Report of the Secretary of the Treasury, on the subject of a MINT.

(CONTINUED.)

SIR ISAAC NEWTON, in a representation to the Treasury of Great-Britain, in the year 1717, after stating the particular proportions in the different countries of Europe, concludes thus —"By the course of trade and exchange between nation and nation, in all Europe, fine gold is to fine silver as 14 4-5 or 15 to 1."

But however accurate and decisive this authority may be deemed, in relation to the period, to which it applies, it cannot be taken, at the distance of more than seventy years, as a rule for determining the existing proportion. Alterations have been since made, in the regulations of their coins by several nations; which, as well as the course of trade, have an influence upon the market values. Nevertheless, there is reason to believe, that the state of the matter, as represented by Sir Isaac Newton, is not very remote from its actual state.

In Holland, the greatest money market of Europe, gold was to silver in December 1789, as 1 to 14.88; and in that of London it has been for some time past but little different, approaching perhaps, something nearer 1 to 15.

It has been seen, that the existing proportion, between the two metals in this country, is about as 1 to 15.

It is fortunate in this respect, that the innovations of the Spanish mint have imperceptibly introduced a proportion so analogous, as this is, to that which prevails among the principal commercial nations; as it greatly facilitates a proper regulation of the matter.

This proportion of 1 to 15 is recommended by the particular situation of our trade, as being very nearly that which obtains in the market of Great-Britain, to which nation our specie is principally exported. A lower rate for either of the metals, in our market, than in theirs, might not only afford a motive the more in certain cases to remit in specie rather than in commodities; but it might in some others, cause us to pay a greater quantity of it for a given sum, than we should otherwise do. If the effect should rather be to occasion a premium to be given for the metal, which was under-rated, this would obviate those disadvantages; but it would involve another, a customary difference between the market and legal proportions, which would amount to a species of disorder in the national coinage.

Looking forward to the payments of interest hereafter to be made to Holland, the same proportion does not appear ineligible. The present legal proportion in the coins of Holland, is stated at 1 to 14 9-10. That of the market varies somewhat at different times, but seldom very widely from this point.

There can hardly be a better rule, in any country, for the legal, than the market proportion; if this can be supposed to have been produced by the free and steady course of commercial principles. The presumption, in such case, is, that each metal finds its true level, according to its intrinsic utility, in the general system of money operations.

But it must be admitted, that this argument in favor of continuing the existing proportion, is not applicable to the state of the coins with us. There have been too many artificial and heterogeneous ingredients, too much want of order in the pecuniary transactions of this country, to authorise the attributing the effects, which have appeared, to the regular operations of commerce. A proof of this is to be drawn from the alterations, which have happened in the proportion between the metals merely by the successive degradations of the dollar, in consequence of the mutability of a foreign mint. The value of gold to silver appears to have declined, wholly from this cause, from 15 6-10 to about 15 to 1. Yet as this last proportion, however produced, coincides so nearly with what may be deemed the commercial average, it may be supposed to furnish as good a rule as can be pursued.

The only question seems to be, whether the value of gold ought not to be a little lowered to bring it to a more exact level with the two markets which have been mentioned. But as the ratio of 1 to 15 is so nearly conformable to the state of those markets, and best agrees with that of our own, it will probably be found the most eligible. If the market of Spain continues to give a higher value to gold (as it has done in time past) than that which is recommended, there may be some advantage in a middle station.

A further preliminary to the adjustment of the future money unit, is to determine what shall be the proportion and composition of alloy in each species of the coins.

The first, by the resolution of the 8th of August, 1786, before referred to, is regulated at one twelfth, or in other words, at 1 part alloy to 11 parts fine, whether gold or silver; which appears to be a convenient rule; unless there should be some collateral consideration, which may dictate a departure from it. Its correspondency, in regard to both metals, is a recommendation of it, because a difference could answer no purpose of pecuniary or commercial utility, and uniformity is favorable to order.

This ratio, as it regards gold, coincides with the proportion, real or professed, in the coins of Portugal, England, France and Spain. In those of the two former it is real, in those of the two latter there is a deduction for what is called *remedy of weight and alloy*, which is in the nature of an allowance to the master of the mint for errors and imperfections in the process; rendering the coin either lighter or baser than it ought to be. The same thing is known in the theory of the English mint, where 1-6 of a carat is allowed. But the difference seems to be, that there, it is merely an occasional indemnity within a certain limit, for real and unavoidable errors and imperfections; whereas in the practice of the mints of France and Spain, it appears to amount to a stated and regular deviation from the nominal standard. Accordingly the real standards of France and Spain are something worse than 22 carats or 11 parts in 12 fine.

