

Views of Council better rules price gold 8

Tribute & profit of Capitalist - 87-

Wealthy countries require gold 2

How long an average? 6

Work its own cure 8-

Price of gold & silver cost of production 61/2/3

Local coining of money impracticable 29

Silver 1.6 1/2 + 47% of 35

Framer & State paper 39 - Only cure 40

Depreciation of gold - forms. 42

Prices not risen 43 - ^{51-54 766-67} Price in 1873 - 39 1/2 - 4

Latin Union 46/ Experience of years. 52-54

Worst mine 52 - 55.

Progressive country increase currency 61.

Difficulty from want of gold 63-37-52..

Inconvertible paper the Standard? 63.

Loss by silver to India for 76/7 = \$2,312,000 - 65/

Problems of paper 67.

Increased prices require increased currency 67

Govt. shd give notice of its financial intentions 68

No effect on trade by appreciated coins 69

London Centre of Commerce 71/-

Answer to ... 70

6-77-

Production of gold 79

8/1 - side

all will pass equally both ways 89

Effect of tribute 87/8 - 9 1/2

Dhananjayrao Gadgil Library



GIPE-PUNE-003844

THE DEPRECIATION OF SILVER.

17. Holdings & ...
 38. July 8
 52. " 15
 61. Silver ...
 63. Gold ...
 64.
 7. Variability of price of silver in ...
 10.3.
 1. Silver market in a ... state.
 2.3. Recent
 the silver market

27.

Price in paise page 4-8/9 30/1-40-70-78
 106 124/5

see page 80-81-82.

Holding to be issue 1 / 104 (3) 04 107 (3) 07 11
38 — 71

RECENT WORKS BY THE SAME AUTHOR.

8vo, price 2s.

PARLIAMENTARY REFORM:

An Essay.

REPRINTED FROM "THE NATIONAL REVIEW."

8vo, price 2s.

**HISTORY OF THE UNREFORMED
PARLIAMENT,
AND ITS LESSONS.**

An Essay.

REPRINTED FROM "THE NATIONAL REVIEW."

CHAPMAN AND HALL, 193 PICCADILLY.

8vo, price 2s.

INTERNATIONAL COINAGE:

A Practical Plan for Assimilating the English and American
Money, as a Step towards a Universal Money.

REPRINTED FROM "THE ECONOMIST."

LONGMANS AND CO., PATERNOSTER ROW.

RECENT WORKS BY THE SAME AUTHOR (*continued.*)

SIXTH EDITION.

One vol. crown 8vo, price 7s 6d.

LOMBARD STREET:

A Description of the Money Market.

"Mr. Bagehot touches incidentally a hundred points connected with his subject, and pours serene white light upon them all."—*Spectator.*

"The subject is one, it is almost needless to say, on which Mr. Bagehot writes with the authority of a man who combines practical experience with scientific study."—*Saturday Review.*

NEW EDITION.

One vol. crown 8vo, price 7s 6d.

THE ENGLISH CONSTITUTION.

REVISED AND CORRECTED.

With an Introductory Dissertation on Recent Changes and Events.

"No writer before Mr. Bagehot had set out so clearly what the efficient part of the English Constitution really is."—*Pall Mall Gazette.*

"A pleasing and clever study in the department of higher politics."—*Guardian.*

THIRD EDITION.

One vol. crown 8vo, price 4s.

PHYSICS AND POLITICS:

Thoughts on the Application of the Principles of "Natural Selection" and "Inheritance" to Political Society.

"Full of shrewd suggestions and argumentative subtleties."—*British Quarterly Review.*

"No one will be able to turn over its pages without having his mind stirred by many of the most interesting subjects of human thought."—*Examiner.*

HENRY S. KING AND CO., 65 CORNHILL.

*W. Munroe
West Kensington
1885.*

SOME ARTICLES

ON THE

DEPRECIATION OF SILVER

AND ON

TOPICS CONNECTED WITH IT.

BY THE LATE

WALTER BAGEHOT.

Reprinted from "The Economist."

HENRY S. KING AND CO., LONDON,

1877.

LONDON: PRINTED AT THE EXETER HALL PRINTING WORKS,
18 EXETER STREET, STRAND, W.C.

X 61; 2 : 571 . 2
A877

3844

The rights of translation and of reproduction are reserved.

P R E F A C E .

