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**THE INDUSTRIAL  
COMPETITION OF ASIA**

THE INDUSTRIAL  
COMPETITION OF ASIA

*AN INQUIRY INTO THE INFLUENCE  
OF CURRENCY ON THE COMMERCE OF THE  
EMPIRE IN THE EAST*

BY

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"THE GOLD TREASURE OF INDIA," AND OTHER ECONOMICAL ESSAYS

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## PREFACE.

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As this work to a great extent deals with current discussions, I desire to state that it was finished about the middle of the year 1889, with the exception of the three last chapters, and a few scattered passages which were added in the following December and January, when it was laid aside until a suitable occasion might arise for its publication.

Measures about to be taken with a view to increase the use of silver money in the United States have again drawn attention to the connection between currency and commerce, and encourage the expectation that the importation of certain commodities from silver into gold using countries, will in consequence be checked. Whatever the result of this experiment in legislation may be, it is certain that a convergence between the values of gold and silver will facilitate the reintroduction of gold into use as legal-tender money in British India, and the establishment of gold as the standard of value in the commerce between Great Britain and that country. If, on the other hand, the gold price of silver declines to a lower point than it has yet reached, the necessity of placing the commerce and

the finances of India upon a gold basis, will become more than ever apparent.

The present, therefore, seems to be the proper time for pressing upon public attention the advantage to the Empire in general, of that reform in the Indian currency which is set forth in the following pages.

C. J. D.

*May*, 1890.

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## APPENDIX.

(*Referred to at p. 341.*)

### APPENDIX III. TO FINAL REPORT OF THE ROYAL COMMISSION APPOINTED TO INQUIRE INTO THE RECENT CHANGES IN THE RELATIVE VALUES OF THE PRECIOUS METALS.

(III.) A Plan for remonetizing silver in Europe, by circulating silver and gold money together, without variation in the rate of exchange; by means of a Paper Currency issued against a Reserve of gold and silver Bullion, by Clarmont Daniell, F.S.S., late of the Indian Civil Service.

The plan for the remonetizing of silver in Europe, which I published in "Discarded Silver" (Kegan Paul, Trench, and Co., 1886), consists of the following provisions:—

1. That any State desiring to use silver money at an unvarying rate of exchange with gold should constitute a reserve of equal values of gold and silver bullion—

(a) To be supplied by private persons wishing to use their hoards of silver as money; or

(b) By the State if possessed of hoards of discarded silver; or

(c) By both.

2. The equation of value regulating the relative supply of either metal to be that determined by the market rate of the day for gold and silver in one another.

3. As the silver constituent in the reserve would vary against the gold constituent, the State would maintain the equilibrium of value by making additions to the stock of silver in a falling market and by withdrawing silver in a rising market. The demand made on the market for silver by the constitution of this reserve would give an upward tendency to the price of silver in gold, and the State (or managers of the reserve) would acquire a constantly increasing stock of silver bullion, which would be laid aside to pro-

vide contributions to the reserve when the market for silver might fall, and the necessity of purchasing silver would never be serious or last over any length of time.

4. It follows that any value of mixed gold and silver bullion would always be of the same value in the standard gold coin of the country as twice that of the gold constituent, and would always be maintained at that value.

5. Against this reserve would be issued notes drawn in terms of the standard gold coin of the country, which would circulate at par with that class of coin.

6. The State or managers of the reserve acting for the Government would open the reserve to a fixed amount of contributions calculated on the requirement of the people for silver money. As this limit need never be too high, and would only be enlarged as occasion might require, and as the notes in circulation would be limited by the bullion in the reserve, and as this bullion would be supplied by the free action of those contributing the bullion of both kinds to the reserve, no artificial inflation of prices would arise from an excess of currency.

7. The limit set on the contributions to the reserve would prevent any foreign nation discharging its spare silver into such a reserve opened in a neighbouring country; and at the same time the action of the demand for silver on the part of several governments using this system, would raise the value of silver to a point at which it would become unprofitable for any State not using it to get rid of its silver by means of a neighbouring nation's reserve.

8. The success of such a system would be ensured by several States agreeing to circulate notes issued against gold and silver bullion on these terms. This agreement would only extend to the adoption of the principle involved, all details being left to the individual action of the several States.

9. By this means any value of silver bullion placed in the reserve would become effective money, and as the notes issued against the reserve would always circulate at par with standard gold money, the inconvenience of a varying rate for the exchange of gold and silver money would be overcome.

10. Depositors putting bullion in the reserve could always withdraw it on presenting notes, the bullion they would receive would be equal values of gold and silver to the aggregate value inscribed on the notes, which would be payable to "bearer" "on demand."

11. The gold bullion in the reserve would not amount to a diminution on the supply of gold money to the currency, as its place in the circulation would be taken by the notes issued against

the reserve, and these notes would at the same time circulate an equal value of silver money.

12. Such a system might be introduced without conflicting with or disorganizing any system in use in the country to which it might be applied. It could be used in England, in India, or in countries using the "fixed-ratio" system of the Latin Union (as it was at work up to 1873), *pari passu* with the existing currency. In gold-using countries it would supply the people with any quantity of silver money they might choose to circulate in this way, and in silver-using countries with any quantity of gold money, money being paper money circulating to the full metallic value of the bullion in the reserve.

13. I argue that as silver has fallen in value, with all its resulting losses and prospective dangers from disuse, so these results are to be obviated by bringing the metal again into its most profitable field of employment as money, in quantities only limited by the requirements of the people. This effect the *above-described plan will secure.*

FINIS.