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An expenditure of 10s. per annum by the local authority may be met by a payment of the same amount by the occupier; but that is not the end of the matter. Wise expenditure which, under the present system, involves a charge of 10s. per annum upon the occupier, usually produces a much greater increase in the value of the site of the building he occupies. He has therefore to pay, say, 20s. per annum more, viz., 10s. in rates and 10s. in additional rent. To put the same point minutely, the steps are three. First, the service administered by the local authority enhances the annual land value of the property by x . Secondly, the owner seeks to realise this enhancement by way of additional rent. But, thirdly, the local authority levy a rate of y upon the occupier; and, as sensible occupiers do *not* pay twice over for the same value, the owner's share of the benefit is limited to $x - y$. It is clear that the owner benefits according to the excess of x over y : in other words, the better a town is administered the larger is the benefit gratuitously conferred upon owners in the net increase of land values. And the system which thus makes munificent gifts to landowners at the public expense is the same that hampers and burdens owners and occupiers of buildings and machinery. The idea that competition between local authorities and landowners will "keep the value down to the actual cost" of sewage schemes (or any other benefit) is devoid of foundation. As a matter of fact, there is no such competition. Each local authority is responsible for the sewerage of its own area, and each landowner constructs the drains for his own estate according to plans approved by the local authority. Within the area of that authority the only competition is that between persons intending to use the drainage system by becoming tenants of the houses, and the effect of this competition is to *increase* the value resulting from the system, not to keep it down.

These considerations infallibly indicate their own remedy. It is to adopt the measure of "benefit"—land value—as the measure of "burden" also. And, as it has been shown that the same remedy will stimulate and encourage building and industry of every kind, the case for its adoption is overwhelming.

EDGAR HARPER

VOICES FROM THE INDIAN UP-COUNTRY : SOME NATIVE IDEAS ON
ECONOMIC SUBJECTS.

WHEN any great economic question affecting India or the people of India is under discussion, it is often gratuitously assumed that the same conditions obtain and the same ideas are prevalent

as would be the case in Europe or America. In other words, the existence of the "economic man," with all his marvellous attributes, is postulated for the East as well as for the West. The trite adage about new wine and old bottles is ignored. The most immaculate of economic theories are applied to conditions often wholly uneconomic. The personal equation is left out of account.

There can be no more profound mistake than this *doctrinaire* treatment of Indian economic problems, and nothing more calculated to lead to serious practical mistakes. There can be no greater contrast than the great *Mofassal*,¹ with its torpid, sluggish, stereotyped ideas and methods, and the brisk and business-like Presidency Town, with its stock markets and Exchange Banks. It is the whole difference between what Sir Henry Maine has called "status" and "contract." We see in an up-country station a branch of a great Presidency Bank conducting its business alongside a Marwari money-lender, who divides his time between buying up grain destined for the Calcutta market, and perhaps ultimately for London or St. Petersburg, selling piece goods made in Manchester from raw material which has possibly found its way thither from that self-same up-country station, and making loans at high rates of interest, and often on indifferent security, to the cultivator of the raw material: the East and the West working side by side—but who can lay his finger on the point of contact?

Perhaps the most prominent and distinctive characteristic of the industrial and financial world as we know it in the West is the general diffusion of confidence and credit, the foster child of confidence, which has rendered possible the transaction of the most important business operations between individuals often unknown to each other in distant cities and remote parts of the country. While the personal element is never entirely lost sight of, one of the most important elements in this type of business is the credit of the "firm." In the East credit is far more immediately personal in character. Outside the Presidency Towns firms, in the European acceptance of the term, are few and far between. Where old-established native firms exist, their credit is generally gauged by the personal character and business reputation of the individuals who are for the time being conducting them. Distance and want of personal knowledge thus operate as barriers to transactions between individuals in different towns and different parts of the country to an extent which never obtains in England, France, or Germany. The native of India is ever suspicious of dealings with strangers, particularly if they be of different language, religion, and caste.

