

MINUTES OF EVIDENCE

X 61.2.1984

TAKEN BEFORE

C8

THE COMMITTEE

APPOINTED TO INQUIRE INTO THE

INDIAN CURRENCY,

TOGETHER WITH AN

ANALYSIS OF THE EVIDENCE.

PART I.

Presented to both Houses of Parliament by Command of Her Majesty.



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LETTER from the SECRETARY OF STATE FOR INDIA to
SIR HENRY FOWLER.

SIR,

India Office, 29th April 1898. ✓

I ENCLOSE for your perusal a copy of a letter recently received from the Government of India on the subject of the measures to be taken for making effective the policy adopted by Her Majesty's Government in 1893, and initiated by the closing of the Indian mints. I also enclose a copy of my reply.*

You are aware of the fact that the adoption of this policy followed upon an exhaustive inquiry by a Committee presided over by Lord Herschell, and that copies of the Report of that Committee, of the evidence taken by it, and of the consequent correspondence between the Secretary of State for India in Council and the Government of India, were laid before Parliament. You are also aware that, in the autumn of 1897, proposals for an international agreement affecting the currency of India were under the consideration of Her Majesty's Government, and that a correspondence on the subject, including a very important letter from the Government of India, was published as a Parliamentary paper as soon as a decision had been arrived at. To all these documents I would invite your special attention.

In consideration of the very great importance of the subject of the Government of India's proposals, it has been decided to refer them to a Committee, which will consider whether the object which the Government of India have in view can best be attained by the measures which they suggest or otherwise. It will be the duty of the Committee to deliberate and report to me upon these proposals, and upon any other matter which they may regard as relevant thereto, including the monetary system now in force in India, and the probable effect of any proposed changes upon the internal trade and taxation of that country; and to submit any modifications of the proposals of the Indian Government, or any suggestions of their own, which they may think advisable for the establishment of a satisfactory system of currency in India, and for securing, as far as is practicable, a stable exchange between that country and the United Kingdom.

The Committee will meet in this Office, and, in accordance with the precedent of 1892-93, its proceedings, so long as it is in session, will for obvious reasons not be open to the public, though they will be published when its labours are over, with the evidence and information it has collected. Subject to this condition, it will be at liberty to act as its members may think most desirable for the attainment of the end in view.

You will observe that, in my Despatch of the 7th of April 1898, I have assured the Government of India that no effort would be wanting, either on the part of the Committee or on that of Her Majesty's Government, to arrive at a speedy decision; and I trust that the Committee will accordingly avoid all unnecessary delay, and will confine their inquiry strictly to such matters as they may deem relevant to the question under consideration.

You have already intimated to me your willingness to accede to my request that you would act as Chairman of this Committee, which will be constituted as follows :—

- ✓ The Right Honourable Sir Henry H. Fowler, G.C.S.I., M.P., Chairman.
- The Lord Balfour of Burleigh, Secretary for Scotland.
- Sir John Muir, Bart., lately Lord Provost of Glasgow.
- Sir Francis Mowatt, K.C.B., Secretary to the Treasury
- Sir David Barbour, K.C.S.I., lately Financial Member of the Council of the Governor General of India.
- Sir Charles Crosthwaite, K.C.S.I., Member of the Council of India.
- Mr. F. C. Le Marchant, Member of the Council of India
- Mr. Everard Hambro, a Director of the Bank of England.
- Mr. W. H. Holland, President of the Manchester Chamber of Commerce.
- Mr. Robert Campbell, General Manager of the National Bank of India ; and
- Sir Alfred Dent, K.C.M.G.
- Mr. Robert Chalmers, of Her Majesty's Treasury, will act as Secretary to the Committee.

I shall be prepared, on receiving your report, to give to it my most careful and prompt consideration.

The Right Honourable
Sir Henry H. Fowler, G.C.S.I., M.P.,
&c., &c., &c.

I am, &c.
(Signed) GEORGE HAMILTON.

ANALYSIS OF EVIDENCE.

SIR J. L. MACKAY, K.C.I.E.

Is a member of the Council of India; was for many years engaged in business in India; was President of the Bengal Chamber of Commerce, and Member of the Viceroy's Legislative Council, 1-6.

Decline in the value of silver and of the rupee from 1873,—in spite of the purchases of silver by America under the Bland Act and the Sherman Act, 7-22, 520.

Suggestions as to reform of Indian currency system made by Bengal Chamber of Commerce in 1892, 23-5.

Appointment of Lord Herschell's Committee in 1892 to consider the expediency of stopping the free coinage of silver, 26-32.

Lord Herschell's Committee reported in favour of the closing of the mints; the measure carried out; difference of opinion among the mercantile community in India in 1892 and 1893, 33-59, 532-37, 555-70.

