria, America and India, on bimetallism being completely given up, or silver being entirely demonetised. He forgets, however, that, even with an extended monetisation of silver, every nation will hanker after gold. If he thinks, as he does, that great calamities will be obviated by a general agreement for bimetallism which might reduce the general demand on gold, the actual remedy of an universal dualism of currency, based on inherent values of the precious metals, is better than the sham remedy of Professor Foxwell, which would compel by law the recession of the Atlantic as the buying up of the ever-appreciating gold by means of silver value stereotyped! This would be nothing

but a disastrous policy of "drift," which he condemns, for there is not a worse drift to perpetuate the present stagnation of the gold standard than tying it up with an unlimited fictitious silver value not in the depreciating but the appreciating line. He says :—

"All the bi-metallists ask is that an honest attempt shall be made to bring it about. Much, no doubt, will depend upon the choice of a ratio ; but this is too technical a point for general discussion. It is matter partly for scientific experts, partly for diplomatists. It is for experts to determine the limits within which any ratio could be maintained, *basing their decision on statistical investigations and reasonable forecast*. It is for diplomacy to choose that one among the possible ratios which will follow the line of least resistance indicated by the conflicting interests concerned. When the English bi-metallists desire to discuss this question of the ratio, they were told that the whole idea of fixing a ratio was absurd. Since the Gold and Silver Commission reported that a ratio might be fixed and maintained, it is impossible to persist in this objection. Public opinion has recognised that the whole authority of modern economic science is with the bi-metallists here, as Mr. Balfour pointed out at Manchester."

How far may statistical facts and reasonable forecasts fix a permanent ratio of value between silver and gold.

Can "statistical investigations and reasonable forecasts" dictate the price of any commodity in the world, much less of commodities like gold and silver, the value of which does not merely depend on themselves, but on the demand made on them by countless factors relating to other commodities? The world will tolerate changes in shape and size of all legal tender coins, but will it ever accept for a day a cut-and-dry ratio rate—no matter if reduced from the deepest diplomatic or scientific wisdom? This is how the economic craze of bimetallism will come to be universally scouted in a few years, or even in a much shorter time. Professor Foxwell is much embarrassed in giving an answer to the question as to the ratio which might be successfully fixed. He would not have the present market value of silver. Quite right. As he says, silver being proscribed, its present value so far is not its legitimate value. Quite right. As he says, if the use of tea is prohibited, its depreciated value, say 6*d.* a pound, would not be the value to be adopted when its use would be re-instated. And then he reverts to the excellence of the old ratio $15\frac{1}{2}$ to 1, which was little better than a verbal declaration possessed of no practical efficacy. He would probably have a ratio between the old and the present market rate for silver. But what genius can fix an unerring ratio for any time to come, when once silver is let loose on the world and economic revolutions of all sorts have been effected? As long as measures of

value for the world's commodities are mere measures of wealth, pure and simple, it would be as easy to understand the feasibility of keeping them at a fixed valuation as it would be to comprehend the vociferations of lunatics when told to describe the color prisms set against the sun. The fixing of the value of precious metals is nothing less than fixing the values of a hundred-thousand wholesale commodities in one lump!

CHAPTER XXIII.

MR. R. GIFFEN'S THEORIES OF IMMUTABLE STANDARD MONEY.

Mr. R. Giffen's illustration of what is standard money or a permanent fixed measure of value.

Mr. R. Giffen, who has written a most interesting work on Bi-metallism, in his Chapter on "Standard Money," thinks it a delusion on the part of the bi-metallists who have stated that the price of silver would not rise if its coinage were free, and if it were not taken up at a fixed price and in fixed quantities. The very title of the chapter (*vide* p. 193) is unfortunate. Money, as I have shown, being literally a convertible term, for substantial wealth, cannot be termed *standard* money, as defined by Mr. Giffen, who takes his clue from Adam Smith and Mr. Jevons. Were the whole silver, as produced by the world, fixed in value in relation to the other metal-wealth gold, it is plain that silver being an increasing quantity must depreciate in relation to gold. Silver would not hold a fixed value, for it then can only perform the impossible function of drawing off all the gold of the world, that being a more precious and rarer token of wealth.

Mr. Giffen's theory of taking what he terms the "money standard" as radically apart from its substance, excludes the most important factor in the modern progress of the wealth-principle. In the most backward times, when the element of wealth had not developed as at present, inferior articles were used for exchange, and the precious metals were used by commercial nations in shape of rude bars without any stamp on them. Trade and commerce having enormously increased, and the wealth-articles represented in gold and silver coins having also multiplied, they came into their present defined forms and definitions, but have not become "a fixed measure of value," as Mr. Giffen holds on the authority of Adam Smith. The coinage form given to this wealth substance, its divisions and its sub-divisions into units and decimals, its various denominations, and its impress of what these countless divisions are, is no more fixed measures of value than a foot or a yard is itself a precious metal.

It is misleading to confound the fixed number of grains of gold—123 odd grains of standard gold, or 113 odd grains of fine gold—in a pound, with the value of these grains which fluctuates from time to time. A lineal or a quantitative measure may always remain the same, or may be changed under a legislative decree, but the value of gold or silver-wealth cannot be so changed if the value is made to digress from what

it actually may be at one period, as based on the supply and demand principle. Money cannot, therefore, be a standard measure of value, while its own value fluctuates according to its existing quantity or motion, or the changing quantities of other commodities for which money is always needed. Mr. Jevons' conception of money is the same as the fixtures of an English foot, a yard, or a mile, and their respective decimals. "It does not matter, indeed, whether the inch, the foot, the furlong, or the mile is the unit, provided that one of them is definitely fixed and the others referred to it by known ratios. So it is really indifferent whether we regard the pound troy of standard gold, or the ounce, or the number of grains in a sovereign as our standard. It is only requisite that every contract expressed in money shall enable us to ascertain exactly how much standard gold is due from one person to another." And Mr. Giffen unqualifiedly accepts this definition of money, which is a fallacy, pure and simple, since it presupposes the fixity of value along with the fixity of measure. These authorities do not seem to have freed their writings from the teachings of the old world to whom the idea of fixed weights and measures were predominant on account of the still uninterrupted parity of gold and silver.

This eccentricity of Mr. Giffen's definition of money, or the wealth essence, leads him to another error in supposing, that "to select an article for standard by no means implies a great demand for the article, such as would have a great effect upon its value in exchange, that is, upon prices of the other commodities expressed in it. Such a demand may or may not exist, and whether it will exist or not will depend on other laws and customs as to circulating medium and the like, and not upon the standard at all." To contend that there is not a fluctuating demand and supply in reference to the substances forming money is, of course, the same as arguing that the standard of value is identical with the standard of weights or measures. That a demand is created in respect of both metals when either the one or the other, or both, are required, is evident from the fact that the price of gold rises and falls—it does the former more frequently—and that the price of silver more constantly falls than rises, or, what is truer, is popularised more and more throughout the world—meaning that both are in increasing demand, though in fluctuating ratios. If the standard gold and silver money remained unchanged, the factor of constantly

Mr. Giffen's contention about the fixity of value in the substance of standard money.

fluctuating exchanges between the two moneys, as both internally and externally influenced, would not be in existence. Save the exchanges performed by commodities between themselves and by paper forms of credit, the adoption and currency of any standard money immediately affects the supply and demand for the precious metals. The very fact that the price of no single commodity can, in theory or practice, be a *fixity* for the shortest period, directly points out the constant fluctuating effect produced upon the exchanging value of the wealth coinage, though fluctuations may be slow or rapid, but they are, after all, fluctuations.

As real values only fluctuate through the operation of countless agencies, it is another error of Mr. Giffen in maintaining the possibility of having gold coinage with a heavy seigniorage charge, for such coinage, as in common with the proper-valued coinage, can have no fixed standard of value.

Whatever the extent of the paper denominations of a country, the ultimate effects on the precious metals is always well pronounced. The credit forms, however much accumulated in England, have not tended towards any *fixity* of the value of either of the precious metals. It is singular how the plain fact is forgotten, that any standard money, to be a fixed measure of value, should only be able to purchase fixed qualities and fixed quantities of commodities,—which it does not,—and that standard money is valued only as it has the power of not merely measuring, though in constant fluctuations, but of purchasing any and every commodity, and that its power of purchase, or, in other words, its value, always varies. To say, then, that any standard of money is a fixed measure of value, though it may have a fixed quantity of substance, is to entertain the ridiculous supposition, that the value of every grain of that substance does not fluctuate from time to time,—but that, of course, it does. What is more, if the value of the grains in a coin constantly fluctuates, the measure in them equally fluctuates! Either a standard or the noninality of money has, therefore, no *fixity* of value in any aspects; and to base a scientific standard of money thereon that can never change in value, is an impotent eccentric plant of learning having no deeper roots in the integral soil as the rubbish growth on a marsh.

Mr. Giffen is upholding bi-metallism to a certain ex-

It is the same omission of an adhesion to the wealth-principle of the money standard which makes Mr. Giffen an unsatisfactory monometallist, while he is also, in substance, something of a bi-metallist, though

apparently seeming an uncompromising opponent of bi-metallism. The ratio of 1 : 15 or 15½ or 16 was fixed by common assent when it was practically a market ratio. Though this ratio has disappeared with telling revolutions effected in the production and consumption of both metals as influenced by constantly varying and increasing quantities of commodities, bi-metallism has become an impossibility. The whole book of Mr. Giffen is directed to prove this impossibility ; and yet he upholds the gold standard of England which is directly allied with bi-metallism, for it possesses and keeps in use millions of old over-valued silver coins. He distinctly says, that "the end of bi-metallism is effectually accomplished in a so-called mono-metallic system by means of token-money—the limited coinage of a subsidiary metal with limited legal tender. A monetary system with a mono-metallic standard can thus provide *better* for the use of both gold and silver than a so-called bi-metallic system." A system of mutually unjust coinages, which has given rise to so much of modern inconvenience and distress, Mr. Giffen would tolerate and have extended, and though there is both gold and silver tenders at a fixed ratio, he terms that mono-metallism, though a defective bimetallism, more defective than an universal bimetallism itself.

tent is unconsciously a bi-metallist more unsatisfactory than the thorough going bi-metallists.

Mr. Giffen's whole vision is obscured either by mono-metallism or bimetallism, *e.g.*, the one or the other extreme.

"The alterations in past times have all been in the direction of letting gold become standard. A really alternating double standard has yet to be tried. If the United States should make the experiment of now going back to silver, it will be a very interesting one. In any case it is quite certain silver will not rise and gold fall relatively to each other very much as the mere consequence of the change of standard. The interest on this point will be in what the other laws and regulations will be." (p. 205.)

Mr. Giffen's definition of standard money is so defective that it is not singular he should be doubtful on the operation of "a really alternating double standard." But the partially alternating double standard of no country gives satisfaction. When a defective double standard gives no satisfaction, such a double standard, as a whole, cannot give any. Mr. Giffen, no less than the bi-metallists, makes the "initial error of speaking of money as a substance distinct from the things of which it is made, instead of as a function of the particular commodity which happens to be selected as a common measure of value, this commodity, as respects its value in exchange with other articles, remaining a commodity." What does Mr. Giffen do himself but

the same that he demurs to in others, in that his definition of standard money is a common and permanent measure of value when he fixes the quantity, but directly omits its fluctuating value altogether? It is undoubtedly convenient, under certain circumstances, to have the gold standard, owing to the largeness of its value and the necessity it obviates of a medium agency of another standard which also fluctuates, though fluctuations in both metals are perfectly equable; once we admit the physical fact, that a wealth-element of a rarer character must always exist in lesser quantity, in the same way that the quantity of earth and stone must exist in much larger quantities than the metallic ores which they contain. It is a folly, however, to lose sight of the predominant fact, that money is wealth, that wealth is a constant progressive factor of the world, and that whatever the metal which is reducible into wealth should be fully employed on its own natural terms.

Mr. Giffen himself upholds what he describes as a "practical nuisance" in assaying the value of a coinage.

Mr. Giffen admits that the "want of correspondence between the "coined substance and the uncoined substance brought about at times "a scarcity of coinage for the purposes of circulation which was highly "inconvenient. The fluctuation between the value of the coins as "metal only, and their value plus *seigniorage*, was a practical nuisance, "which was finally got rid of in England two hundred years ago, and "which has been more or less got rid of in other countries since." The "practical nuisance" was got rid of by England only partly, for it has yet millions of silver coins rated at the old ratio. Mr. Giffen's uncompromising preference for the gold standard of England, as allied with the subsidiary silver standard, is thus unreliable, for it is that practical nuisance against which the world now fights without having arrived at a solution. The solution which they must accept, as worked out in this volume, is the only one which would get rid of that practical nuisance. The standard value of all coins should not differ from the marketable value of their standard substance plus reasonable local and mintage charges. Such natural manipulations of setting the currency waters to find their own level—for they will then have a free movement without the baneful interventions of artificial laws gone mad and set beyond their proper scope—must result in a full and healthy quantity of currency circulation commanding its most confident features, in that the present colour distinctions would be entirely swept away, the course of both currencies would be rendered perfectly equable, and all countries will have their deficiencies of wealth very well supplied,—no matter

what coloured metal became the predominant feature of the currency. To adhere to gold-monometallism is a deep-rooted eccentricity which must eventually disappear. The burning question of the day is how to obtain more wealth, and silver appears to hold out a hope that we might have plenty of it, if we only sensibly restored the natural values of both silver and gold and placed our axe at the root of all monopolised or artificial values. I therefore cannot agree with Mr. Giffen that, "with a proper standard, bi-metallism is an absolute impossibility." The proper standard consists in gold and silver coins exchanging according to their natural values as between themselves and between the several coinages and any other commodity, and this dual currency, in practice, becomes one, and, therefore, a proper, because a homogeneous, standard of value, both gold and silver being perfect elements of wealth.

Mr. Giffen is very inconsistent when he says that the bi-metallism which was "apparently successful in former times when fluctuations "between gold and silver were within narrow limits," could go on in the present times "with the appearance of a fixed price between coins "of two metals, though there could not be a fixed price between the "metals themselves." And here all systems identical with the system of England have Mr. Giffen's support, whereas he considers that "the "coinage of the two metals with a seigniorage was one of the main "conditions that made bimetallism even in appearance partially workable "for a time," any advocacy to have the coinage of the two metals without a seigniorage being denounced as the worst of all blunders in monetary science! Mr. Giffen almost here bridges the difference between monometallism and bimetallism, neither of the two, however, as it exists, being a system which can be successfully adopted in modern times.

Where Mr. Giffen confidently supposes that gold mono-metallism is a perfect standard, more especially because any double standard is apt to be a single one in the end, he seems no better than those who would shut up the mints and raise the price of the rupee. The ideal single standard which he aims at is simply impracticable. As the circulation of money cannot be artificially arrested, nor can a monopoly price be fixed for it, the only standard money practicable must be in any of the precious metals which a country takes to, while such money can bear no artificial value beyond what the value of its material and the value of the labor and supervision in its manufactory may warrant;

There can be no ideal for coinage in which its diversion to the melting pot may be entirely obviated.

for, any money-standard is the essence of wealth, pure and simple, and cannot be tampered with without provoking a thorough dislocation in the end. Any Government attempting to make profit from the operation of mintage by charging an unnatural seigniorage, not only arrests the circulation of money, as Mr. Giffen himself has admitted, but damages the course of trade and commerce.

The natural
merits of all
coinage.