I VENTURE to bring together these articles on the recent Depreciation of Silver, and on the recent Exchanges with India, though I am well aware how incomplete a view they give of the complex subjects to which they relate, and how disagreeable to read a collection of such papers almost necessarily is. If I could, I would have rewritten the whole of them in a more systematic form. But I have no time or strength at my disposal for such a task, and I am obliged, therefore, to use this substitute. To elucidate some parts of the chain of reasoning, I have added the evidence which I gave on one or two points before Mr. Goschen's Committee on the Depreciation of Silver, last spring. But even so, there is much I should wish to say in addition, both in exposition and in defence of the opinions which I hold.

So far as the short experience which we have had goes, I think it confirms the view taken in these articles.

First, I consider that the rise in the price of silver from 47d. last summer to $55\frac{1}{4}$ d. now, shows the preceding great fall from $54\frac{7}{8}$ d. last February to be only a momentary accident in a new and weak market, and not the permanent effect of lasting causes.

Secondly, it has been proved that the demand for the countries which use silver as a currency is stimulated by its cheapness here and in America, and that this has carried off the late supply. China has taken the lead in so doing, mainly because she has had a better and readier means of export; but sooner or later, all other silver-moneyed countries will do so, according to their magnitude and opportunities.

And these are the two main propositions which I wish to establish.

If these are proved, the practical conclusion follows that it would be absurd to make any permanent changes in our Indian currency or taxation, while all the facts upon which such changes would be founded are changing so much and so rapidly. And though this conclusion does not need support, it is supported by our uncertainty as to the effect of the increased Home charges of our Indian Government—sometimes, for shortness, called the Indian “tribute”—which, in a way which I have tried to explain, complicates the whole subject.

The fertility of the new silver mines in America is not very elaborately examined in these articles, for even yet there are no sure data for us. But everything tends to show that the yield of these mines is likely to be far less than what was once thought, and the difficulty of obtaining exact data is an additional reason for being very slow to make any changes founded on an hypothesis as to the future price of silver. As yet no one can prove that the permanent value of silver—whether in relation to gold or in relation to commodities at large—will change so much as to render any alterations necessary.

[The Preface, as above written, was sent to the printers about the beginning of March. It is believed that Mr. Bagehot at one time contemplated making additions to it, but no memoranda have been left explanatory of his last intentions.

Economist Office, April, 1877.]

CONTENTS.

	<i>Page.</i>
CHAPTER I.	
THE LOW VALUE OF SILVER, AND ITS EFFECT ON INDIA ...	1
CHAPTER II.	
THE REMEDIES FOR THE FALL IN SILVER	7
CHAPTER III.	
FURTHER SUGGESTIONS ON THE FALL IN SILVER	15
CHAPTER IV.	
THE EFFECTS OF THE RESUMPTION OF SPECIE PAYMENTS IN FRANCE ON THE PRICE OF SILVER	18
CHAPTER V.	
THE EFFECT OF A DEPRECIATION OF SILVER ON OUR FOREIGN, AND ESPECIALLY ON OUR EASTERN TRADE	27
CHAPTER VI.	
THE EXTREME FALL IN SILVER, AND THE HASTY REMEDIES PROPOSED... ..	35
CHAPTER VII.	
THE REPORT OF THE COMMITTEE ON THE DEPRECIATION OF SILVER	41.
CHAPTER VIII.	
THE PROPOSAL OF THE BENGAL CHAMBER OF COMMERCE TO SUSPEND THE COINAGE OF SILVER IN INDIA	58
CHAPTER IX.	
THE DEBATE ON THE INDIAN BUDGET	65

CHAPTER X.	
THE DIFFERENT EFFECT ON TRADE OF A CHEAPENING OF THE PRECIOUS METALS, AND OF A DEPRECIATION OF INCONVERTIBLE PAPER	69
CHAPTER XI.	
THE AMERICAN COMMISSION ON THE CURRENCY	75
CHAPTER XII.	
THE PERMANENT EFFECT OF AN INCREASE OF "COUNCIL BILLS" ON THE FLOW OF SILVER TO INDIA AND UPON THE INDIAN EXCHANGES... ..	84
CHAPTER XIII.	
THE EFFECT OF THE "COUNCIL BILLS" ON THE INDIAN EXCHANGES	90
CHAPTER XIV.	
THE MINUTE OF THE INDIAN GOVERNMENT ON THE DEPRE- CIATION OF SILVER	96
CHAPTER XV.	
A PROPOSED REMEDY FOR THE DEPRECIATION OF THE SILVER COINAGE OF INDIA	104
CHAPTER XVI.	
THE TRANSITION STATE OF THE SILVER MARKET	110
CHAPTER XVII.	
BI-METALLISM	114
APPENDIX.	
EVIDENCE BEFORE THE SELECT COMMITTEE ON DEPRECIATION OF SILVER	121

APPENDIX.