¹ *I.e.*, the up-country districts as distinguished from the Presidency Towns.

This fact is well exemplified in the comparatively scant employment of credit instruments which depend on personal security for remittance purposes. It would appear that in parts of the *Mofassal* at the present day the use of this kind of credit instrument is rather on the decrease than otherwise. It is possible that the failure of several European firms of recent years has been conducive to this result. The use of *hundis*, or cheques,¹ is, however, of long standing in India, and is still much in vogue between merchants and bankers of approved reputation and integrity. It seems likely that the now general use of Government currency notes for remittance purposes, and possibly, to a less extent, the value-payable system of the Post Office, have contributed locally to a decrease in the use of *hundis*. The demand for Government currency notes for the purpose of making remittances is, in fact, so brisk in most up-country stations that they can only be had during the months between the crop-cuttings at a premium which rises at times up to one per cent., the money-order rate. So favourite a form of remittance has this become that were the Treasuries under the obligation of giving notes for rupees freely on demand, then Government would be, in effect, undertaking to remit money for the public free of charge, and the money order business of the Post Office would dwindle to a negligible quantity.

It speaks volumes for the confidence of the Indian banker and merchant in the Post Office that currency notes are frequently sent in large amounts in ordinary registered letters uninsured.² The notes are generally cut in two, and the two halves sent separately, but whole notes are also sent. Where it is thought necessary to resort to insurance, the notes are seldom insured up to anything like their full value. In fact, some of the methods of remittance now prevalent in India would be considered to be fraught with great risks in England or America. It is no uncommon thing to find rupees in quantities up to Rs. 50,000 despatched by rail as ordinary uninsured goods packed in wooden boxes, where a branch bank in England, having occasion to make an equivalent remittance in cash, would send a highly-paid servant in charge of it.

It might be concluded from this example that the Indian merchant or trader does not consider risks in a serious light. But such is not the case. Perhaps the ultimate cause of that apparent

¹ The *hundi* really partakes more of the nature of a bill of exchange than an ordinary cheque. *Hundis* are of two kinds, one payable on sight, the other payable after a specified term. They rise to a premium or fall to a discount according to the state of the money market.

² In India, postal registration and insurance are two different things.

lethargy and apathy, which has been laid to the charge of the Indian merchant, is to be found in the psychological fact that he is by nature reluctant to take what we should regard as legitimate commercial risks in cases where personal initiative and private judgment are called into play. But if he is reluctant to accept ordinary risks where the prospects of profit are high, he is still more averse to risking his money in enterprises which yield but a small return, unless, indeed, the security be absolutely above suspicion, as in the case of Government bonds.

But it would, perhaps, be a mistake to attribute this reluctance to the taking of moderate risks for moderate profits, this apparent inability to grasp the soundness of the principle of "small profits, quick returns," solely to psychological causes. Some part of the result, possibly a considerable part of it, must be attributed to the profound and fundamental differences between the conditions under which trade is carried on in an agricultural country like India and an industrial country like England. Great risks are inseparable from all agricultural operations. The agriculturist must be prepared to accept the "risk of the seasons." But the most distinctive feature of Indian *Mofassal* trade is the exchange of crops for commodities. All internal trade is ultimately dependent on the success of the crops. If the crops are a failure in any locality trade is necessarily slack. The risk of the seasons, therefore, falls in a measure on the trader as well as on the cultivator.

But, besides the risk of the seasons, there are also innumerable incidental risks; risks of damage by fire, the innumerable risks inseparable from sending goods long distances by rail and river. In England some of these risks are reduced to a negligible quantity, while others are covered by insurance. The Indian trader is his own insurance agent. He takes all the risks himself, instead of paying others to take them for him. It seems, then, only reasonable that the insurance premiums, which, in England, would be paid to half a dozen companies, should find a place in his profits.