Experience has shown that the objections of the closing of the mints were not well founded. The chief objections were:—

- (1.) That the exchange value of the rupee would continue to follow the price of silver, 60-111.
- (2.) That political trouble would arise from the depreciation of uncoined silver in the possession of the natives of India, 60, 156-80, 543-54, 695-7, 779-80.
- (3.) That the export trade of India would be injured if the fall in exchange were arrested, 60, 181-246.
- (4.) That the Government revenue from railways and irrigation works would decline, 60, 247-49.
- (5.) That the balance of trade would go against India, 60, 250-8.
- (6.) That illicit coinage would be encouraged, 60, 259-62.
- (7.) That discontent would be created, 60, 263-4.
- (8.) That the Government would have the power of manipulating the currency for its own purposes, 60, 265-312.
- (9.) That Indian manufactures would suffer, 60, 313-43.
- (10.) That the export trade in yarn and rice would suffer, 60, 343.
- (11.) That Indian raw cotton would be handicapped in competition with American cotton, 60, 344-50.
- (12.) That the internal trade of India would be hampered, 60, 351-405.
- (13.) That the tea industry would be injured, 60, 186-8, 206-9, 415-77, 529-31.

Wages and prices have not been much affected by the rise of the exchange value of the rupee above the intrinsic value, 112-8, 124-51, 328, 538-9, 781-3; though the price of opium has fallen, 118-20, 123, 152-4, 540-2.

Increased output of coal in India since closing of mints, 406-14.

Diversity of opinion in India as to effects of the closing of the mints and as to the further measures that should be adopted, 491-515, 690-4.

Large speculative imports of silver into India previous to 1893, resulting for a time in low bank rate, 519-21, 724-6.

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The locking up of money collected by the Government as revenue causes some inconvenience, 375-83, 395-99, 403-5, 781-3.

Various causes other than those affecting the volume of the currency affect the rate of exchange, and have affected it since the closing of the mints, viz.: the reduction in the imports of silver, borrowing in England, remittance of capital from India, good and bad harvests, the price outside India of products exported from India, 96-7, 101-6, 245, 593-629, 773-4.

SIR J. L. MACKAY, K.C.I.E.—cont.

Prices in India do not indicate a contraction of the currency, though a contraction may have taken place, 630-42.

Currency redundant till 16*d.* basis is established, 700-2.

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Gain to the Government of India through the closing of the mints, 784-9.

Is opposed to the re-opening of the mints and in favour of the establishment of a gold standard at 1*s.* 4*d.* the rupee, 790-3.

MR. J. E. O'CONNOR, C.I.E.

Is Director-General of Statistics to the Government of India, and has written an annual review of the trade of India since 1875, 798-805.

Trade of India: Foreign trade.

Neither imports nor exports have been permanently affected in volume or value, though disturbed and embarrassed from time to time, by fluctuations of exchange, and there has been occasional temporary stimulus or restriction by sudden and large changes.

In the two years ending with 1897-8, trade was contracted, not in consequence of the rise in exchange, but in consequence of the failure of crops combined with plague; it is now proceeding actively in most articles and especially in wheat; there is no reason to suppose that trade will not be maintained at full volume, permitting the drawing of Council bills in full at a rate of 1*s.* 4*d.*, 806-45.

Dimensions of the trade in the period before and the period since the closure of the mints, 958-66, 1108-17, 1140-7.

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Nature of Council bills, their connexion with mercantile transactions, effect of Council drawings on the export trade, 1070-81, 1221-5, 1241-323, 1329-52.

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Analysis.

Mr. J. E. O'CONNOR, C.I.E.—cont.

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Mr. J. E. O'CONNOR, C.I.E.—cont.

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MR. ALLAN ARTHUR.

Recently President of the Bengal Chamber of Commerce; has been in business in India 21 years; is a member of the Viceroy's Council, 1617-22, 2128.

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MR. FRANCIS CAPEL HARRISON.

Is Accountant-General of Madras, 2393-4.
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MR. JAMES FAIRBAIRN FINLAY, C.S.I. ✓

Is Secretary to the Government of India in the Finance Department, 2489-94.
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 MR. ALEXANDER MARTIN LINDSAY:
 Is Deputy Secretary and Treasurer of the Bank of Bengal, and a Fellow of the Bankers' Institute of London, 3275-8.
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Re-opening of the mints would cause severe fluctuations in prices of exports and imports, and would drive capital out of India; all responsible financial authorities maintain that the Government of India could not be carried on if exchange allowed to fall to 11d. or less, 3341-2, 3694-6, 3713-7.

Re-opening is not expected. It has become evident that Government will be able to support the rupee at 1s. 4d., and the supreme authorities have given positive assurances all along that the mints will not be re-opened, 3338-9, 4277-9, 4286-9.

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Increase of bank resources by issue of fiduciary notes during the busy season would be of great advantage, 3664.

If gold coins and Bank of England notes were put in circulation together, natives would use the coins, not the notes, 4164-70.

