

between 77s. and 77s. 10½d. will be the profit on every ounce of gold purchased, and the Mint, to be self-supporting, must purchase at this rate 230,000 oz. per annum.

Even if the Mint gives the highest market price, it cannot expect to purchase all the gold offered at Wellington. The Banks will buy, especially at that season of the year at which there is little or no other produce coming forward for export to England; but the Mint might calculate on purchasing from one-half to three-fourths of the gold which otherwise would be exported as bullion.

Therefore, under the assumed conditions, the annual export of gold from Wellington should not be less than 400,000 oz., if the Mint at that port is to be self-supporting.

I forward you with this a short memorandum explanatory of the action of Mints in Australia, which, though written with special reference to Victoria, may be found generally applicable to New Zealand.

I also enclose a copy of the Queen's Order in Council defining the constitution of the Melbourne Mint, and a copy of our regulations for the receipt and coinage of gold.

I shall be glad to receive a copy of the report and evidence of your Select Committee when published, and any other information regarding gold which you may have in your power to send me.

I have, &c.,
E. W. WARD.

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Enclosure 1 in No. 2.

MEMORANDUM respecting the Action of a Mint in Australia.

A MINT in Australia can be rendered serviceable in maintaining the local price of gold and wool and generally of all exports from this country to England.

In the absence of a Mint, the local price of gold, as that of any other product, must vary according to the demand, or according to the profit which a purchaser may be able to realize by its disposal. The gold produce of this country must also be exported, and the bulk of it is exported to England. The cost of its transmission and disposal, together with that of the return of the proceeds, affects the price which can be obtained for it if offered for sale in the local market.

Again, the balance of trade between England and Victoria affects the local demand, and therefore the local price of gold. If Victoria owes a balance of debt to England, gold will be in demand as a convenient remittance; and as the debt must be paid, the competition for gold will cause a rise in the local price, and thus compel debtors to bear some portion of the cost of transmission. The balance of debt might be so great, and the competition to purchase so active, that the whole of the cost attending the settlement might fall on the debtors. In such case the expense to the producer, connected with the disposal of the gold in England would be counterbalanced by the local demand for it as a remittance; and the local price—that is, the price obtainable in Victoria—would rise to the highest price it can realize in England—that is, the London Mint price of 77s. 10½d. the ounce standard.

On the other hand, as the balance of debt becomes due from England to Victoria, the local demand for gold as a remittance will diminish, and may cease. In the latter contingency, the producer would be compelled to bear the whole of the expense attending its final disposal in England, and the local price of gold would fall below the London Mint price to an extent equal to the expenses, including freight, insurance, loss of interest, and all charges attending its transmission and disposal, and the return of the proceeds to this country. These are the two natural extremes between which the price of gold in this Country may vary, in the absence of a more convenient market than England. The difference between the two is the cost of converting gold into coin.

A similar course of reasoning is to some extent applicable to wool as well as to all exports to England. The bulk of the wool of this country is exported to England. It is useful as a remittance; and the cost of its transmission must affect its local price, which also will rise when exports are in demand, or when a balance of debt is due to England, and fall when the balance is due to Victoria. As, however, the price of wool in England is not a fixed one as that of gold practically is, it is affected by an item of uncertainty from which gold is free; but for the present purpose this fact may be left out of consideration. The reasoning in regard to wool is generally applicable to all exports from this country to England, and the following conclusions may therefore be accepted in regard to exports taken collectively:—The prices in Australia of all exports for England may vary between two extremes, the difference between which represents the expenses attending their transmission to England, their disposal, and the return of the proceeds. The extent to which these prices will vary will depend on the extent to which the balance of trade between Australia and England may be disturbed.

The rise or fall in the rate of exchange on bills drawn in Australia on England indicates a corresponding rise or fall in the local price of exports for England.

In this country, the exporter usually draws a bill against his produce as he exports it, for a portion or for the whole of its estimated value. The bill is sold in the local market, generally to a Bank, to which the bills of lading representing the export are delivered as security. On the sale of the export in England, the proceeds are first applied to meet the bill. It is evident that an arrangement of this kind cannot affect the balance of trade between Victoria and England, by which the local price of exports is affected. It is clearly equivalent to a local sale of the export, or of a portion of it; and as the sale places the purchaser of the bill to the extent of its value in the position of the owner of the produce, the price received for the bill will depend on the balance of trade, or on the local price offering for the export—that is, when exports are in demand for remittance, bills drawn against them will rise in price perhaps to a premium; when they are in excess of the demand, such bills will fall perhaps to a discount.