But these risks become to a great extent eliminated by reason of the fact that the trader is nearly always a money-lender, or, as he calls himself when his transactions are considerable, a "banker." The conditions have evolved the trader-money-lender and the merchant-banker.¹ In years of bad crops the *raiyyat's*

¹ It is a significant fact that the combination of merchant and banker has found favour with certain big Calcutta firms, which have started regular banking departments in conjunction with their ordinary business.

necessity is too often the money-lender's opportunity. The trading part of his concern may wane, but the money-lending part will more than compensate for any loss on trade. As a money-lender he lends more money, he purchases at Civil Court sales, he forecloses on mortgages, he drives hard bargains generally, and his aggregate risk is small. If there is risk about the trading part of his business, there are very few risks about the money-lending part of it. Where he appears to take risks in individual cases, he takes no risks in the aggregate, because he is assured by the experience of generations of ancestors who have lent money for years at high rates of interest on doubtful security that he will come out on top in the long run. He is like the bookmaker amongst the crowd at a race meeting. As the professional risk-taker he arranges matters so that he ultimately takes little or no risk.

Take the case of money-lending in the Darjeeling Terai. Here the average rate of interest is about 60 per cent. The *Kaya*,¹ who knows well his debtors' proclivities for bolting away into Nepal at a moment's notice, is quite ready to lose his principal in 20 per cent. of cases, and is still cheery in the prospect of making a handsome income out of money-lending. His risks in the aggregate are really *nil*. He must come out to the good in the long run.

The cardinal idea of Western banking at the present day is to borrow money at low rates of interest in order to lend at higher rates. Now the Indian banker is, in the main, a lender as distinct from a borrower. His methods are in many respects akin to those of the Jew of the Middle Ages in Europe. He is, in fact, only a "banker" by courtesy. We have seen that the merchant is generally a banker. It is still more true that the banker is generally a merchant or trader, or perhaps a landholder. It is from these sources that he derives the funds with which he transacts his money-lending business. He will not dream of availing himself of cheap money in Calcutta or Bombay in order to enable him to extend the area of his monetary transactions in the *Mofassal*. Money may be cheap in Allahabad, but it will make little difference to Patna. There is, in fact, something inorganic about *Mofassal* banking. The rates of interest are for the most part stereotyped by custom, and money is not in a fluid condition. The Indian banker does not care about lending his money far afield, because he likes to see what his debtors are doing with it.

We have seen that the Indian banker is a lender as distinct from a borrower. This statement needs some qualification,

¹ Marwari.

because there is probably a good deal of diversity in local custom and local ideas in respect of deposit banking. It is possible, indeed, that there is a gradual movement in progress in the direction of regular deposit banking. The writer is informed on good authority that the system of deposit banking was known in some of the Assam districts at a time when there were very few resident Europeans. It is quite a common thing now for Europeans at headquarters stations to keep deposit accounts with native bankers. As regards ordinary village *mahajani*,¹ careful inquiries go to show that in some instances the wealthier *raiya*s do deposit their money with the local money-lender and get six per cent. for it. It seems probable that the *mahajan* would take as much money as he could get at this rate, but that people will not readily deposit their savings. There can be no doubt that the old order did not contemplate a state of affairs in which the money-lender is a borrower as well as a lender, but there can equally be no doubt that the old order is changing. In what local areas, under what influences, and to what extent the change is manifesting itself, are very difficult questions, and the attempt to find a satisfactory answer to them would entail far more extensive inquiries than the writer has been in a position to make.

There cannot, perhaps, be found a better antidote for *doctrinaire* reasonings than a sober analysis of the views of the ordinary native of India about the coin with which he is most familiar.