Attempt to force gold coin into Government treasuries or into circulation by stringency unaccompanied by convertibility hopeless and hurtful, 4089, 4091-6, 4216-8.

✓ Two currencies, one convertible into sterling the other not, would fluctuate, 3674-5.

✓ It is not probable that a gold currency could be confined to the Presidency towns, or kept, as in Egypt, as a marginal circulation available for export. Gold coins, when put in circulation in India, will disappear into hoards and the internal circulation, and will not be available for export until these other demands are fully met, 3580-2, 3591-2, 3670, 3978, 4057, 4070-4, 4080-6, 4107 4157-60, 4216-8.

Mr. ALEXANDER MARTIN LINDSAY—*cont.*

The establishment and maintenance of a gold currency would be expensive, would disturb the London money market, and might cause fresh appreciation of gold, 3589-96, 3978-81, 4088, 4232-6.

All chambers of commerce in India disapprove of any attempt to introduce gold coins, 4073.

Witness proposes to regulate the quantity and value of the rupee currency by making it interchangeable with sterling money at fixed rates by means of Government drafts with the aid of a gold reserve located in London, so as to prevent the use of gold for currency purposes in India, 4001, 4052.

System of Convertibility into Government Sterling Drafts instead of Gold Coins.

Witness's plan is based upon English legislation of 1819, 3350-8, 3680-1, 3736-44.

Sterling drafts were successfully used in Scotland for over 40 years as the medium of convertibility, and the same system was recommended for adoption in Ireland by the Currency Committee of 1894, 3359-78, 3745-7, 3872-5.

Other precedents, 3601-4.

Rupees may be regarded as metallic notes, 3738-47.

Witness's plan makes the paper or token currency circulate, expand, or contract, as if it consisted of gold coins, 3688-9, 3749-55, 3890.

Witness's plan ensures an ample supply of currency, and keeps the local rates of interest much on a level with those ruling in the great financial and commercial countries, 3306-8, 3429-30, 3693-4, 3697-9, 3704-7, 3840-55, 3942, 3974, 4112-5.

All the gold would be concentrated and kept to meet the demand for export of currency, 3576, 3670, 3733-4, 3772, 3978-83, 3995, 4057, 4300.

Convertibility into sterling drafts instead of gold coins is economical, because the sterling drafts cannot be used as money in India, and a maximum amount of the notes or cheap token coins, consistent with the par rate selected, will remain in circulation, 3576-9, 3589-90, 3607, 3745-7, 3795-7, 3919-20, 3976-8, 3997-9, 4061, 4100-7.

No change whatever will be made in the circulating media, 3380, 4000, 4173-5.

The only change in the currency system will be that it will be possible to convert rupees into Government sterling drafts, as well as sterling into rupees, at a fixed rate, 3380, 3752-5, 3892-4.

India's trade with silver using countries will be benefited, and the gold market will not be disturbed, because silver will be employed to the maximum extent, and gold to the minimum extent consistent with the par rate selected, 3573, 3735, 3747, 3756-9, 3766-7, 4234, 4237, 4301.

The scheme will facilitate Council bill sales, and will maintain a favourable balance of indebtedness, 3425-6, 3772-3, 3787, 3824-39, 3850, 3857-63, 3876-84, 3905-8, 3931-9, 3951, 3961-73, 3956-8, 4008-30, 4050-1, 4119-30.

The scheme is submitted for permanent adoption; but if a gold currency is thought desirable, the scheme might be adopted as a preliminary step. It will enable Government to proceed cautiously and deal with one demand for gold at a time, commencing with the smallest demand, viz., the demand for currency export, 3681, 4067-8, 4175, 4300-4.

It is estimated that the scheme will yield a direct profit of 1,000,000L. per annum, 4303.

Scheme cannot cause exceptional demand in India for purchase of gold, 3448-56 3731-2, 4108-11, 4157-60.

The Government will offer in London rupee drafts for Rs. 15,000 or more at 1s. 4½d., and, in Calcutta and Bombay, sterling drafts for 1,000L. or more at 1s. 3½d., 3382-95, 3763-7, 4034-9.

Gold conversion fund of 10,000,000L. to be borrowed by the Government of India, and deposited as a current account in the Bank of England, 3382, 3756-9, 3768, 4031-3, 4234-8.

Fund will be kept separate from Government balances, and the operations will be conducted by Gold Standard offices in London, Calcutta, and Bombay, 3385-90, 4034-41.

London office; opening balance of 10,000,000L.; mode of replenishing, 3395-8, 3466-9, 3769-70, 3788-89, 4041-5, 4117-8.

Indian Gold Standard Offices, balances of, 3389-93, 3767, 4038.

Mr. ALEXANDER MARTIN LINDSAY—cont.

A conversion fund of 10,000,000*l.*, supplemented, if necessary, by proceeds of melted surplus rupees would contract the rupee currency to extent of 20 crores, and would be sufficient to compel the banks to take measures to attract foreign capital and depress prices, 3399-404, 3437-59, 3528-74, 3850, 3933-42, 4058-60, 4131-43.

