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The Rise of the Gold Standard, 1660-1819

1718 October 20

Memorandum containing Sir Isaac Newton's observations on the state of the gold and silver coins. There exists a clerical manuscript copy of the memorandum dated from two days after the version reproduced here, which contains significant additions and revisions. The editors were unable to locate the official version of the memorandum, but they suspect that the draft reproduced here was taken from the official version.

Obs. 1. Standard Gold before sixpence was taken from the Guinea was worth *3*l*.19*s*.9¼*d**. per ounce at the Mint, & by taking six pence from the Guinea became worth *3*l*.17*s*.11*d**. per ounce. And standard silver is there worth *5*s*.2*d**. per ounce. But the demand for exportation hath raised both species above the price at the Mint, & thereby hath carried out all the forreign silver for many years, & began to carry out some of the forreign gold last November, & therefore raised the price of gold for exportation above the Mint price before the sixpence was taken from the Guinea. But it never raised it to more then *4*l*.0*s*.6*d**. per ounce, nor kept it long at that price. For in March last, forreign gold fell down below the old Mint price, & hath ever since continued below it, being at *3*l*.19*s*.6*d**. & for the most part at *3*l*.19*s*.0*d**. & under. And therefore the price of forreign Gold for exportation was raised the last winter by some other cause then the taking sixpence from the Guinea. And the price of Gold for exportation to forreign markets having been ever since March below the old Mint-price, that price was certainly too high.

Obs. 2. The price of gold for exportation depends upon the price in forreign markets & answers to the course of exchange. When the Exchange is lowest the price of forreign gold is highest & on the contrary. And thence the coinage of gold hath of late years been greater or less according as the course of Exchange hath been higher or lower. In the year 1713 the course of Exchange & the coinage grew high together. In the years 1714 & 1715 the Exchange was highest, it being (for instance) with Amsterdam from 36 to 37 shillings, & then the coinage was greatest. In the year 1716 the Exchange was only from 35 to 36 shillings with Amsterdam & proportionally with other places, & the coinage abated accordingly. In the year 1717 the Exchange with Amsterdam was only from 34 to 35.2, & the coinage abaated to one half of what it had been two or three years before. And in this present year the Exchange has been only from 33.10 to 34.10 till within this fortnight; & this course of Exchange together with the discouragement of the coinage of gold by the taking sixpence from the Guinea, hath carried out almost all the Gold imported & thereby hath had the same good effect for paying our debts abroad in gold & preserving our silver, wch the Bill proposed [during] the last Sessions of Parliament would have had if it had been passed into an Act for stopping the coinage of gold. Whence those debts is arose is difficult to understand without more skill in Trade than I can pretend to. But considering that a good part of the Gold imported in the years 1713, 1714, 1715 & 1716 was in French money & Ducats, I suspect that after the war with France was at anend, great quantities of gold were sent hither to pay for Stocks untill the interest of Stocks was lowered by Act of Parliament: & since the discouragement some forreigners have been drawing their moneys back with the interest & some their stocks [i.e., perhaps, 'with the Interest of

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their Stocks', as the manuscript copy reads] & some gold hath this year been to the Mints in France.

Obs. 3. The course of Exchange was as low in November last before the *6d.* was taken from the Guinea, and it was afterwards in February last; & both times was at the lowest, being (with Amsterdam) at 33.10. And therefore the lowness of the Exchange last winter arose, not from the taking sixpence from the Guinea, but from the debts wch we had abroad before the sixpence was taken off. Which debts, if the coinage of gold had not been discouraged by taking *6d.* from the Guinea, might have remained unpaid till they could have been paid in silver with more advantage to private persons.

Obs. 4. By the payment of our debts abroad in Gold the demand for exportation hath abated ever since February last, & the exchange hath risen gradually to 35 shillings & gold hath fallen down gradually to the Mint price & begun to come to the Mint again, so that within a fortnight so much gold hath come to ye Mint as will make above 75000*l.* Whence I gather that whenever the Exchange with Amsterdam is above 35 shillings it will bring gold to the Mint & would have brought gold to the Mint in the years 1713, 1714, 1715, 1716 & part of 1717 although the sixpence had been taken off before, the exchange with Amsterdam in all those years being above 35 shillings & for the most part above 36. And therefore in all the gold then coined, which was above five millions, the nation would have saved sixpence per Guinea had the sixpence been taken off before.

Obs. 5. The demand for exportation hath ever since the sixpence was taken from the Guinea, raised the price of silver about three times more then the price of gold & sometimes four or five times more or above. And therefore the temptation to export gold moneys hath all this year been three times less then the temptation to export silver moneys. And if this temptation hath not this year sensibly diminished the quantity of our silver moneys it hath much less carried out our gold moneys: And all or almost all the gold wch hath been exported this year hath been in forreign bullion. And by consequence the nation hath lost little or nothing by the exportation, because the bullion being forreign, went out at the same price it came in at. Forreigners or their Agents who here receive guineas in payments, will lose above *3d.* per Guinea by exporting them, besides the danger they run by breaking the Law. [The manuscript copy continues: 'there hath been above £110,000 Imported Gold to be coyn'd since Christmas, and the *6d.* per Guinea sav'd in all this Coynage will recompense abundantly the loss of *6d.* per Guinea in all the Guineas Exported by Forreigners, and therefore there is nothing in the Objection, that in making payment to Forreigners in Guineas we lose *6d.* per Guinea, for we get the *6d.* again in receiving back all the Guineas which they do not Export'.]

Obs. 6. Since the demand of silver for exportation hath all this year been three times greater then that of Gold, no gold would have been exported this year had it not been for the want of forreign silver; & the exportation thereof hath prevented the exportation of the same value of forreign silver as fast as it could have been procured for paying debts abroad, & in the mean time hath saved the of the debts paid off.

Obs. 7. And this expenditure ['exportation', in the manuscript copy] hath been a further advantage to the nation by raising the course of exchange from 33.10 to 35. For when the exchange is low the nation loseth by it so much as it is under the par. And if the debts which have been paid in gold had continued till they could have been paid in silver, they would have caused the exchange to continue low.

Obs. 8. And to restore the sixpence to the Guinea would be to lose these advantages, & to give more by above ninepence in the Guinea for all the gold which shall be coined

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hereafter then it is worth in forreign markets, & to revive the corrupt trade of exporting silver to buy gold abroad & importing gold to buy silver at home.

Source: Hall and Tilling, eds., 1977, no. 1302, pp. 8-10, from the holograph draft in the Mint Papers II, fols. 124-125.