It has often been assumed by writers on economics, both before and since 1893, that the ordinary native of India would at once grasp the full import of the closure of the mints to the free coinage of silver. No more profound mistake could possibly have been made. The fact is that in spite of the extraordinary spread of education, and particularly English education, of recent years, even the educated classes remain, for the most part, ignorant of monetary affairs. They are as far from understanding them as they were in 1893. The chief reason of their apathy with regard to these matters is probably to be found in the fact that the educated man has, by dint of long-standing social custom, become imbued with the idea that he is by nature excluded from active participation in trade and commerce. The Marwari class has long enjoyed a practical monopoly of the banking and commercial business of India.

But by an irony of circumstances those who have most to do with the handling of money are often the most ignorant as to its real nature. The young Marwari is brought up from his earliest

¹ Money-lending.

days on business. Although his early mental *pabulum* is money, his knowledge of money in the abstract is small. One meets with educated Marwaris more than formerly, but the fact remains that the great bulk of *Mofassal* business is conducted by men who have never received any form of general education. The ordinary Marwari, like the ordinary village *mahajan*, does not in the least grasp the true significance of the changes which took place in 1893, when the Indian Mints were closed to the free coinage of silver.

The great cultivating and labouring classes occupy a large part of their leisure time, which is considerable in the case of the former, in discussing the rupee. The rupee, a stern necessity of existence, and the Law Courts, too often regarded—"tell it not in Gath"—as a means of diversion, are as the very breath of life to the ordinary *raiyat*. But it does not appear that he has arrived at any very definite ideas about the rupee. He has unlimited confidence in it. He knows that it will be accepted freely in exchange. Is it not the *Sirkar's*¹ coin? Then all must be well with it. He has never heard about the closure of the mints, and would not take the slightest interest in the matter were anyone to take the pains to explain it to him. This is *la haute finance*; it is the *Sirkar's* business.

Here and there a few goldsmiths may still be found who take advantage of the simplicity of the poorer cultivator and labourer by selling him silver for ornaments at one rupee per tola. English *Memsahibs* have occasionally been beguiled in the same way. But the *Sonar* would in these days find this risky business in most parts of the *Mofassal*, because it is now generally understood that you can buy more than a rupee's weight of silver for a rupee. The cultivator, in common with the merchant, banker, and trader, is now familiar with the fact that the rupee at present contains about $10\frac{1}{2}$ annas' worth of silver instead of 16 annas' worth as formerly. It is for this reason that he does not now melt it when he wants silver for ornaments.

As might be expected where the field for the observation of human phenomena is so vast as is the case in India, the most diverse ideas are found to prevail in respect of this change in the character of the rupee, varying from the most fantastic to the most severely practical. Among the more fantastic which have been brought to the writer's notice is the belief, at one time, probably, general, that gold and silver can be produced by methods of alchemy known only to certain kings, seers, and holy men.

¹ The Government.

One of these stories is to the effect that the Moghal Emperors were enabled, by arts known only to themselves, to produce pure silver by mixing the root of certain grasses with zinc or copper, and that the silver thus produced is superior in quality to the silver produced, in these more prosaic days, from mines.

Those who would repudiate any connection with this belief still entertain the idea that silver has somehow steadily deteriorated in quality since the time of the Moghal Emperors, and that it is even at the present day further deteriorating. The idea is that the silver in the rupee (after extraction of all alloy) is steadily deteriorating from issue to issue, just as the silver sold in the market is deteriorating. The silver in the latest issue of rupees is thought to be inferior in quality to the silver contained in previous issues down to the year 1840. The silver of that year's issue is considered to have been exceptionally good, but not quite so good as the older issue of 1835, the best silver of all being the silver of the rupees coined by the Mohammadan Emperors.

It seems curious that this belief should have gained acceptance among Hindus, but such appears to be the case. The fact reflects the innate conservatism of a mind habituated to search for Utopias in the past rather than in the future.

