

4 MODERN MONETARY SYSTEMS

In our times—in France since the Revolution—this custom has ceased. The State extends a different treatment to precious metals, or at least to that metal which it has decided to use as the basis of its monetary system and to adopt as its standard. It is true that this metal is minted by the State and by the State alone ; but it is no longer bought, it is *accepted* in unlimited quantities by the mints from individuals who wish to have it coined. They bring their bar metal and it is given back to them in the form of minted money *weight for weight* except that in certain countries a small amount is deducted for *expenses of minting*. This is the system of *free coinage* or of *free money*.

Thus the State no longer claims either to restrict the entry of precious metals admitted under this system and the issue of the coins of which they are made or to tariff the coins. It therefore appears to limit itself to putting into circulation metal ingots brought by individuals, after having transformed them into smaller pieces of more convenient size, of which it certifies the weight and fineness.

Nevertheless, the law has thenceforward and once for all defined the monetary unit in terms of a certain weight of fine metal and every coin bears the number of units which it represents. Thus, as a result of the mere definition of a monetary unit, a bar of a given weight of fine metal represents a given number of monetary units in all those countries to which gold is admitted for free coinage.

The true theoretical significance of this provision will be defined later, and we will only add here that nothing is easier than to determine the ratio between the monetary units of two countries, *e.g.*, the franc and the pound, if the same metal is admitted to free coinage in both countries ; for each of these monetary units corresponds to a given weight of fine metal. Hence there is a constant ratio between them, *viz.*, the ratio between the respective weights of fine metal which they contain. The ratio between them, called mint par, is based on their material content, and—once given the definition of each monetary unit—it is not arbitrary. In virtue of this ratio of weight, which corresponds by the mere definition of the monetary units to a