Rupee circulation will not be curtailed by proposed melting, because the rupees melted will have been previously withdrawn from circulation by automatic machinery as superfluous. The loss will not be permanent, because silver will be re-purchased when fresh rupees required, 3396-8, 3466-7, 3682-9, 3769, 3783-804, 3838-9, 3887-90, 3943, 4042-5, 4116-8, 4189.

Demands on the gold reserve will be influenced by the conversion rate fixed, 3409, 3542, 3808, 4204, 4270; also by confidence in exchange, 3941.

Imperial Government Guarantee, unnecessary, 3471-2, 3723-4, 4172.

The rates of 1*s.* 4½*d.* and 1*s.* 3¼*d.* will fix the par rate at the level generally expected, but a lower rate might be adopted when the scheme is first introduced, 3405-23, 3718-28, 3811-23, 3922-32, 4002-4, 4062, 4266-97.

The margin of 2 per cent. between the rupee draft and sterling draft rates is the same as the margin between gold export and import points that would rule under a gold coin system. The smaller the margin, the more elastic the currency, 3942, 4152-6, 4171, 4252-5.

Replies to Sir James Westland's Objections—

- 1st objection. That a gold reserve located in London would fail to establish confidence, 4056-7.
- 2nd objection. That the scheme would involve the undertaking of an indefinite liability, 3459, 4058-61, 4100, 4148-51, 4205-15, 4247-9.
- 3rd objection. That the scheme assumes that the redundancy has already been removed, 4061-2.
- 4th objection. That Government control is desirable, 4063-6.
- 5th objection. That the plan is not adapted to the preliminary stage of establishing a gold standard, 4067-8, 4211-6.

Sale of Council bills by weekly tender has a depressing effect on a fluctuating exchange; the Presidency Banks might assist in remitting home charges, but no change necessary if currency made convertible, 4050-1, 4176-80, 4256-61.

Quantitative Theory, 4190-204.

Currency of Brazil, 4194-5.

Currency of United States, 3933-9, 4140-2.

Government of India's Scheme, 3886-9, 3943, 4058-9, 4070-107, 4112, 4144-7, 4205-10, 4240-2.

Mr. L. C. Probyn's Scheme, 4298-300.

✓ Sir HENRY WATERFIELD, K.C.S.I., C.B., AND
Mr. E. B. CAVE-BROWNE, C.S.I.

Sir Henry Waterfield is Financial Secretary to the India Office, 4305; Mr. Cave-Browne is Accountant-General to the India Office, 4306.

Remittances from India now effected by sale of council bills, &c. in London by tender once a week, 4308-18. Intermediate sales of further bills, &c. at higher price, 4308-14, 4328, 4349.

Amount of bills offered weekly varies with seasons, &c., 4319-20, 4345-7, 4349.

System works well and is understood, 4318, 4348-53.

Increase in amount of annual drawings since 1875-76, 4340-4.

Sterling obligations of the Secretary of State for India, and sterling receipts in addition to proceeds of sale of bills on India, 4360-94.

Stoppages of sale of bills in 1893 and 1897, 4330-7.

Expenditure on railways of rupees that accumulated in Government Treasuries in 1893, owing to cessation of sale of bills, 4354-5.

Sterling debt, repayment of, 4356-8; increase of, 4335-9, 4393, 4410.

Charge for exchange, 4396-419.

Mr. THOMAS NORTH CHRISTIE and Mr.
WILLIAM MARTIN LEAKE.

Mr. Christie has resided in Ceylon for 24 years, and owns tea estates and other property there, 4424-6, 4428; represents Chamber of Commerce of Ceylon and Planters' Association of Ceylon, 4572.

Mr. Leake is Secretary of the Ceylon Association in London, 4427.

Mr. THOMAS NORTH CHRISTIE and Mr. WILLIAM MARTIN
LEAKE—cont.

Analysis.

General information and statistics as to tea planting in Ceylon:—

Tea planting is the chief industry of Ceylon, 4442, 4629, 4768-9, 4878-81.

Tea planting was introduced after coffee had failed, 4429, 4590-1, 4630-9, 4790-2.

Tea planting has grown very rapidly, 4430, 4587-91, 4863.

Tea companies and private producers, 4445, 4448, 4450-1, 4655-6, 4747-9, 4798.

The wage-earning labourers are Indian coolies from Madras, 4626-8.

Women and children, labour of, 4598-9.

Acreage now under cultivation, 4431.

There is now little land available for the extension of cultivation, 4868-9.

Annual production of tea in Ceylon, 4432.

Cost of production of tea, 4449-58, 4509-21, 4605-8, 4750-2, 4817-52.

Price of Ceylon tea landed in London has fallen of late, 4433-4, 4464-75, 4860-1.