Superposed on this belief is the idea that the rupee now contains *less silver* than formerly. Sometimes the two ideas are confused to a greater or less extent, according to individual idiosyncrasies, but the latter idea, whether interwoven with the former or found separate from it, as in the case of the more enlightened, who now repudiate all belief in alchemy, is certainly widely prevalent. The belief briefly amounts to this—that, whereas the coins issued by the Moghal Emperors were pure silver coins, those issued in the early days of the Company contained an admixture of alloy. So far so good, but it is further believed that the amount of silver in the rupee of successive issues since the year 1835, when the rupee was first made legal tender throughout India by the Company, has been steadily on the decrease, the last issue of rupees containing less silver than preceding issues. The writer once had occasion to question an English-speaking clerk, a Kayastha by caste, and a man of some education, about this. After appearing to be almost satisfied that he was wrong in his ideas on the subject, he turned the palms of his hands outwards, his face suffused with a gentle smile which assumed the existence of a mutual understanding on the point, and replied: "Of course, sir, there must be more silver in it (*i.e.*, the 1840 coin), or why should Government withdraw it?" It certainly seems strange

that the fact of Government's withdrawing a coin from circulation should be accepted as evidence of its intrinsic superiority. *Quot homines, tot sententiæ*.

Another argument commonly in vogue is to the following effect :—formerly the rupee contained 16 annas of silver, whereas it now contains between 10 and 11 annas of silver ; what, then, can be more obvious than that the rupee contains less silver than formerly ? No greater travesty of logic could well be conceived. In reality the premisses of the argument merely amount to this—that the value of the rupee, whether measured in gold or commodities, has become divorced from the value of the silver it contains, whereas formerly the value of the rupee was the same as that of the silver it contained, or very nearly so (after making allowance for a 2 per cent. seignorage). The “ annas,” in fact, are different in the two cases. In the former case the “ anna ” is the one-sixteenth part of a freely minted rupee, in the latter case it is the one-sixteenth part of a monopoly rupee.

Innumerable dangers were foreshadowed by the writers who, before 1893 and also during that year, criticised the Government policy in closing the mints to the free coinage of silver, but no one seems to have been so prescient of the future as to foresee that a pseudo-argument of this kind would be used to bolster up a preconceived idea entertained probably by the vast uneducated classes generally, and by the educated classes to some extent, that the Government of the King-Emperor is—in plain language—deliberately depreciating the current coin of India. Even still more extraordinary would have appeared to them the fact that the people at large view this imagined depreciation with the utmost complacency. Picture the state of mind of the people of Great Britain, if, on waking to read their papers one morning, they found that the Government of the day had resolved on a measure to broaden the basis of taxation by putting a little less gold into the sovereign.

But how shall we explain this extraordinary complacency in spite of such a belief ? As has been already remarked, the native of India has unbounded confidence in the rupee simply because it is the *Sirkar's* coin. If a small section of the educated classes be excepted, he is hopelessly ignorant of the nature of the changes which have taken place in it, or, to be more correct, in its relationships to the monetary world and to prices, since Government decided on its memorable policy of closing the mints to the free coinage of silver. It is sufficient for him that it bears the “ *imprimatur* ” of authority in the form of the King-Emperor's head.

He believes that this gives it some intrinsic value over and above the value of the silver it contains, but he has not the least idea how this result is brought about. He regards the coinage as peculiarly an affair of the *Sirkar*, in the same way as he regards the performance of religious functions as an affair of the Brahman, or the making of shoes as an affair of the Mochi.¹

There can be no doubt that the Oriental's distaste for alloys is at the root of many of these erroneous impressions about the rupee. This distaste is itself easily explained if we reflect that the ordinary native goldsmith has no means at his disposal for separating out the component parts of an alloy. It is not possible to put matters to a practical test, to melt down the rupee and separate out the pure silver it contains and weigh it. The Indian does not understand alloys. What he does thoroughly understand, and what he best likes, is pure gold and silver. This is, perhaps, the secret of a good deal of the confusion that exists in his mind about the coinage.