APPENDIX.

EVIDENCE BEFORE THE SELECT COMMITTEE ON DEPRECIATION OF SILVER.

MONDAY, 8TH MAY, 1876.

MEMBERS PRESENT:

MR. BAXTER.	LOED GEORGE HAMILTON.
MR. CAVE.	MR. HERMON.
MR. CHRISTOPHER BECKETT	MR. KIRKMAN HODGSON.
DENISON.	MR. HUBBARD.
MR. FAWCETT.	MR. MASSEY.
MR. GOSCHEN.	SIR CHARLES MILLS.
	MR. SHAW.

The RIGHT HON. GEORGE JOACHIM GOSCHEN, in the Chair.

MR. WALTER BAGEHOT, *called in; and Examined.*

CHAIRMAN.

1361. You have been for many years, I believè, the Editor of the *Economist*?—Yes.

1362. I think you have given particular attention to this Silver question?—Yes.

1363. Have you considered the relation between the depreciation of silver and the Indian exchanges?—I have devoted a certain amount of attention to it, and it appears to me to be almost certain that the first immediate effect of the depreciation of silver will be to

cause an unfavourable balance of trade with the East; and, in consequence, a great export of silver to the East.

1364. It has been alleged that the depression of the Indian trade has in part contributed already to the depreciation of silver?—I should hardly like to give an opinion on such a point without reading the evidence which has been given before this Committee, which I understand has on this head been contradictory; it appears to me that, to a great extent, the depression in the trade has been common both to exports and imports; and, therefore, would not affect the balance of trade, or, in consequence, the exportation of silver to the East.

1365. If the fall in the value of the crops exported from India to England had been compensated by a corresponding diminution in the exports from England to India, trade might be depressed, but the price of silver would remain unaffected?—Quite unaffected, as far as that goes.

1366. Do you share in the view that has been expressed that the drafts of the Council of India have contributed considerably to the depreciation of silver?—I should rather put it in this way, that the drafts in India represent an increase in the tribute, a beneficial tribute no doubt, which India pays to this country, and, of course, that being a payment which she has to make, alters the exchange, tends to make it unnecessary to remit silver from this country, and, therefore, diminishes the demand for silver.

1367. Do you believe that the fall in the price of silver has operated unfavourably, or is calculated to operate unfavourably, on Indian trade, either temporarily or permanently?—I should say that the effect of the depreciation of silver was to cause an increased export of goods from India to this country, a diminished export from this country to India, and, in that manner, to cause an unfavourable balance of trade.

1368. Could you explain that a little more fully to the Committee?—I think the increase of the export of goods from India to this country will arise in this way: a merchant in London, who is thinking of importing goods from the East, looks at the price current in Calcutta, and he sees the price quoted in rupees. The merchant in London is in possession of sovereigns in London, therefore he has two operations; first, he has to buy his rupees in India; next, with those rupees he has to buy the article which he saw in the price current. The question of profit and loss to him is compounded of

the result of those two operations; if, therefore, he can buy his rupees in Calcutta on more favourable terms, he will find it to his interest to go into a speculation which would not otherwise be profitable. If he can get rupees at 1s. 8d. instead of 2s., and he can buy his goods in Calcutta with the same number of rupees, that is so much extra gain to him. Conversely, the English exporter of goods to the East will receive payment in rupees, and he will have to sell those rupees; and if he sells them for a less amount of sovereigns, he will suffer a loss, and that is a discouragement to exporting from this country to India. The result of these two operations, of the encouragement of exports from India to this country, and the discouragement of exports from hence to India, necessarily is an increase of the balance which this country has to pay to India, and consequently a flow of silver to the East.

1369. And is, so far, a counterbalancing element tending to raise the price of silver as compared with the other causes which have been mentioned, which might depress the price of silver?—Quite so; and I should say a cause of even greater magnitude than any which tend to depress it.

1370. It is a rectifying cause?—A rectifying cause, and a rectifying cause of the first magnitude, because what I have said extends not only to India, but to all countries which have a silver currency. Those countries are the great majority of the world; the circulation of silver in those countries is something enormous, and to all those countries you will have to send a certain amount, if the depreciation of silver continues. The quotations of prices in all those countries are made in silver. Traders with those countries have to go through the operation both ways, as to exports and imports, which I have described, in silver. As to all those countries, there will be a bounty on exporting from them, and a discouragement to importing into them, and in consequence to every one of those there will be a flow of silver.