Exports of tea from Ceylon, 4476-500, 4523-6, 4540, 4756-7, 4911-24.

Over production of tea, 4586, 4643, 4757, 4883.

Profit on production of tea, and dividends earned by tea companies, 4527-31, 4730-9, 4747-9, 4960-2.

Capital value of tea estates in Ceylon, 4522, 4657-63, 4731-6, 4900-5.

While exchange was falling the capital value of tea estates rose, 4901-4.

Currency of Ceylon:—

Currency of Ceylon is the Indian rupee with local subsidiary decimal coinage, 4435-40.

Indian currency was voluntarily adopted by Ceylon, 4574.

Practically impossible for Ceylon to adopt a different standard from that of India, 4585, 4700.

Influence on Ceylon of fall in exchange before June 1893:—

Prosperity of Ceylon before June 1893, 4441-2.

Fall in the exchange value of the rupee benefited producers, because produce is sold for sterling, and expenditure is fixed in rupees, 4443-4, 4501-7, 4538, 4611-4, 4793-5, 4925-6, 4932-5.

Wages did not rise in Ceylon while exchange was falling, 4445, 4504, 4592-604, 4609-10, 4708-29, 4740-2, 4753-5, 4795-7.

The market price of the rice which the tea planters supply to the coolies at a fixed rate has risen slightly, 4710-25, 4856-9.

The fall in exchange did not necessitate increased taxation in Ceylon, nor cause embarrassment to the Government of Ceylon, 4701-5.

Direct taxation in Ceylon is light, 4770.

Fluctuation in the exchange value of the rupee:—

Fluctuations in exchange unimportant, 4532-4, 4536-9, 4667-8, 4766-7.

Fluctuations in exchange do not prevent the influx of capital, 4780-4, 4786, 4788-905.

Effects on the Ceylon tea industry of the closing of the Indian mints:

(1) Direct effect: the cost of production is increased in consequence of the rise in the exchange value of the rupee, because that part of the sterling price which is remitted to India to pay wages, &c. realises fewer rupees, 4465.

(2) Indirect effect: tea producing countries which are on a silver basis are favoured in competition with Ceylon by the divergence between the value of silver and the exchange value of the rupee, 4465, 4799-800.

Competition with China: before the closing of the Indian mints, Ceylon, competing on equal terms with China, drove her out of the English market, nor is it feared that she will regain that market, but the closing of the mints has prevented Ceylon from driving her out of other markets, 4541-58, 4615-25, 4640-2, 4644-54, 4682-73, 4688-99, 4753-60, 4883-96. Duty on tea in China, 4761-4.

Competition with Japan: Japan benefits in competition with India and Ceylon, in consequence of the low value at which silver is rated in the Japanese currency, 4801.

Analysis.

Mr. THOMAS NORTH CHRISTIE and Mr. WILLIAM MARTIN LEAKE—cont.

The disadvantages under which Ceylon labours in competing with countries on a silver basis have compelled the Ceylon planters to accept a lower price for their tea, 4465, 4558, 4586-643, 4853-5. Stringency of the money market in Ceylon, 4664-6, 4765-72, 4787-8, 4805-8, 4862, 4899.

The effect of the closing of the mints were at first slight, but since the exchange value of the rupee has reached the vicinity of 1s. 4d. the profit on cultivation has decreased, capital has left Ceylon, and the extension of cultivation has been checked, 4461-3, 4559-64, 4784, 4864-6, 4900.

Owing to the conditions of the production of tea, the effect of diminution of profit in checking exports shows itself slowly, 4771-926.

The present currency system in India and proposed modifications :—

A continuation of the present currency system in India would strangle the producing interests in Ceylon, 4535, 4560.

Objections to the proposals of the Government of India, 4813-5.

Objections to a gold standard which would artificially raise the value of the rupee, 4565-71, 4802-3.

Views of witness as to measures that should be adopted :—

A reversion to a system of currency based on the bullion value of silver would be revolutionary, 4572.

Witness is in favour of re-opening the Indian mints and imposing a fixed import duty on silver and a fixed seignorage on the rupee, 4572-85, 4811-2, 4816, 4870-7, 4936-51.

If an export duty were imposed in India, the Ceylon tea planters would be willing to bear a similar duty, 4897-8.

Amount and nature of Ceylon's gold obligations, 4897, 4928-30.

Balance of trade between Ceylon and Great Britain, 4931.

India does not lose by a fall in exchange, 4674-87.

MR. CHARLES STEWART COX.

Is an Indian merchant and broker, 4963-9.

Evils of fluctuating exchange while Indian mints were open, 4970-4, 5046.

Effects of closing mints, 4975-4983.

Loanable capital withdrawn from India, 4995-5008.

Disappointment with specific proposals of Government, 4984-8, 5044-5, 5051.

Disastrous to re-open mints, 4989-91.

Fixity of exchange at 16d. required, 4992, 5092.

Convertibility necessary, 5062-4, 5117.

