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The Rise of the Gold Standard, 1660-1819

1717 September 21

Report of Sir Isaac Newton, Master of the Royal Mint, to the Lords Commissioners of His Majesty's Treasury, on the price and relationship of gold to silver and the consequences for the coinage of the kingdom. Newton prepared the report in response to the Treasury's request for an account of the large amounts of gold coming in to the Mint and the flight of silver to India. In his report, Newton devalued the guinea, coined in standard gold at 916 parts out of 1000 fine, to £1.1s.6*d.* This was equivalent to a price of £3.17s.10½*d.* per standard ounce of gold and £4.4s.11½*d.* per ounce of fine gold. Except for the period of the Napoleonic wars when cash payment in gold was suspended, this price persisted until the early 20th century.

In Obedience to Your Lord'ps Order of Reference of August 12th that I should lay before Your Lord'ps a State of the Gold & Silver Coyns of the Kingdom in weight and fineness, and the Value of Gold in proportion to Silver, with my Observations and Opinion, & what Method may be best for preventing the melting down of the Silver Coyn: I humbly represent, that a pound weight Troy of Gold eleven ounces fine and one ounce allay is cut into 44½ Guineas, and a pound weight of Silver eleven ounces two penny weight fine & eighteen penny weight allay is cut into 62 Shillings. And according to this rate, a pound weight of fine gold is worth Fifteen pounds weight six ounces seventeen penny weight & five grains of fine silver, recconing a Guinea at 1*l.*1s.6*d.* in Silver money. But Silver in Bullion exportable is usually worth 2*d.* or 3*d.* per ounce more then in Coyn. And if at a Medium such bullion of standard allay be valued at 5s.4½*d.* per ounce per ounce, a pound weight of fine Gold will be worth but 14*wt.* 11oz. 12*dwt.* 9gr. of fine Silver in bullion. And at this rate a Guinea is worth but so much Silver as would make 20s.8*d.* When ships are lading for the East Indies, the demand of Silver for Exportation raises the price to 5s.6*d.* or 5s.8*d.* per ounce or above: but I consider not those extraordinary cases.

A Spanish Pistole was coyned for 32 Ryalls or four pieces of Eight Ryalls, usually called Pieces of Eight, & is of equal allay & the Sixteenth part of the weight thereof. And a Doppio Moeda of Portugal was coyned for ten Crusados of Silver & is of equal allay and the Sixteenth part of the weight thereof. Gold is therefore in Spain and Portugal of Sixteen times more value then Silver of equal weight and allay according to the standards of those Kingdoms. At which rate a Guinea is worth 22s.1*d.* But this high price keeps their Gold at home in good plenty, & carries away the Spanish Silver into all Europe; so that at home they make their payments in Gold, and will not pay in Silver without a premium. Upon the coming in of the Plate fleet, the premium ceases or is but small; but as their Silver goes away and becomes scarce, the premium increases & is most commonly about Six per Cent, which being abated a Guinea becomes worth about 20s. & 9*d.* in Spain and Portugall.

In France a pound weight of fine Gold is reconed worth Fifteen pounds weight of fine Silver. In raising or falling their Money, their Kings Edicts have sometimes varied a little from this proporc[i]on in excess or defect: but the variations have been so little that I do

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not here consider them. By the Edict of 1709 a new Pistole was coined for four new Lewises & is of equal allay & the Fifteenth part of the weight thereof except the Errors of their Mints. And by the same Edict fine Gold is valued at Fifteen times its weight of fine Silver. And at this rate a Guinea is worth 20s.8½*d.* I consider not here the Confusion made in the Monies in France by frequent Edicts to send them to the Mint and give the King a Tax out of them. I consider only the value of Gold and Silver in proportion to one another.

The Ducats of Holland & Hungary & the Empire were lately current in Holland among the common people in their Marketts and ordinary affairs at five Guilders in specie & five Stivers, and commonly changed for so much. Silver Monies in three Guilder pieces & Guilder pieces, as Guineas are with us for 21s.6*d.* sterling. At which rate a Guinea is worth 20s.7½*d.*

According to the rates of Gold to Silver in Italy, Germany, Poland, Denmark & Sweden, a Guinea is worth about 20s. & 7*d.*, 6*d.*, 5*d.*, or 4*d.* For the proportion varies a little within the sev[era]l Governments in those Countries. In Sweden Gold is lowest in proportion to Silver, & this hath made that Kingdom which formerly was content with Copper Money, abound of late with Silver sent thither (I suspect) for Naval stores.

In the end of King William's reign and the first year of the late Queen, when Forreign Coyns abounded in England, I caused a great many of them to be assayed in the Mint & found by the assays that fine Gold was to fine Silver in Spain, Portugal, France, Holland, Italy, Germany & and the Northern Kingdoms in the proportions above mentioned, Errors of the Mints excepted.

In China and Japan one pound weight of fine Gold is worth but Nine or ten pounds weight of fine Silver; & in East India it may be worth Twelve. And this low price of Gold in proportion to Silver, it carries away Silver from all Europe.

