

the payment being made either by the individual himself, who has inflicted the injury, or by his tribe. A pecuniary payment thus comes to be looked upon as a satisfaction for a crime. When the custom of pecuniary compensation becomes general, disputes naturally arise as to the amount of the compensation. Hence the custom of referring the question to the arbitration of some impartial person—the second stage in legal progress. The person most likely to be selected is the poet of the tribe, whose duty it is to record its history, for he is familiar with what has been paid in similar cases previously. The positions of poet and judge thus come to be looked on as identical; and the ancient Irish law expressly tells us that in former times the legal jurisdiction was vested in the poets. It was the royal *poet*, Dubhthach, who exhibited “all the judgments and all the poetry of Erin” to Patrick, and was the principal compiler of the *Senchus Mór*. The next step is the direct interference of the tribe itself, or of its chief; and this occurs at first only when one of the parties refuses to refer the dispute to arbitration. Gradually, however, as the central authority gathers strength, its direct interference becomes the general mode of punishing crime, and the system of fines disappears altogether. The Brehon law never arrived at this latter stage of development—hence the permanence of the *eric fines*.

IX.—*Some Considerations on the Proposed Alteration in the Gold Coinage of the United Kingdom.* By Chas. F. Bastable, Esq. M.A., Professor of Political Economy, University of Dublin.

[Read Tuesday, 24th June, 1884]

FINANCIAL questions are happily as a rule examined without reference to party feelings: it is not thought requisite to be Conservative or Liberal in such matters. The only recognised distinction is that between the expedient and the inexpedient. This comparative immunity from party prejudices is, however, in one respect disadvantageous, as it hinders financial questions from being subjected to vigorous, even if one-sided criticism, and any measures proposed by the government of the day are, unless very much opposed to popular sentiment, almost sure to be passed after a perfunctory discussion. It is consequently most desirable that all such proposals should be closely examined; and I therefore wish to call the attention of this Society to the economic points involved in the proposed currency changes, and to consider them from a strictly scientific standpoint.

It must at the outset be remembered that the Chancellor of the Exchequer has had to deal with a special difficulty, and has only done so under the pressure of competent public opinion, as officially represented by the Institute of Bankers. That difficulty is the loss of weight in the greater part of the gold coinage which has arisen from gradual wear. Elaborate investigations of the subject* have

* W. S. Jevons, *London Statistical Journal*, vol. xxxi. pp. 426 *et seq.*, reprinted in *Investigation in Currency and Finance*, pp. 244 *et seq.* J. B. Martin, “Our Gold Coinage,” *Journal of Institute of Bankers*, vol. iii. pp. 297 *et seq.* H. I. Palgrave, “Deficiency of weight in our Gold Coinage,” *ib.* vol. iv. pp. 177 *et seq.*

shown that 55 per cent. of the gold coinage is now below its least current weight (122.5 grs. for the sovereign, 61.125 for the half-sovereign), so that out of 80,000,000 sovereigns in active circulation, 44,000,000 are light, and out of 40,000,000 half-sovereigns, 22,000,000 are in the same condition, from which it is apparent that the standard coinage is now depreciated, since the average sovereign is not of proper weight. For this evil a legal remedy exists at present. Every person to whom tender is made, of what is apparently light gold, is bound to weigh, and if it is not up to the legal limit, to deface it. The law is, however, almost universally disregarded; even the Post-office, though a government department, does not refuse light coin, and from the point of view of the economist (who has only to consider laws in so far as they are operative) it may be regarded as non-existent.

The coinage being admittedly in this unsatisfactory state, the most appropriate remedy has to be considered. It is plain that any attempt to enforce observance of the existing law would be impossible, and if possible very undesirable, as being likely to press most heavily on the poorer classes, who are unable to defend themselves from the pressure of more fortunately situated sections of the population, and inflict great injustice on those who by accident hold a large number of light coins. Arrangements for recoinage are therefore necessary, and provision for the expense involved must be made, as well as for that required to prevent similar debasement in future. There are three distinct items of outlay, viz. (1) The cost of gold required to make up the deficiency in weight of the light gold coins; (2) The cost of the process of recoinage; (3) The cost of providing for the withdrawal of coins which may for the future become light through legitimate wear. To obtain the necessary funds, Mr. Childers proposes a scheme which is not wanting in acuteness.

He desires to remove one-tenth of the gold at present contained in the half-sovereign, and to limit it as a legal tender to payments of under £5, thus reducing it to the position of a token-coin, which will, he thinks, be rendered easier by the fact that the half-sovereign has only a domestic circulation. He estimates that the gold thus obtained will amount to £2,000,000, on the recoinage of 40,000,000 half-sovereigns, with an additional sum of £25,000 *per annum* for twenty years, on the annual coinage of 500,000 half-sovereigns during that period. Taking the total cost of recoinage at £1,170,000, viz.,

Loss on light sovereigns,	£510,000
„ light half-sovereigns,	200,000
„ recoinage of half-sovereigns within legitimate limits,	20,000
„ sovereigns recoined within 20 years,	320,000
Expenses of recoinage,	70,000
Contingencies,	50,000
	<hr/>
	£1,170,000

He concludes that there would be an ample margin to meet the cost of withdrawing sovereigns that may hereafter become worn below

the least current weight, the charge for which is taken as equivalent to £40,000 per annum.