No doubt the first object of any coinage is, that it should remain in circulation and not irretrievably find its way to the melting pot. The theory cannot, however, always hold good in practice in any conceivable condition. As long as coinage consists of original wealth, or precious metals, and such wealth is borne personally, or is apt to be concealed for use in emergencies, or in pursuance of other motives, so long will all sorts of coins more or less find its way to the melting-pot, though the extent of such diversions may depend on local or complicated conditions of each place. All that is necessary is not to weaken the motives of individuals or nations to employ coins, and not bullion, as much as possible, in facilitating local and international transactions. If bullion costs more than coins to keep up certain transactions, the motive power will act towards retaining coins in circulation. All retail transactions will fully keep the coinage in circulation. But all over-valued coins will be discredited in value, so that vendors would perceive it more profitable to exchange their goods for bullion than in the over-valued coinage of that bullion. As all stamped fractions of money are so convenient for retail transactions, sellers would commode themselves with them, rejecting that portion of their value which was radically false, but recognising that slight overvaluation in bullion which is represented in giving effect to its conversion into coins. As the use of coins, when they are once out, depend on regulated or ill-regulated individual will, and as all transactions, as a correct and universal elementary principle, may best be based on truth, equity, and accuracy, it is much more desirable that all coins should represent the correct nature of their cost. That they will not be taken to the melting pot, unless affluence and luxury dictated such a course and a demand for them arose, is in itself a great safeguard against their *wanton* destruction. It is not possible to prevent the disappearance and destruction of coins in any circumstance, so it stands to sound reason that they should be no more overvalued than any other commodities, the production and distribution of which rest in so many hands and is often

involved in endless complications. As in the case of other commodities the production and distribution of precious metals rest in many hands. The values in both instances, therefore, should not be influenced by any iron arm of law, save by a delicate handling of authority to render the circulation of money as satisfactory and pliable as it can be made. The international transactions of the world always increasing, and the substance of money remaining the same, it follows that every nation should abandon their respective personal will in valuing their coins. The principle of all nations should be homogeneous, and that consists in adding the local charges only to the value of bullion, so as to make coins of all nations as interchangeable as any other commodities. False value in coins, or the paper-tokens representing such coins, cannot but injure industries and harm the circulation of various products, since it is the true value of bullion in gold or silver which indicates the value of all commodities, in whatever conditions they present themselves. Any prime over-valuation is therefore as wrong in part, as it is in whole, and there is no mortal science, Mr. Giffen notwithstanding, which can reconcile a partial with a whole truth in any universal procedure of the world. Enterprise and invention must both suffer where they are not faithfully represented by coins of true value, or, in other words, the correct form of solid wealth, particularly when we are yet far off from that goal which would make the full effects of the circulation of the world's wealth clear; or, in other words, the attainment of the hypothetical four seas of the currency and their regulator.

A complete precaution results when all nations agree to accept a substantial, which is the true, value of any coins, as acting against the manufactory of illicit coins, which in modern times must become an increasing probability, a rapid detection growing more and more difficult. And a detection growing more difficult, it cannot be said what quantities of false or over-valued coins would come into circulation from time to time. The universal adoption of coins of intrinsic value, must excite universal attention against fabricated coins; whereas if States themselves became fabricators, the motive to detect fabricators must become weak. It is indispensable, therefore, that every State should have perfectly clean hands in respect of the coinage which they put into circulation, for they must blame themselves if individuals went into the track which they would not themselves fear to tread.

The immorality of coining overvalued or false coins.

Merits of true
value in cur-
rency coin-
age.

If two bullions have inequable values, no matter if these inequalities exist in the form of coinage, the one bearing a greater, or a false, value, must inevitably absorb the dearer, or the scarcer metal. Many would be found ready to act on the sly and obtain the metal of better value for conversion into bullion. The dearer coins would also be exported to places where they could fetch their truer equivalent in any form. A striking instance of this is afforded by every country which trades with Great Britain and which commands silver coins of more or less intrinsic value. The purest gold of Great Britain is expressly attracted to all such countries, because the latter are in a position to liquidate its true value. The same is the case as regards the silver bars exported by Great Britain. The fact that all favourable balances of trade are paid by the debtor-countries, either in the shape of bullion of intrinsic value, or of other commodities of a similarly natural value, but not in any of the over-valued coins, very satisfactorily demonstrates the necessity of providing the world with truer forms of currency than the present ones so distracted and so conflicting that they are hardly interchangeable in any direct manner.

The inconvertibility of over-valued metallic coins differs only in degree from the inconvertibility of all paper-tokens issued in excess of their metallic reserves. In the case of excessive paper-tokens, even the distant promise that they may eventually be convertible, and that they are the issue of Governments which are strong in credit, may prop up the paper-money till a certain period or crisis. In the other case, however, with the real and fully and universally convertible wealth in one's hand, no fiat of a Government can unduly depreciate or appreciate its intrinsic value. That intrinsic value, though a constantly moving thing—which it would be suicidal to stop at any point, reasonable or unreasonable; all legal ratios between values being as impracticable as the stopping of crimes by legislative means—is a permanent unshakeable factor which serves itself and all the commodities of the world quite automatically after the precious metals are once out of the mines and put into recognised forms. If an excess of paper-money may suffer from depreciation, an excess in the real value of the coinage must equally suffer. If it did not suffer, *i.e.*, if it were not arrested in its own circulation, the exportation of gold and silver bullion to countries where intrinsic values could be met would be an impossibility. There would be a continuous influx

of coins not over-valued, and consequently there would be free mintage on a truer basis. That silver has been demonetised by so many countries, when the par value became unsustainable in the march of times, points out that a false value cannot be set up against a true value. Had it been otherwise, European mints would not have been closed against free coinage of silver, and there should have been no complaints about the difficulty of redeeming depreciated coins of French, Italian, Greek, Belgium, or Swiss, silver coins, of, perhaps, a value of over 900 millions according to the original mintage rate.

I cannot understand how Mr. Giffen can for a moment think that a compound standard of gold and silver mixed in one lump can ever be deemed as honest and effective money in any transactions of business. He says "such a compound standard may, however, be made use of for special purposes in contracts over long periods, though it could not fulfil the functions of a proper monetary standard in the daily transactions of business" (p. 215). Mr. Giffen thus, partially, yet intrinsically, coincides with the proposal of Mr. Marshall to create a standard which is formed *ad hoc* by a compound of the precious metals, or by a compound of many commodities as suggested by Jevons. If the complications arising from fixing the relative values of silver and gold would be endless, any attempt or ingenuity to create a new compound metal for money would simply make confusion worse confounded. That would be the fate of wandering away from the path of simplicity and straightforwardness. Any compound is sure to be rightly assayed by the public which will, eventually, recognise only such portions of the precious metals as would be marketable at the rate which would be current for the time being. Only some legitimate value must be debased on account of the hybrid nature of the coin. It is in the highest degree unlikely that the people, who collectively adopt what is right, would ever accept such a hybrid product as standard money.

Mr. Giffen thinks that, whatever metal may be selected by a Government for standard money, it could do "without altering very much the supply and demand of the article itself, so that the exchange value of the article may be wholly left to natural conditions." An economic authority putting forth a theory, so dogmatic and arbitrary, must call for emphatic contradictions if not something worse. Selection of metal for standard money means a greater withdrawal from the

Desperate attempts at discovering metallic compounds (1) to answer the purposes of "standard money."

Mr. Giffen traverses the plain principle of supply and demand.

supply and the creation of a new or enhanced demand. The evil in England is the employment of, proportionately, a very small quantity of metal for currency purposes, which now urgently calls for a remedy. When this restriction on natural demands for metallic wealth is removed, there would be a very great effect produced on supply and demand. If more countries select gold as their standard money, it must become much dearer than now in relation to silver. If silver is also selected by more countries, the demand on gold being thus kept within certain limits, though any arbitrary limits must still be outstripped for many reasons, I have no doubt that a greater stability of exchange rate would ensue. Whatever the obstacles that now exist in letting silver freely circulate throughout the world and prevent gold from being overwhelmed by silver, the latter being much more adequate for the wants of the world, and being a precious metal like the other, it must, in a few years to come, perceptibly act towards displacing gold from a great bulk of the world's transactions, because the future of money emphatically consist in its increasing quantity and not in its rarified quality. It is a monstrous theory to hold that, because silver is found plentiful, it should not find a full circulation in the world when its wealth is far from having attained its maximum limits—whether such limits may or may not be attainable.

Contradictory theories

It is inexplicable how Mr. Giffen can reconcile his perfect standard of money that does not affect the principle of supply and demand with his other statement, that "there are many facts to show that, if prices are not exactly a function of the quantity of some kinds of money in proportion to the commodities circulated, yet the quantity of money is intimately associated with the range of prices; and fluctuations in prices appear to be occasioned by fluctuations in the quantity of money The amount of the standard monetary substance itself, in relation to all the demands upon it, cannot but be an important factor in determining the ratio at which it exchanges for other articles." And quantities of commodities in circulation are not a fixity, but are ever-variable, and, in the aggregate, appear in an ever-increasing ratio. The production and circulation of universal commodities determine the production and circulation of the precious metals, and if a single cause "as the monetary arrangements such as those for small change may have great effect on the metals handled" (p. 216), how can the circulation of

indefinite commodities fail to have even a greater effect on the metals handled? Mr. Giffen's theory strikes at the root of one of the greatest economic doctrines that, the production and circulation of commodities has a direct effect upon the demand and supply of the precious metals, for as commodities are increasing in the aggregate, they only tend to draw out in circulation increased quantities of the precious metals, simply because they are the universally exchangeable compact essence of all sorts of wealth. Hence, if one style of wealth increases as universal commodities do, the particular style of wealth silver and gold cannot but increase though in a varying ratio.

The value of both the precious metals, or of any other metal as standard money, cannot but be perpetually affected, for the value of every grain of a precious metal not merely fluctuates for itself; but it fluctuates in relation to any other metal; and fluctuates in relation to every other commodity and its part; and fluctuates every day of the year; and fluctuates, variously, on each and all of these grounds differently, in different places, and differently every day, at the same place, constantly, microscopically, kaleidoscopically; and if their value is so affected, it is clear enough that the principle of supply and demand is actively, and in all disguised forms, at work in reference to the precious metals, in respect of themselves, and in respect of every mortal thing that they come in contact with. It follows, therefore, that, as the world has left all commodities free to compete in reference to the prices that they should fetch—most various and undefined human tastes and desires being at work in influencing the prices—it must equally leave all metals for money as free to fetch their own values. The values of coinage metals cannot even be fixed by Governments, in the aggregate, and in hypocritical or sham homogeneous conventions, for the simple reason that all values, as they exist, would be unfairly revolutionised, while the free production and distribution of wealth, which has only in modern times become so pronounced a feature in all the continents of the world, cannot possibly depend on any artificially restricted values of the precious metals, which become a greater mischievous absurdity if an universal bi-metallism were adopted, thus meaning that a discredited metal should buy up all the much scarcer or the more precious metal, even to the extent of buying up all more valuable commodities, the production of which cannot but be discouraged if the more concentrated essence of wealth is to be held at a discount.

If "bimetallic money," which may not be as regularly elastic as paper-money, ready at call to appear or disappear, "vary in amount "in different monetary systems, or in the same system at different "times, the operation of the natural principle of supply and demand "must even be more pronounced than in the form of currency comparatively weaker in denotation of direct and visible wealth."

Mr. Giffen's theory, however, that "the fall of prices is itself a proof "that gold, in relation to all the demands for it, has been relatively "scarcer than it was, everybody wanting it has had to give more "for it," is in perfect accord with actual evidence of the state of things concerned. He is quite right when he holds that "the monometallicists, in their dislike of bimetallicism," are "widely mistaken in denying the existence of such a phenomenon. If everybody who wanted "coal or pig-iron was giving more for it than before, we should not "hesitate to say that they were relatively more in demand than they "had been. We should say the same of gold or silver in a like case."

Mr. Giffen's contradictory theory of varying supply and demand not affecting exchange values.

But to say, as Mr. Giffen does, that when "demand for a silver token "currency in a gold monometallic system affects the value of silver "and a demand for a gold currency in the same system affects the "value of gold," that such "demands have no special influence on "the exchange of the gold and silver themselves," does not at all accord with the actual fact of the daily fluctuating exchange values of gold and silver, which not merely constantly affect the bullion value, but constantly affects the exchange of Indian rupees with the gold sovereigns of England, the exchange of Indian paper-tokens with those of England, and the exchange of silver bullion or silver rupees of India with the gold bullion or gold sovereigns of England.

Incorrectness of the theory that paper-tokens of solvent Governments have virtually no monetary substance.

It is not true to say that "the currency may or may not consist of the "standard monetary substance at all." It always does, in fact, consist of monetary substance. Even when the monetary substance backing the currency may proportionately be of a less value, any authoritative currency presumes a corresponding amount of the monetary substance as being virtually in existence, unless in some extraordinary crisis a call is made for the substance itself, when a certain portion of the currency becomes dormant for the moment. It did not matter whether the reserve existed, or were spirited away in a moment, the mischief would simply be incidental consisting merely in detection, the question thus turning upon a knowledge of the exact amount of reserve available, or not available. A paper currency becomes dor-

mant even when backed by actual reserves, which means that it is not any naturally regulated principle of supply and demand which is at fault, but that an irregular speculative spirit has apparently displaced the monetary substance. All paper currency or securities, under certain normal state of things, are, therefore, a presumed monetary substance, the quantity of which bears some immediate relation with the quantity of all other commodities. The absenteeism of the precious metals, in a certain degree, is, therefore, of no account, more especially as, in theory pure and simple, universal commodities furnish uniform basis for all forms of money or currency, larger portions of commodities interchanging with each other, without the intervention of actual money, or currency, or with a mere denotation of value which is represented in the measure of money-wealth. Whatever the occasional effects of disparity between the credit-tokens and the monetary substance, the endless exchange and circulation of commodities never cease, for such exchanges and movements, however temporarily paralysed, do not fail to be speedily restored. It does not matter in the least whether money coins, or bars of precious metals, are in actual circulation or not, for their representative tokens are in full circulation. So, all exchange values, whether between the precious metals themselves, or between the precious metals and other commodities, are in constant fluctuating existence.

Because the different fluctuations work at an ever-varying rate—as the exchange between a million of paper money and the metallic coins representing it would expressly, in that instance, fluctuate differently than in a simple barter in commodities without reference to actual bullion or coinage—Mr. Giffen cannot uphold his theory that the quantity of currency is not affected like the quantity of substantive money. If, then, quantities were not affected by each other, the correctness of Mr. Giffen's solution that the mono-metallic theory of England, as it stands in all its relations, denotes his "perfect standard of money," cannot possibly be impugned. The actual economic facts presented in this work are, however, quite different. All forms of money, empty or substantial, have direct exchange relations with all commodities, and, as even fixed quantities of any of them are changeable in sales or purchases, owing to all unfixed quantities at work, an inherent element of ever-varying value-fluctuations, in every form and in every article, absolutely exist and

Though rates of exchange values may differ in respect of different forms of money, all forms of money are directly affected by the principle of supply and demand.

cannot be artificially suppressed or modified by the finger of a banker, or a statesman, much less of an economist, or an academic philosopher. Mr. Giffen might thus have as well invented a perfect standard of atmosphere for all human beings, as a perfect standard of money for the world or any of its individual country. Any attainable perfection in the standard of money can be had only under the natural conditions which I have pointed out as fully existing, but as hitherto as fully disregarded and almost unknown under the burden of old and imperfect teachings.

How does the conduct of miners affect the value and quantity of precious metals?

Mr. Giffen says, that "the currency demand for gold or silver depends upon a great variety of habits and customs." The action of the mines depend more upon the inclinations and ability of the miners to extract the ores than what the demand for currency will be as based upon practical deficiencies or superfluities indicated by the varying quantities and circulation of local and universal commodities, as also upon the aggregate human tendencies to employ some rough proportion of these metals for the purposes of hoarding and arts. The proportions of all such employment to the quantity removed from the mines are unascertainable owing to undefined and unknown circumstances which rule the distribution and movements of precious metals for various purposes. The permanent quantity needed to replace that entirely lost to the world, to meet the circulation of commodities, the desires of various communities to add to arts and decorations, and of various governments and institutions to preserve them as hoards for short, long, or undefined periods, under various motives, is a thing which has never been, or will ever be, ascertained beforehand. This unknown quantity is again affected by the varying capacity of mines to produce the metals at a required cost, and the means and inclinations of the owners to withdraw them from the mines and put them forward for sale, or hold them in abeyance.