This discussion of the rupee leads us naturally to the vexed question of hoarding. There can be no doubt that during the last two or three decades a great change has come over the mind of the Indian public in respect of hoarding. For some reason or another the practice is greatly on the decrease. This has often been represented as a direct and obvious result of the closure of the mints in 1893. In the discussions which preceded this step it was often assumed that the change would result in the liberation of large quantities of rupees from hoards, and many writers on the subject now speak as if this were exactly what did happen. It seems probable, however, if we take account of the views that prevail on the subject at the present day among native bankers and merchants, that the closure of the mints had no effect, or practically no effect, in this direction.

In the first place it seems very doubtful if rupees, as such, were ever hoarded to any great extent, at any rate since the early days of the Company. It may be noted at the outset that the writer assumes a capital distinction between "hoarding" proper and merely putting by rupees against a rainy day. The element which distinguishes "hoarding" from mere "saving" seems to be the indefinite nature of the ultimate object. Rupees are hoarded primarily with the object of creating a pile. Rupees are saved for some more or less definite ultimate purpose. It is necessary to insist on this distinction, because the two ideas are often confused. Now the evidence available on the question all goes

¹ Worker in leather.

to show that it is extremely doubtful if the rupee (*i.e.*, the British coin) was ever hoarded to anything like the extent generally supposed. It seems far more probable that it was the old Moghal coins, already referred to, which were in requisition for the purposes of hoarding. Marwari bankers still take pleasure in recounting how they made fine profits by buying and selling these coins in the old days. It appears, however, that about fifteen years ago (*i.e.*, about the time of the closure of the mints, whether before or afterwards the writer has been unable to ascertain). this business received a decided check by reason of the fact that the Moghal rupees came to be largely counterfeited in Calcutta and other places.

Apart, however, from transient causes of this nature it seems probable that a great secular change had begun to manifest itself in the mental attitude of the Indian public towards hoarding long before the closure of the mints was thought of as a serious practical issue. The hoarding classes have become more business-like and more alive to their own interests. The *zamindar*, instead of hoarding, now turns to money-lending as a means of making a profit out of surplus cash ; or, if he be of careful disposition, purchases Government securities, or invests in railways. The increase of business concerns has given a fillip to investment. The big *raiyat*, who formerly hoarded, now purchases more land, or lends money to his poorer brethren.

The purchase of land has come to be regarded as a peculiarly profitable investment. The price of land has risen much of recent years, and there is every prospect of a further rise. The returns from land are specially large since the price of most of the staple food grains has gone up. Land purchases seem to have become a favourite type of investment amongst the bigger *raiyats* in the cadastrally surveyed districts of Bengal, where title is now more easily established in the Courts, and the general conditions of tenure more secure, than was formerly the case.

Whatever be the more proximate causes of this change of ideas in respect of hoarding, it seems almost certain that the change has little or no connection with the altered *status* of the rupee, because, as has been observed, it is very doubtful if the rupee, as issued in the days of British rule, has ever been hoarded to anything like the extent to which it is supposed to have been hoarded ; and, on the other hand, the change seems to have been in operation long before the closure of the mints. But, it may be asked, if this be correct, how can we account for that increase in the volume of the currency which is commonly supposed to have taken place

during the years immediately following the closure of the mints. The orthodox explanation of the fact is that a large quantity of rupees came out of hoards, and that the melting of rupees for ornaments was automatically stopped. Now, allowing that the supposed increase to the currency at that period has not itself been exaggerated, it appears highly probable that the former factor has been exaggerated as an explanation of the increase. It has never been proved that the increment to the currency was so great that it could not be fully explained by the complete stoppage of the outlet afforded by the melting of rupees for ornaments taken in conjunction with another factor to be noticed presently. It seems likely that a favourite method of obtaining silver for ornaments was through the medium of the currency. People would not think much of the seignorage so long as the stamp of the Queen's head on the coin afforded a guarantee of a certain standard of purity of the silver. The Queen's head was the hall-mark. But the stoppage of this source of shrinkage would not of itself suffice to explain an "increase" in the currency, so long, at any rate, as the issues remained inconsiderable. It seems likely, however, that the stoppage of issues was more than counterbalanced by that flood of rupees which, as Mr. Probyn tells us,¹ during the years both preceding and succeeding the closure of the mints, welled into the country from outside. These two complementary factors seem to afford a sufficient explanation of the phenomenon, and it does not seem necessary to postulate a theory, otherwise unsupported by good evidence, that rupees, in large sums, were liberated from hoards.