1371. In order that the Committee may thoroughly possess themselves of those particular points, do I understand you correctly that the operation is as follows: a depreciation of silver in India and the depreciation of the Indian exchange have the following effect, that a London merchant desiring to speculate in Indian produce, will be able with his gold to buy a larger number of rupees; and that if the prices remain stationary in India, he will, having a larger number of rupees, be able to buy the exports of India at a cheaper rate him-

self, and therefore make a larger profit?—Yes, that is one side of the operation.

1372. And, on the other side, that the exporter of goods from this country to India will realise, if the prices have not risen (which is the same supposition), the same number of rupees in India, but in turning them into gold, he will find that the identical number of rupees will furnish him with a smaller amount of gold in return here for his outlay, and that therefore he will make a less profit?—Yes, that is exactly my meaning.

MR. FAWCETT.

1373. That opinion, though, is based on the supposition, that as the depreciation of silver continues the prices remain stationary, is it not? But very soon after the depreciation commences in those countries, where silver is a standard of currency, the rise in prices will be exactly proportioned to the depreciation of silver?—When it is, of course, the encouragement is withdrawn.

1374. After all, the depreciation of a metal which is chosen for the standard of currency is measured and is marked by the rise in prices; that is what depreciation of money means. If you say that money is depreciated 10 per cent., you mean that prices have risen 10 per cent.?—I do not quite understand the question you ask.

1375. If gold were depreciated in this country 10 per cent., it means that gold possesses 10 per cent. less purchasing value?—Yes.

1376. Or, in other words, prices had risen to that extent?—Yes.

1377. The same way in India, where silver, not gold, is the currency, if silver is depreciated to a certain extent, prices must rise to the same extent, therefore, your reasoning is based on an hypothesis which cannot take place in actual life?—No; I consider that it is based on the present facts. The purchasing power of gold over silver by the English merchants is at this moment increased; gold will buy a great deal more silver than it used to do; but the silver prices of articles in Calcutta have not been affected. Silver is not, as yet, depreciated in the East. It is only during the process of depreciation that my argument holds.

CHAIRMAN.

1378. When I asked you your opinion, I drew a distinction between a temporary effect and a permanent effect; the opinion you have stated, I understand you to mean is, the temporary and first

effect?—Yes; as soon as the depreciation of silver, as respects the Indian commodities, is equal to its depreciation as respects the gold of the English merchant, then the process which I have described is at an end.

MR. FAWCETT.

1379. What I understand is this, that for a time, it may be shorter or longer, during which the depreciation of silver may take place without affecting general prices, you have indicated the prices which will exercise an influence to restore the value of silver to its former level of value?—The point I wish to make before the Committee is this, that all over the East the process I have described will go on, and that to depreciate silver 2 per cent. all over the East will require a vast amount of silver currency, because the region is so large. No doubt it will stop when the depreciation of 2 per cent., or whatever it may be, has been effected, but that will take a long time.

CHAIRMAN.

1380. The first operation is such as you have described; the next operation would probably be, would it not, that the prices of commodities in India would rise?—Yes.

1381. While silver had been depreciated?—Yes.

1382. Then in proportion as the price of silver rose you would require a larger amount of silver to do the work than had been used before?—Yes.

1383. That increasing need for silver to pay for the aggregate increase due to the rise in prices would be spread over a vast surface, in your opinion?—Yes, that is my meaning.

1384. Namely, over the countries with the silver valuation in the East generally?—Yes.

1385. The greater demand for silver during this process would tend to arrest the fall of silver, *pro tanto*, in your opinion?—That would be a main cause, supposing other causes which tend to depreciate silver to have the effect which is supposed.

1386. In the first instance prices might remain stationary for a short time; then the flow of silver would take place to the country, owing to the encouragement to export and the discouragement of import.—Yes.

1387. And when that was past, and prices rose to their level, so that there was neither that encouragement nor discouragement, the

aggregate amount of silver needed for the commerce of those countries would have been increased?—Yes.

1388. After a rise of price all over the East, due to the depreciation of silver, more silver would be required for carrying on the general trade of those countries than before?—Yes; to a very great extent.

1389. Have you at all calculated the surface covered by what is called the silver valuation, as compared with that which is covered by the gold valuation?—It used to be said until a few years ago, that England and Portugal were the only countries where gold was the standard of value; and there were certain countries which had a double standard, but those were not very many; and all the rest were silver. Silver is the normal currency of the world, and from a natural cause, because silver is a much cheaper metal, and is suited to those small transactions which constitute the bulk of the dealings of mankind.