Scarcity not of currency, but of loanable capital in India, 5009-16, 5106, 5119-29.

Jute, export statistics, 5023-33.

Jute, Dundee benefited by high exchange, 5162, 5165.

Jute and rice, production not affected by exchange, 5022, 5035, 5048-50.

Rice, export statistics, 5034.

Elements of mercantile transaction (cost, freight, exchange, sale price), 5130-44, 5169-74.

Fall in exchange lowers sterling prices, 5085-7, 5090, 5147-9.

Hon. Sir WALTER HELY-HUTCHINSON, G.O.M.G. :

Is Governor of Natal, with 24 years' experience in the Civil Service, 5183-6.

Approves Mr. Lindsay's scheme with modifications, 5278.

Witness's proposed modifications are two, 5191.

(1.) An unlimited Imperial guarantee, 5192, 5231, 5255, 5263, 5310, 5362.

(2.) Gold not to be legal tender in India, 5193-5203. Rupees would be metallic notes obtainable, like Bank of England notes, for gold only, 5211-20, 5226, 5236, 5279.

Contraction and expansion of currency thereby automatic, 5216, 5259, 5290.

Amount and influence of rupee hoards, 5256-60, 5287, 5315-6, 5351-9.

Government might resort for remittance to the gold standard office, 5275.

Hon. Sir WALTER HELY-HUTCHINSON, G.C.M.G.—cont.

Exchange the result, not cause, of balance of trade, 5247-49.

Assumes 16d. rate, 5318, 5369-5373.

Silver standard the only alternative to a gold standard, 5337.

SIR EDGAR VINCENT, K.O.M.G.

Was formerly Financial Adviser to the Egyptian Government, and Governor of the Ottoman Bank, 5374.

Egypt:

Egyptian system is gold standard and currency, with subsidiary silver, now limited in amount by Government, 5376-98, 5416-21.

Cotton the chief export, 5425, 5469, 5610-12.

Discount rates in busy and slack seasons, 5400-3.

Heavy indebtedness of Egypt compared with other countries, 5404, 5412-5, 5595.

Annual flow of gold to and from Egypt, 5392, 5404, 5415.

General consideration regarding currency and trade in Egypt, 5422-35.

Egypt has not borrowed since 1887, 5598, 5641-43.

Egyptian currency system has worked well, 5421, 5642.

Foreign capital always available in Egypt, 5585.

Turkey:

Turkish monetary system, 5436-44, 5451-9.

Points of similarity between Turkey and India are: large over-valued silver currency and heavy indebtedness, 5446.

Gold currency of Turkey is entirely automatic, 5463.

General considerations regarding Turkish trade as compared with India, 5466-9.

Demand for currency in Egypt more sudden than in India or Turkey, 5469.

India:

Gold standard and currency desirable for India, 5470-3, 5715.

The system should be automatic and should require a minimum of Government interference; proposal to make sovereign legal tender in India, 5473, 5476, 5484-6, 5516, 5572.

Bank of England notes might be made legal tender in India as well as sovereigns, 5487-9, 5568-76, 5636-40, 5715.

Would maintain the rupee as full legal tender for all sums, 5614.

Rupees still redundant, as measured by exchange, 5475, 5484, 5492, 5629-30, 5633.

Is against melting down rupees except under very special circumstances, 5499-502.

Danger of increased hoarding of gold has been exaggerated, 5474, 5487.

Reasons why gold has not hitherto been imported into India, 5475.

Criticises the present method of Indian Government of keeping large balances in spring and small balances in autumn, 5478-83, 5531-8, 5565, 5662-73.

Differs from Mr. Lindsay on certain points, 5490-5, 5546.

Proposed modifications of Mr. Lindsay's scheme by limiting liability and making gold legal tender, 5495-7, 5543-9.

Advices creation of Exchange Equalization Fund of 10 or 15 crores, to work automatically whenever exchange fell to 1s. 3d. by withdrawing from circulation 10 or 15 crores of rupees, 5496-8, 5545-9.

Method of utilising currency reserves in place of new borrowing, 5498, 5550-60.

In view of increase of world's production of gold, would not regard with alarm absorption of gold by India, 5508.

Question of 1s. 4d. as opposed to 1s. 3d. or 1s. 5d. left to consideration of those with local experience; onus of proof on opponents of 1s. 4d., 5509, 5539-42, 5692, 5709-10.

Objection to system of drawing Council bills, 5511-5.

Fluctuation of exchange a great evil, especially if without a maximum and minimum, and if irregular, 5622.

Exchange fluctuations cause of recent stringency in Indian money market, 6634.

Sir EDGAR VINCENT, K.C.M.G.—*cont.*

Exchange a measure of the redundancy of currency, 5629.
 Exchange depends much less upon exports and imports than upon the relation between currency demands and supplies, 5687-9.
 Would consider re-opening of mints as disastrous, 5705-6.
 Is in favour of continuation of present measures in India, with proposed modifications, 5704, 5715.

