

A Mint in Australia can thus restrain the disturbance in the balance of trade between England and Australia; but as it prevents an undue rise as well as fall in the local price of products brought forward for export, it might appear to be of no material benefit to the producer, as the average price might in both cases be the same. If we overlook the disadvantage which extreme fluctuations in price are to men of moderate means, who form the bulk of the mercantile community, this might be true in regard to the miscellaneous articles, valued at £600,000 per annum, which are exported for Great Britain at one uniform rate throughout the year; but it is not true in regard to either wool or gold. Wool producers are compelled, as the lesser of two evils, to export at a particular time of the year. By the rush to export, the local price for wool is lowered, and does not recover until the wool season is over.

If Australia were as near to England as the rest of Europe is, a fall in the rate of exchange would probably encourage excessive importation, which, by lowering the prices of imported articles, might make good to the local producer his loss by the fall of the exchange. No effect of this kind can be traced in the official returns of this Colony or in the price of imported articles. The loss on the exchange may therefore be regarded as absolute.

As regards gold, I shall show that the Mint will be able to purchase it throughout the year at the price which in this country is given for it when it is most in demand, or at its highest price. Thus, the two industries of this country, which produce and export to England about £8,000,000, will receive a substantial support by the presence of a Mint in Australia.

It has already been explained how a rise or fall in the local price of exports destined for England is indicated by a rise or fall in the rate of exchange in Australia on England. I have therefore attached to this memorandum a return which gives the highest and lowest rates of exchange which prevailed in Sydney on London in each year from 1841 to 1869. The first ten years in this return refer to a period previous to the discovery of gold. During these, the average depression of the exchange below par was 4 per cent., and the extreme depression $7\frac{1}{2}$ per cent.

The next four years represent the period between the first discovery of gold and the opening of the Mint in Sydney.

In these, the average depression below par was $6\frac{1}{2}$ per cent., and the extreme depression 12 per cent. The next fifteen years represent the period affected by the action of the Mint. In these, the average depression of the exchange below par was less than 1 per cent., and the extreme depression but $1\frac{1}{2}$ per cent.

This depression of the exchange always occurred in the season for exporting wool, and as each pound sterling per cent. of fall in the exchange indicates a corresponding fall in the local price of produce coming forward for export at the time, it appears that the effect of the Mint has been to sustain, to the extent of from 3 to 5 per cent., the local price in Sydney of wool, gold, and all exports shipped for England during the wool season.

In this illustration, the position of Sydney before the discovery of gold and the introduction of a Mint has been compared with its position since the Mint has been established, in order the more clearly to show, by reference to the rates of exchange which prevailed in each year, the effect which a Mint in Australia is capable of producing. Had the Mint been first established in Melbourne, the effect here would have been as conspicuous; but it is not contended that further results as important will follow the opening of a second Mint in Australia.

It has been shown that the price of gold may vary between two extremes, the difference between which is the cost of converting it into coin.

When there was no Mint in Australia, the cost of coining Australian gold, including loss of interest, freight, insurance, and all charges, was not less than 8 per cent., or 6s. 2d. an ounce, and in time of war, or other disturbing cause, much greater. At that time a corresponding fluctuation was possible in the local price of gold. When the Mint was established in Sydney, the cost of coining, in respect of Victorian gold, was reduced to about 2 per cent., or about 1s. 6d. an ounce, and a corresponding support given to the price of gold. When the Mint in Melbourne is at work, the cost of coining need not exceed $4\frac{1}{2}$ d. an ounce.

Thus the immediate and sensible effect of the Mint in Melbourne, will be to further limit the fluctuations in the price of gold, and to sustain it throughout the year 1s. an ounce above the average price of late years.

The effect of the Melbourne Mint on the local price of other exports will perhaps not be so marked as to be directly traceable in the rates of exchange, as other causes, such as a diminished production of gold, have an opposite tendency, and may conceal the action of the Mint. It will not on that account be less certain.

There is one other benefit which can be derived from a Mint in Melbourne, to which I have not yet referred. When the Government desire to raise a loan, for expenditure in the Colony, by the issue of debentures, the power of doing so with advantage in the local market, is limited by the amount of capital in the Colony seeking investment in that class of security. Debentures issued in excess of this amount, even if taken up by the monetary institutions of the Colony, must be transmitted for sale to other markets, and generally to London; and thus the price at which they will be taken up here will depend on the then existing balance of trade between England and Victoria, as they will enter the market for sale as an additional article of export, of which the proceeds will be required in the Colony.

So far as the Mint is able to sustain the rate of exchange on England, it will be able to sustain the price of these debentures. The preceding discussion, however, suggests one precaution. The debentures should not be offered for sale in the local market during the time of the year in which wool is coming forward for export.

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