1390. Have you examined the statistics which are available to the public with regard to the aggregate amount of silver and gold in various countries?—I have examined them, but I regret to say that I do not think they are of such value as to be made the basis of sound reasoning in such investigations as this. It appears to me that you neither know with certainty the present stock of silver in the world, nor are you able to estimate the probable augmentation of it; nor do you know the effect which any given per-centage, say 10 per cent. on the stock, would have upon its value. The last part is a matter which has not even been discussed, I think.

1391. You would question, after all the study you have given to the subject, both the accuracy and the real substantial value of figures that go into the aggregate amount of silver and gold in the world, and the proportions of the metals to each other?—I do not believe they are worth the paper on which they are written. I do not consider that any one knows anything about them, or has the means of knowing.

1392. To resume the point of the effect of the depreciation of silver on the Indian exchanges, which is one point referred to this Committee, can you treat that question as one of exports and imports between India and this country alone; I have heard a remark with regard to the effect upon other countries?—Of course it will be evident that if this country has to export silver to the East, it must buy that silver somewhere. That silver it will have to buy in

America, and therefore a consequence of the new state of things will be that the English exporters of goods to some parts of the world will be benefited. I do not say the English exporters of goods to America, for probably we shall not pay America directly. The nature of the trade between America and this country is, that America sends us directly a great deal more than we send her, and America buys, in various parts of the world, coffee, and rice, and tea, and a variety of articles, and that the sellers of those articles draw upon England, and so the balance is struck; we shall have to pay America in some way for the silver, and we shall pay her by exporting to the countries from whom she buys some of those articles, and therefore, though it is perfectly true to say that the effect of the depreciation of silver may be unfavourable to the English exporter of goods to the East, yet it will be favourable to another class of English exporters, that is to say, those who pay America.

1393. You mean this, that as the silver is to be produced, and comes to Europe, or when it comes to Europe, it must be paid for by some means?—It comes here, and we must pay for it. We shall pay for it, not to America directly, in all probability, but by exporting goods to various parts of the world where America buys. She buys in Brazil, in Cuba, and in the East, and in France, and all those countries draw drafts upon England, and ultimately the account is settled in commodities.

1394. If America draws more Eastern produce in consequence of producing more silver, and therefore having something to sell which it can turn into commodities abroad, then a certain amount of new purchasing power is given to those countries from which it draws its exports?—Yes.

1395. And that purchasing power they may again avail themselves of in purchasing from this country?—Yes; such are the dimensions of our trade, that ultimately they come to buy of us. We are the great settling-house of the world.

1396. Have you examined the effect of the depreciation of silver upon our trade up to this date?—I cannot say that I have made such an examination of it as I should like to lay before the Committee, especially as I understand that contradictory opinions have been expressed upon it, and I should rather rely on the general principle I have stated, because the facts of a particular year are far more difficult to discover than the general tendencies which operate over a long period of time.

1397. There are so many disturbing causes in any particular year?—Yes; and it is so difficult to get at the precise facts of any particular year. Statements may be made as to depression of particular trades. Well, what does depression mean? The traders will not come and show you their books; you ought to have a comparative statement of their profits in the period at which the depression is said to commence, and at the period of which you are talking. Now no such account is ever given in, and therefore you are dealing with a statement which you have no means of measuring or testing.

1398. Do I understand you rather to question the prolonged depression in the Indian trade?—I do not doubt that there is a great depression in the export trade from this country, and that that arises very largely from the causes of which I have been speaking. The depreciation of silver has necessarily caused discouragement to export to the East; the people who most call themselves the Eastern trade are the exporters to the East.

1399. Unless the manufacturers and producers in our manufacturing districts have got stocks of articles already manufactured for India which they are bound to sell?—No doubt they will have to sell them practically at reduced prices, because they will sell them in rupees, and when they bring these rupees home they will yield less in sterling money.

1400. Still if they are manufactured they would be likely to be exported?—Yes, and perhaps for other reasons. Some part of the export trade, I would not at all say it is true of the Eastern trade, but some amount of trade is carried on by drawing on consignees for the creation of bills, which bills are discounted in this country; and that trade, which is not of a very healthy description, will always go on, whatever the prices may be.

1401. Do I understand you to mean in very general terms that it is difficult to arrest any particular branch of manufacture and export the moment it becomes unprofitable?—Very difficult indeed. In the first place, an amount of fixed capital is sunk in it which has to be moved, and people have formed habits and connections; and such a general cause as I have been speaking of will not operate perhaps for a considerable period of time.

1402. The export trade from this country to another great consuming country might be prolonged sometimes without its being exactly evidence that that export was the result of sound trade and permanent causes?—Quite so, without its being at all a conclusive

indication that it was such a trade as ought to be carried on, or such a trade as anybody would begin.