Mr. Giffen's conundrum.

Irrespective of all other motives, the withdrawal from the mines in itself must differ in scope and extent on almost every occasion. But one thing is certain, which Mr. Giffen denies on very deficient basis, that there is "a proportionate relation between the quantity of currency and prices;" Mr. Giffen maintaining what he considers to be "the fact that there is no proportionate relations between the quantity of currency and prices," though, curiously enough, he admits, that "the quantity of the standard monetary substance itself offering

“in the market is a material element in determining the ratio at which it exchanges for other commodities.” He rules a distinction between currency and the standard substance of money, which practically is no distinction whatever, as just explained, since there can be no currency without standard money; but there could be standard money without currency, the rates of which, as in exchange for commodities, is affected, as admitted by Mr. Giffen himself. Therefore, standard money always rules the currency, and the currency, as well as all standard money, rules the prices in co-operation with the quantity of commodities coming in affinity with money or currency. It is no “conundrum” which ought to puzzle us, though Mr. Giffen has puzzled himself in raising his own conundrum,—the conundrum which he mentions as having puzzled the Gold and Silver Commission too,—but to no purpose.

Gold or silver, in the form of currency, cannot be “abundant,” as mono-metallists would have it, if there be a scarcity or short supply of gold; because, as an immediate consequence, prices must fall as they have done, while any increasing rate of currency, under mono-metallism or bimetallism, cannot possibly keep up with the increasing rate of all other productions which very often are enhanced in leaps and bounds. As Mr. Giffen admits that gold may be scarce and yet currency abundant, though silver may only remain a subsidiary and a contracting article, and that prices must fall under this condition, he cannot but admit that both gold and currency being indivisible, as I have already demonstrated, there is little use in ignoring the contention of the bi-metallists, that prices fall owing to a scarcity in standard substance, and that, therefore, the evil may only be corrected by increasing the currency, though certainly not the artificial currency which they have been strongly advocating. Mr. Giffen says, “Their whole idea is a delusion from beginning to end.” It might be a delusion if there were no other money standard in the world save gold.

Mr. Giffen, however, says:—“The evil cannot be corrected by declaring something else to be gold. The entire habits and customs of people as to the use of gold and silver, and not merely the law of standard, must be changed if gold is to be made abundant and gold prices are to rise.” Mr. Giffen’s remedy is no remedy if he would forbid the use of silver and simply desire the people to change their habits. These habits will, as a matter of fact, never change till there is

An impossible
remedy sug-
gested by
Mr. Giffen.

an end of human nature. Mr. Giffen's perfect standard of money is the present monometallism of England, which is neither mono-metallism outright, or bimetallism outright.

An excess in the issue of paper money is almost equal to an excess in metallic currency; the depreciation of value in both instances being identical.

I cannot understand how Mr. Giffen can controvert some of the theories of Ricardo and other old authorities on monetary matters, in that they have at least clearly demonstrated that gold and silver are like other commodities, and that to the extent that inconvertible paper money is issued in excess of the quantity of metal which it may *pro tanto* displace, to that extent its value must fall. And this is as well to say that, whatever be the form of money issued in excess, that excess must produce a fall in its value. The excess may either be in standard substance, or paper tokens; it matters not a bit as far as practical facts are concerned. As soon as money becomes abundant in any form, it must proportionately decrease in value than when scarce. All natural-value-phenomena tend, therefore, towards forcing an increase of currency, as in several forms, to meet the corresponding influence of persistently increasing commodities. Currency in all forms is only a common and faithful interpreter of the world's commodities, and every currency is defective which fails in adequately meeting the circulation of all commodities. Increase of currency, *in a natural state*, therefore, becomes the true remedy; not the gold mono-metallism of England, which is, in a measure, intercepted by over-valued silver, disabled in its own turn; nor the perfectly futile hope that the world will change its unchangeable habits to furnish Mr. Giffen his perfect standard of money gold.

No "scientific theory" can be based on extrinsic grounds of intellect but must be drawn as variable quantities, inductions, methods, are always

Mr. Giffen's conundrum.

To try and controvert Ricardo's principle, as being "a statement not made as a scientific theory, but merely as a description of fact," is equivalent to a theoretic attempt at inventing a scientific theory based upon little or no observed facts—the great beguiling rock on which all so-called monometallists and bimetalists are being wrecked.

Mr. Giffen strongly upholds that there is no evidence to show that "a complete theory as to the relation between money of every kind and prices" was ever intended. But he speaks what might have been in the minds of Ricardo and other authorities on political economy, and proceeds to explain the "apparent inconsistency which seems to be, that the supposed theory of the relation of the quantity of money and prices was not put forward by Ricardo and the older authorities as a theory applicable to every kind of money, or every definition of

“ money ; but was little more than a rough description of the observed facts as to inconvertible paper money in comparison with the metal which it represented where the paper money was issued in moderate excess under the authority of a Government in good credit. . . . The theory was not meant to apply at all to the circumstances by which the amount of the standard substance used in a natural system is determined.” In whatever way money or currency may be regulated, a relation between money of all kinds, artificial or not, and prices of commodities, cannot but exist, however erratically they may appear to be regulated. As a portion of commodities must directly draw upon metallic treasures, and the paper money understood to be supported by actual wealth or public credit which must be taken as the same thing, it is clear that to believe that relations are absent between them, is to argue that the Sun rises from the West and not from the East.

It is not *à priori* scientific theory which is of any account in considering the point. Where facts exist, there scientific theories must exist, for progressive facts are indefinitely stronger than once-established scientific theories, while facts are entirely antecedent to theories, and certainly no theories can ever be antecedent to facts. The natural production and movements of metals are facts ; while theories deduced from the operation of these facts are correct theories for the time being, but always subject to revisions. The facts are, that gold is a decreasing production ; that almost all other commodities are constantly increasing ; that while gold is to be had less and less, the counter-metal, simply because it exists in indefinite quantities, which is a remarkably fortunate circumstance for the world, is sought to be discredited. There are thousands of causes which have lowered prices ; but be it borne in mind, that every one of these causes denotes a continuous scarcity of gold. For instance, freights would not go on lowering if there were sufficient gold ; and if, on the other hand, the quantity of gold had increased, *pro rata*, with the increase of wheat, it might either fetch more or less gold than before simply because of the uncertain quantities of wheat and the uncertain demands on gold in behalf of other commodities of uncertain production and circulation. But with all these irregularities, ratios exist between all commodities against each other, and relations between money and prices are as fixed as ever. It were belying all rudimental principles of human understanding

One of the last resorts of monometal-
lists is to deny all relations between money and prices which is tantamount to a conversion of the world's coinage into simple measures of numbers and quantities of the rest of the wealth commodities.

if we scouted the perfect rationality of the important maxim, that, whatever the relative values of commodities as dependent upon supply and demand, the quantity of each of these commodities is, to a certain extent, dependent on the money available for its production; that commodities may be produced at a small, or a large cost, they themselves being a perfect, though variable, measure of perishable, or imperishable wealth, as being also subject to the influence and movement of commodities among themselves; and that the question of price, though modified by all prices in a collective form, is immediately influenced by the quantity of money in circulation as placed in contact with all available quantities of commodities.

In presuming that Ricardo never conceived the relation between money and prices, simply because it was considered as being "the effect of excessive issues of paper in comparison with the natural amount in use as money of the standard monetary substance," which he had pointed out, is to ignore the fact that any form of money in the market is as good as the metallic wealth-substance, and that the fact of an extraordinary demand for a particular article—as in the times of financial panic—by no means controvert the theory of a relation between money and prices. That relation always stands firm, though it sometimes might shake, as even the earth must shake. To ignore this relation, is to comprehend a sovereign, a franc, a dollar, or a rupee, as a simple instrument by which cloth is measured, or wheat is weighed. To support the monetary system of England—which is not monometallic, but is partly monometallic and partly bimetallic—on arbitrary and impracticable notions of this character, not only does not improve the position of the mono-metallists, but presages the sure dissolution of that system, indissolubly bound, as it is, with bi-metallism. To my mind, the monometallism of Mr. Giffen is as worse as the bimetalism of Professor Foxwell. The latter seems, however, a little more advanced than the former, and yet tries the shoals and rocks which are as formidable in the *khud* of bimetalism as in that of monometallism. Integrity of thought and principles—whatever be the gross interests at stake—is as necessary in dealing with currency matters, as in dealing with the constitution of a service, or the consciousness of one's functions, whether they be of a commoner, or of a prince. Mono-metallists of England depart from this principle when they think that they have only a gold standard, when they also have a silver standard, however defective, but yet concurrently running with it,

If Professor Foxwell is hopelessly wrong in bolstering up bimetallism, Mr. Giffen is not less so in bolstering up the gold standard of England as unquestionably allied with a silver standard. Silver coins having a compulsorily fixed ratio with gold coins do not form themselves into a standard. It may be much less in quantity than gold, but if gold coins of England are considered a standard money, while its value fluctuates almost every day in itself, as in relation with all other articles, it is downright folly to suppose that the silver coins of England or of any other European country is not a money standard, though the scope of its working may be limited. The English and the American authorities must give up the idea of considering these and other countries monometallic, while in fact they are bimetallic, though not as fully as when both coins are minted with equal freedom.

Little to choose between Professor Foxwell and Mr. Giffen's doctrines.

The fact that there is a scarcity of gold—which Mr. Giffen rebukes others for denying—indicates the fact that a large quantity of currency in silver already partly provides for that scarcity, though under the old devised, and now fraudulent, stereotyped ratio. Professor Foxwell is quite right in pushing Mr. Giffen a little further; for, if, as Mr. Giffen virtually admits, a part is right—as he upholds the silver currency as existing in England—the whole of such a part must also be right. And therefore bimetallism is the only logical outcome of Mr. Giffen's work, so emphatically directed, as it is, against bi-metallism! But both the part and the whole, as I have explained, are wrong; and hence it is, that, while monometallists have no remedy to offer, except the stupid notion that the world should all give up its gold for currency and no other purposes, the bi-metallists have conveniently clung to the foremost top-end of the foundered ship, which yet keeps aloft the closing waves.

APPENDICES.

APPENDIX A.

[*Extracts from a Leader in the "Times of India," August 10, 1892.*]

THE late Mr. Mill once brought much deserved censure upon himself by telling an audience of working men whom he was addressing on land law reform that he wanted to "excite their feelings" on the subject. This was as bad a way of throwing light upon a dark question as could well be thought of, and the example is not one to be followed. Nevertheless something like John Stuart Mill's impatient desire to arouse the feelings of the people around him would have been excusable in India if the dull unquestioning acquiescence in disaster, which until lately seemed to characterize the attitude of the commercial classes in India in regard to the state of the currency, had continued. From that, at all events, this afternoon's meeting at the Town Hall reminds us we are being rapidly delivered.

The man who tells his neighbours that they are helpless in the matter; for the currency is, in the nature of things, at the mercy of certain inexorable laws which it is past the wit of man to control, no longer counts on a hearing, if indeed he has not already foresworn his folly. If now and again there should come, as the last suggestion of obstinate timidity, a solemn warning against "tampering with the currency," the answer is sure to come that this is pure nonsense so long as India is made the victim of tampering by other States who have robbed her of her substance, disturbed her finance, and imperilled the fortunes of the most energetic amongst the classes who are endeavouring to develop her trade.

The price of silver to-day is just threepence and a farthing below that, so that the natural level is a receding line, as defiant of indication as the horizon. When mines in Australia are turning out silver at a cost of *eighteen pence an ounce*, and when in some of the Nevada mines it is a waste product, it is obviously futile to endeavour to name any possible minimum to which the price of silver is to fall if the cost of production, even when conditioned as in the definition we have given, is to be the determining factor.

From America the most recent and the most reliable news warns us that of a certainty there will soon be a huge unburdening there, which will throw on the market the four and a half million ounces a month of silver which the Washington Treasury is now taking on its hands. So that we cannot to-day look westward without feeling that not salvation, but rather calamity, will come thence, unless in the meantime we raise up some barrier for our own defence.

India, we are told—and a comforting half-truth enunciated by Lord Lansdowne some months ago is cited in support of the pretence—is still able to pay her way. Taxation is not increased; debt is not increased; there is no deficit.

Upon this last source of comfort let no one draw too freely. Upon the two others let this be borne in mind. India is just paying her way, but all that a nation with a stable currency gains in the natural increment of its revenues, India has lost year by year to the extent of at least eighty crores in the aggregate. This, if India had not been the passive victim of other peoples' tampering with the currency, would have been saved to us in two forms. The country would have enjoyed substantial remissions of taxation; the administration would have been more generously equipped with schools, and hospitals and canals, and roads, and railways, and the defence works which the policy of other nations has forced upon us would have been no great burden. All this is hidden in the dangerous and misleading half-truth that we are paying our way in spite of our exchange troubles. But the argument that India is not the worse for her currency disturbances will soon be as little heard of as the other and more daring view, that the country is actually the better for them—the more daring view, because, with exchange lower than it has ever been, and with freights ruinously low, the prospects of neither the import nor the export trade of India have ever been more discouraging.

The "school bill" and "family remittance" and rupee pension aspect of the question—the only aspects that some people will bring themselves to see—must be absolutely non-existent to the Bannia piece-goods merchant and the Borah general dealer. And yet these people are coming in, in troops, doubtless with no very clear views about the bi-metallic ratio, and with as indefinite a conception of what is involved in the gold standard as of the aims of the Triple Alliance or even of the fundamentals of Mr. Gladstone's undisclosed dismemberment scheme. But they are clear and confident upon one point—and that is, that it is hazardous to carry on business upon a shifting and capricious currency basis, that their hands are tied by it as they would only be tied in a chronic financial crisis, the only difference being that, instead of each man distrusting his neighbour, he distrusts the money in which he carries on his trade, and knows no other certainty in his business than that his most careful calculations will be upset.

No one has been more frank than Sir David Barbour in acknowledging the risks that lie in the way of a gold standard, and we should not help this movement if we endeavoured to obscure or to minimise them. In Austria-Hungary—concerning whose currency difficulties Mr. Janni gives us some suggestive details to-day—the financial authorities only came to the resolution to adopt the gold standard after they had submitted the whole problem to the judgment of a committee of experts, to whom a series of carefully drawn up questions anticipating every risk and difficulty that could possibly attend the experiment, were submitted. This is an example which, we are sure, the Government of India will not lose sight of. Meanwhile we are confident that they will welcome such a manifestation as to-day's meeting will give them, that there is a growing conviction that the old policy of leaving the currency to be the sport of circumstances must be resolutely abandoned.

