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NOTES AND MEMORANDA

A GOLD-WEIGHT AS THE INTERNATIONAL UNIT OF VALUE

It is important for the trade of the world that those national currencies which have gone off the gold standard should be co-ordinated with it again. In a few of these currencies it may become possible within a reasonable time to make the paper money convertible to gold at its nominal parity; but in the great majority of them the convertibility would have to be arranged by revaluing the paper money at some lower rate. Whatever the rate in any particular case, the most convenient method would be for the Government to adopt some specified weight of gold as the unit for revaluation, and to fix the rate of revaluation in terms of the amount of its paper money which it is prepared to take in exchange for that gold unit. That gold unit would thereafter become its unit of value; and all countries adopting the same gold unit for their revaluations would thereafter have the same unit of value. The revaluation of the depreciated currencies along these lines would thus afford an opportunity for different nations to adopt the same weight of gold as their common unit of value; and the question arises what weight of gold would be the most convenient for this purpose.

The gold-weight here suggested for this purpose is $1\frac{1}{2}$ grammes of pure gold, which, besides linking the monetary unit with the metric scale in a convenient way, is almost identical with the weight of pure gold per dollar in the gold coins of the United States, being a little less than the weight of pure gold per dollar in them as issued from the Mint, and a little more than the weight of pure gold per dollar in them at their least-current weights. The selection of pure gold would take the unit of value clear of any variations in alloying, and the expression of value directly in terms of gold-weight would simplify the system. The suggested weight of gold—*poids d'or*—might be called the *dor*. The *dor* would not mean a coin; it would mean $1\frac{1}{2}$ grammes of pure gold, and any multiples or fractions of the *dor* would mean these multiples or fractions of $1\frac{1}{2}$ grammes of pure gold. Coins

would be minted containing convenient multiples of the dor; but the terminology would denote weights of pure gold, and would connote the coins only in so far as they contain these weights of it.

In the dor-coinage the principal coin (to which any others would be proportioned) would be one containing 5 dors or 7.5 grammes of pure gold. If one-ninth of hardening alloy were added to bring the fineness to nine-tenths—the most usual fineness—the weight of this coin would be $8\cdot3$ ($8\frac{1}{3}$) grammes. This weight, however, would be the least weight at which the coin would contain 7.5 grammes of pure gold; and the mint-issue weight of the coin would have to be slightly greater, so as to allow a slight margin for wear. If that margin were 5 parts per 1000—which is the most usual allowance—the coin as issued from the Mint would weigh $8\cdot375$ ($8\frac{3}{8}$) grammes and would contain 7.5375 grammes of pure gold. So long as it contains at least 7.5 grammes of pure gold—as evidenced by its coin-weight not being worn to less than $8\cdot3$ ($8\frac{1}{3}$) grammes—it would be accepted as containing 5 dors; but if it were worn to less than that weight, or if it were defaced, it would no longer be accepted as containing 5 dors, and would be sent to the Mint or to the melting-pot as bullion.

On this system the gold coinage would be automatic and self-adjusting, without any technicalities as to legal tender or least-current weight. There would be no danger of bad coins driving out good, because any coin that did not contain its professed weight of gold would be rejected. For the coin-weight to be a test of the gold-weight, the nine-tenths fineness—if that fineness were adopted—would have to be the minimum fineness for every coin issued from the Mint. The expenses of gold-minting might be met by the Mint paying a certain weight of gold coin in exchange for a certain weight of bullion, the proportions being so adjusted that the gold-weight of the bullion would exceed the gold-weight of the coins by an amount sufficient to cover the slight cost of the minting. The coins of the various countries adopting the dor system would be sufficiently varied in design to show in each case the country of origin; the Government of any one country, if satisfied as to fineness and certain other features, might allow the dor-coins of any other country to circulate within its jurisdiction as far as people are willing to accept them; and the development of this practice might lead to the minting of gold coin under International arrangements.

The proposed 5-dor coin would correspond closely with

certain gold coins which experience has shown to be convenient units, as may be seen from the following table, in which, of course, each of the coins is considered as a standard coin, apart from any question whether the particular country has maintained the convertibility of its paper issues. The coins are arranged in the order of their gold-weights.

Comparative Table of Certain Gold Coins.

Gold Coin.	Coin-weight Grammes		Fine.	Gold-weight Grammes		Approximate Mint-parity Values.	
	as issued.	least-current.		as issued.	least-current.	£ s. d.	\$
5-dor coin ...	8.375	8.333	9-10	7.537	7.5	1 0 7	5.01
United States \$5 ...	8.359	8.317	„	7.523	7.485	1 0 6 $\frac{1}{2}$	5.00
Mexico 10-pesos	8.333	8.292	„	7.5	7.462	1 0 5 $\frac{3}{4}$	4.99
Japan 10-yen	8.333	8.287	„	7.5	7.458	1 0 5 $\frac{3}{4}$	4.99
British sovereign ...	7.988	7.938	11-12	7.322	7.275	1 0 0	4.87
¹ France 25-francs ...	8.064	8.024	9-10	7.258	7.222	19 10	4.82
Germany 20-marks ...	7.965	7.925	„	7.168	7.133	19 7	4.76

The dor would be decimalized like the dollar, and the scheme of dor-decimals as token money may be illustrated thus :—

Table of Dor-Decimals as Token Money.