The principal gold coins in Germany, Holland, Sweden, Denmark, Poland and Italy, are finer than those of England and Portugal in different degrees from 1 carat and 1-4 to 1 carat and 7-8, which last is within 1-8 of a carat of pure gold.

There are similar diversities in the standards of the silver coins of the different countries of Europe. That of Great-Britain is 222 parts fine to 18 alloy: those of the other European nations vary from that of Great-Britain as widely as from about 17 of the same parts better to 75 worse.

The principal reasons assigned for the use of alloy, are the saving of expence in the refining of the metals (which in their natural state are usually mixed with a portion of the coarser kinds) and the rendering of them harder as a security against too great waste by friction and wearing—The first reason, drawn from the original composition of the metals, is strengthened at present by the practice of alloying their coins, which has obtained among so many nations. The reality of the effect, to which the last reason is applicable, has been denied, and experience has been appealed to as proving, that the more alloyed coins wear faster than the purer. The true state of this matter may be worthy of future investigation, though first appearances are in favor of alloy. In the mean time, the saving of trouble and expence are sufficient inducements to following those examples which suppose its expediency. And the same considerations lead to taking as our models those nations with whom we have most intercourse, and whose coins are most prevalent in our circulation: These are Spain, Portugal, England and France. The relation which the proposed proportion bears to their gold coins, has been explained. In respect to their silver coins, it will not be very remote from the mean of their several standards.

The component ingredients of the alloy in each metal will also require to be regulated. In silver, copper is the only kind in use, and it is doubtless the only proper one. In gold, there is a mixture of silver and copper; in the English coins consisting of equal parts, in the coins of some countries varying from 1-3 to 2-3 silver.

The reason of this union of silver with copper is this—The silver counteracts the tendency of the copper to injure the color or beauty of the coin, by giving it too much redness, or rather a coppery hue; which a small quantity will produce; and the copper prevents the too great whiteness, which silver alone would confer. It is apprehended, that there are considerations, which may render it prudent to establish by law, that the proportion of silver to copper in the gold coins of the United States shall not be more than one half, nor less than one third; vesting a discretion in some proper place to regulate the matter within those limits, as experience in the execution may recommend.

A third point remains to be discussed, as a pre-requisite to the determination of the money unit, which is, whether the expence of coining shall be defrayed by the public, or out of the material itself; or, as it is sometimes stated, whether coinage shall be free, or shall be subject to a duty or imposition? This forms, perhaps, one of the nicest questions in the doctrine of money.

The practice of different nations is dissimilar in this particular. In England, coinage is said to be entirely free; the mint price of the metals in bullion, being the same with the value of them in coin. In France there is a duty which has been, if it is not now, eight per cent. In Holland there is a difference between the mint price and the value in the coins, which has been computed at .96, or something less than one per cent. upon gold; at 1.48, or something less than one and a half per cent. upon silver. The resolution of the 8th of August, 1786, proceeds upon the idea of a deduction of half per cent. from gold, and of two per cent. from silver, as an indemnification for the expence of coining. This is inferred from a report of the late board of treasury, upon which that resolution appears to have been founded.

Upon the supposition that the expence of coinage ought to be defrayed out of the metals, there are two ways in which it may be effected; one by a reduction of the quantity of fine gold and silver in the coins; the other by establishing a difference between the value of those metals, in the coins, and the mint price of them in bullion.

The first method appears to the Secretary inadmissible. He is unable to distinguish an operation of this sort, from that of raising the denomination of the coin; a measure which has been disapproved of by the wisest men of the nations in which it has been practised, and condemned by the rest of the world. To declare that a less weight of gold or silver shall pass for the same sum, which before represented a greater weight, or to ordain that the same weight shall pass for a greater sum, are things substantially of one nature. The consequence of either of them, if the change can be realized, is to degrade the money unit; obliging creditors to receive less than their just dues—and depreciating property of every kind: for it is manifest, that every thing would in this case be represented by a less quantity of gold and silver, than before.

It is sometimes observed on this head, that though any article of property might in fact be represented by a less actual quantity of pure metal, it would nevertheless be represented by something of the same intrinsic value. Every fabric, it is remarked, is worth intrinsically, the price of the raw material and the expence of fabrication; a truth not less applicable to a piece of coin, than to a yard of cloth.

This position, well founded in itself, is here misapplied. It supposes that the coins now in circulation, are to be considered as bullion, or in other words, as a raw material. But the fact is, that the adoption of them, as money, has caused them to become the fabric. It has invested them with the character and office of coins, and has given them a sanction and efficacy equivalent to that of the stamp of the sovereign. The prices of all our commodities, at home and abroad, and of all foreign commodities in our markets, have found their level, in conformity to this principle. The foreign coins may be *divested* of the privileges they have hitherto been permitted to enjoy, and may of course be *left* to find their value in the markets as a raw material. But the quantity of gold and silver in the national coins, corresponding with a given sum, cannot be made less than heretofore, without disturbing the balance of intrinsic value; and making every acre of land, as well as every bushel of wheat, of less actual worth than in time past. If the United States were insulated, and cut off from all intercourse with the rest of mankind, this reasoning would not be equally conclusive. But it appears decisive, when considered with a view to the relations, which commerce has created between us and other countries.