PROMISED LIGHT ON THE CURRENCY PROBLEM.
TO THE EDITOR OF THE "TIMES OF INDIA,"

SIR,—As I have now in hand a work containing a thorough exposition of the present Currency Question, I should not have troubled you with these lines were it not for the fact that, on a close examination and reasoning, I arrive at the conclusion that any meetings, however influential, cannot induce any Government to fix a permanent ratio between silver and gold, or, for the matter of that, between the two currencies. With some diffidence, then, I would beg to warn all those who may be seeking to embark in an extremely hazardous task, that it would be as sensible to call upon the Indian or other Administrations to fix the ratio value under advertence, as to attempt to have the quality or volume of town atmosphere, or the growth or prices of the commodities of the world pre-defined by Legislature for any or all times to come. Beyond the many deceptive features clinging to the theory that is now deliberately placed within the range of practical politics, I must say I have not come across any public effort so impolitic and so fraught with impracticability and wrong as the one which, I am glad, will now be placed in light, I hope only to obtain that rest and maturer reflection which the tough problem undoubtedly needs. I was pleased to find Mr. Symons, the other day, adopting in his business-like speech that gentle and conciliatory method which, in my opinion, is far more telling than any hostile argument against the impracticable character of the proposal now advocated throughout the length and breadth of the land. Whether the proposal is looked at from the point of view of monetary science and national economy, or practical administrative wisdom and justice, there is hardly a ray of hope for the sort of relief sought. I may, therefore, be justified in expecting, (as I am now completing my work), that a legitimate and all-round remedy may have some light thrown upon it, instead of the keen exertions wasted after discovering a mare's nest, or a solution that verily belongs to the region of Utopia.—Yours &c.,

DINSHAH ARDESHIR.

Baroda, August 8.

THE CURRENCY QUESTION: A PLEA FOR PATIENCE.

TO THE EDITOR OF THE "TIMES OF INDIA,"

Sir,—The currency agitation has now assumed some practical form; but it may produce either good or evil. It is time that you, Sir, raised your voice towards pacification, till a thorough authoritative investigation is completed on the Continent.

Meanwhile, it might aid the cause of patience and forbearance—so badly needed at the present moment—if some sturdy facts are briefly stated in anticipation of my exhaustive work now in the press. The facts that cannot be refuted are:

(a) No public action is possible as based on a subversion of the bullion value of the precious metals.

(b) No currency can ever be vitiated to redress the grievance of particular classes, which can only be dealt with on its own merits.

(c) It would seem an unrighteous and barbaric act to plunder the holders of gold and enrich those owning silver.

(d) As no nation or Government can permit such a barefaced robbery, and a thoroughly immoral and mischievous disturbance in local and international transactions, any attempt made, nevertheless, must either saddle India with a further enormous and increasing gold debt, or ruin both the export and import trade of India, simply adding to the commercial interests of those silver and gold countries who should have the modesty of abiding by prudent instincts in letting their currency alone.

(e) The fall of all gold prices in silver-using countries and elsewhere is a transparent march of commercial development, and, therefore, of the best influences of civilisation; the said fall, or, as I have explained in my work, the fast proceeding depreciation of *gold*—and not exactly of *silver*—cannot be rectified by any nation, or conference of nations, except by free circulation and production of silver till the crucial point is reached, not the point at which it seems the present fashion in India and England to strangle the currency, very much in harmony with the somewhat vulgar native adage—“Mauled till made a Mahomedan”: the equivalent: “Damn the silver, it won't rise; policeman, see it somewhere at 1s. 7d., if possible, for ever, please.”

(f) Both the Indian Council and Lord Lansdowne's Government being—as I may venture to presume—out of reach of the legislative syrens, among the remedies essential towards retrenchment and readjustment of land and other taxation, needing consummate courage and ability of both the Government and the country, as explained in my work, is the crucial point stated in para. (e): the production of silver must naturally stop, and, therefore, its constant fall in price when the working expenses will refuse to bear any profit. The legitimate value of silver after that will rise in proportion to the demand for it; and it is very likely that the increased monetary transactions of the world will render the re-opening of silver mines possible, the more so if gold continued to become scarce, and its stock was not enormously increased by fresh discoveries.

No choice is left to any country in respect of its currency except under circumstances of exceptional “finds.” The remedies are distinctly different, and must be followed without in the least demoralising the course of any currency, which can only result in mischievous retrogressions, for the silver currency of the world is a too forcible and luxuriant growth, and is likely in future to be predominant in all countries. There are many millions yet whose civilisation would bring them to the use of silver. One of the truest remedies is to promote the currency of silver in all parts of the globe, without dabbling with the intrinsic or relative value of this or the other metal.

I have gone through the cheering forest of figures and statistics which have been placed as a barrier before all, to genially persuade them into believing

in the disastrous results of the falling rupee—results which, though not all the best as they are, may yet be as much attributed to the inevitable copiousness of the silver currency as to the growing sins of the world which are believed by the orthodox to have reduced or deranged the once regular volume of rain.

I may, perhaps, be a little sanguine in believing that, before we see the end of the century, extensive and lasting reforms will have been carried out in the currency of all enlightened nations. Keeping this future in view, one cannot but the more deplore the present total misconception existing on the real issues of the agitation, which have been confounded with altogether a wrong cause and effect. It is the financial and administrative constitution of the Imperial Government which is now on its trial, and the rupee which has been doing admirable work in enlarging the Indian trade has nothing whatever to do with the real evils—whatever they may be. What a further development of India's resources and a greater and more grateful potentiality of the Imperial Government have to effect cannot be thrust upon silver, which requires to be cheapened still! Whereas India's dire want of many millions of more rupees annually is so well supplied by the West, as well as the East, and which ought not to be endangered by untrue remedies.

The *Times of India* has done such good service in laying before the authorities and the people the many sides of this great currency problem, that I fondly hope your influential journal may further help in dispelling the injurious illusions which may otherwise help to wrongly shape events. It would be grievous and more difficult to mend them afterwards.—Yours &c.,

DINSHAH ARDESHIR.

Baroda, August 27.

. We have given insertion to the above, with some misgivings as to whether the writer has divested the currency question of the obscurity that surrounds it, and rather as an example of the confidence with which recent efforts towards a remedy for the situation are being deprecated than as being itself a final solution of the problem.—ED., *T. of I.*

The Author could not help deferring fuller explanations as to the obscurity which surrounds the problem and his solution of the currency difficulties to the publication of his work.—D.

HOPE FOR SILVER.

TO THE EDITOR OF THE "TIMES OF INDIA,"

SIR,—I beg you will allow me to express a few words of dissent from the general tenor of the concise and weighty leader published in the *Times of India* of the 29th.

I cannot but regard M. Haupt's view that the future of silver is "utterly hopeless" as being as startling as it is entirely erroneous. Though you have so ably reviewed his work—and with an impartiality and calmness which I wish the leaders of the currency agitation had shown—you could still have pointed out the misleading nature of the more important of his inferences which, I submit, have escaped your notice. And that about silver is the most

important. "Having already depreciated by 37 per cent.," he thinks it no longer "a good and honest money in any country having the double standard." M. Haupt might as well have said worse, since silver is far more depreciated in relation to pearls, or any other gems. What will he say of gold a few years hence, when the nations of the world must all combine and give gold comparatively the least, and silver the largest, room in the international currency of the world? The decline of silver value, as estimated in gold, is not, and any further decline would not be, a "downright alarming" event; but is only a happy and essential development of not merely silver, but gold-using countries. Were gold hypothetically supposed to disappear at once, the potentiality of silver mines would go far to meet the demands of the world's currency. As I have already told your readers, we have only cheerfully to face the natural level of the silver price, - which will certainly not be attained till its production ceases to afford the very least profit and the existing silver stocks put into use. That the mines continue to be worked with enormous profits unmistakably indicate the still growing and healthy demand for silver; and it cannot for a moment be doubted that the annual outputs of the mines prove that commercially, above all, the white metal has far outstripped gold, for the disinterment of the latter has often to be abandoned owing to the increasing expenses of working the mines. The Americans cannot do worse than cease altogether to purchase silver; but I believe they will look to their own demand and supply. Supposing, however, the American purchases cease, the world will soon tell us if it could do without more silver. I predict the price will run up, and the mines will have to be re-opened sharp—meaning, as the world's exchangeable commodities increase with increasing population, so must the silver currency continue to flourish on its own lines. This does not look like M. Haupt's total and emphatic ostracism, of silver, which is little too bigoted a view to adopt.—
Yours &c.,

DINSHAH ARDESHIR.

Baroda, August 30.

PART OF THE AUTHOR'S SCHEME FOR A SOLUTION OF THE
CURRENCY DIFFICULTIES.

TO THE EDITOR OF THE "TIMES OF INDIA,"

SIR,—I am sure the Hon'ble Mr. Mackay unconsciously errs in stating in his representation to Lord Kimberley, that the petition of the Currency Association contains many thousands of signatures of "educated natives." I do not doubt the truth of that bland statement; what is pertinent to the point is, whether one per cent. of these thousands of natives has crossed the mere threshold of the currency problem and intricacies.

While willingly admitting that the question of the exchange-loss of Europeans serving our country, is one which has a distinct and just claim on our sincere sympathies, I am sure the eventual verdict will be that, whatever

may be presumed on behalf of natives in India, in relation to the proposals set forth by the Association, the expression of such presumption would rather be a cypher than any substance acceptable by Government.

It would not, perhaps, be fair to ask you to reproduce the elaborate chapters on my work in the Press bearing upon the phenomena of prices, as relating to silver fluctuations as affected by gold fluctuations (not, as is commonly supposed, fluctuations in silver as measured by gold), nor the other chapters which contain solutions worked out in detail.

I would, therefore, with your permission here aim at directing the attention of the authorities, not to a search after an Utopia, or a mare's nest—as all attempts to dabble with the silver currency in India, and hanker after a gold one, fully seem to be—but to some of those points, an authoritative discussion of which is sure to lead to a satisfactory conclusion. I will unreservedly state some of my conclusions here :—

- (a.) No national grievance exists simply on account of the cheapened value of silver, which India and every country in the world still require in much larger quantities both for currency and other purposes.
- (b.) The real national distress, which is now being developed, relates to the congested gold currency of mono-metallic countries, demanding, in my opinion, a certain amount of demonetisation of gold, and, to that extent, substitution of silver currency.
- (c.) The painful position of Great Britain, and the currency difficulties of the present times, are due to excessive concentration of gold, and an unwarranted and pernicious exclusion of silver by means of the semi-barbaric systems of bi-metallism and mono-metallism of old times, which have most seriously impeded the streams of currency as in relation to the parallel or concurrent volume of commodity-circulation.
- (d.) Among the several theories propounded by economists and other authorities, which we have decidedly to unlearn, one relates to stereotyping the values of currency metals—which will never possibly come to pass—in the only way it would be worth having.
- (e.) If any solution be found indispensably necessary in the present state of things, one is this : an Act should be passed by our mother-country, limiting the legal tender of gold coins, when, say, a certain sum in silver coins is reached, and restoring a national silver coinage—the values of both being carefully re-adjusted on an uniform basis.
- (f.) The proposal may be submitted for an investigation by the expert Committee ordered by Lord Kimberley, as also by the Conference to be held at Brussels ; for, I think, it is high time all nations agreed to demonetise gold to a certain extent carefully calculated, and to introduce a free silver standard, the antiquated idea of stereotyping the ratio value being given up as hopeless and impracticable.

I am sure I will be called upon to explain the grounds for my proposals. We have simply sinned in using up gold to a crucial point, and treating silver

as if it belonged to a sink, while it has proved itself an element of salvation in currency difficulties, and is yet destined to revolutionise the world's various currency systems.

Business and earnings have become difficult, because in the pharmacy of currency you have its richest, unsegregated, crowded essence, without the equally essential soluble elements of liquification, which could easily circulate that congested essence throughout the home and foreign trade systems. I must admit I have not been publicly giving the full solution of the currency complexities, as the publication of my work only can demonstrate the full validity of my proposals. There would be a move among all gold-congested quarters to buy up silver; the old silver coins of Europe will be righted in their value, because when all nations go in for the dualistic currency, as proposed by me, the value of silver must rise, and that of gold so far popularised, that the much-needed wealth will be more equally enjoyed by the world without causing any loss to either gold or silver holders, which is the most significant point scored in my proposals.

The silver mines which have been, or are being, closed are sure to be re-opened, the now redundant (as wrongly imagined) silver will not be a whit more than is required, and every person in the world who can possibly buy gold will hasten to do so. A fresh demand for gold, and, therefore, for silver too, will be created, which no one—much less a Government—can ever think of suppressing.

The greatest of all perplexities are likely to cease under a dualistic system, which if it became the more universal, the better; for the immense advantage of an automatic adjustment of currency metallic values will have been reached instead of finding a proposal acted upon, which might be tantamount to stopping a circulation, because it ran high, when it should be intelligently dealt with and modified.

The dualistic system admits of recognising both metals as essential for currency, though at what point the gold currency should be a legal tender—perhaps the meeting points may equal the figure of difference in the respective values of the precious metals, that figure standing for so many thousands of rupees, when a demand for gold coins, when not otherwise agreed upon, to be held legal—will have to be very carefully considered by all countries, keeping in view the proportions of the two metals needed and available for currency.

I have so solved the problem, that as the two metals will always be essentially required by the world, in ever increasing quantities, that such a volume of currency should be created for each metal as would nearly answer the respective productions, which also roughly, or indirectly, indicate the demand for them.

By giving an elastic, or a larger, or freer variation to the value of gold currency—the opposite of the present congestive point—and by raising, and not debasing, the value of silver by free and natural means, the shock all round in consequence of any currency change will be immensely moderated, which cannot possibly be by any other means.

The much larger use of silver will equally assist in a larger circulation of

gold, by cheapening it in a manner which would scarcely be injurious to gold-holders on account of the silver currency naturally raised, and as naturally taking place of the portion of the gold currency displaced; whereas the position of the latter, as a whole, will lie in such recess as would befit its rarer value without in any way detracting from its value.

My suggestions in reference to the use and prospects of silver having already received a favorable consideration, I have no hesitation in affirming that a unification of the silver standard for India and England will remove the present troublesome element of fluctuation.

I would anticipate a peaceful movement tending towards the sale of a very large portion of gold in London in favor of silver, where it can be most cheaply bought, and towards that circulation of capital in India which is so sorely needed.

If the world once ignorantly resorted to legislation—one good effect of which was, despite the legislation, a most beneficial spread of silver in the East—it would surely be but fair and just that artificial and mischievous disabilities be removed, by which silver may be restored, and gold may occupy its own dignified position on account of its much greater rareness.

Though I cannot here go into any more grounds and reasons for my proposal, I may be allowed to conclude, that it is neither a fixed ratio value, nor the system of bi-metallism nor mono-metallism, nor a nominal or real gold standard for India, which the currency difficulties of the world need, but a natural system of a currency in dualism, *minus* the absurd ratio tie, in which even the strength and extent of the respective currencies would fall within our practical and progressive knowledge in harmony with a natural trade development.

Having examined much of the conflicting facts and statistics, I feel almost sure that the effect of holding a monopoly in gold circulation, but little aided by a popular or diffusive currency, has worked towards a narrow monopoly of trades and professions, shutting out the more essential productions and a cheap and increasing employment of labor. The evils of what I have taken the liberty of calling, the present gold-congestion must in time be extended to all gold-countries, though close to each other in a concurrent currency.

Should this letter convince you, Mr. Editor, that I have, in some measure, solved the problem as I have humbly undertaken to do, I trust you may now give a more practical turn to the present controversy and rivet the attention of the authorities to those features and points of the problem which promise so satisfactory a solution.—Yours &c.,

Baroda, 6th October 1892.

DISSHAH ARDESHIR.

[From the "Times of India," September 15, 1892.]

