Enclosure in No. 26.

Mr. LINGEN to the UNDER SECRETARY of STATE for the COLONIES.

SIR,— Treasury Chambers, 8th December, 1873.

The Lords Commissioners of Her Majesty's Treasury have had before them the letter dated 4th June last, in which the Secretary of State asks them to again take into consideration the application of the bankers of Melbourne, praying that the branch of the Royal Mint at Melbourne may be empowered to coin silver. Lord Kimberley points out that the Government of Victoria strongly supports that request, and adds his hope that this Board will accede to it.

The question is beset with difficulties, and my Lords had trusted that the explanation offered by the Deputy-Master of the Mint would remove the apprehension of the bankers that it might not be possible to comply promptly with their requirements.

My Lords, however, understand the Colonial Government to suggest that the privilege of coining silver on its own account should be conceded. The wishes of the Government are entitled to the most respectful attention, and in again giving their careful consideration to the subject, my Lords will at once declare that they have no desire to insist on the Colony continuing to depend upon the Royal Mint in London for all supplies of silver coin which it may from time to time require, but they would be unable to consent to any arrangement whereby silver coin that would circulate in the United Kingdom, and would, when worn, have to be withdrawn at its expense, should be issued from any but the Royal Mint. If, then, the privilege of coining silver were granted to the Colony, it would be necessary that the coin so issued should be distinct in character from the silver coinage of the United Kingdom. Other arrangements would have to be made, to which further allusion need not be made at the present stage; but my Lords may remark that it would be necessary to make known such arrangements to the other Colonies.

My Lords, however, while stating their readiness to meet, as far as possible, the views of the Colonial Government, are most anxious that the difficulties of the case should not be passed over, and they would call the attention of the Secretary of State to the following considerations:—

Gold is the single standard of value in the United Kingdom and in certain Colonies using the same system of coinage, and it follows that silver is only required for the purposes of a subsidiary and token coin. The nominal exceeds the intrinsic value of a token coin; there is in consequence a profit on the issue of token coinage, and mischief must ensue if due precaution be not taken to counteract the temptation arising thence to over issue. This object is attained in the United Kingdom by restriction on the amount for which the silver is legal tender; by the reservation in the hands of the Government of the power of issue; and by the requirement that persons obtaining silver coin from the Mint must pay for it at the rate of one pound sterling for every twenty shillings, a price considerably in excess of the intrinsic value of the coin.

Further, in practice, the Royal Mint supplies silver coin, not to all comers, but only to certain recognized bodies or authorities, who are in a position to ascertain the real wants of the public. Thus silver is issued in the United Kingdom only through the Bank of England, the Bank of Ireland, and certain appointed Scotch Banks, while the Colonial demands are received only through the Colonial Government.

As, therefore, the Imperial Government, to which alone profit accrues, does not issue on its own initiative, and the price paid by the public effectually prevents any demand except for the legitimate requirements of a subordinate circulation, an effective check is obtained.

This check can be maintained under present arrangements without difficulty, since the Imperial Government alone is responsible for the management of the silver coinage. On the one hand it issues the coin, and on the other it withdraws it when worn, paying for it the full nominal value which it has borne in circulation.

My Lords describe thus minutely the peculiarities of a token coinage, because it is essential that they should be recognized and understood by those who deal with the subject. Above all, it must be borne in mind that the privilege of issuing implies the duty of withdrawing tokens at their full nominal value, and the question now under discussion is on this point especially complicated.

As far as gold coin is concerned, it is of no consequence whether it be issued from the Mint in the United Kingdom, or from a branch Mint in a Colony, for it possesses its full nominal value, and the holder, not the State, abides the loss arising out of wear and tear. In the case of silver coinage, however, the State is responsible for wear and tear, and bears the loss consequent on withdrawal.

Further, my Lords trust that the Secretary of State will not overlook the temptation to overissue tokens, if they can be circulated outside the limits of the issuing State. An example of this concurrent circulation may be found in the large numbers of French bronze coin passing from hand to hand in England; and instances are not wanting in Europe in which, notwithstanding the efforts made by the Governments interested, tokens of one country are freely accepted in other countries where they are not legally current. It will be evident that the introduction of tokens, the produce of foreign Mints, without limit into a State, deprives that State of effective control over its token currency, and may be the occasion of pecuniary loss, and of conflicts of opinion between the parties interested.

Prudence dictates that such conflicts should be foreseen and guarded against, before a line of policy likely to engender them is adopted, rather than they should be fought out as they arise, in circumstances probably not favourable to conciliation.

It appears to my Lords that the attention of the Colonial Government should be drawn to these facts, and that it should be invited to consider the following points, which must be decided before a Colony could be permitted to undertake its own coinage, viz.:—

1. The terms upon which, and the limitations under which, the branch of the Royal Mint at Melbourne should coin silver?
2. The principle upon which silver coin of the Royal Mint in London circulating in Victoria, and silver coin of the branch of the Royal Mint in Melbourne circulating in the United Kingdom, is to be withdrawn?