1403. Would the depreciation of silver have this effect, that it would prevent the extension of business or the initiation of new business while alarm was felt as to the uncertainty of returns through the fluctuations in silver, but it would not cause an immediate cessation and diminution of the trade?—Yes, it would have that effect, it would have a gradual tendency in that direction, a tendency to make the export trade to India cease.

1404. Turning to another subject, the evidence before the Committee, I think, has been generally to the effect that the depreciation of silver has been caused by the increased production or the impression produced by the increased production in America, by the demonetisation in Germany, and by the increase of the drafts of the Indian Council; do you agree in the existence of these causes?—I think that those causes are real, but I think a fourth ought to be added to them.

1405. What is that fourth cause?—A number of States which are grouped together in what is called the Latin Union have ceased to coin silver ever since the year 1874 in the same manner which they did before; as the Committee are aware, the Latin Union is a name for five States, France, Belgium, Italy, Switzerland, and Greece, which up to the year 1874 had what they called a double standard, that is to say, silver and gold were tenders for any amount for debts, and the coinage was framed on the relation of $15\frac{1}{2}$ to 1. Up to that time it was open to anybody to go to the French, or any other mints, with silver or gold, as the case might be, and get it coined; the consequence of course was, that the moment metal became depreciated, the holders took it to those mints and had it coined; but in the year 1874 that process was arrested, because those Governments limited the amount of silver which they would coin, and if it had not been for that change of policy, all the silver which is now flooding the London market, and lowering the price, would have been long since in the mints of those countries; it would have released gold from them, and the combined effect of the two operations would have been, that the comparative value of gold and silver would have been very little altered, probably not at all.

1406. Without giving an opinion as to whether they did right or wrong in the steps they have taken, do I understand you to mean

that their abstention from purchasing, whereas formerly they were buyers, must be added to the effect of the demonetisation in Germany?—The operation of the double-standard caused a supply on speculation; the moment any one of the two metals becomes depreciated there is a motive to any bullion-dealer to take the depreciated metal to the mint, leave it there, have it coined, and with that he can buy the appreciated metal and have a profit; in that way, in former times, the old silver currency of France was entirely taken away, and gold substituted for it, merely because gold was cheaper; in the same way now, if the Latin Union continued to coin as before, gold would have been taken away and silver taken back.

1407. Are you aware that the stock of silver in the Bank of France has increased of late years?—Yes, I am aware that it is now 20 millions or more.

1408. You contend that but for their cessation of coinage a larger figure than that would have accumulated?—Yes, and gold would have been taken away from them.

1409. To the same amount?—To an equivalent amount, not only of France, but the Latin Union generally.

1410. There has been once or twice before, has there not, in France, a change from silver to gold and from gold to silver?—Yes, we were enabled to pay India in silver for the cotton we wanted during the famine, by getting it from the French currency in this way.

1411. Was France at that time drained of a large portion of its silver currency?—A very large portion. It was the saying in France at that time, "The English have taken away the silver," meaning that we had sent it to India. It was quite true that it was bought up with gold.

1412. Did we pay a premium on silver at the time?—Gold was much depreciated as against the legal equation, just as silver is now against the legal equation, and therefore it was profitable to send gold to the Mint.

1413. Had the Governments in the Latin Union not curtailed their coinage even before the year 1874?—1874 is the first year in which they made a treaty on this subject, I think.

1414. Can you state to the Committee any facts with regard to the legislation as to Holland?—It appears to me that the difficulty of Holland in this question is far greater than that of any other country, because they have, as England has, an Indian Empire, and they have

the same currency in the Indian Empire as they have at home. They are much in the same position that we should be in if we had a rupee currency here, and we thought of demonetising rupées. It has been proposed to demonetise the Dutch dollar, which is the coinage both of Holland and of Java, and of other Dutch possessions, which circulates in the East to an enormous extent.

1415. The Dutch dollar has not yet been demonetised?—It has not, but proposals are constantly being made, and an experimental step was made last year towards its demonetisation.

1416. Was a Bill passed with regard to it?—Yes; but like many experimental measures, it was very complex; I should not like to explain its exact effect; I have had it explained to me in various ways; it was a small Act in itself, and only of importance as an indication of a policy which was to follow.

1417. Was it a temporary Act or a permanent Act?—Temporary.

1418. To cease when?—To cease very soon, I think, but I am not perfectly certain.

1419. As a matter of fact, when that Act ceases, will the Government of Holland have to make up its mind one way or the other again, and to take some measures?—Either to make a change, or leave things as they are; Holland demonetised gold years ago, and has only a silver currency.