The Chamber of Commerce yesterday afternoon, after a discussion which we report at length elsewhere, carried a resolution in which the serious results of the frequent fluctuations in the sterling value of the rupee were acknowledged, and Government were asked to submit the subject to the judgment of a commission of experts. The decision was arrived at after the Chamber had rejected by a majority of twenty-six to eighteen an amendment moved by the Committee, in which all expressions implying that the state of the currency

constituted an evil were avoided, though the amendment, like the original resolution, proposed the reference of the question by Government to the consideration of a commission of experts. It is an eminently satisfactory decision, and it will be helpful to Government in no unimportant degree. Whether the resolution or the amendment had been adopted, the vote of the Chamber would have been an important declaration of the need for inquiry into the state of the currency, and would have marked a distinct development of opinion in the right direction. But unquestionably the resolution as it was adopted yesterday was a more significant pronouncement than the amendment would have been, and we believe, now that the discussion and the division are over, that the Chamber as a whole will be quite content to let the resolution stand for an expression of its collective opinion on the question. On second thought the supporters of the amendment must feel that there is nothing in the resolution which as cautious men of business they are not prepared to endorse. The Hon. Mr. Beaufort, for example, must recognise that many of the objections which he raised yesterday, in an exceedingly able speech, had no relevance to the issue raised by Mr. Miller's resolution. He gave an answer to Mr. O'Connor's well-known arguments against the theory that low exchange benefits the external trade of India—an answer which claims respectful consideration. But that matter was not touched upon in the resolution, which dealt, not with low exchange, but with fluctuations in exchange. So with bi-metallism, with the gold standard, and with the closing of the mints. Upon all these points Mr. Beaufort brought into play a whole battery of arguments, which, well as they were put together, were not relevant. Not a word was said either by Mr. Miller, or by Colonel Bisset, who seconded the resolution, upon bi-metallism, or a gold standard, or the closing of the mints. Upon all these questions a complete openness of mind was observed—except amongst those who, in deprecating the expression of dogmatic opinion upon currency questions, have dogmatically pronounced against no fewer than three proposals in connection therewith. However, now that the resolution has been entered upon the records of the Chamber, we are confident that those who could not see their way to vote for it yesterday will accept it as a rallying point around which all parties in the Chamber may meet. Mr. Miller, discussing the matter from a commercial point of view, has shown very plainly where the shoe pinches the man of business. Colonel Bisset, who dealt with the question only as it came practically before him as an expert concerned in the management and extension of railways, shows how grievously the uncertainties in exchange affect railway development, an object to which the Bombay Chamber of Commerce has always directed its most strenuous endeavours. His speech derived its weight chiefly from its strict relevance to matters which came within his official experience, and in effect it constitutes a valuable contribution to that very judgment of experts to which both sides in the Chamber are anxious to appeal. However, the Chamber has at length spoken its mind in clear and decisive tones, and yesterday's vote will materially help the Government of India in their endeavour to arouse the Home Government to appreciate the seriousness of the situation.

APPENDIX B.

A TELESCOPIC TABLE PRESENTING IN ONE FORM THE NATURE AND QUANTITY OF VARIOUS INDIAN EXPORT AND IMPORT COMMODITIES AS STANDING IN RELATION TO THE FLUCTUATIONS IN THE VALUE OF SILVER OR GOLD AS MEASURED IN SILVER FOR THE PERIOD DATING 1870-71 TO 1891-92.

870-71 to 1891-92.

INDIAN EXPORT AND IMPORT OF TREASURE.					Silver Fluctuations as affected by Gold Fluctuations.	
Copper.	Silver.		Gold.		Year.	Rate or Price.
Imported.	Export.	Import.	Export.	Import.		
.....	1,72,00,000	2,66,20,000	50,10,000	2,78,30,000	1870-71	60 $\frac{1}{2}$ p. o. = 22-49
.....	1,46,80,000	8,00,00,000	80,000	3,57,30,000	1871-72	23-12
.....	1,21,90,000	1,93,40,000	7,90,000	2,62,20,000	1872-73	22-75
.....	1,64,80,000	4,14,40,000	26,60,000	1,64,80,000	1873-74	22-35
.....	1,41,00,000	6,05,20,000	21,50,000	2,08,90,000	1874-75	22-15
.....	1,90,90,000	3,46,40,000	29,10,000	1,83,60,000	1875-76	21-62
.....	2,79,30,000	9,99,20,000	1,23,70,000	1,44,40,000	1876-77	20-50
.....	1,10,00,000	15,77,60,000	1,11,10,000	1,57,90,000	1877-78	20-79
.....	1,62,30,000	5,59,40,000	2,35,90,000	1,46,30,000	1878-79	19-79
.....	1,73,50,000	9,60,50,000	30,00,000	2,05,00,000	1879-80	19-96
1,62,00,170 (cwt. 381,683)	1,42,35,820	5,31,61,560	1,68,590	3,67,20,580	1880-81	19-95
1,46,74,620	1,08,73,390	6,46,63,890	1,24,080	4,85,63,920	1881-82	19-89
1,93,83,760	87,77,950	8,35,80,220	16,42,640	5,09,51,350	1882-83	19-52
2,20,78,410	1,00,33,550	7,40,85,060	69,520	5,46,94,570	1883-84	19-53
2,07,00,180	1,86,43,940	9,11,00,250	10,62,360	4,77,81,720	1884-85	19-31
2,09,38,400	77,96,320	1,23,86,260	32,86,060	3,09,15,410	1885-86	18-25
1,99,40,090	1,06,40,230	8,21,97,610	65,64,930	2,83,35,580	1886-87	17-44
2,00,19,280	1,36,10,520	10,58,98,030	24,35,720	3,23,60,530	1887-88	16-89
56,33,130	1,47,91,930	10,72,58,720	30,51,540	3,11,90,880	1888-89	16-89
2,22,23,540	1,45,05,080	12,38,84,740	45,57,240	5,07,10,270	1889-90	16-56
.....	.....	.....	.....	5,63,61,717	1890-91	18-089
.....	.....	.....	.....	2,41,37,992	1891-92	38 $\frac{1}{2}$ d.p.o. = 1s. 2 $\frac{1}{2}$ d.

370-71 to 1891-92.

[Compiled by the author from Official and other sources.]

INDIAN EXPORT AND		
Copper.	Silver.	
Imported.	Export.	1
.....	1,72,00,000	2,6
.....	1,46,80,000	8,0
.....	1,21,90,000	1,9
.....	1,64,80,000	4,1
.....	1,41,00,000	6,0
.....	1,90,90,000	3,4
.....	2,79,30,000	9,5
.....	1,10,00,000	15,0
.....	1,62,30,000	5,1
.....	1,73,50,000	9,1
1,62,00,170 (cwt. 381,683)	1,42,35,820	5,1
1,46,74,620	1,08,73,390	6,1
1,93,83,760	87,77,950	8,1
2,20,78,410	1,00,33,550	7,1
2,07,00,180	1,86,43,940	9,1
2,09,38,400	77,96,320	1,1
1,99,40,090	1,06,40,230	8,1
2,00,19,280	1,36,10,520	10,1
56,33,130	1,47,91,930	10,1
2,22,23,540	1,45,05,080	12,1
.....	
.....	

Silver Fluctuations as affected by Gold Fluctuations.		General Export Merchandise.	
Years.	Rate or Price.	Total Shipping Tonnage.	Value in Rupees.
1870-71 ...	60½ p.o. = 22-49	.....	55,33,60,000
1871-72 ...	23-12	464,198*	63,20,90,000
1872-73 ...	22-75	626,824*	55,25,10,000
1873-74 ...	22-35	816,527*	54,99,60,000
1874-75 ...	22-15	1,133,968*	55,35,90,000
1875-76 ...	21-62	1,440,270*	58,09,10,000
1876-77 ...	20-50	1,518,690*	61,01,40,000
1877-78 ...	20-79	1,617,839*	65,22,20,000
1878-79 ...	19-79	1,426,957*	60,93,70,000
1879-80 ...	19-96	1,609,769*	67,21,20,000
1880-81 ...	19-95	6,469,036	74,58,10,000
1881-82 ...	19-89	7,368,886	81,96,80,000
1882-83 ...	19-52	7,071,884	83,48,50,000
1883-84 ...	19-53	7,250,603	88,17,60,000
1884-85 ...	19-31	6,649,770	83,25,50,000
1885-86 ...	18-25	7,294,589	83,88,10,000
1886-87 ...	17-44	7,172,193	88,47,00,000
1887-88 ...	16-89	7,189,465	90,54,40,000
1888-89 ...	16-89	6,983,332	96,97,81,710
1889-90 ...	16-56	7,315,586	103,39,68,620
1890-91 ...	18-089	7,684,954	.....
1891-92 ..	38½ d.p.o. = 1s. 2½ d.	.....	107,85,10,000

Exp. & Y. per to
18:
18:
18:
18:

* Entered and cleared via the Sues Canal, which was opened 17th November 1869.

APPENDIX C.

**APPROXIMATE STATEMENT OF PRICES OF THE NECESSARIES AND
OTHER ESSENTIALS OF LIFE AS WERE PREVALENT FIFTY
YEARS AGO CONTRASTED WITH THE PRICES NOW
PREVAILING AT BARODA.**

Approximate statement of prices of the necessaries and other essentials of life as were prevalent fifty years ago contrasted with the prices now prevailing at Baroda.

	WHEAT.										
	Wajia.	Katha.	Jambusaria.	Malwi.	Rice.	Bajry.	Jowar.	Gram.	Karad.	Bawta.	Kodra.
Price in 1842.....	60	50	50	26	40	80	80	60	50	120	120
Price in 1892.....	20	18	18	16	20	27	28	20	25	40	40

	PULSE AND BEANS.														No.
	Tuar.	Mung.	Math.	Urad.	Watana.	Wal.	Salt.	Tobacco.	Granja.	Bhang.	Gudakhu.	Opium.	Betel Leaves.		
Price in 1842.....	60	60	80	40	50	80	120	40	7	20	20	1/2	512		
Price in 1892.....	24	32	40	20	23	26	20	10	1	4	4	1/2	768		

	MILK AND SUGAR CONFECTIONERY ORDINARILY CONSUMED.														
	Burfy.	Pandas.	Jeelaby.	Patasa.	Mawa.	Shakaria Chana.	Potatoes.	Dudhi.	Bhindee.	Yam.	Sweet Potatoes.	Giloda.	Carala.	Bhajy.	Turia.
Price in 1842.....	7	7	7	6	7	7	24	160	80	48	48	96	64	128	128
Price in 1892.....	5	5	5	5	5	6	16	32	16	32	80	16	48	64	64

	GREEN VEGETABLES.																		
	Green Chillies.	Dry Chillies.	Onions.	Garlic.	Green Ginger.	Turmeric.	Tamarind.	Mangoes.	Plantain used in Ghee in public feasts.	Pompion.	Gawar.	Kantola.	Carrot.	Brinjil.	Lemon.	Coriander.	Geelaka.	Radish.	Mogari.
Price in 1842.....	80	64	96	16	32	80	128	64	64	96	80	32	160	80	80	96	64	128	64
Price in 1892.....	12	5	32	16	8	32	16	16	16	48	48	16	64	20	16	32	32	64	32

	SUGAR.														MOLASSES.		BETEL NUT.		
	Ghee.	Sweet Oil.	Castor Oil.	Milk.	Mauritius.	Bengali.	Dabota.	Chaki.	Matala.	Mangaroli.	Bengali.	Shriwardhani.	Cocoanut.	Almond.	Raisins.	Charoly (Chirongia Sapida).	Dry Date.	Asaretda.	Black Pepper.
Price in 1842.....	6	10	13	50	7	5 1/2	6	10	11	5	6	2 1/2	16	4	5	5	12	1	5
Price in 1892.....	1 1/2	4 1/2	5	26	5	4 1/2	5 1/2	8	8 1/2	6	6 1/2	3 1/2	16	5	4	5	10	1	3 1/2

	CLOTH GENERALLY WORN.																		
	Cardamum.	Clove.	Saffron.	Dry Turmeric.	Methi (Fenugreek Seed).	Cumin-Seed.	Rajagira.	Dry Ginger.	Madarpathy.	Khadi.	Jagannathy.	Dhotarjoda.	Wadodaria Turban.	Pyathani Turban.	Cow.	Buffalo.	Male Servant.	Female servant.	Cook.	Tailor.
Price in 1842.....	5	5	10	10	6	20	4	5	8	7	2	2 to 10	25 to 40	15	25	1	1	2	6
Price in 1892.....	3 1/2	3 1/2	5 1/2	5 1/2	4	16	2	8	4	4	1 1/2	3 to 7	15 to 25	30	80	3	1 1/2	4	10

	BUILDING.			
	Bricklayer.	Carpenter.	Blacksmith.	Labourer.
Price in 1842.....	5	5	6	2
Price in 1892.....	10	12	12	4

	MATERIAL.													
	Rafter.	Poles.	Bricks.	Tiles.	Mortar.	Sand.	Copper.	Brass.	Bronze.	Pewter.	Lead.	Tin.	Silver.	Gold.
Price in 1842.....	8	1 8	2 8	1 4	10	1 8	1 1/2	1 1/2	1 1/2	8	8	2 1/2	1 1/2	20
Price in 1892.....	8	3 8	5 0	3 0	18	3 0	1 1/2	1 1/2	1 1/2	5	6	1 1/2	1 1/2	31

**Approximate statement of prices of the n
fifty years ago contrasted v**

870-7

Cop.
Impc

		WHEAT.																
		Wajja.	Katha.	Jambusaria.	Malwi.	Rice.	Bajry.	Jowar.	Gram.	Karad.								
		Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.								
Price in 1842.....		60	50	50	26	40	80	80	60	50								
Price in 1892.....		20	18	18	16	20	27	28	20	25								
		MILK AND SUGAR CONFECTIONERY ORDINARILY CONSUMED.																
		Bury.	Pandaa.	Jeelaby.	Pataaa.	Mawa.	Shinkaria Chana.	Potatoes.	Dudhi.	Rhindice.	Yam.	Sweet Potatoes.	Giloda.	Camla.				
		Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.			
Price in 1842.....		7	7	7	6	7	7	24	160	20	48	48	56	64	12			
Price in 1892.....		5	5	5	5	5	6	16	32	16	32	80	16	48	6			
		Ghee.	Sweet Oil.	Castor Oil.	Milk.	Mauritius.	Bengall.	Dabota.	Chakl.	Matala.	Margaroli.	Bengall.	Shirwardhani	Coconut.	Almond.	Ralsina.	Charoly (Chitrongia Saptia).	Dry Date.
		Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	Seers.	No.	Seers.	Seers.	Seers.	Seers.
Price in 1842.....		6	10	13	50	7	54	6	10	11	5	6	2	16	4	5	5	12
Price in 1892.....		1 1/2	4	5	15	5	4 1/2	5 1/2	8	8	6	6 1/2	3 1/2	16	5	4	3	10
		Bricklayer.	Carpenter.	Blacksmith.	Labourer.	Rent for a house.	Maintenance of a bullock carriage	Teakwood.	Halidarwa.	Sadad.	Ambo.							
		Per Diem.				Per Annum		Per Cubic Foot.										
		As.	As.	As.	As.	Rs.	Rs.	Rs. a	Rs. a	Rs. a	Rs. a							
Price in 1842.....		5	5	6	2	6	120	1 8	0 12	0 12	0 12							
Price in 1892.....		10	12	12	4	20	250	3 0	1 8	1 8	1 8							

16
(cwt.)
14
19
29
20
20
19
20
5
22

APPENDIX D.

EXTRACTS FROM OFFICIAL AND DEMI-OFFICIAL CORRESPONDENCE IN REFERENCE TO THE AUTHOR'S INTERNATIONAL SCHEME OF CURRENCY.

BOMBAY, 3rd September, 1892.

DEAR Sir,—I have to send you my thanks for favouring me with your valuable pamphlet on bi-metallism which I had not seen before.

What I meant by the natural level was that complete distribution of silver currency which has not yet been attained and which no nation ought to restrain.

I have gone through your treatise with pleasure, but regret to say have to depart widely from the style of advocacy you have adopted. I concur, however, in some of your views. How would you expect the rupee of a fabricated price to stand in the face of so aggravating a competition of the world as of the modern times? If the Government were so unwise as to fix any ratio in its present state of finances, it will, I am sure, ruin every interest. My sympathies are entirely with European workers in India; and my work will fully demonstrate the real remedies that may be adopted. The Currency agitation has gone to the wrong end of the pole altogether; and I fear it may do mischief if it ever succeeded in getting the Government to adopt the proposal put forward.