The ingenuity of the proposal is certainly great, and some common objections to it can be easily refuted. Thus, it is not true that the half-sovereign will be depreciated in relation to other coins. Though it will contain only nine shillings worth of metal, it will circulate at the value of ten shillings, since it is the quantity and not the cost of money which is the proximate condition mainly governing its value.* Besides, as two half-sovereigns will exchange for one sovereign, the former coin cannot be depreciated until things which are equal to the same thing have ceased to be equal to one another. A possible depreciation which may really arise from this proposal must be considered later on.

The sentimental objections to "tampering with" "sweating," and "debasement" the coin, may also be dismissed as futile; for the silver coinage has already undergone this process without any bad results. The metal in the shilling is only worth about nine pence, while that in the penny is only worth one farthing! The only limit to the reduction of the amount of metal in token-coins is that set by the danger of giving encouragement to private coining; and it may be added that it is the duty of the government to reduce the cost of of those coins as far as possible. Token-coins are scientifically considered only an intermediate stage between standard coin and paper money; in which latter case the whole value of the coin may be regarded as withdrawn for the profit of the issuer.†

But though this scheme is not open to some of the objections which have been urged against it, it is, I think, tainted with some serious faults which have hardly as yet received adequate notice.

(1) This plan is avowedly a makeshift. It proposes to alter a long established system of currency in order to meet a temporary emergency. The reduction of the half-sovereign to a token may perhaps be capable of justification; but if it is to be done at all let it be done as a measure expedient in itself and not as a prop to another measure. If we assume for a moment that the gold currency is not depreciated through wear, still the duty of reducing the half-sovereign is as imperative as ever, supposing it to be really expedient, since it is plainly the duty of the Finance Minister to avail himself of all legitimate sources of revenue in order to alleviate the pressure of taxation. Moreover, why should the limit of the seigniorage imposed be 10 per cent.? Would it not be better to deduct a larger amount so as to increase the profit derived? There is not a shadow of proof that the particular amount chosen is the highest to which seigniorage can be carried without encouraging private coiners. It is indeed very probable that an alloy of silver and gold might be struck worth, say 7s., as far as the materials composing it are concerned; by which course three times as much profit would be realised, while the token nature of the coin would become more apparent.

* See Mill's *Principles*, book iii. chs. 8 and 9, for a statement of this elementary point.

† Ricardo, *Works*, pp. 213 and 345.

(2) Though the objection that the half-sovereign would be depreciated in relation to the other coins is based on a total misconception of the conditions which regulate the value of money, yet it is by no means clear that the proposed change would not cause a general depreciation of the currency. To put the matter simply—the active English currency, as stated before, consists of 80,000,000 sovereigns, and 40,000,000 half-sovereigns; the sovereigns are short of their proper amount of gold to the value of £510,000. The deduction of one-tenth of the gold in the half-sovereigns will, after allowing for present deficiency in weight (about £200,000), come to £1,800,000, besides an annual addition for many years. £510,000 will go to replace the gold wanting in the sovereigns, and so far no effect will be produced on prices, which will remain at their present level (which is supposed to be a result of depression); but the balance, £1,290,000, will be coined into sovereigns, which will add to the quantity of money and so far raise prices. In fact this is only a particular instance of the principle broadly laid down by Tooke, *that seigniorage, unless accompanied by limitation, is synonymous with debasement*.* The International Coinage Commission of 1868 accepted this reasoning as conclusive; but I must confess that the implied assumption, viz., that the other factors which influence the value of money are quite independent, seems not to be necessarily true, for the additional coins may affect the efficiency of money or may pass out of active circulation. The point is, however, too obscure to be discussed in this paper; but this very obscurity shows the need of further inquiry before any change is made.

(3) Though the Chancellor of the Exchequer is correct in maintaining that the value of token-coins does not depend on the value of the metal contained in them, he yet seems to have fallen into an error in not consistently adhering to the proper idea of a token coinage. All such coins are a kind of representative money, and therefore require to be *guaranteed*. If the mint obtains 10s. for a coin containing only 9s. worth of metal, it must be prepared to pay 10s. in standard coin for it, when it is returned; so that while the new half-sovereigns will not be fit to constitute part of a sound bank reserve, they will themselves require to be guaranteed to one-tenth of their value, a point which materially affects the financial aspect of the pressure. The cost of guaranteeing such coins would of course vary according to the amount issued and the probability of their return. This objection may perhaps be put in a stronger form by considering that the field of use for token-coins is strictly limited, and that any excess would produce a glut of such coins, which would cause the return of the surplus quantity to the issuer, and reduce the profit to be derived.