So then by the Course of Trade & Exchange between nation & nation in all Europe, fine Gold is to fine Silver as 14 4/5 or 15 to one; and a Guinea at the same rate is worth between 20s.5*d.* & 20s.8½*d.* except in extraordinary cases, as when a Plate fleet is just arrived in Spain, or ships are lading here for the East Indies, which cases I don not here consider. And it appears by experience as well as by reason that Silver flows from those places where its value is lowest in proportion to Gold, as from Spain to all Europe & from all Europe to the East Indies, China & Japan; & that Gold is most plentiful in those places in which its value is highest in proportion to silver, as in Spain and England.

It is the demand for Exportation which hath raised the price of Exportable Silver about 2*d.* or 3*d.* in the ounce above that of Silver in Coyn, & hath thereby created a Temptation to export or melt down the Silver Coyn rather than give 2*d.* or 3*d.* more for Forreign Silver. And the demand for exportac[i]on arises from the high price of Silver in other places then in England in proportion to Gold, that is, from the higher price of Gold in England then in other places in proportion to Silver: & therefore may be diminished by lowering the value of Gold in proportion to Silver. If Gold in England or Silver in East India could be brought down so low as to bear the same proportion to one another in both places, there would be here no greater demand for Silver then for Gold to be exported to India: And if Gold were lowered, only so as to have the same proportion to the Silver Money in England that it hath to Silver in the rest of Europe, there would be no temptation to export Silver rather than Gold to any other part of Europe. And to compass this last there seems nothing more requisite then to take of about 10*d.* or 12*d.* from the Guinea, so that Gold may bear the same proporc[i]on to the Silver Money in England which it ought to do by the Course of

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Trade & Exchange in Europe. But if only 6*d.* were taken off at present, what further effects would shew hereafter better then can appear at present, what further reduction would be most convenient for the publick.

In the last year of King William, the Dollars of Scotland worth about 4*s.*6½*d.* were put away in the North of England for 5*s.* & at this price began to flow in upon us. I gave notice thereof to the Lords Comm[issione]rs of the Trea[su]ry, & they ordered the Collectors to forbear taking them & thereby put a stop to the mischief.

At the same time the Lewidors of France which were worth but Seventeen Shillings and three ffarthings apiece passed in England at 17*s.*6*d.* I gave notice thereof to the Lords Comm[issione]rs of the Trea[su]ry, & his late Ma[jes]ty put out a proclamation that they should go but at 17*s.* & thereupon they came to the Mint & 1,400,000*l.* were coyned out of them. And if the advantage of 5¼*d.* in a Lewidor sufficed at that time to bring into England so great a quantity of French Money, and the advantage of three farthings in a Lewisdor to bring to the Mint: the advantage of 9½*d.* in a Guinea or above may have been sufficient to bring in the great quantity of Gold which hath been coined in these last Fifteen years without any Forreign Silver.

Some years ago the Portugal Moeders were received in the West of England at 28*s.* apiece. Upon notice from the mint that they were worth only about 27*s.*7*d.* the Lords Commissioners of the Treasury ordered their Receivers of Taxes to take them at no more then 27*s.*6*d.* Afterwards many Gentlemen in the West sent up to the Treasury a Peticion that the receivers might take with them again at 28*s.* & promised to get returns for this Money at that rate, alledging that when they went at 28*s.* their Country was full of Gold which they wanted very much. But the Commissioners of the Treasury considering that at 28*s.* the Nation would loose 5*d.* apiece, rejected the Peticion. And if an advantage to the Merchant of 5*d.* in 28*s.* did pour that money in upon us: much more hath an advantage to the Merchant of 9½*d.* in a Guinea or above, been able to bring into the Mint great quantitys of Gold without any Forreign Silver, and may be able to do it still, till the cause be removed.

If things be lat alone till Silver Money be a little scarcer, the Gold will fall of itself, for people are already backward to give Silver for Gold, and will in a little time refuse to make payments in Silver without a premium as they do in Spain, & this premium will be an abatement in the value of the Gold. And so the Question is, Whether Gold shall be lowered by the Government or let alone till it falls of itself by the want of Silver Money.

It may be said that there are great quantitys of Silver in Plate, and if the plate were coyned there would be no want of Silver Money. But I recon that Silver is safer from exportacion in the form of Plate then in the form of Money, because of the greater value of the Silver and fashion together. And therefore I am not for coyning the Plate till the Temptation to export the Silver Money (which is a profit of 2*d.* or 3*d.* an ounce) be diminished. For as often as men are necessitated to send away Money for answering Debts abroad, there will be a Temptacion to send away Silver rather than Gold, because of the profit, which is almost 4 per cent. And for the same reason Forreigners will chuse to send hither their Gold rather then their Silver.

Source: Hall and Tilling, eds., 1976, no. 1264, pp. 415-419, esp. 415-418, from the original in the PRO, T 1/208, no. 43, fols. 204-205; PP, Commons, 1830, 110, vol. 17, pp.

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359-361; *Cobbett's Parliamentary history* 7, cols. 526-529; *Journal of the House of Commons* 18, pp. 664-665; Shaw, ed., 1896, pp. 189-195.