Yours truly,
DINSHAH ARDESHIR.

WESTERN INDIA,
BARODA, 18th November, 1892.

DEAR SIR,—I would respectfully venture to submit the proofs of a part of my work on the Currency Question as its completion will take a little more time yet.

The natives of India, I am sorry to say, have not been able to put their case before the Government of India. Had they done so, I am sure a statesman of such distinguished capacity and reputation as Lord Lansdowne would have paid adequate attention to their representations. Though I have dealt with numerous Indian questions for 30 years past, the present one is in some measure new to me, but I have conscientiously labored to arrive at unbiassed conclusions.

Being aware of your well-known desire to do justice to India, I have been encouraged to submit the papers on behalf of my countrymen, presuming that my contribution may prove of some little help to the Government of India and the India Office.

As most important interests of India and England are at stake and the various features of the currency problem are very complicated and perplexing, I may respectfully venture to hope that no action may be taken by the Indian Government till the Report of the London Committee is published in India and the full views of the country have been permitted to be formed and duly expressed.

I would beg to observe that the country at large is at present lamentably ignorant of the character of the various proposals placed before the Governments of India and England.

The present system of currency having been tried for centuries past, and as no calamity is at hand, it would, in my humble judgment, be a wise precaution to refrain from any radical action till the merits of the proposed changes have been thoroughly understood by all, and the need of adopting steps which would equally well apply to all nations is thoroughly comprehended by all concerned.

In my present work I have gradually developed what, I humbly think, would prove an efficacious and permanent reform of our currency without causing any widespread or mischievous derangement affecting the individual or general prosperity and peace of both countries. I have, moreover, applied my scheme to all civilised countries and already hope to have shown that it is one which, without injuring a single interest, would effectually suit the crying want of every nation. I have yet to formulate it briefly and in a more thorough compass than I am just now able to present, the concluding chapters being now in hand.

WESTERN INDIA,

BARODA, 2nd December 1892.

DEAR SIR,—Pray excuse my intruding upon your invaluable time ; but the universal importance of the currency problem must be my humble excuse. I feel pleasure and honor in submitting herewith a part of my work on the question. The book will, I hope, speak for itself ; all that I have respectfully to draw attention to is that no palliative measure need be thought of when, according to my scheme, the unfettered utilisation of silver and gold can, in a much larger measure, meet the want of the world's commodities. All over-valued coins can and must be redeemed by a similar value paper tokens to be issued in their place, and the over-valued coins, which would be kept in reserve against the paper issue, can be gradually melted and reformed on the basis of the modern and truer inherent value international coins which I have humbly proposed. The inherent value of silver and gold coins—I am humbly of opinion—should not be touched by any nation, nor the course of exchange should ever be meddled with by any Government as being only one of the numerous more or less unknown factors of trade and commerce which no legislation can touch. Each nation should be left perfectly free to take in as much silver or gold at their own intrinsic, and no artificial, value, as it may need ; and, excepting the unavoidable charges and alloy, all coins should represent their natural value for all times to come. The metal to be employed should only be that wanted by each

country, the artificial principle being in all instances avoided by all Governments. The struggle of the precious metals is to evolve their own true value in all forms from time to time; and no legislation can for the present be permitted to vitiate their progress or course in any direction whatever, to prevent all unnecessary monetary and commercial disabilities and calamities. An unfettered coinage of both silver and gold in all parts of the globe must bring the much-desired natural rest; and European countries would thus stave off abnormal trade distresses in being benefited by cheaper and more abundant import and export trade induced by the natural dualistic currency scheme as proposed by me; and the plentiful use of silver of natural value and conversion of a part of gold coins, treating both precious metals as equivalents, free of the unnatural hostility so widely proposed in various forms, can alone remove popular distress. I have also made a rough proposal that silver coins everywhere based on intrinsic value should be a legal tender for some such amount as £3,000, the principle of discount or premium always supplying a natural guide to transactions of all places. I have only a few moments for this letter; my work explains the details of the problem.

(From the "Indian Spectator," December 25th, 1892).

MR. DINSHAH ARDESHIR OF BARODA ON THE CURRENCY QUESTION.

[This is the full text of Mr. Dinshaw's letter to the Financial Secretary, to a discussion of which we may return another time.]

BARODA, 1st December, 1892.

J. F. FINLAY, Esq.,

Financial Secretary to the Government of India,

CALCUTTA.

SIR,—I have the honour to submit herewith a portion of my work on the "Science of Gold and Silver Currency," in a printed form, which I hope soon to conclude. I beg to forward it with a hope that it may be placed before the Government of India as embodying views and proposals coming from a native of India on behalf of the general interests of the country.

I will not here recapitulate the grounds which I have advanced in the work itself against any measure which would tend to curtail silver currency, or so raise the value of the rupee that by attempting—what would virtually be the case—to obtain a higher gold value for Indian exports, or to have the imports set down for a less silver value; or to render production and wages dearer in India than now, the foreign as well as the domestic trade will suffer in about the same proportion that the flow into India of its usual metallic wealth would be curtailed.

The object of this letter is to point out, with every respect and deference, the feasibility of so reforming the local and international currency laws that all countries may be placed in a position to accept them with certain advantages to each and all of them.

The real meaning of the present currency troubles lies in the fact of the great supplying countries to Great Britain and other like countries not being capable of producing a larger amount of commodity in a cheaper form.

This would imply that the currency of the supplying countries is deficient and that the much-needed amplitude of currency indicates scarcity of silver in India and other Eastern countries especially. The distress in Great Britain is particularly due to the want of abundant quantities of consumable articles either of home or of foreign production. This abundance for the present can only be obtained by larger quantities of silver flowing to the supplying countries.

This larger flow may be secured by facilitating an unlimited introduction of silver in both the exporting and importing countries. If, however, silver currency is sought to be universalised by fixing its own value and its value in relation to gold and other commodities, the remedy, I am humbly of opinion, will prove worse than the disease. It is only when both gold and silver coins are based on their intrinsic value that a passage of them to all countries will be duly regulated and enhanced; for, as the value-measures of commodities in all parts of the world are ultimately gauged by gold through the medium of silver, an equitable distribution of convenience and wealth would be sadly interfered with if either the inherent value, or the volume of any of the metallic wealth, is sought to be artificially intercepted, in which case the production and exchange of commodities must suffer in every country which thus arrests the full integrity and a facile operation of its currency.

In the first place, then, no statesman can be in a position to estimate any real evils which may safely be eliminated from the currency laws unless both the precious metals are freely adopted for currency purposes as the wants of a country may require the one, or the other, or both, and every standard is based on the inherent value of the two metals, whatever that might be, from time to time. Mr. Rothschild's proposal is entirely inadequate and archaic since it proposes artificial limits, both in quantity and price, in the annual purchase of silver for a certain period, and fixes a very small sum as legal tender for silver; whereas the scheme proposed by me leaves all choice unfettered and strikes at the root of all impracticable monopoly by the different contracting nations. This is the only way of steadying the respective values of the coins and of so unifying them throughout all civilised countries that exchange fluctuations would be rendered almost *nil*, or at least better controllable than at present. It is desirable that each country should be left to its own capacity to absorb the precious metals for currency as for other purposes, instead of subjecting it to any cast-iron rule which cannot but prove disastrous in the present times when production and distribution of commodities, in a certain sense, have become uncertain, undefinable, and unlimited.

In these circumstances, pointing to the operation of natural and plain economic laws, I would respectfully propose that all contracting countries should have (1) coins based on intrinsic value only, plus all necessary local charges; (2) all over-valued coins should be called in by each State and notes issued in their place according to their nominal value,—the coins, when not surrendered, to be marketable for their intrinsic value only; (3) all nominal coins to be gradually melted and reminted on modern basis to be held as reserve against the new notes issued; (4) all such notes should be cashable at the rate of the old standard coins; (5) about half of gold reserves should be cashed

for their equivalent value in silver for conversion into modern silver coins of a uniform wholesale as well as decimal value throughout the world; (6) silver coins to be held an unlimited legal tender and, in certain instances, not less than £3,000 in all large transactions. The most formidable difficulty which keeps back the most influential nation from the much-desired changes in their currency laws will thus be obviated by a preservation of the intrinsic gold value of both standards and a gradual amelioration of the present more or less debased coins of civilised countries; whereas all nominal values, as having appeared in practice, will have been kept in tact.

The natural method of maintaining the value and volume of currency is the best, and that alone would simplify the consideration of all evils. Unless this elementary step is unanimously adopted by all countries which need an international agreement, wages and prices cannot be economically adjusted, nor could silver capital be created for countries badly wanting it as India. The more exporting countries are able to produce, the greater will be the employment of labour, etc., in both exporting and importing countries. When a good deal of uniform silver currency is let loose in Great Britain, gold-holders will be induced to cash a greater portion of their gold for silver, because in this case they would not be trading under a mask with nominal silver coins, but would be dealing with a fair and equivalent value in silver as in everything else. The relatively and inherently well-balanced silver currency must tend to mitigate the present excessive burden on gold currency; for, even if a speculation were to set in for a gold monopoly, it will be free of the present distressful features owing to the protection which will have been automatically afforded in consequence of the premium which will always be in operation as based on the natural laws of demand and supply whenever an unusual demand on gold coins prevailed. All inordinate rise in the value of gold can only be equitably counter-checked by an unfettered and non-artificial operation of both currencies, when the level of natural values would be accessible. It is only then that the human mind can fairly perceive the character of real evils when also a feasible alleviation will present itself.

A copious silver currency facilitating domestic as well as foreign transactions thus must come into existence, giving rise to a healthy competition with cheaper countries. It is idle to blame silver countries for successfully competing with gold countries, for the rivalry is perfectly wholesome and natural to any country possessing the ability of displaying it. For the present the profits of gold countries consist in expending a decreasing quantity of gold, but obtaining an increasing quantity of commodity; while the profits of silver countries are derived from receiving increasing quantities of silver, but parting with an increased quantity of commodity. As the one gives less for what it receives in increasing quantities, the other naturally gets more for what it gives away also in increasing quantities, so that, in the end, a larger value in cheaper silver is received by India for the greater amount of gold value it has to pay at a higher rate for such transactions as suit each country. Gold has therefore unduly accumulated in the former country, which, in its own interest, should now cash it for silver in as large a quantity as possible in proportion to the extent that it has been

denuded of silver. The silver, under the scheme which I have respectfully ventured through you to bring to the notice of the Government of India, must be brought in large abundance in Great Britain, for silver coins of uniform value must continuously attract their like and greatly simplify and augment all international transactions. Even Indian charges in England may be paid in silver, which must consequently be minted as a considerable addition to the home currency, whereas traders in both countries will always know the value of the new coins dealt with. The one principal reason why large quantities of silver coins are not utilised in many gold-using countries is, because their nominal value is much higher than their intrinsic. This may be cured by their full conversion into paper currency as a part of the scheme here humbly proposed. The silver would then circulate in any required amount with as much currency-importance as gold. In fact, the pernicious exclusiveness hitherto enjoyed by gold, with but little or no increasing benefit to any large interests would, in a very high degree, disappear by means of the innocuous method proposed. To force nations to buy defined quantities of silver at defined rates, and again for a defined period, would only create fresh complications in trade as well as currency, making matters worse than now. The working of the silver mines now needs a very great stimulus—and certainly no contracting regulation whatever as so widely conceived and recommended. It would be suicidal to restrict their operations or the sale of silver in any form, while the want of silver for all purposes must enormously increase year after year. In a similar manner the price of gold cannot be restricted on any artificial basis; for helping both metals to an automatic self-adjustment is the only true remedy to secure undoubted results, which is the first thing essential to obtain before the currency of a single country can be interfered with without courting a disastrous end. The impending fate of Mr. Rothschild's proposal, which may only court a transient popularity, is very likely to confirm me in my conclusions herewith respectfully submitted: that the creation of silver monopoly, in the course of extending the currency, must tend to give either a very unhealthy and iniquitous fall or rise to price in silver; that letting an unrestricted working of silver mines and of an unrestricted sale of silver—as of gold—for currency, etc., purposes, can alone stimulate the working of all mines of precious metals; that all legislative measures should only aid a perfect operation of the natural principle of demand and supply, which alone can bring the world to some reliable level of prices for precious metals and fully meet, as far as may be possible, the rapidly-growing want of perpetually increasing commodities of the world; that in the present transitional state of currency and of local and international commerce no preconcerted action of forcible intervention can ever permanently fix rates of exchange, and therefore of the inherent values of the metal-wealth or of the wealth-standard; that all artificial endeavours like those of Mr. Rothschild must fail to prevent the unrestrainable accessions to the world's solid—and no paper—wealth, and the equally unrestrainable distribution of that wealth; that all international negotiations on currency questions fail owing to an almost fanatic adherence to the old-world principle of mono-metallism

or bi-metallism, which is divested of all its gravity and reliability under the modern exigencies of an ever-expanding commercial, industrial and æsthetic demands; that, whatever be the efforts of an individual nation, or of nations in the aggregate, to arrive at any fancied and exaggerated stability in currency, such efforts must absolutely fail in bringing any relief; that they can only intensify public evils and obscure our vision—as mono-metallism and bi-metallism have all along done—in discerning the actual goal of currency reforms; and that, in short, the onward march of natural laws cannot be wisely interfered with by any single or combined nations till the last current of wealth has unfetteredly, as it were, reached every country—large or small—when the actual position of that element will for the first time be revealed for any definite action that may then be rendered imperative. While no one can deny that the volume of the world's currency is infinitely smaller than the growing volume of its wants and commodities, as long as we have only the element of wealth to deal with, the combined efforts of each and every nation should be to stimulate its production almost indefinitely—no matter if silver may be had more than gold, or gold more than silver. Whatever the natural fluctuations in the value of each, to render the production and consumption of each increasingly great should be the motto of all nations, for it is only the ever-increasing production of each metal which can mainly help the ever-increasing production of the other; and as each metal is practically an equally well-coveted symbol of wealth, any over-production of the one must necessarily go towards mitigating the sparsity of the other. And this is a natural method to augment the world's wealth; and what increases that wealth also strengthens the potency of the world's currency. How such an increased potency is to be brought about for ourselves and the whole world is the main point on which an effective solution is needed. However contrary to all the widely-accepted dogmas of monetary and economic authorities, I have humbly thought it my bounden duty, in the interests of all countries, to offer that solution as yet undiscussed and undecided upon. Our past teachings in political economy and the science of numismatics, though acceptable in some measure, have failed to put us right; and it is the deficiency of those teachings which we have actually to mend at the same time that a practical relief is afforded to the daily business of the world.

I shall be very happy to be favoured with your criticisms if you think that my proposals should be considered and disposed of. In that case I shall be happy indeed to accept any conclusions which may be found sounder than mine, or to meet facts and arguments which I may not have already noticed in my annexed work.

Meanwhile I beg the favour of your being so good as to place this communication before Sir David Barbour and His Excellency Lord Lansdowne, our illustrious Viceroy, who have evinced the noblest interest in the monetary cause of India.

I have the honour to be,

Sir,

Your most obedient Servant,

DINSHAH ARDESHIR.

MR. BALFOUR ON BI-METALLISM.

(From "*The Times*," Friday, October 23th, 1892.)