It is however not improbable, that the effect meditated would be defeated by a rise of prices proportioned to the diminution of the intrinsic value of the coins. This might be looked for in every enlightened commercial country; but perhaps in none with greater certainty than this; because, in none are men less liable to be the dupes of sounds—in none has authority so little resource for substituting names to things.

A general revolution in prices, though only nominally, and in appearance, could not fail to distract the ideas of the community, and would be apt to breed discontents as well among all those who live on the income of their money, as among the poorer classes of the people, to whom the necessaries of life would seem to have become dearer. In the confusion of such a state of things, ideas of value would not improbably adhere to the old coins, which from that circumstance, instead of feeling the effect of the loss of their privileges as money, would perhaps bear a price in the markets relatively to the new ones, in exact proportion to weight. The frequency of the demand for the metals to pay foreign balances would contribute to this effect.

Among the evils, attendant on such an operation, are these—creditors both of the public and of individuals would lose a part of their property—public and private credit would receive a wound—the effective revenues of the government would be diminished. There is scarcely any point, in the economy of national affairs of greater moment, than the uniform preservation of the intrinsic value of the money unit. On this the security and steady value of property essentially depend.

The second method, therefore, of defraying the expence of the coinage out of the metals, is greatly to be prefered to the other. This is to let the same sum of money continue to represent in the new coins exactly the same quantity of gold and silver, as it does in those now current—to allow at the mint such a price only for these metals as will admit of profit just sufficient to satisfy the expence of coinage—to abolish the legal currency of foreign coins, both in public and private payments—and of course to leave the superior utility of the national coins, for domestic purposes, to operate the difference of market value, which is necessary to induce the bringing of bullion to the mint. In this case, all property and labour will still be represented by the same quantity of gold and silver, as formerly; and the only change which will be wrought, will consist in annexing the office of money exclusively to the national coins; consequently, withdrawing it from those of foreign countries, and suffering them to become, as they ought to be, mere articles of merchandize.

The arguments in favor of a regulation of this kind are—First, That the want of it is a cause of extra expence: there being then no motive of individual interest to distinguish between the national coins and bullion, they are, it is alleged, indiscriminately melted down, for domestic manufactures, and exported for the purposes of foreign trade; and it is added that when the coins become light by wearing, the same quantity of fine gold or silver bears a higher price in bullion than in the coins; in which state of things the melting down of the coins to be sold as bullion is attended with profit; and from both causes the expence of the mint, or in other words, the expence of maintaining the specie capital of the nation, is materially augmented.

Secondly—That the existence of such a regulation promotes a favorable course of exchange, and benefits trade, not only by that circumstance, but by obliging foreigners, in certain cases, to pay dearer for domestic commodities, and to sell their own cheaper.

As far as relates to the tendency of a free coinage to produce an encrease of expence, in the different ways that have been stated, the argument must be allowed to have foundation, both in reason and experience. It describes what has been exemplified in Great-Britain.

The effect of giving an artificial value to bullion, is not at first sight obvious; but it actually happened at the period immediately preceding the late reformation, in the gold coin of the country just named. A pound troy in gold bullion of standard fineness, was then from 19s. 6d. to 25s. sterl. dearer than an equal weight of guineas, as delivered at the mint. The phenomenon is thus accounted for—the old guineas were more than two per cent. lighter than their *standard weight*. This *weight* therefore, in bullion, was truly worth two per cent. more than those guineas. *It* consequently had in respect to them, a correspondent rise in the market.

And as guineas were then current by *tale*, the new ones, as they issued from the mint, were confounded in circulation with the old ones; and by the association, were depreciated below the intrinsic value, in comparison with bullion. It became of course a profitable traffic to sell bullion for coin, to select the light pieces, and reissue them in currency, and to melt down the heavy ones, and sell them again as bullion. This practice, besides other inconveniencies, cost the government large sums, in the renewal of the coins.

[*To be continued.*]

TREASURY DEPARTMENT,
JANUARY 25, 1791.

THE Public Creditors are reminded that, in order to the proper dispositions for paying the Interest in the several States, it is necessary that the amount to be paid in each should be previously known at the Treasury. And as the expiration of the first quarter is not far distant, it is wished that those who have not yet done it, may be expeditious in making and signifying their election, pursuant to the act making provision for the debt of the United States.