We have seen something of the views of the Indian banker, trader, and cultivator with regard to silver; let us now see what are the ideas prevalent in the *bazaar* with regard to gold. What does the Indian banker and merchant in the *bazaar* think of the gold standard, exchange, and the sovereign? We have already seen that he does not understand much about the gold standard and exchange, but he has some definite views on the subject of the sovereign, which in Bengal he calls the "guinea." The matter is of some importance, because on a correct estimate of those views must depend in one of its phases the solution of those momentous questions—how much gold is it necessary for Government to accumulate in the paper currency reserve and the gold standard reserve before committing itself to the policy of issuing gold more or less freely in exchange for silver or Government currency notes at a fixed rate, and what form should the gold issues take? Now

¹ Mr. L. C. Probyn's *Indian Coinage and Currency*, 1897, pp. 66, 67.

the matter is to this extent simplified that the demand for gold is of three kinds—the demand for export, the demand for ornaments, and the demand for currency. The first involves ideas of enormous complexity, and is a question altogether beyond the scope of the present discussion. The demand for ornaments is, in some respects, similar to the demand for rupees for the same purpose in the days when rupees were freely minted, only the demand is, of course, much more limited. The demand for this purpose is stimulated to some extent when exchange is low by reason of the fact that it is then obviously profitable to obtain gold, in such quantities as it can be readily obtained, at the rate of Rs. 15 to the pound sterling. The demand for ornaments is, however, still strictly limited, as the average purchaser much prefers pure gold to the gold of the sovereign, 11/12 fine. It should be remembered that the ordinary *Mofassal* dealer has no clear knowledge of the exact degree of fineness of the “guinea,” so that he does not bother himself with niceties in the matter of figures in buying and selling it as a medium for the manufacture of ornaments, even when exchange falls appreciably, or, what amounts to the same thing, when the rupee price of bar gold rises appreciably. Even if the gold of the sovereign be regarded as a possible substitute for pure gold when exchange falls, still it must be remembered that the demand for gold of *any* kind for the purposes of ornaments is, in its nature, a strictly limited one, and incapable of any extraordinary expansion. The really serious demand at such times will be the demand for purposes of export.

Next, as regards the demand for currency, the sovereign is already in circulation to some extent in many of the up-country towns. A certain number of sovereigns, varying probably between 100 and 2,000 or 3,000, would be found in the *bazaar* of every headquarters station. The circulation of the coin is, however, chiefly confined at present to transactions between the larger traders and bankers, or between them and Europeans. The demand for currency purposes is so far inappreciable, and it is believed that the district treasuries, as a matter of fact, experience no difficulty in supplying sovereigns freely when demanded.

The prevalent idea about the sovereign is that it is the equivalent of Rs. 15 in exchange, and that it can be obtained readily at all Government Treasuries at that rate, either in payment of claims against Government, or in exchange for rupees. It is not at all generally realised, even by the *Mofassal* treasurers themselves, that Government is not under the obligation of supplying sovereigns freely on these terms, and it appears likely that Treasury officers

rarely have occasion in practice to refuse to supply sovereigns freely when demanded.