The passionate eagerness with which a large proportion of the people of Lancashire, including both employers and employed, have thrown themselves into the agitation for bi-metallism is a somewhat disquieting symptom of the uneasiness produced by the present condition of trade. The meeting last night in the Manchester Town-hall, at which Mr. Balfour spoke in support of the principal resolution, is the expression of a feeling that was very decidedly shown during the general election, and Mr. Jacob Bright's letter indicates that Radicals as well as Conservatives are ready to act as the spokesmen of a popular demand. We have the highest respect for the intelligence of Lancashire, where the existence of co-operative undertakings on an extended scale has given the artisans an insight they do not possess in the same degree elsewhere into the interior working of business. At the same time there is a great deal of human nature in Lancashire. Employers and employed have been assured, and have come to believe, not only that their trade with silver-using countries has been crippled by the maintenance of the single gold standard, but that the unrestricted and co-equal coinage of the two precious metals would initiate a period of exuberant prosperity. This simple faith, which does not concern itself with refined chains of reasoning or with ulterior consequences, has strengthened the hands of the speculative bi-metallists, among whom Mr. Balfour is by far the most eminent as a public man. We regret that Mr. Balfour is committed to a cause which we believe to be an unsound and self-defeating one, but we gladly acknowledge that in his case there is no room for the imputation that he has come out as the champion of an economical heresy, merely because it is popular with his constituents. He had been long theoretically convinced, as he says, of the advantages of bi-metallism; he had taken that side before he became prominent in public life; he was a representative of the bi-metallic party on the Currency Commission, and signed the report of the six Commissioners who recommended the establishment of an international double-standard system. Mr. Balfour is careful to point out that, in reiterating his old views at the present crisis, he is speaking only as a private person, and in no sense on behalf of his party, of which a large and influential section are strongly and firmly opposed to the policy he advocates.

Nevertheless, it must be admitted that it is a serious matter when a public man of Mr. Balfour's authority commits himself to an agitation for a radical change in the currency system of the country. It is true he speaks with caution and moderation. He leaves many of his arguments in a state of judicious vagueness, on the ground that a question of this kind cannot be reasoned out in a crowded public meeting. He disavows some of the more extravagant and mischievous appeals of the bi-metallists to popular ignorance and cupidity. He does not lay much stress on those advantages of "cheap money" which have sometimes been brought before the masses both in Europe and in America, though in one passage he protests rather invidiously that the existing system is of no benefit to anybody except the owners of fixed debts in gold. He declares that he does not look to bi-metallism as calculated to produce the results

of inflation. On these points Mr. Balfour's attitude is strikingly different from that of Mr. Jacob Bright, who, in the genuine demagogic spirit, tries to make out that the question is one between "the few" and "the many," and expresses an opinion that "in times past, when, from one cause or another, the "currency has been somewhat expanded, every class in the community has "derived advantage from it." But, however moderately Mr. Balfour puts his case, he is undertaking a heavy responsibility when he throws his influence on the side of a change of which he has not even attempted to prove, though he most confidently affirms, the practicability. Of the two questions which Mr. Balfour propounds, whether an international bi-metallic system is practicable, and whether, if practicable, it is desirable, the former only appears to be deserving of serious discussion. Everybody must admit that some, at all events, of the commercial difficulties and the financial complications from which this and other countries are suffering arise out of, or are aggravated by, the appreciation of gold, the depreciation of silver, and the uncertainty of the relations between the two precious metals. We believe there are errors and exaggerations in this view as it is commonly held; but, setting that aside, we acknowledge that if there were a reasonable prospect of placing the relations between gold and silver on a permanent basis, so that the appreciation of the one and the depreciation of the other should become impossible, it might be worth while even to face the risk of unsettling our existing monetary arrangements on which both our system of credit and our financial character in regard to other nations are built up. But, as mono-metallists contend, there is not the least probability that any change of this nature can be permanent, while there is a certainty that, if it fails in its object, there will be a calamitous reaction and a disturbance of commerce and finance on a gigantic scale. The avowed aim of the bi-metallists would not, in fact, be attained; though the unavowed aim of many of the baser sort among them would be realized for the time. Mr. Balfour maintains, indeed, in contradiction to the orthodox school of political economists, that the thing can be done, that the ratio between the two metals can be permanently fixed by international agreement, and that bi-metallists are not to be frightened by "musty dogmas" or antiquated authorities. But he does not come to close quarters with his opponents. He says the "stream of tendency" is with the advocates of the bi-metallic system. He argues that modern political economy is an advancing and developing science, by which we take him to mean—for he is not altogether so clear and copious on this matter as could be desired—that the faith of nations in the power of Governments to do anything and everything—a doctrine against which the revolt was led by Adam Smith—is again a growing one.

It is dangerous to rely upon this "stream of tendency" as proving that to be safe and practicable which the soundest economists and the most practical men of business have agreed in condemning. Nobody has denied that for a short time an international agreement, rigidly enforced and loyally maintained by all the Governments joining in it, would produce an apparent equilibrium, though it will be observed that Mr. Balfour is careful not to commit himself

positively to any fixed ratio. Yet it is obvious that the ratio is a point of vital importance. If the actual ratio—about 1 to 25—were to be adopted, nine-tenths of the grievances, imaginary and real, of Lancashire and India would be untouched. Mr. Samuel Montagu was the only member of the Royal Commission who proposed a ratio of 1 to 20 as a *via media*, which, like most compromises, was satisfactory to very few. The old ratio of 1 to 15½, which is now ridiculously out of harmony with market prices, would almost certainly be insisted upon by France, and perhaps by other Powers. But whatever ratio were fixed, how would it be possible to avoid the operation of "Gresham's Law," under which the less valuable money drives out the more valuable, in face of the fact that, as Sir John Lubbock showed at the London Chamber of Commerce on Wednesday, the total annual production of silver has risen within 30 years from 8 millions to over 20 millions, while the total annual production of gold has fallen from 27 millions to 21 millions? Mr. Balfour's answer is that Governments can regulate the demand and supply, but he appears to ignore the material fact that both gold and silver are largely used for other purposes besides those of the currency. Sir John Lubbock has stated that, taking the total annual production of gold and silver together at about 42 millions, not less than 20 millions, or nearly one-half, is estimated to be used in the arts. Governments may temporarily regulate the currency values of gold and silver, but, as used in the arts, they will continue to have real market values, and it is impossible to understand how these values could fail to affect the position of the coined metals. Again, Mr. Balfour appears to assume that an international agreement once entered into would be always upheld. But, as Governments and individuals, so long as the actual disparity exists, will refuse to believe in the conventional parity, rival Powers will become exceedingly jealous of one another on the eve of a war. France will suspect Germany and Germany will suspect France of stealthily withdrawing and hoarding gold as a war treasure, which Russia is doing at the present moment. Bi-metallists know very little of human nature if they think an international agreement would long bear such a strain as this. Then would come a reaction, the same in kind as that which has followed the efforts in the United States to run up silver to an artificial price. But the effects of the collapse would be vastly greater and more disastrous. A brief summer of inflation would be followed by a long winter of depression and disorganization. These are a few of the considerations Mr. Balfour passes lightly over. When he talks of our gold standard system as incurably bad, "steadily, continuously, and indefinitely appreciating," he forgets that some thirty years ago the alarms of economists were aroused by the depreciation of the same metal following the opening of the Californian and Australian gold fields and their vigorous working during several years. The development of the American silver mines turned the scale the other way. It may be turned back again by the working of the South African gold deposits. We agree with Mr. Balfour that it is to be regretted that gold is no longer the absolutely fixed basis of currency it was once thought to be, but we fail to see how it is to gain greater stability by being wedded to a metal of still more uncertain value.

MODERN PROPOSALS IN CONNECTION WITH MONO-METALLISM AND
BI-METALLISM.

(From the "Times of India," December 1892.)

Mr. Rothschild's proposals, as foreshadowed by Reuter's telegram published on Saturday, have met with divided support at the hands of the Committee of Delegates appointed by the Monetary Conference to consider them. The Committee's report declares the proposals to be of the "greatest importance" and worthy of "full discussion," but, put to the point, seven of the thirteen members of the Committee declined to recommend the proposals to their respective Governments for adoption, the other six apparently giving Mr. Rothschild's project unconditional support. On the other hand, the Committee was almost entirely unanimous in commending the proposal of Mr. Moritz Levy for the gradual withdrawal from circulation of small notes and of gold coins of a less value than 20 francs. A reassuring feature of the report is the conclusion arrived at by the American and Mexican Delegates that the production of silver has about reached its maximum; but coupled as this conclusion is with the intimation on the part of the American Delegate that if the Conference failed, America would put a stop to her monthly purchases of silver, there seems little likelihood of any immediate improvement in the general position, for when America ceases buying, the price of silver will again fall. In the course of the debate on the Committee's report, India's concern in the work of the Conference was the subject of addresses by Sir Richard Strachey, Sir Guildford Molesworth, and Mr. Bertram Currie, but there is not over-much encouragement to be extracted from any of them. Sir R. Strachey told the Conference that any system generally approved would "in the event of the creation of a gold coinage for India" be favourably regarded by the Government, and every reasonable effort made to conform to it; while Sir J. Molesworth said that India would keep her mints open if any bi-metallic plan were adopted, and would be prepared either to purchase silver or permit the mintage of it to the extent of fifty millions of rupees annually while the plan was operative. To all this Mr. Bertram Currie was only able to say that his official instructions were not to support any proposal which interfered with India's liberty of action regarding her currency, or which was not "sure to be effective in execution," or which would involve prolonged discussion. In other words, the Government will only listen to a scheme from the creation of which we seem at present painfully remote.

Mono-metallism, with a good many people, would seem to have intensified into something closely approaching monomania. The latest instance is that of the *Statist*, which falls foul of Mr. Balfour's recent speech on bi-metallism in a manner remarkable enough to call for notice, even weary as we all are of this eternal controversy, out of which nothing—not even Mr. Rothschild's "palliative measure"—seems destined to come. The *Statist* seems to imagine that Mr. Balfour has irretrievably ruined himself as an authority upon this or any other question by his address of a few weeks ago. So, too, he perhaps would have done to some extent had he really said what the *Statist* imputes to him. The other week that journal accused Mr. Balfour of declaring that Govern-

ments can create a demand for money. The *Manchester Guardian* was quick to point out the fallacy of the statement, and in its next issue the *Statist* accepted the correction as "possibly expressing what Mr. Balfour intended to say." What Mr. Balfour really said was that Governments, in opening their mints to the free coinage of a metal as legal tender money, create a demand for that metal which otherwise would not exist. The *Statist's* reply to this contention is peculiarly characteristic of the average mono-metallist. "When Germany adopted the Gold Standard," says this authority, "the mints of the Latin Union were open to the unlimited coinage of silver, but that did not create a demand for the metal sufficient to keep up its value, and in a very little while the Latin Union had to stop the coinage." That is just it, but the *Statist* is maladroit enough to twist the argument into a refutation of the very principle which it so obviously supports; for it admits that when Germany adopted the gold standard and demonetised silver, the demand for gold increased, and the demand for silver proportionately decreased, and its value consequently fell. But nowhere, as the *Manchester Guardian* points out, did the value of silver fall so long as the mint "demand" was maintained by the Latin Government beyond the cost of carriage to the market where the mint demand existed and the loss of interest due to the merely mechanical difficulty of coining into money fast enough, not the new silver from the mines, but the silver demonetised by the German Government—the real "fall" in silver did not actually begin until free coinage was suspended by the Latin Union.

TO THE EDITOR OF THE "STATIST," LONDON.

SIR,—In forwarding you an incomplete copy of my forthcoming work on the International Currency Problem and a copy of my letter to Mr. Finlay, Financial Secretary to the Government of India, I trust you will be good enough to republish such of my views and proposals in your valuable journal as you can conveniently reproduce. I may be allowed to observe here that no remedy is possible save that of letting the precious metals to operate throughout the world's currency on the principle of demand and supply. Much of the present complications and evils are due to the monopolising actions of the various Governments by which one precious metal has ousted another, and has either created a grave scarcity of currency or multiplied the difficulties in the way of an absolute international commerce giving rise to many local and foreign distresses. Measures are now due by which the production and circulation of both metals should be encouraged to the utmost, while no womanish fears should influence the world that the one metal will supervene the other, for it will do nothing of the kind. Both will be in great request, for when one becomes scarce, the other will become abundant. At any rate the world is sure to have an increasing volume of both, while their prices would certainly attain a normal level, which is all that one may attempt in reference to the currency metal.

In the event of the Government of India being early compelled to attend to their finances, the only course left is to undertake a masterly treatment re-

† This letter is quoted from memory and is only the substance of the original sent to the "Statist."

ferring to the taxes levied in India, for I am sure they can be considerably increased without giving rise to serious complaints if proper measures were fully adopted to obviate them.

I cannot prolong this letter, as the work which I have the pleasure to send you to-day contains a full exposition of the problem, and which, I hope, may secure your approval.

Yours &c.,
DINSHAH ARDESHIR.

BARODA, 8th December 1892.

TO THE EDITOR OF THE "TIMES OF INDIA."

SIR,—A type error which makes me omit *inclusion* of mintage, etc., charges in the scheme of an international dualistic currency as proposed by me in my letter to the Government of India, and the remark of your writer on the Exchange question, that "no one has apparently hit on a remedy that will suit all countries concerned," compel me to request room in your journal for a few lines. To my knowledge no scheme is now left for any unexhausted discussion before either the London Committee or the Brussels Conference except the one brought forward by me. A further discussion of monometallism or bi-metallism on my hands seems like slaying a dead horse; and having examined all the complicated phases of the great question in a book of nearly 250 pages r. o., I think I may challenge any authority to produce a scheme which can safely or logically refuse intrinsic value to all money instruments of exchange, a straightforward and a grateful remedy for debased coins, and a most thorough recognition of the other precious metal which, luckily, can fully appear in a multiplied form of the scarcer metal to almost any practicable extent. The scheme does everything for every nation as far as relief is practicable under intricate circumstances, while real risks of exchange are minimised or made certain, the condition of metal prices is normally sought, and an unlogged and undebased recognition is given everywhere to free and natural accessions to the volume of any currency that may suit each country. I am sure that the scheme which I have brought forward, when it has taken hold of public mind, will provoke a full discussion, which I believe will end in a decided advance in our present notions of remedying the currency evils of the world. I will not at present lead on such a discussion in your journal for reasons which you may well guess, but will be glad, Sir, to throw more light on my solution whenever you ask me to do so. All the advantage that I see of the present discussion in Europe is that the currency ship will once more be a wreck on the mono-metallic and bi-metallic rocks lying hid in the sea, every other scheme being thrown out one after another; while all ought to be very gratified to observe that the Government of India have at last declined to adopt any instant and heroic remedy that has for months been sought to be thrust upon them, and the invalidness of which I was the first to point out in your columns.

Yours, &c.,
DINSHAH ARDESHIR.

BARODA, 11th December 1892.

APPENDIX E.

WESTERN INDIA :

BARODA, 21st December, 1892.

I respectfully venture to forward herewith a portion of my coming work entitled "The Science of Gold and Silver Currency," in which I have tried to work out a solution which would, in my humble judgment, suit all countries. I also beg the liberty to enclose a tentative draft of an International Currency Scheme which I think is adaptable for all countries.

I have not waited for the completion of the work to correct the very erroneous and injurious notions which have so strongly prevailed in reference to the real character of the currency of this country and that relating to Great Britain. By means of letters addressed to public journals, as also by transmitting parts of my work during the past five months, accompanied by demi-official representations, to certain authorities concerned, I have endeavoured to correct the many misleading ideas extant about the relative cheapness of silver and other commodities and the prevailing trade and exchange factors, as in relation with fluctuations of gold and silver prices, as observed in different parts of the world. The effect of these efforts, though not yet adequate, is encouraging enough for me to pursue and besittingly end my labors in continuity of my identification with the public problems of this country for thirty years past. In the present instance, I have keenly felt the enormous injury that would be done to India and other countries had I failed in my duty to expose the false doctrines and unwitting, but most pernicious, misrepresentations which so thickly dwell round the currency problem of this and of other countries.

