

## MODERN CURRENCY REFORMS



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# MODERN CURRENCY REFORMS

A HISTORY AND DISCUSSION OF RECENT  
CURRENCY REFORMS IN INDIA,  
PORTO RICO, PHILIPPINE ISLANDS,  
STRAITS SETTLEMENTS  
AND MEXICO

BY

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GOVERNMENT IN THE PHILIPPINE ISLANDS WITH  
PARTICULAR REFERENCE TO THE ESTABLISH-  
MENT OF A GOLD-STANDARD CURRENCY

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TO  
MY FORMER TEACHER AND COLLEAGUE  
JEREMIAH WHIPPLE JENKS  
WHO FIRST DIRECTED MY INTEREST TO THE FIELD  
OF MODERN CURRENCY REFORMS

## PREFACE

THE student of economics often expresses regret that his science does not submit itself to the laboratory method of investigation which has proven so fruitful in the natural sciences. His phenomena are too complex and too closely related to human welfare to permit of their reduction to simple elements and of the bringing together of these elements into different combinations so as to study the varying results. The facts of economic science must be studied in the complex forms in which they develop, and their development is usually slow. Such is particularly the case in monetary science, and one of the results is that this science is shot through and through with controversial problems.

The nearest approach the economist has to the laboratory method in studying monetary problems is through the study of modern currency reforms. Here the phenomena are deliberately manipulated; entire currency systems of long years standing, upon which the business and the credit of millions of people have been based, systems in which prejudice and custom have wrought their work, are entirely transformed in a short period—a few years or perhaps only a few months. A silver standard, as in Mexico, or a fiduciary standard, as in Porto Rico, is transformed into a gold standard; a fiduciary standard, as in the Philippine Islands, is transformed into a gold-exchange standard. The unit of value in which prices, wages, and taxes have been expressed, and debts contracted, is slowly raised by a deliberately planned contraction in the relative

money supply, as in India ; is quickly raised by relative contraction, as in the Straits Settlements ; is carried up by a rising silver market, as in Mexico ; or is forced to give way suddenly to an absolutely new unit of value, as in Porto Rico. These changes are carried through in a short time, and their effects are writ large — effects in prices, taxes, wages, in debts contracted in the old currency and henceforth payable in the new, in foreign trade, and in public credit.

It is hoped that the discussion of these currency reforms which follows will throw light on fundamental monetary principles, and will afford lessons of value, both by example and by warning, to the countries of Asia and Latin America, which are expected soon to undertake thorough-going reforms of their currency systems.

Each of the five countries whose currency reforms are studied had a different problem, and the experience of each offers its own lessons ; it is none the less true, however, that in a number of respects the problems and experiences were similar. Inasmuch as some readers will not be interested in all five of the essays, it has seemed best to make each a unit in itself. To this end, in the interest of clarity, some repetition has been necessary. It is hoped, however, that, through the rather liberal use of cross references, the amount has been kept down to the minimum consistent with clearness.

The material of this book has been in process of collection and preparation by the author for a period covering thirteen years, nearly three of which he spent as a government official in countries whose currency reforms are described. In that time he has received assistance from many persons to whom the limits of a brief preface prevent individual acknowledgment, notably government officials, bankers, and business men of Manila, San Juan (Porto Rico), Singapore, and the City of Mexico. It is a pleasure to acknowledge specifically and with gratitude valuable assistance from Mr. Edmund Enright, Assistant Secretary of

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PRINCETON UNIVERSITY,  
October 19, 1916.



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