1420. As a matter of fact, without expressing any speculative opinion, they have not yet established a gold valuation?—No, they have greater difficulties in going in that direction than any other country.

1421. I have seen it stated in some publications that Holland was one of those countries that adopted the gold valuation?—That is a complete error; many circumstances much impede them in so doing.

1422. Have they been buying silver or gold latterly to your knowledge?—I could not lay the details before the Committee.

MR. FAWCETT.

1423. The Latin Union, or the Latin Convention, continues in operation till 1880, does it not?—Till some date of that kind.

1424. Therefore its policy, which you think has been influential in assisting the depreciation of silver, will continue till the time when it ceases, when the Confederation breaks up?—Not necessarily; it has an annual meeting, by which it determines the amount of silver which it will coin; I should say that in 1874 they had

made a cardinal alteration in their policy; the theory of the double standard is that any one should be able to bring his money to the mint and get it coined in any amount, but that was altered.

CHAIRMAN.

1425. What was the original policy of the Latin Union?—It was the policy of the double standard, as it is called, in which both gold and silver circulate, and are legal tenders for any amount, and in which the relation between them was that of $15\frac{1}{2}$ to 1.

1426. What was the object of their combining?—It was, I suppose, partly a political movement on the part of the French Empire to gain an influence in those countries, and partly the natural wish of countries so intimately connected to have the same coinage, and they adopted the French coinage of that time, as being that of the predominant Power.

1427. The Latin Union was not formed with reference at all to the question as between silver and gold?—They simply adopted the French currency of that time.

1428. The policy to suspend the coinage is the common policy that has been adopted by them in the course of their union, but is not one of the principles of their union?—It is contrary to the fundamental principles of their union. They gave up the double standard the moment they allowed their metal to be limited. The cardinal principle was abandoned.

MR. FAWCETT.

1429. Did not they come to some agreement with reference to the coinage of silver, which agreement was to continue in operation till 1880; I think we have had evidence to that effect?—They met annually, and determined the amount of silver which they should coin.

1430. I think Mr. Giffen gave the evidence, but I fancy we have had evidence to this effect, that when they met in 1874, one of their agreements was that they should continue a certain policy with regard to the coinage until 1880, and that they should be bound by that agreement until that year?—They re-vote annually what the amount shall be, and it is open now to the annual meeting to change, and to go back to the double standard pure and simple. In 1874, the amount which they agreed to coin was £4,800,000. In 1875 it was raised to £6,000,000, and now it has gone back to £4,800,000, in 1876. It is divided between the countries.

1431. You say they cardinally changed their policy in 1874 with regard to the coinage of silver, and their policy with regard to the future of course is uncertain?—Very uncertain. It is a possibility, I do not say that it is a probability, that they might begin to coin silver in unlimited amounts, and that would take the silver off the market.

1432. On the other hand, it is possible that they may continue this policy, which you think has been influential in assisting the depreciation?—Yes; or they may go further, and demonetise the silver in France. That has been proposed, and that would throw an additional amount of silver on the market.

1433. Their policy one way or the other will have a considerable effect either in promoting the depreciation of silver, or in retarding its depreciation, and that policy with regard to the future is, in your opinion, obscure and uncertain?—Yes; it will be a force of the first magnitude.

1434. You would not like, at any rate, positively to predict in what direction that force, which you have described as one of the first magnitude, will operate?—I think there are very great difficulties in the way of demonetising silver in France, and it is certain, I believe, that the present rulers of France wish to preserve what they call an expectant attitude, and to continue the present state of things, only coining limited amounts, but whether they will be able so to continue I do not know.

1435. Do you think that one element in considering what the value of silver is, is this,—that the value of the precious metal, after all, is determined by the same considerations as the value of any other mineral, or any other commodity, and that consequently the cost of producing those metals, or the cost of raising them, must have an important bearing on their future value?—Undoubtedly.

1436. Therefore, if the cost of producing silver should greatly diminish, that must sooner or later, just in the same way as if the cost of producing any other article greatly diminished, have its effect upon its value?—That will of course have an effect upon the value, but it will be limited by several considerations; one is, that it is the cost of production under the most difficult circumstances which regulates the price, not the cost of production in those mines of splendid fertility which we hear of, but the cost of production in the least of the old mines which keeps itself at work.

1437. To draw an analogy, if you suddenly discovered in a

country a great tract of fertile land, the immediate effect of that land being discovered, which would enable agricultural produce to be produced cheaper, would not necessarily be to lower the value of agricultural produce if the demand for it keep on increasing, so that it was necessary to keep the comparatively speaking unfertile land in cultivation, which before had been cultivated?—Quite so.