After a very careful study, I have arrived at the conclusion that it is so much in the hands of the great nations of America to enforce a prompt and adequate reform in the currency laws of the world. They are possessors of the greater bulk of the world's wealth. They have observed fairness and impartiality, in not merely distributing the metallic wealth over the globe, but in making a fair use of it for the amelioration and advance of their own country. Notwithstanding the very prejudiced opinion, so widely held, on the question of their generously utilising such large quantities of silver, I am distinctly of opinion that their action has been most beneficial and philanthropic in effecting such large annual purchases in the teeth of an almost savage prejudice against the free use of silver, and that many countries, in common with India, are deeply indebted to countries like America for fostering the production and distribution of silver. It is unfortunate that many powerful nations are combined against the rightly undefinable and patent influence of this metal, while they have yet betrayed but a child's intellect to perceive the enormous advantages of setting the white metal perfectly free, and of legislating swiftly and sharply against imparting dishonorable and fraudulent values to any of the coinage

metals, which has been directly the means of inflicting the greatest injury on the volume of the world's currency and, therefore, on the volume of its advance and amelioration.

I, therefore, think it high time that your celebrated nations would be pleased to unite to banish all monopolies in the production and distribution of silver, as well as gold, by enforcing the exaction of moderate profits only, so that the Indians may be able fully to meet the sorest want felt by them in respect of the utter inadequacy of the silver wealth possessed by them, and to buy direct in your country as one of the certain effects of a successful legislation to render silver much cheaper and more abundant than now. Not to speak of the forbidding dearness of gold,—the ruinous cost of which is directly due to the ill-considered obstacles thrown in the way of an unfettered circulation of silver,—the price of silver has, moreover, been as forbidding as that of gold.

I would, therefore, respectfully suggest that the American nations, which have made themselves famous for high courage and ability, may do all in their power to cheapen the cost of silver, and to very largely add to the existing quantity by striking at the root of the existing pernicious monopolies. Whatever the amount that they may thus keep stored in their country, its value cannot but eventually rise under the only true currency system which is possible for the world to adopt, as explained in the annexure.

Had India much cheaper silver, its debt would not have grown so crushing as it is now owned by its Government. It would, therefore, rest on America to set a humane example to other metal-producing countries, for I am sure that they will follow her bold example. The solution of the Indian difficulty lies only in getting at a greater number of rupees than she can now obtain, for she is only compelled to pay in silver at an increasing annual rate. If her populations get more rupees, they are sure to pay more rupees to their Government in discharge of their debt. The want, therefore, of India, Great Britain and other countries lies in a diminution of the cost of the metal; and to encourage its more extensive production and employment, India must buy at the doors of the mines, and not through half a dozen artificial mediums. The enormous profits going into the pockets of the few may well cease, considering what terrible crises in the money markets of the world could be averted by such means.

Among the countless advantages that I believe my scheme may be instrumental in realising is also the rectification of all silver and gold coins, the intrinsic value of which has been so extensively tampered with in so many parts of the world; for a more plentiful and less costly silver cannot but have such results, when even the present depreciation of silver is productive of more bullion than the different nations yet think of purchasing.

I fear an energetic State intervention cannot now be avoided because of the gigantic public evil and shortcoming that calls for an effective remedy or modification. The considerably lessened wealth, which commodities in all parts of the world are enabled to secure, is, perhaps, the most potent reason why real values of coinage should be firmly and quickly restored, and every disability removed from the free production and circulation of the material forming the currency.

PRINCIPAL DETAILS OF THE AUTHOR'S SCHEME FOR CONSTITUTING AN INTERNATIONAL DUALISTIC CURRENCY FOR BOTH THE WESTERN AND EASTERN COUNTRIES, AS BASED ON THE STATEMENT OF PRINCIPLES SUBMITTED TO THE GOVERNMENT OF INDIA:

WESTERN INDIA :

BARODA, 10th December 1892.

It is extremely desirable that all civilised countries should have a gold or silver currency, or a currency in both metals as in paper tokens of credit, the true value standard of which should be such that no country concerned could raise any objection, nor that the present serious and injurious discrepancies in the legitimate values of coins or tokens may continue, as at present, to be a permanent factor in the world's currency, while its growing and indefinite development, in all directions, whether by means of gold, silver, or any other metallic wealth, is freed from the action of all prejudice or heretical and misleading doctrines, so that it can be frankly and thoroughly recognised by all nations of the globe.

The objects of the International Universal Currency Scheme, as here proposed, are as follow :—

(a) Each country should be free to adopt any one, or both the precious metals, as may best suit it, or retain, change, or modify, as may generally be deemed desirable, any of the metals already in use.

(b) All countries should unreservedly accept for all times to come the inherent value of either metals—whatever it may be for the time being—in assaying their coinage,—to which local, or generally fixed charges, as understood to be more or less actual, need only be added.

(c) Both gold and silver coins should, as far as possible, be denominated in terms of one language which may be generally understood in all countries and as may be in common use throughout the world, though every country may, of course, adopt terms of equivalent denomination of their coins in its own language.

(d) The units and decimals of both gold and silver coins should be uniform for all countries in respect of weight, fineness, the rising gradations, etc., appertaining to such coins; the mintage and other actual charges of different countries being based, as far as possible, on some maximum limits to which some uniform addition being made, if thought desirable, to the value of all coins so unified.

(e) The shape and size of all coins, both unit and decimal, should be made uniform for all nations, though the face impressions of the coins of every independent country may have certain distinctive features common to that country.

(f) No country shall fix any artificial limit of value upon any portion of their currency, save what may, perhaps, be done, to liberally meet all dis-

expenditures incurred in obtaining the precious metals and manufacturing the coins, all values of such coins being left to fluctuate in each country on the basis of their own intrinsic value,—as is the case with all Eastern and some other countries,—leaving room to each country for a healthy competition with other countries on the demand and supply, or the free-trade principles, all competing commodity being always understood to tend towards the realisation of an impartial and deserving distribution of wealth in all countries to be in future subject to a natural, or an inherently non-artificial, system of currency.

(g) Each country shall redeem its own silver or gold coins which do not contain the precious metals in full intrinsic value, or in conformity with their face-value, and are therefore over-valued, by issuing certificates in their full recognised conventional value, such defective coins being held in reserve against the paper issue, as herein described, and gradually melted down and converted into coins of full intrinsic value to such an extent as the rule of reserves would justify, or even exceeding such limits, as the mintage profits, or other circumstances of each country, may justify.

(h) Every gold-using country should arrange to cash its reserve of coins and bullion in gold, for coinage or bullion in silver, duly convertible into bank-notes to the extent desirable in at least half the proportion, roughly speaking, of the value of its local and foreign transactions for which the currency coins might have been approximately employed, thus contriving for the introduction, in each country, of a larger volume of wealth-currency of an impartial, or generally an unconflicting, value and lessening the now increasing demand of currency of a single metal-gold.

(i) Every principle that renders an interchange of coins of opposite metals impossible should be to far essentially modified, under the reformed currency system, as only to stop short of an interchange of coins for the purposes of exchanging one bullion for the other, as may be existing in the interchanging coins, bearing in mind that even the present fictitious divergence of values between the bullions of gold and silver coins do not prevent the purchase of the more valuable coins for employment for other than currency purposes.

(j) Every earnest measure should be instituted, by each of the countries forming the International Union, and, whenever deemed generally practicable, to freely and unreservedly admit both the precious metals, with a view to give effect to a steadily enhancing volume of currency, as specially influenced and regulated by their inherent values, bearing in mind that all financial crises and loss of public credit are due to deficient supplies of currencies in either form, and more particularly in that form of metal which is to be had in greater abundance than the other; that the institution of monopoly values in currency metals directly diminish the volume, as well as vitiate the action, of every

currency ; that as the natural tendency of commodities to find an increased area of usefulness directly lends itself, in a very large measure, to the directly inciting and co-operative element of solid wealth, the increasing production and distribution of commodities, as well as of the precious metals, cannot but be discouraged in proportion to the aggregate volume of currency which may be diminished, or degenerated, on account of the artificial restrictions placed on either the character, the volume, or the value of such currency which should, in future, be left perfectly unfettered.

(k) The paramount object of the International Currency Scheme being to provide the fullest possible amount of currency, and to ensure, as far as may be practicable, the relative values of the two metals being made definite or stable, no country associating itself with the scheme should have the summary power of demonetising any of the precious metals ; the coins of both, or either of the two, metals being deemed an unlimited legal tender, unless otherwise provided in any contract between individuals.

(l) The paramount object of the International Scheme being, further, to seek an uniform appreciation in the value of silver by enforcing its maximum use by the world in general, and its maximum straightforward cheapness by measures of a direct State intervention, if primarily rendered inevitable, with a view to unreservedly bring a maximum output into fruition, as well as to secure a settling effect on the value of gold, the Mints of all contracting countries shall be unreservedly thrown open to the coinage of both gold and silver coins, and that any country, holding the greater part of its reserves in gold, shall be bound to cash one-half or the requisite portion of its reserve in gold, for silver, with a view to facilitate an uniform introduction of silver currency throughout the world.

(m) A standing International and Conferential Assembly may be constituted at the initiation of America and other Powers to devise legal measures for ascertaining the actual cost of producing all precious metals, wherever they may be produced or found, and the quantities in which they may be produced by direct State agency, if such be rendered inevitable, with a view to enable every country to regularly avail itself of the maximum quantity of such metals as far as may be in its power to secure.

(n) The aforesaid International Assembly shall consist of representatives of Miners, Bankers, and Economists, whose number shall be outweighed by representatives of Financial, Political and Administrative Departments of each of the important States, who shall not be interested in the financial manipulations of any country, and who may be able fearlessly and impartially to decide upon the principles and details of the currency scheme.

(o) The aforesaid Assembly shall be liberally paid as regular functionaries of the various States, and not be dispersable, until the basis of the World's

system has been satisfactorily carried out; every important country, or group of countries, being expected to join the said Assembly, which shall decide upon a feasible method of fixing the basis of the cost of producing all precious metals and indicating their actual or natural values from time to time; letting public enterprise to identify itself with the industry, whenever a State considered that such enterprise was not influenced by motives of acquiring fraudulently high profits.

(p) The aforesaid Assembly will publish a Journal of its transactions every month, and will keep its proceedings open to the public, save on extraordinary occasions when a majority holds that the interests of the problem required a secret consultation or discussion.

DINSHAH ARDESHIR TALEYARKHAN.

HOW TO SOLVE THE MONETARY PROBLEM.

TO THE EDITOR OF THE "TIMES OF INDIA."

SIR,—I cannot here go over the grounds submitted elsewhere, for my belief that financial calamities have been largely prevented by American nations regularly and singly purchasing silver in quantities much larger than Mr. Rothschild, now in a fit of generosity, perhaps, would have Europe to purchase. Let him and his Confreres be warned, however, of the great and new stress they would bring on the gold reserves if America were forced to stop her silver purchases. In their own interests it would be very ill-advised on the part of the Americans not to amass as much silver as they possibly could. It would pay handsomely in the long run, and only be productive of more gold.

My object, Sir, in addressing you, is once more practical. Can you, pray, or any of your expert constituents, let us know if some one of the public Associations could advantageously address the Government of India to negotiate with the American and other Governments on the question of abolishing the present silver mines' monopoly with a view to produce larger quantities of silver and at a much less cost than the purchasers are now forced to pay? This may be attempted sheerly in the interests of the world's currency. The miners now generally reap enormous profits, which plainly appears from the fact that many of them go on producing over and above the want of the moment, for their disbursements are proportionately much smaller, and they can thus afford to have larger outputs. It is the interest of every Power to give the world the benefit of a cheap and plentiful production of silver as well as gold. I would insist upon this, presuming that my scheme of International Currency will be the one which may have to be earnestly discussed in the absence of all others now practically given up. The proposals even recently brought forward in London and elsewhere, however labored, intricate and seemingly refined, are simply childish. I am sure the situation has not yet been grasped. All that is necessary is to strive to the utmost to bring out silver much more abundantly than now and for a considerably lower price, which can be easily arranged if only the conferring

nations became unanimous. Just fancy the insanity of letting gold go more and more of silver, and refusing a similar privilege to silver, certainly by any dishonourable disparity, but by every honourable parity of intrinsic values which might be secured for both.

Some method, again, should be sought to obtain silver bullion direct from the mines, and every nation ought to share in this benefit. All bullions should be sold by Governments, and all Governments should unite in adopting means by which both bullions may be obtained in largest quantities and at the lowest price, so that they can be sold cheapest and their values kept perfectly legitimate, whether you had them for coinage or not.

The detailed statement of my scheme, which will be duly submitted to you, contains a provision for all this. The paramount object secured is practically to convert all increased use of silver into its just gold equivalent, by stimulating the production of both metals to the utmost, and effecting their perfect and exhaustive distribution to arrive at their natural, but no forced, parity. The whole want is to increase individual and general wealth, to remove the present savage restrictions in both the interchange and volume of coins, to replenish the bank reserves, and to stimulate paper tokens of credit and convenience. My scheme aims at all such amelioration, which one must fail to find in every other scheme yet brought forward.

When the rupees now miserably doled out to India, have been vastly increased, the revenues will be increased, the gold debt lessened; and the public wages may then be enhanced. Having no room here to explain my proposals for modifying and augmenting, where essential and most practicable, the taxes of the country, I must leave that question alone. All other proposals would foolishly seek to diminish the value of rupees and destroy the petty gold savings of the people—not to say anything as to the disastrous stress which would come on, not one, but upon both metals. The exchange question, so much made of, is a contemptible side issue, and the declamations against cheap silver commodities by the world also miserably seek to obscure the real points, which need a straightforward discussion and a fearless solution. Be it borne in mind that the real distress in India, as elsewhere, is utter insufficiency of silver coins as well as silver bullion. Let these be sufficient and rendered overflowing, and difficulties *re* Home charges must disappear. It is not the quality, but the quantity which is the crucial point at issue. Did one ever come across so ludicrous a pretext against letting normal quantities of silver circulate than that urged by Mr. Rothschild as regards its weight, supposing bulk was thus abolished in reference to commodities, where would the world's trade be? But the world will probably not again witness a more idiotic confusion than the one raging in Europe and elsewhere at the present day, confounding the denominational standard with the pure wealth standard in taking both to be one and the same thing, and landing, in the void of a hopeless despair! So much for the university and commercial teachings of Europe.

Two more of practical measures. Private individuals and traders might contrive to obviate losses in exchange; servants of the Government cannot. If immediate relief be essential, why not absolve them from the income-tax?

A small bit of relief that will be highly appreciated if found practicable. I remember you have written so well off and on as to how Home charges could be reduced. Is it not high time that all stores should be made purchasable by inviting free tenders in India, so that at least, if India's rupees go to England, they might go through the pockets of its own people, who may also then produce and procure things in India. The English people may also be allowed to tender, if greater cheapness and any much greater efficiency could be attained. May this justice be done to poor India at once. As for Europe, what does its vast imports from the American, Australian and Eastern countries teach, but that it is the increasing silver commodities which now continuously attack it, but which it has repelled by the same means after once fortifying itself with the indefinitely multiplied silver-products of gold? Have I, then, in vain asked for a partial and conditional demonetisation of gold, and a free unconditional combination of gold and silver, in perfectly equable values of both, so as to obliterate any very marked distinction between the two,—especially so when the world is lucky enough to have metallic wealth in immense bulks which it would be a stupendous folly to despise and neglect. And yet, Sir, it is the white metal, which greets all human development, which lies at our feet so exhaustively, and which claims an abundance and a ring and abrasive strength the almost regal conditions of the world's currency. Cultivate silks and brocades as much as you can, but the main staff of the world must remain cotton,—and wheat, not sweets. So silver must everywhere prevail and keep gold as mere reserves.

Yours truly,

DINSHAH ARDERSHIE,

BARODA, 1st January 1892.