Sir ANTONY PATRICK MACDONNELL, G.C.S.I.

Has had 32 years' service in various parts of India, and is now Lieutenant-Governor of the North-West Provinces and Chief Commissioner of Oudh, 5716-7.
 Rise of prices of food-grains in N.W. Provinces after 1885, and still more after 1893, 5721-9, 5774, 5797-9, 5900, 5910.
 Railways maintain prices, 5729, 5799, 5814.
 Rents follow prices slowly, 5748, 5909.
 Wages, rise in, 5780-3.
 Taxation of N.W. Provinces, 5858-84.
 Land Revenue, mode of assessment of, 5734-45, 5800-10, 5824-7, 5904.
 " " based on, and varying with, landlord's rent, 5737, 5743, 5902.
 " " assessments cannot be raised without breach of faith before settlements fall in, 5860, 5869, 5875, 5889-90.
 " " yield would not be increased by fixing rupee at 14s., 5892, 5912.
 Volume of currency ample for internal trade in N.W. Provinces and Oudh, 5750-2, 5844-57, 5898-9, 5903.
 Native bankers (Mahajans and bunneahs), 5753-64, 5834, 5893-5.
 Silver ornaments, 5765-71, 5783-7, 5834-43, 5885.
 16s. or a higher exchange, not harmful to agriculture, 5747, 5774-7, 5791-2, 5796, 5805, 5823, 5829.
 Tea-planters' interests subordinate to, and dependent on, maintenance of Empire, 5795-6, 5874.
 Re-opening mints would increase taxation, 5778-80, 5791.
 Grave political danger of increasing taxation, 5780-2, 5791-6, 5867-71, 5882-4.

Mr. STEPHEN AUGUSTUS RALLI.

Is a member of the firm of Messrs. Ralli Brothers, which was established in 1851, and carries on a large import and export business with India, 5915-6, 6104-8.
 The capital of the firm was placed on a sterling basis in 1873, 6290-2.
 The firm was opposed in 1893 to the closing of the mints; some members of the firm are now in favour of the policy of the Government; witness does not share this view, 5916, 6302-5, 6320.

Effects of a low exchange:—

Low exchange encourages production and stimulates the export trade, because it enables the producer to get a better price for his produce, 5923-6, 5938, 5998-6000, 6144-66, 6260-89, 6298.
 It causes an increase in the amount of exports required to meet the gold obligations of India, 5996-9.
 It increases the rupee price of imports, but also increases the purchasing power of the people, 6167-73, 6319.
 It enables India to compete with other countries which are at a higher stage of development, 6123, 6267, 6272, 6276-7.
 The chief advantage of a fall in exchange goes to the producer, 5938, 5948-9, 5951, 6266, 6275-84.
 Agricultural wages have risen to some extent, while exchange has been falling, 5939-42, 5950.
 A fall in exchange is of no advantage to the merchant, 5943-7, 6087-98.
 Low exchange gives a profit on wages, 6138, 6166.
 Cheap labour, India's only advantage in competition, 6123.

Effects of a high exchange:—

High exchange increases the cost of production in India, 5989, 6038, 6112-7.
 High exchange places India at a disadvantage in competing with China and Japan, 5990, 6135.

Mr. STEPHEN AUGUSTUS RALLI—*cont.*

High exchange has injured the tea trade, 5991-5.
 High exchange is practically a tax on industry, 6137-9.
 High exchange tends to check the extension of cultivation, 6027, 6031, 6044, 6391-404.
 High exchange has checked exports from India, 6032-7, 6039-44, 6299-301.
 High exchange, together with high rates of discount, tends to destroy a favourable balance of trade, and to make it difficult for India to pay her foreign debt, 6306-7, 6328-52.

Effect of instability of exchange:—

Instability of exchange has not prevented the flow of capital to India, 6049-52, 6099-102.
 Does not interfere with trade, 6110.
 A stable rate of exchange is impossible in India, 5937.
 Currency was not redundant in 1893, 5917-21, 5923-32, 6206-19, 6368.

Effects of the closing of the mints:

The currency is now insufficient for the requirements of trade, 5923, 5957, 6053-8, 6073-86, 6142-3, 6177, 6220-1, 6233-46, 6369.
 Messrs. Ralli Brothers have been able to secure sufficient currency to enable them to carry on their transactions, 6178-82, 6222-32, 6247-56.
 A crisis has been caused in India, 6028-30.
 Dissatisfaction in India, 6118.
 Want of confidence as to the future value of the rupee, 5961, 5967-70.
 Deterioration of the credit of the Government of India, as shown by the price of the India 2½ per cent. sterling loans, 5962-6, 6405-16.
 Illicit coinage, 6065-72, 6377-86.
 Evils of an artificial currency, 6196-203, 6309.
 If the currency policy of the Government is maintained, a very severe crisis will ensue, 6173-4, 6183-4, 6370-6.