(4) A more serious difficulty has to be next considered. It is admitted on all hands that the world's stock of gold is hardly sufficient for its needs, and that it is desirable that it should be economised as much as possible; while the reserve of gold in London in particular is reduced to a dangerously small amount. This proposal, if carried

* *History of Prices*, vol. i. p. 121.

into effect, will lock up £18,000,000 of gold in a purely token coinage which will not be available *as coin* at moments of crises, owing to its restricted legal tender (£5), and will not be used *as bullion*, since such a course would involve a loss of 10 per cent. to the users. It is surely a needless waste of resources, already strained to the utmost, to prevent this mass of gold being used as a basis for representative money, unless under conditions which would defeat the object aimed at.

(5) Is it really the case, as assumed, that the half-sovereign is merely a domestic coin? The testimony on the subject is decidedly conflicting, and the fact that it is a legal tender in Turkey, Portugal, and Brazil, not to mention the leading British Colonies, seems to show that no distinction is made between the two kinds of gold coins, and that an inconvenient change will be forced on several foreign countries which have hitherto accepted English gold coin as being all standard.

(6) Closely connected with the preceding objection is the plea that it is inexpedient to have two different classes of gold coins for domestic use—that the principles on which currency laws are based should be simple and easily understood, and that up to the present the English system conformed to this requirement. Gold is the standard metal; silver and copper are merely subsidiary. For the future this state of things would be altered, and a refined distinction between standard gold and token gold would come into existence—a distinction which I believe I am justified in stating exists nowhere else—though many countries have silver coins of different degrees of fineness.

(7) A technical point may close the list of difficulties which this proposal suggests. The present half-sovereign, though much heavier, is only about the same size as the sixpenny piece. The new coin will be one-tenth smaller and will be more difficult to manage, as well as much more likely to be lost. It will also, in accordance with the well known principle that small coins suffer more than large ones from abrasion, be sooner reduced to a point at which it must be withdrawn from circulation—a circumstance which will increase the expense of its maintenance. It is hardly sound policy to issue so small a coin of such a valuable material as gold.

In consequence of the foregoing considerations, I am led to the conclusion that the proposed change is very questionable. In holding this view I by no means contend that the scheme is absolutely unsound. If no other way were open for reforming the condition of the gold coinage it would be very advisable; but the existence of several alternatives removes this plea. The proposal made in 1868, to reduce the weight of the standard sovereign about one grain, so as to assimilate it to the suggested 25 franc piece, is worthy of reconsideration now. In any case the imposition of seigniorage to an amount sufficient to cover the cost of coinage, including that of withdrawing light coins, is highly expedient.

The cost of recoinage may be met now, as it was in 1696 and 1774, by the state. A halfpenny in the income-tax for one year would clear all the expense, and any possible improvement in the various coins could be adopted separately.

At all events the currency system should be dealt with as a whole, and on clearly defined principles; while the budget proposal is faulty in that it deals with an isolated matter in an over-subtle way. It might be conjectured that the ingenuity displayed is due to the deviser of the budgets of 1853 and 1860, which have marked epochs in English finance; but the complicated expedients of those budgets would never have produced the effect they did, unless they had been in harmony with the main tendencies of English economic legislation, and had appealed to intelligent public opinion for support. It may fairly be asked that no step shall be taken until the whole question of monetary reform has been submitted to a searching investigation by a Royal Commission. I believe that the main element of merit in this new proposal—the economy of a certain amount of gold—may be obtained in a far better way by the extension of paper-money, issued under sound regulations. Our currency legislation, as far as note issue is concerned, is in great need of unification, which could only be successful when based on complete and careful inquiry.

X.—*Baronial Guarantees under "The Tramways Act, 1883."*

By William F. Bailey, B. A., Barrister-at-Law.

[Read Tuesday, 24th June, 1884.]

ANYONE who has watched the progress of business at the last spring assizes in Ireland, must have been struck by the interest exhibited in, and the time and attention devoted to the question of the construction of tramways in accordance with the provisions of the Tramways Act of 1883. No sooner was the act passed than many energetic individuals set themselves to the promotion of numberless schemes for opening up the more inaccessible parts of the country by the construction of tramways and light railways. Many of these schemes had little substance in them, and were apparently started more with a view to the profit of the promoters than to the good of the public. Persons who had been aware that tramway legislation had been going on for over twenty years with regard to Ireland, were rather surprised at the sudden interest now exhibited in the subject. The cause of the change, however, lay in the fact that under previous acts all the risk and expenses of constructing, maintaining, and working the lines had to be borne by the promoters themselves, while the act of last session introduced the important principle of allowing baronial guarantees to be given for such purposes.

In a paper read before the Statistical Society in May, 1882, Mr. John A. Walker gave a useful and interesting epitome and review of the tramway legislation since the Act of 1860. He also added some suggestions as to how advantage should be taken of this legislation, and how the benefits which it was intended to bestow should be secured. The difficulties which stood in the way were twofold—first, to obtain the order in council permitting the construction of