Suggested Material.	Suggested Name of Token Coin.	Expressed in		Weight of pure Gold represented. Grammes.
		Cents (of a Dor).	Dor-Decimals.	
Silver	Dollar	100	1.00	1.5
	Florin	50	0.50	0.75
	Shilling	25	0.25	0.375
	Dime	10	0.1	0.15
Nickel	Cinque	5	0.05	0.075
	Penny	2	0.02	0.03
Bronze	Cent	1	0.01	0.015
	Farthing	$\frac{1}{2}$	0.005	0.0075

¹ In the case of France 25-francs has been taken for purposes of comparison, with weight-data 1 $\frac{1}{2}$ times those of the 20-franc coin, which has a mint-issue coin-weight of 6.4516 grammes and a mint-issue gold-weight of 5.8064 grammes. The coinage of France is typical of the corresponding coinages of Belgium, Switzerland, Italy, Spain and the other countries of the Latin Monetary Union, as there is the same weight of gold in their gold coins of 20 francs, 20 liras, 20 pesetas, or as the case may be.

No. 123.—VOL. XXXI.

F F

The materials suggested are those used in the corresponding coins of the United States; but, as token coins circulate on the basis of the gold that they represent, the details of their material, weight and fineness need not be considered here. What keeps the token coins in circulation is the demand for small change, and—apart from any rule making them legally equivalent for gold—they would circulate at parity if their intrinsic value were not too far below that of the gold which they represent, or if, even though their intrinsic value were negligible, they entitle the holder to claim from the Government the gold that they represent in exchange for them; the latter arrangement would probably be the more convenient, the continuance of the demand for small change maintaining the general balance between withdrawals and re-issues.

In the dor system the paper currency would take the form of notes, each note embodying an official promise to pay on demand so many dors; and cheques and other instruments of credit would also express obligations in dors and dor-decimals. Like cheques and other instruments of credit, the paper money should circulate on its merits as far as people are willing to take it, without any rule making it legally equivalent to gold. If the Government avoids over-issuing and maintains the convertibility of its notes, they will circulate on a parity with the gold that can be obtained in exchange for them. But if the Government over-issues and fails to maintain the convertibility of its notes, they will fall below parity in the foreign markets: and they would also do so in the home market if they were not made legally equivalent to the gold that they purport to represent; but if they were made legally equivalent to it, they would be used for making payments on the basis of their nominal parity, and the monetary standard of the home country would thus be shifted—as it has already been shifted in many countries—from the gold basis to the basis of what is really depreciated paper. In order that the dor standard, once adopted, may remain effective, there should be an understanding that in every country where it is adopted, the dor should be taken to mean the specified weight of gold and nothing else, except in so far as payees are willing to take payment by notes, cheques or otherwise. These alternative means of payment—which have the advantages of convenience and security, besides economising the use of gold—would be freely utilised; and the extension of the dor standard would facilitate International banking and International clearances.

Though the dor system has been proposed for the revaluation of the depreciated currencies, it might be set on foot in the United States, where the convertibility of the paper money has been continued and there has been no depreciation. To a country enjoying these conditions it might seem strange to suggest an alteration of the monetary standard, were it not for the advantages of inaugurating an International weight-unit, and the slightness of the alteration required for that purpose. Reference has already been made to the practical identity of the weight of pure gold per dollar with the dor, and the Comparative Table shows the relations between the 5-dor coin and the \$5 coin. Taking this \$5 coin as typical of the other gold coins of the United States, we see that if its least-current weight, which is now 128.355 grains or 8.317 grammes, were raised to 8.3 (8 $\frac{1}{3}$) grammes, as might be done after reasonable notice, the \$5 coin would contain 5 dors at its least-current weight; and if the mint-issue weight of subsequently minted coins were increased from 129 grains or 8.359 grammes to 8.375 (8 $\frac{3}{8}$) grammes, there would still be the margin for wear of 5 parts per 1000. The increase would be less than half the difference between the mint-issue weight and the least-current weight, and would work out to an increase of the gold-weight by less than 0.015 grammes of pure gold, or rather less than 1 cent per \$5 coin, as shown by the gold-weight data in the Tables. This alteration would be negligible in the token money; and it would also be negligible in the paper money, the more so because the payment of, say, \$5 gold can be made by the payment of any undefaced \$5 gold coin, so long as it is not reduced by wear to less than its least-current weight, at which it contains slightly less than 5 dors.

The first practical step should be the calling of an International Conference to consider whether it is desirable to institute some gold-weight as an International unit of value, and, if so, what that gold-weight should be. If a particular weight-unit were generally approved, it would soon be adopted by some of the countries; and the more general its adoption the stronger would be the inducement for any outstanding country to stand in, so as to participate in the advantages of an International unit of value, and, to an increasing extent, of an International currency.

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