These are facts fraught with the greatest significance, because they go to indicate that if Government were immediately to place itself under the obligation of supplying sovereigns on demand at the rate of Rs. 15 to the sovereign, either in payment of claims against Government, or in exchange for rupees or notes,¹ the demand for currency purposes, and, for that matter, for the purpose of melting, would be no greater than it is at present. It is the writer's conviction that if the condition of the paper currency reserve and the gold standard reserve appeared to justify, so far as general external conditions are concerned, the free issue of gold to-morrow, no more sovereigns would be taken out of the *Mofassal* treasuries for the purposes of currency, nor, indeed, for the purpose of ornaments, than would be the case under existing conditions. In other words, there would be *no* rush for gold for these purposes such as is commonly depicted in discussions on the subject. The serious demand, of which it would be necessary to form a competent estimate, would be the demand for export.

So far it has been tacitly assumed that the gold issues, under a free gold standard system, would be in the form of the English and Australian sovereigns, which are at present legal tender. In an article on "India's Present Monetary Condition," which appeared in the *ECONOMIC JOURNAL*, August, 1907, the suggestion has been put forward that if five and ten rupee pieces of greater purity than the sovereign were coined, they would be more popular than that coin. There can be no doubt of the correctness of this observation. It seems highly probable, in fact, that if a pure gold ten-rupee piece were issued, it would get into circulation so quickly, and would be taken so freely for the purpose of melting, that it would become a serious source of embarrassment to those responsible for the plenitude of the gold reserves. To start free gold issues with such a coin would probably necessitate the accumulation of a far larger gold reserve than would be the case with sovereign issues, and the whole question would become much more complicated in character.

The writer now feels that he ought to put forward a brief *apologia pro vita sua*. He may be charged with generalising from

¹ The distinction seems, to the writer, unimportant, because if any serious local demand for sovereigns arose, they would rise to a premium as compared with rupees, and everyone having claims against Government would naturally seek to be paid in sovereigns rather than in rupees, while Government revenue would be paid in rupees and not in sovereigns. The distinction does not seem to provide any real safeguard against a sudden drain of gold.

a too narrow range of facts. He has already indicated several directions in which his conclusions may need qualification. There may be others. It is only with very great diffidence, and after a careful consideration of possible objections, that the writer has brought himself to the statement of these conclusions. It is possible, in fact probable, that deeper and more extended inquiries would show that some of them need considerable modification. It seems almost hopeless to attempt to make any general statement about a country in which local conditions are so varied and so divers-hued as they are in India. Take an instance from agriculture. The very design of the *raiyyat's* ploughs varies from one district to another. In matters of trade and money, however, there is one fact that appeals to the writer as making to some extent for uniformity and simplicity. It is the fact that the Marwari class is ubiquitous. The great bulk of *Mofassal* trade is in their hands. Probably no one knows better than the Marwari how to accommodate himself to local conditions, but it seems probable that his general ideas of trade and money, like his general methods of business, are much the same, whether he resides in Simla or Tutocorin, Poona or Dacca, Karachi or Chittagong.

The cases in which direct contact with *Mofassal* ideas on economic subjects brings home to one the necessity of exercising great care in applying large theories to practice in Indian economic matters, particularly in monetary matters, might be multiplied *ad nauseam*, but the writer hopes that he has succeeded in giving a few instances which may serve to bring into clearer perspective the danger of jumping to too hasty conclusions when the theories of the West are applied to the practices of the East, unless, indeed, some discrimination be brought to the task, and due allowance be made for the personal equation as exhibited in the manifold and sometimes mysterious workings of the Oriental mind.

H. R. PERROTT

HOTELS AND FOREIGN VISITORS IN SWITZERLAND.

A JUBILEE Pamphlet entitled "Jubiläumsgedenkschrift" (1882-1907) was published in Basle last year by the Central Bureau of the Corporation of Swiss hotel proprietors, in commemoration of the twenty-fifth year of its existence. This pamphlet is full of very important facts about Swiss hotels; an excellent map is appended to it, upon which the towns and places most frequented by foreign visitors are carefully marked. Comparisons are instituted between the number of hotels reported for the years 1880, 1894, and 1905, and the figures quoted in the pamphlet