1438. But if, on the other hand, this fertile land should so add to agricultural produce that the more unproductive sources of supply which had been before worked should be given up, then the cost of producing that produce would diminish?—Yes.

1439. You think that would apply as an analogy to the value of the precious metals?—Yes; I think it would be the mine of the least fertility that should keep itself at work that would regulate the price.

1440. You have described to us very clearly what you think will be the effect on the trade of India, if the depreciation of silver continues, but have you considered what its effect on the revenue of India is?—I suppose that it will be unfavourable to the revenue of India, because the Indian Government are so unfortunate as not to be able to increase their taxation.

1441. And the peculiarly unfavourable effect it will produce is this, that one considerable portion of the land revenue of India is either permanently or for a considerable period fixed in pecuniary amount, which amount is estimated in silver?—Yes.

1442. Therefore, although from that circumstance inferences may come into operation to correct any bad effect which it may have on the trade of India, the loss which would arise to the revenue of India from that circumstance cannot be got over by any of the circumstances to which you have referred?—I do not think there is any connection between the trade of India and the revenue of India for this purpose in the peculiar circumstances of the Indian Government, because they do not seem to be able to apply additional taxation.

1443. But as to the loss on the revenue, even if they could apply additional taxation, which is a fixed pecuniary amount, either fixed permanently or for a considerable number of years, there is no way of meeting that?—No; that is a matter of agreement which cannot be altered.

SIR CHARLES MILLS.

1444. You mentioned the demonetisation of silver by Germany

as being one of the causes. I suppose you will supplement that by the cessation of the demand for fresh coinage?—Quite so.

1445. It includes not only the selling of the silver, but also the cessation of the demand for fresh silver?—Yes.

1446. You stated that you thought it was very difficult to form any opinion as to the amount of silver and gold there was in circulation in the world? I think you go further, do you not, and say it is very difficult to form even an opinion as to the amount of gold in circulation in England?—There are very various estimates by very competent persons. Of course, it is much more possible to get near that than the circulation of the world, but such estimates are more matters of scientific conjecture than anything else.

1447. We had some figures given us as to the amount of thalers in Germany, do you think that those are also very doubtful?—Very dubious indeed. I have a strong belief that the Government do not themselves know; their whole policy is perplexed by uncertainty as to that, as far as an external observer can judge.

CHAIRMAN.

1448. When you speak of the drafts of the Government of India, you consider that those drafts, I presume, are determined by the amount that they require; it is not an open question how much money they can raise, or how much they need not raise?—I suppose that the drafts are regulated by the necessities of the Indian Government at home. They have a certain interest to pay, certain salaries to discharge, and certain things to buy, which are absolute necessities, I suppose.

1449. You do not wish to convey the idea, when you stated, as other witnesses have stated, that the increase in the drafts of the Indian Council are one of the causes which have led to the depreciation of silver, that it was at all a cause which the Indian Government could have avoided?—I apprehend it is not optional at all.

MR. FAWCETT.

1450. The great part of the expenditure of India is quite within the control of the Home Government here. I will give one illustration; for instance, so much had to be remitted from India to England for the payment for the buildings at the India Office. It was perfectly optional with the Government here whether they erected buildings. I do not mean to say whether they were wise in

erecting the buildings they have, but it was optional for them to spend more or less, or the exact amount which they did spend on those buildings. Therefore the expenditure is within their control, but having sanctioned a certain expenditure, of course the amount they have to withdraw is not within their control?—Yes, it is only in that sense optional. Having determined their expenditure by political considerations, the money must come.

Views of Council better rules price gold 8

Tribute & profit of Capitalist - 87-

Wealthy countries require gold 2

How long an average? 6

Work its own cure 8-

Price of gold & silver cost of production 61/2/3

Local coining of money impracticable 29

Silver 1.6 1/2 + 47% of 35

Framer & State paper 39 - Only cure 40

Depreciation of gold - forms. 42

Prices not risen 43 - ^{51-54 56-57} Price in 1873 - 39 1/2 - 4

Latin Union 46/ Experience of years. 52-54

Worst mine 52 - 55.

Progressive country increase currency 61.

Difficulty from want of gold 63-37-52..

Inconvertible paper the Standard? 63.

Loss by silver to India for 76/7 = \$2,312,000 - 65/

Problems of paper 67.

Increased prices require increased currency 67

Govt. shd give notice of its financial intentions 68

No effect on trade by appreciated coins 69

London Centre of Commerce 71/-

Answer to ... 70

6-77-

Production of gold 79

8/1 - side

allies will paper equally both ways 89

Effect of tribute 87/8 - 91/2