Proposals for the introduction of a gold standard:

Witness is not opposed to a gold standard for India, if it were practicable, and if the rupee were rated sufficiently low; but a gold currency is not suitable for India, and a gold standard would break down, 5984-8, 6118, 6310, 6359-67.
 The best method of introducing a gold standard, if it were practicable, would be to make the rupee convertible into gold, and to establish a large gold fund in India for the purpose, 6118.
 Contraction of the rupee currency, as proposed by Government of India, would intensify existing difficulties, 6119, 6124-34.

Future currency policy:—

Witness is in favour of the re-opening of the mints by a gradual process, and is confident that that policy will eventually be adopted, 5971-3, 6117, 6308.
 As a first step towards the re-opening of the mints the Government of India should undertake to issue rupees in exchange for gold, at 1s. 2d. the rupee, instead of at the existing rate of 1s. 4d., 5979-83, 6025-6, 6028, 6045-8, 6124, 6136, 6353.
 The existing rate of 1s. 4d. has been prejudicial to Indian trade, 6027-37.
 The existing rate of 1s. 4d. is less favourable to gold than the bazaar rate, 6354-8.

Probable effects of re-opening the mints:—

Exchange would probably fall to 12½d., 5973, 6012-24, 6140-1.
 The cost of production of silver would prevent exchange from falling below a certain point, 5952-6, 6059-64.
 The ratio between gold and silver that has been adopted in Japan would not affect the exchange value of the rupee if the Indian mints were re-opened, 5974-8.

Loss to Government through re-opening of mints:—

If the mints were re-opened, the exchange would fall, and the loss to Government should be made up by the increase of existing taxation or the imposition of new taxes, 6001-4.
 The import duties might be trebled and the countervailing excise duties proportionately increased, 6004-9, 6125-33, 6311-9.
 Export duties might be imposed, 6010-1, but not on tea, 6135.

Analysis.

MR. HENRY LEWIS RAPHAEL:

Is a foreign banker of nearly 50 years' practical experience, 6420-3.
 Mint closed in 1893 from fright, 6425.
 Indian Government ought to have provided against fall in exchange by fixing land revenue in sterling, 6426-32, 6510.
 Indian Government has assumed a responsibility, which a Government should not assume, for regulating currency, 6433-9.
 Closure of mints highly injurious to India, 6440, 6597-9.
 Favours re-opening of mints, if extra taxation is possible, 6441-6, 6496, 6513.
 Condemns Indian Government proposals, 6447, 6452, 6491-2, 6529.
 Currency of France, 6448-51.
 Gold currency for India impossible because of cost, 6453-5, 6463-5, 6472.
 Gold standard without gold currency the only possibility, 6456, 6458, 6485, 6517.
 Objects to withdrawal of silver under Mr. Lindsay's scheme, 6456-8, 6533-3.
 Rupee currency not too large now and will require increase, 6456, 6459.
 Proposes a gold standard scheme, under which the Government of India would establish fixity of exchange, by undertaking to buy and to sell transfers in England at any time at the rate of 1s. 4d., charging $\frac{1}{2}$ per cent. commission each way, 6459-62, 6480, 6572-6.
 Reserve in London in the form of a credit to issue Treasury bills up to 15,000,000L., with perhaps 5,000,000L. in gold in addition, to secure the London money market against disturbance in time of stringency, 6459, 6508-9, 6519-21, 6606.
 This scheme would preclude re-opening of mints, 6515.
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SIR SAMUEL MONTAGU, BART., M.P.

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MR. EDWARD CLOUSTON.

Is General Manager of the Bank of Montreal, 6754-7.
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MR. LESLEY CHARLES PROBYN.

Was 25 years in the service of the Government of India; highest post Accountant-General of Madras, 6818.
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Mr. LESLIE CHARLES PROBYN—cont.

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Mr. ROBERT STEEL, C.S.I.

Was a merchant in India for 27 years, was a member of the Viceroy's Legislative Council, President of the Bengal Chamber of Commerce, and member of the Calcutta Port Trust, 7056-8.

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Mr. GRANVILLE LOWTHER ACWORTH.

Has had 20 years experience of India; was formerly Chairman of, and represents, the United Planters' Association of South India, which includes planters of tea, coffee and cinchona, 7350-7.

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Mr. GRANVILLE LOWTHER ACWORTH—cont.

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THE LORD ROTHSCHILD.

Approved of closing mints in 1893, 7610, 7692-4, 7740-3.

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Sir FRANK FORBES ADAM, C.I.E.

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Mr. HENRY COKE :

Connected for 30 years with Messrs. David Sassoon & Co., 7997-8000.
 Was in favour in 1876 and 1893 of closing mints, 8001-4, 8126.
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Mr. EWEN CAMERON :

Is an eastern banker of 30 years' experience, 8171-5.
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